Investor Update

Fiscal Year 2019

FranklinCovey®

Forward-looking Statements / Non-GAAP

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based upon management’s current expectations and are subject to various risks and uncertainties including, but not limited to: The ability of the Company to stabilize and grow revenues; The acceptance of, and renewal rates for the All Access Pass; The ability of the Company to hire productive sales professionals; General economic conditions; Competition in the Company's targeted marketplace; Market acceptance of new products or services and marketing strategies; Changes in the Company's market share; Changes in the size of the overall market for the Company's products; Changes in the training and spending policies of the Company's clients, and other factors identified and discussed in the Company's most recent Annual Report on Form 10-K and other periodic reports filed with the Securities and Exchange Commission. Many of these conditions are beyond our control or influence, any one of which may cause future results to differ materially from the Company's current expectations, and there can be no assurance the Company's actual future performance will meet management's expectations. These forward-looking statements are based on management's current expectations and we undertake no obligation to update or revise these forward-looking statements to reflect events or circumstances after the date of today’s presentation, except as required by law.

The Securities and Exchange Commission‘s Regulation G applies to any public disclosure or release of material information that includes a non-GAAP financial measure. In the event of such a disclosure or release, Regulation G requires: (i) the presentation of the most directly comparable financial measure calculated and presented in accordance with GAAP and (ii) a reconciliation of the differences between the non-GAAP financial measure presented and the most directly comparable financial measure calculated and presented in accordance with GAAP. The required presentations and reconciliations are contained herein and can be found at our website at www.franklincovey.com.

FranklinCovey uses the non-GAAP financial measure “earnings before interest, taxes, depreciation and amortization” (“EBITDA”) to assess the operating results and effectiveness of the Company’s ongoing training and consulting business. In addition, the Company also uses the non-GAAP financial measure “Adjusted EBITDA” as a representation of the Company‘s operating performance. Adjusted EBITDA is defined as pre-tax net income (loss), plus depreciation and amortization, net interest income (expense), and special charges, such as the gain on the sale of the Japan Products division in Fiscal 2010, restructuring costs, and asset impairment changes. The Company finds these non-GAAP financial measures to be useful when evaluating its operating and financial performance. These nonGAAP financial measures may not be comparable to similar measures used by other companies and should not be used as a substitute for revenue, net income (loss) or other GAAP operating measures.

Expectations for Growth in Adjusted EBITDA & Cash Flow FY19

	FY19 Guidance (in constant currency)	**FY19 Actual (in constant currency)**	FY19 Actual as Reported
Adjusted EBITDA	$18-22M	**$21.6M**	$20.6M
Adjusted EBITDA + Change in Deferred Revenue	$30-34M	**$31.3M**	$30.3M
Net Cash Generated	$18-22M	**$22.2M**	$22.2M
Cash flow from operating activities	n/a	**n/a**	$30.5M

Note: Adjusted EBITDA is a non-GAAP financial measure; please see Appendix for additional information.

Three Factors

FACTOR 1

A PERCENT OF EVERY DOLLAR OF SALES GROWTH IS FLOWING-THROUGH TO INCREASES IN ADJUSTED EBITDA & CASH FLOW

+

FACTOR 2

SUBSCRIPTION REVENUE IS GROWING RAPIDLY, IS STICKY, AND CREATING SIGNIFICANT & DURABLE LIFETIME CUSTOMER VALUE

+

FACTOR 3

WE ARE AGGRESSIVELY TAKING ADVANTAGE OF A COMPELLING SALES FORCE EXPANSION OPPORTUNITY

=

HIGH RATES OF GROWTH IN ADJUSTED EBITDA AND CASH FLOW

Targets

2019
Reported Adj EBITDA: $18-22M
Net Cash Generated: $18-22M

2020
Reported Adj EBITDA: $27-32M
Net Cash Generated: $25-30M

2021
Reported Adj EBITDA: $36-41M
Net Cash Generated: $35-39M

2022
Reported Adj EBITDA: $45-50M
Net Cash Generated: $44-49M

Note: Adjusted EBITDA and Operating SG&A are non-GAAP financial measures. Please see the appendix for additional information.

FACTOR 1

A PERCENT OF EVERY DOLLAR OF SALES GROWTH IS FLOWING-THROUGH TO INCREASES IN ADJUSTED EBITDA & CASH FLOW

- High Single Digit Revenue Growth
- High Gross Margins
- SG&A Declining as a Percent of Sales
- Accelerated Growth in Adjusted EBITDA

+

FACTOR 2

SUBSCRIPTION REVENUE IS GROWING RAPIDLY, IS STICKY, AND CREATING SIGNIFICANT & DURABLE LIFETIME CUSTOMER VALUE

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FACTOR 3

WE ARE AGGRESSIVELY TAKING ADVANTAGE OF A COMPELLING SALES FORCE EXPANSION OPPORTUNITY

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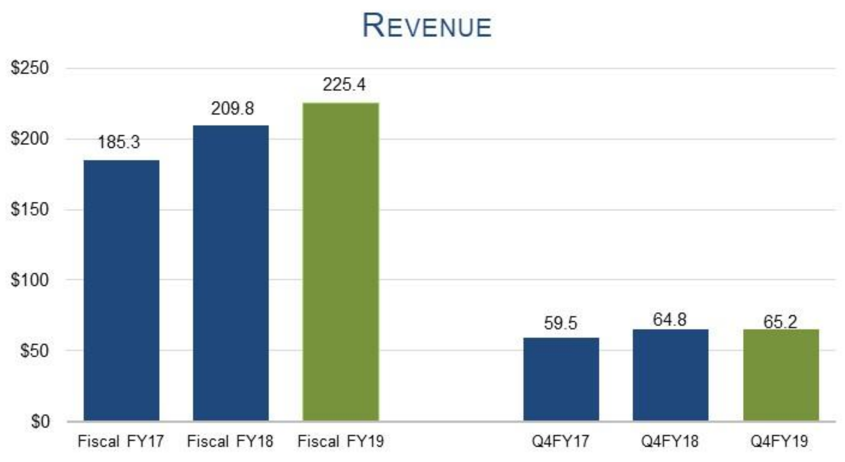
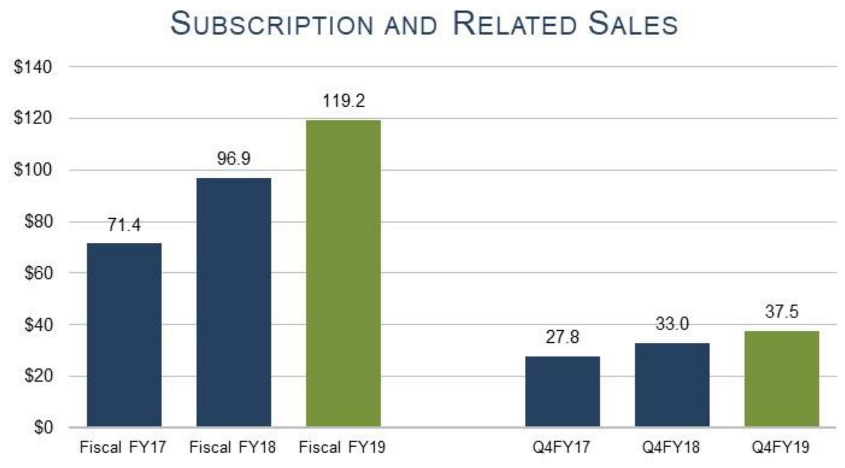
HIGH RATES OF GROWTH IN ADJUSTED EBITDA AND CASH FLOW

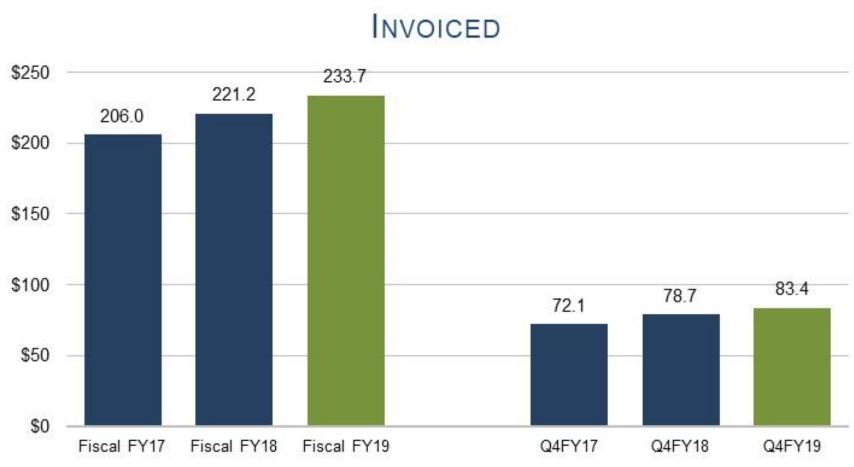
FACTOR 1

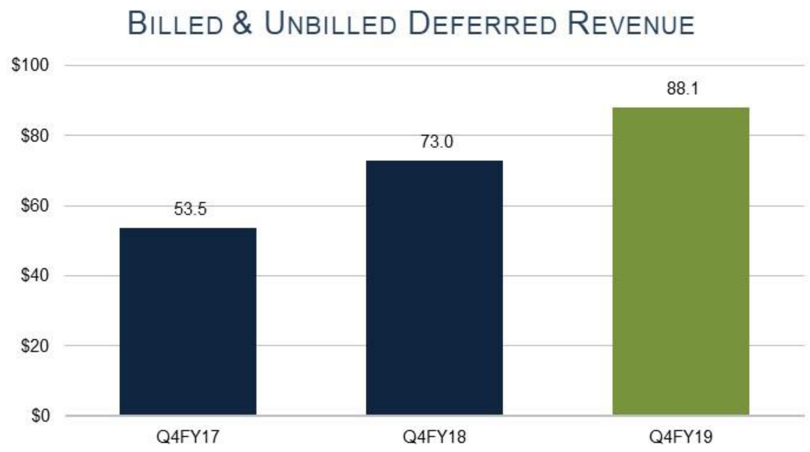
Franklin Covey: High Flow-Through of Revenue Growth

(in millions and unaudited)









Key Points

- Subscription accounting for the large amount of subscription sales in the 4^{th} quarter, meant that very little of that Contracted and Invoiced Revenue is recognized in the 4^{th} quarter.
- Fluctuations in foreign currency had a $2.0M and $1.0M negative impact on fiscal 2019 Reported Sales and Adjusted EBITDA, respectively. In constant currency Reported Sales grew 8.4% and Adjusted EBITDA increased 81.4%.

Franklin Covey – Financial Summary

(in millions and unaudited)

Financial Summary	Fiscal 2019	Fiscal 2018	chg	%	Q4 19	Q4 18	Chg	%
Sales	**225.4**	**209.8**	**15.6**	**7.4%**	**65.2**	**64.8**	**0.3**	**0.5%**
Cost of Sales	66.0	61.5	4.6	7.4%	17.7	17.1	0.6	3.6%
Gross Profit	**159.3**	**148.3**	**11.0**	**7.4%**	**47.5**	**47.8**	**(0.3)**	**-0.5%**
Gross Profit %	70.7%	70.7%	0 bps		72.9%	73.7%	-79 bps	
Operating SG&A	138.7	136.4	2.3	1.7%	34.1	36.4	(2.3)	-6.3%
Operating SG&A %	61.6%	65.0%	348 bps		52.3%	56.2%	384 bps	
Adjusted EBITDA	**20.6**	**11.9**	**8.7**	**73.5%**	**13.4**	**11.4**	**2.0**	**18.0%**

Key Points

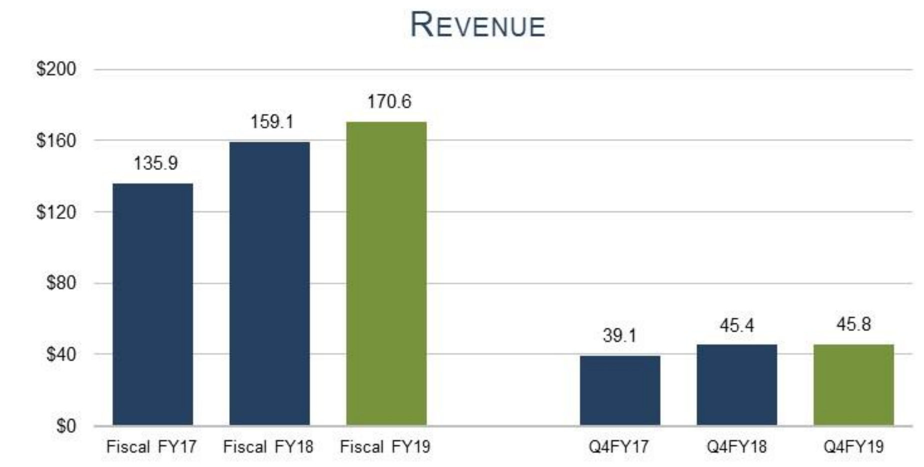
- Subscription accounting for the large amount of subscription sales in the 4th quarter meant that very little of that Contracted and Invoiced Revenue is recognized in the 4th quarter.
- Fluctuations in foreign currency had a $2.0M and $1.0M negative impact on fiscal 2019 Reported Sales and Adjusted EBITDA, respectively. In constant currency Reported Sales grew 8.4% and Adjusted EBITDA increased 81.4%.

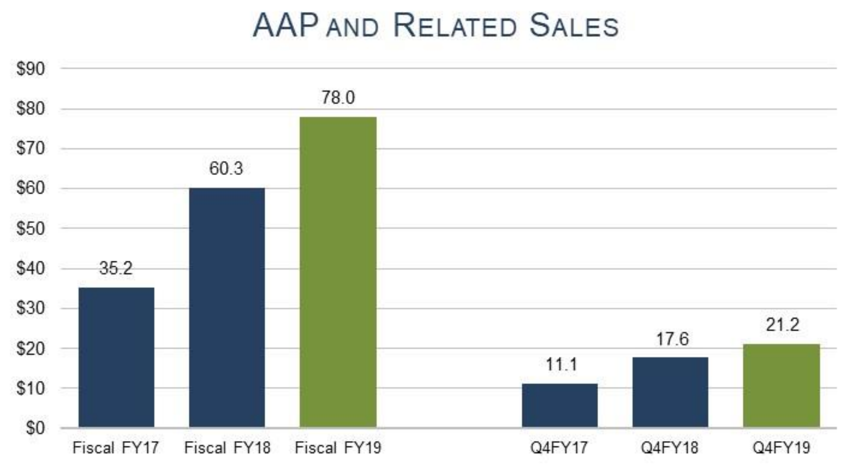
Note: Adjusted EBITDA and Operating SG&A are non-GAAP financial measure; please see Appendix for additional information. Amounts may not total due to rounding.

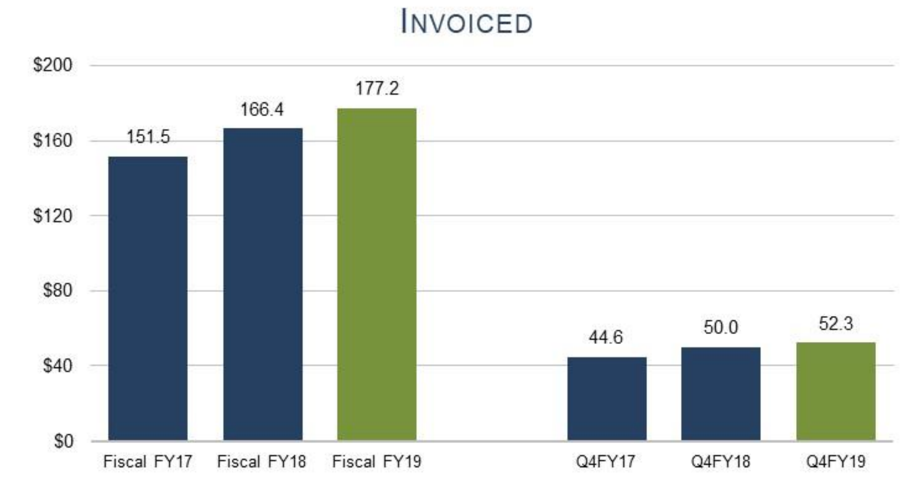
FACTOR 1

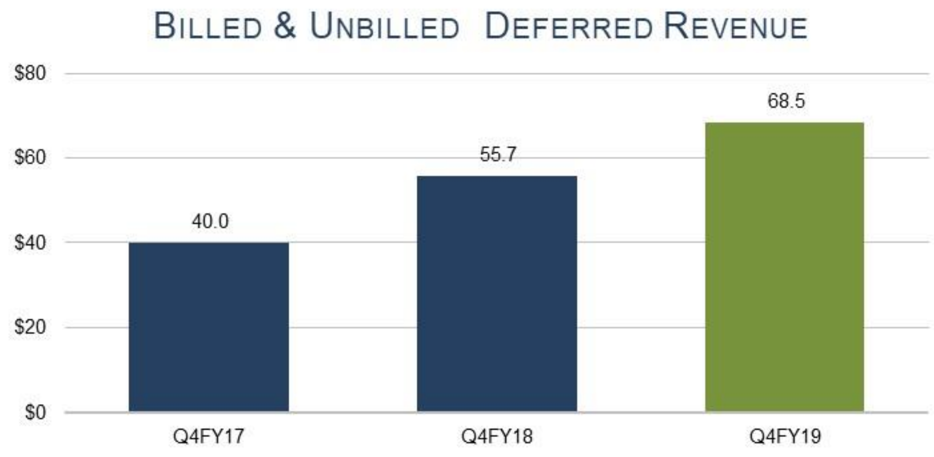
Enterprise: High Flow-Through of Revenue Growth

(in millions and unaudited)









Key Points

- Subscription accounting for the large amount of subscription sales in the 4th quarter meant that very little of that Contracted and Invoiced Revenue is recognized in the 4th quarter.
- Fluctuations in foreign currency had a $1.8M and $0.8M negative impact on fiscal 2019 Reported Sales and Adjusted EBITDA, respectively. In constant currency Sales increased 8.4% and Adjusted EBITDA increased 43.5%.

Enterprise Division - Financial Summary

(in millions and unaudited)

	Fiscal 2019	Fiscal 2018	Chg	%	Q4FY19	Q4FY18	Chg	%
Sales	**170.6**	**159.1**	**11.5**	**7.2%**	**45.8**	**45.4**	**0.4**	**0.8%**
Cost of Sales	43.7	40.9	2.7	6.6%	10.5	10.7	(0.2)	-2.0%
Gross Profit	**127.0**	**118.2**	**8.8**	**7.5%**	**35.2**	**34.7**	**0.6**	**1.7%**
Gross Profit %	74.4%	74.3%	15 bps		77.0%	76.4%	65 bps	
Operating SG&A	101.5	99.8	1.6	1.6%	24.6	26.5	(1.9)	-7.2%
Operating SG&A %	59.5%	62.7%	329 bps		53.7%	58.3%	465 bps	
Adjusted EBITDA	**25.5**	**18.3**	**7.2**	**39.2%**	**10.7**	**8.2**	**2.5**	**30.5%**

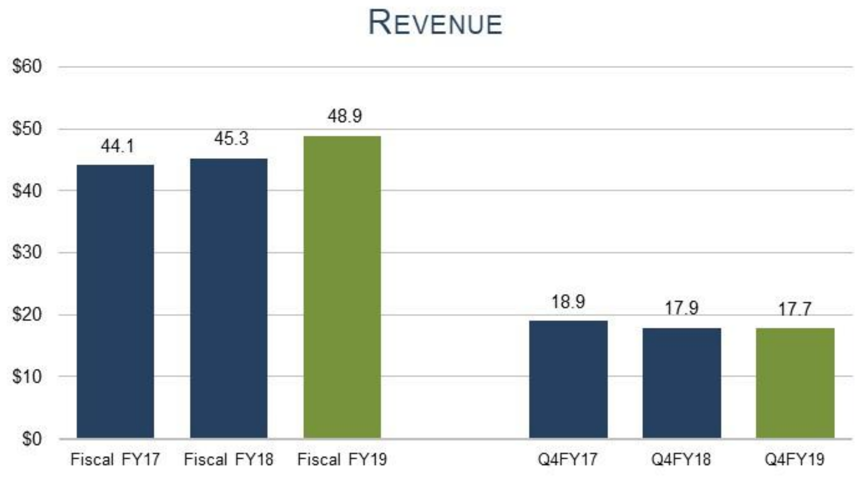
Key Points

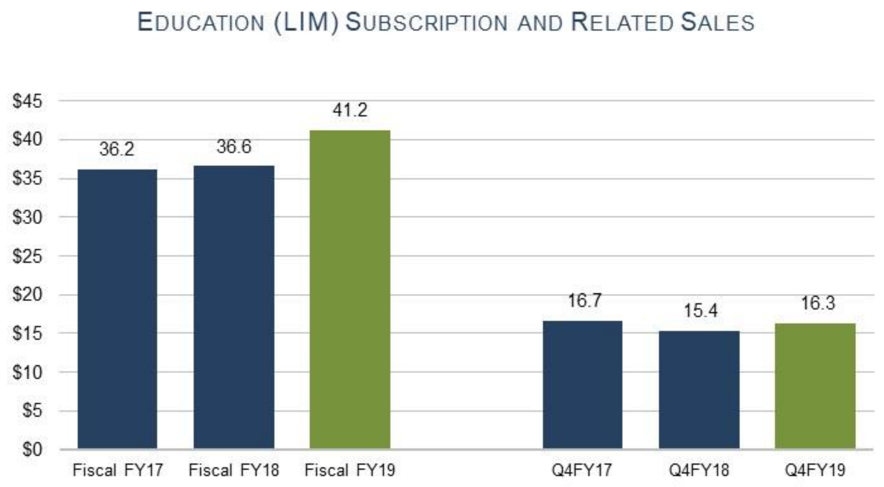
- Subscription accounting for the large amount of subscription sales in the 4th quarter meant that very little of that Contracted and Invoiced Revenue is recognized in the 4th quarter.
- Fluctuations in foreign currency had a \$0.2M and \$0.2M negative impact on fiscal 2019 Reported Sales and Adjusted EBITDA, respectively. In constant currency Sales increased 8.4% and Adjusted EBITDA increased 37.0%.

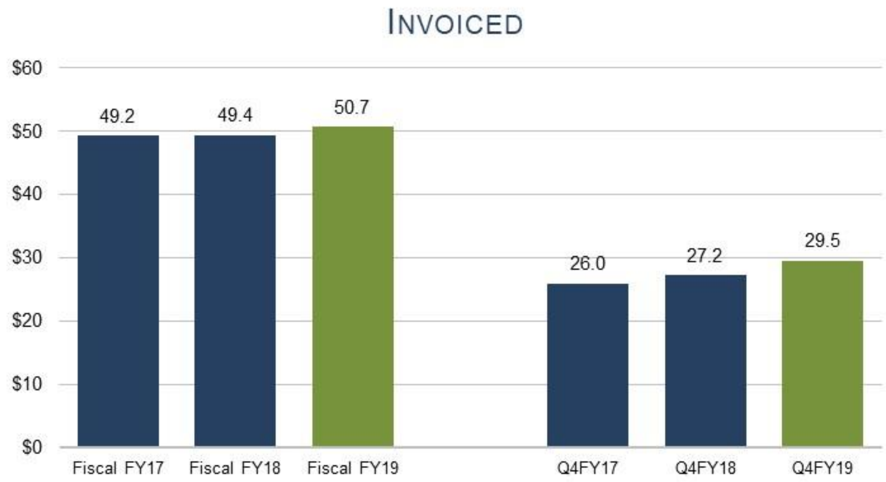
Note: Adjusted EBITDA and Operating SG&A are non-GAAP financial measure; please see Appendix for additional information. Amounts may not total due to rounding.

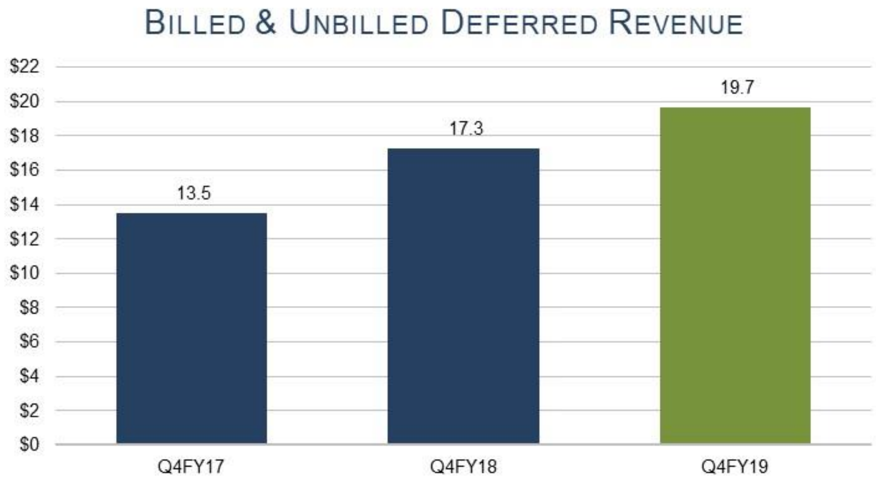
Education: High Flow-Through of Revenue Growth

(in millions and unaudited)









Key Points

- Subscription accounting for the large amount of subscription sales in the 4th quarter meant that very little of that Contracted and Invoiced Revenue is recognized in the 4th quarter.
- Fluctuations in foreign currency had a $0.2M and $0.2M negative impact on fiscal 2019 Reported Sales and Adjusted EBITDA, respectively. In constant currency Sales increased 8.4% and Adjusted EBITDA increased 37.0%.

Education Division - Financial Summary

(in millions and unaudited)

	Fiscal 2019	Fiscal 2018	Chg	%	Q4FY19	Q4FY18	Chg	%
Sales	**48.9**	**45.3**	**3.6**	**8.0%**	**17.7**	**17.9**	**(0.1)**	**-0.6%**
Cost of Sales	18.5	16.6	1.9	11.4%	6.0	5.3	0.7	14.1%
Gross Profit	**30.4**	**28.7**	**1.7**	**6.0%**	**11.7**	**12.6**	**(0.9)**	**-6.8%**
Gross Profit %	62.1%	63.3%	-115 bps		66.0%	70.4%	-440 bps	
Operating SG&A	26.8	25.9	0.9	3.4%	6.8	7.0	(0.2)	-2.3%
Operating SG&A %	54.9%	57.3%	244 bps		38.3%	39.0%	66 bps	
Adjusted EBITDA	**3.6**	**2.7**	**0.8**	**31.1%**	**4.9**	**5.6**	**(0.7)**	**-12.4%**

Key Points

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Note: Adjusted EBITDA and Operating SG&A are non-GAAP financial measure; please see Appendix for additional information. Amounts may not total due to rounding.

FACTOR 1

A PERCENT OF EVERY DOLLAR OF SALES GROWTH IS FLOWING-THROUGH TO INCREASES IN ADJUSTED EBITDA & CASH FLOW

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FACTOR 2

SUBSCRIPTION REVENUE IS GROWING RAPIDLY, IS STICKY, AND CREATING SIGNIFICANT & DURABLE LIFETIME CUSTOMER VALUE

- Subscription and Related Sales Grew Rapidly
- Retained Substantially all of the Subscription & Related Revenue
- Created Significant Life-Time Customer Value

+

FACTOR 3

WE ARE AGGRESSIVELY TAKING ADVANTAGE OF A COMPELLING SALES FORCE EXPANSION OPPORTUNITY

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HIGH RATES OF GROWTH IN ADJUSTED EBITDA AND CASH FLOW

FACTOR 2

Strong Subscription Growth

23%
Total Subscription & Related Revenue

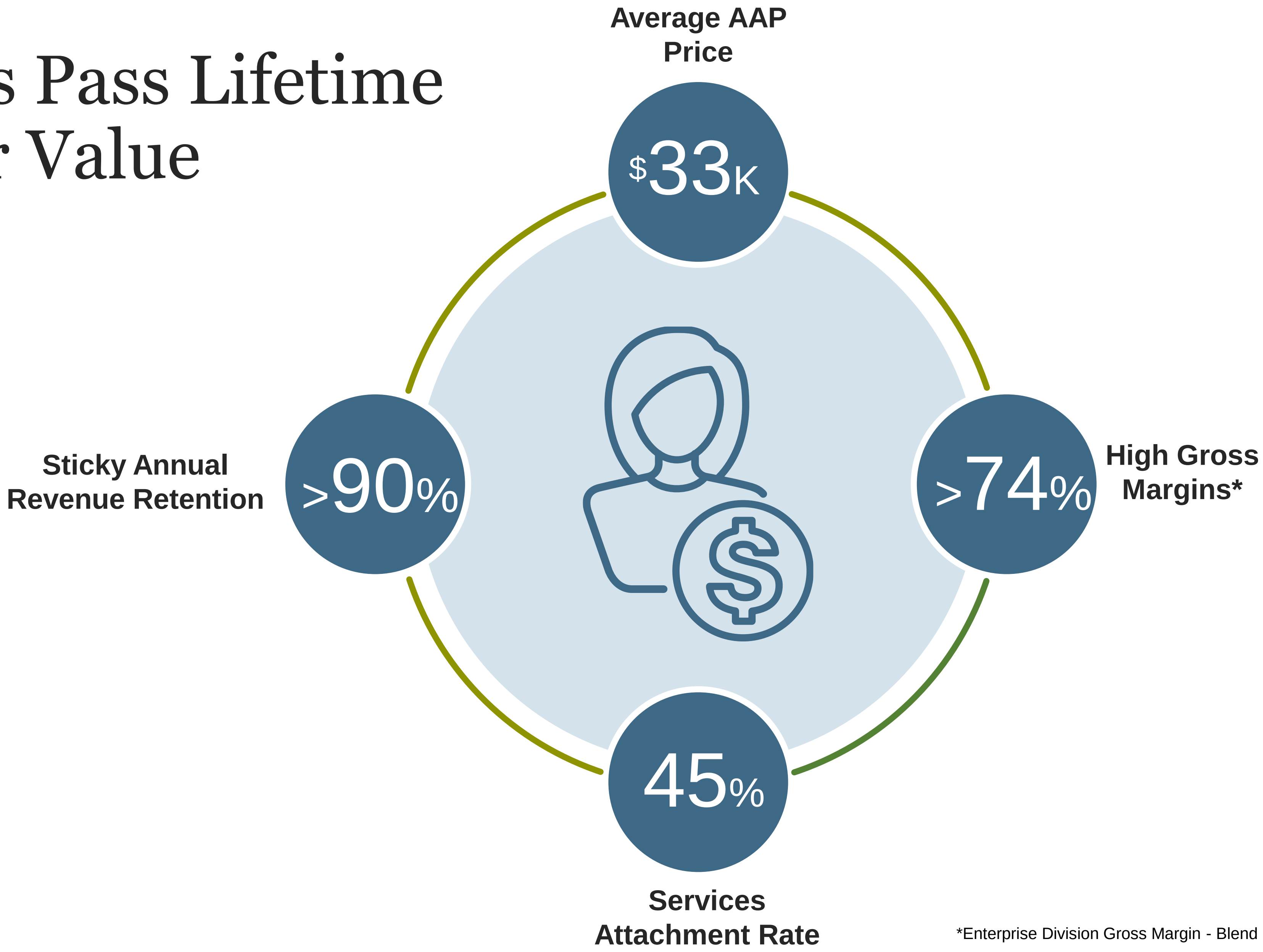
29%
AAP & Related Sales

>20%
Paying Subscribers

Quality Metrics

- Annual Revenue Retention of >90%
- Add-on Services Rate of 45%
- Relatively Large Average AAP Price of approximately $33K
- Acquisition Costs to initial purchase price of less than 1:1

All Access Pass Lifetime Customer Value



*Enterprise Division Gross Margin - Blend between Subscription & Services

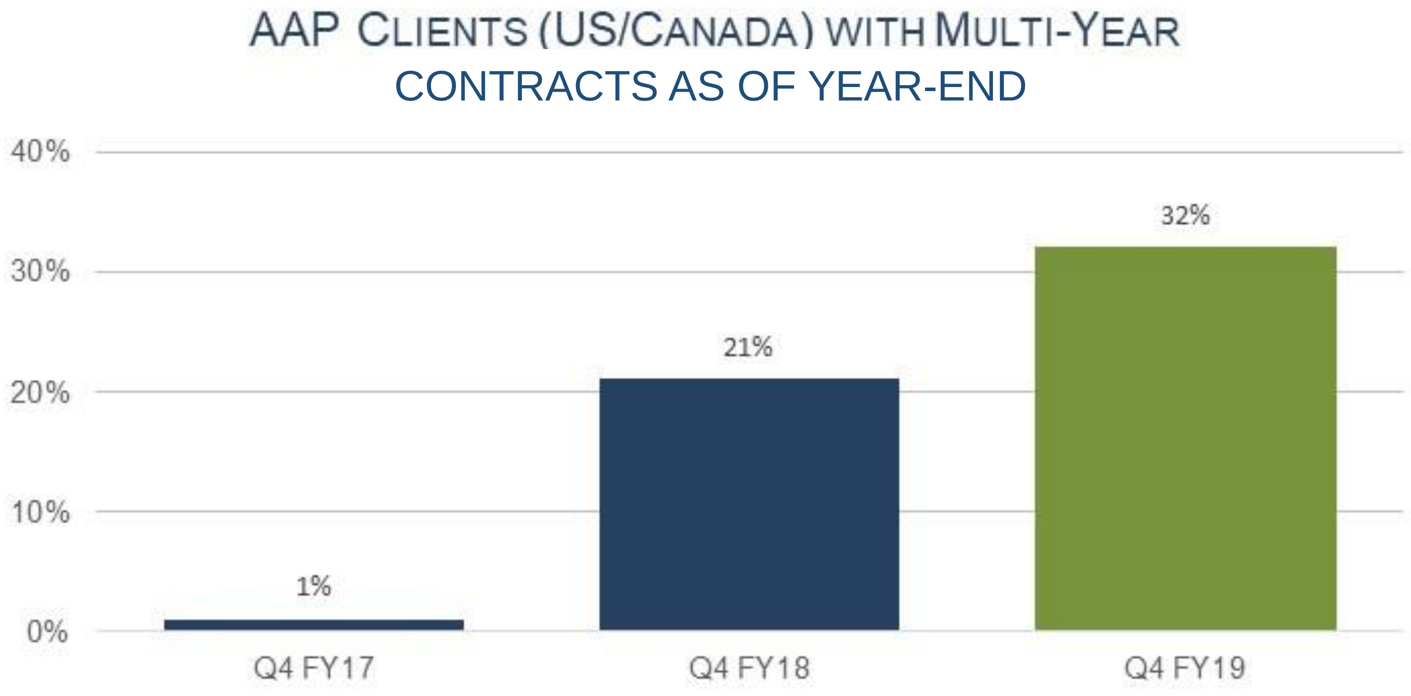
Enterprise Example

Large Financial Services Company

- Solution: Leadership Development worldwide
- Pass Size: 1,000 users
- Add-on: $100,000
- Pass Content Addition: Unconscious Bias
- Expanded Employee Size: 10,000

FACTOR 2

All Access Pass Structurally Durable



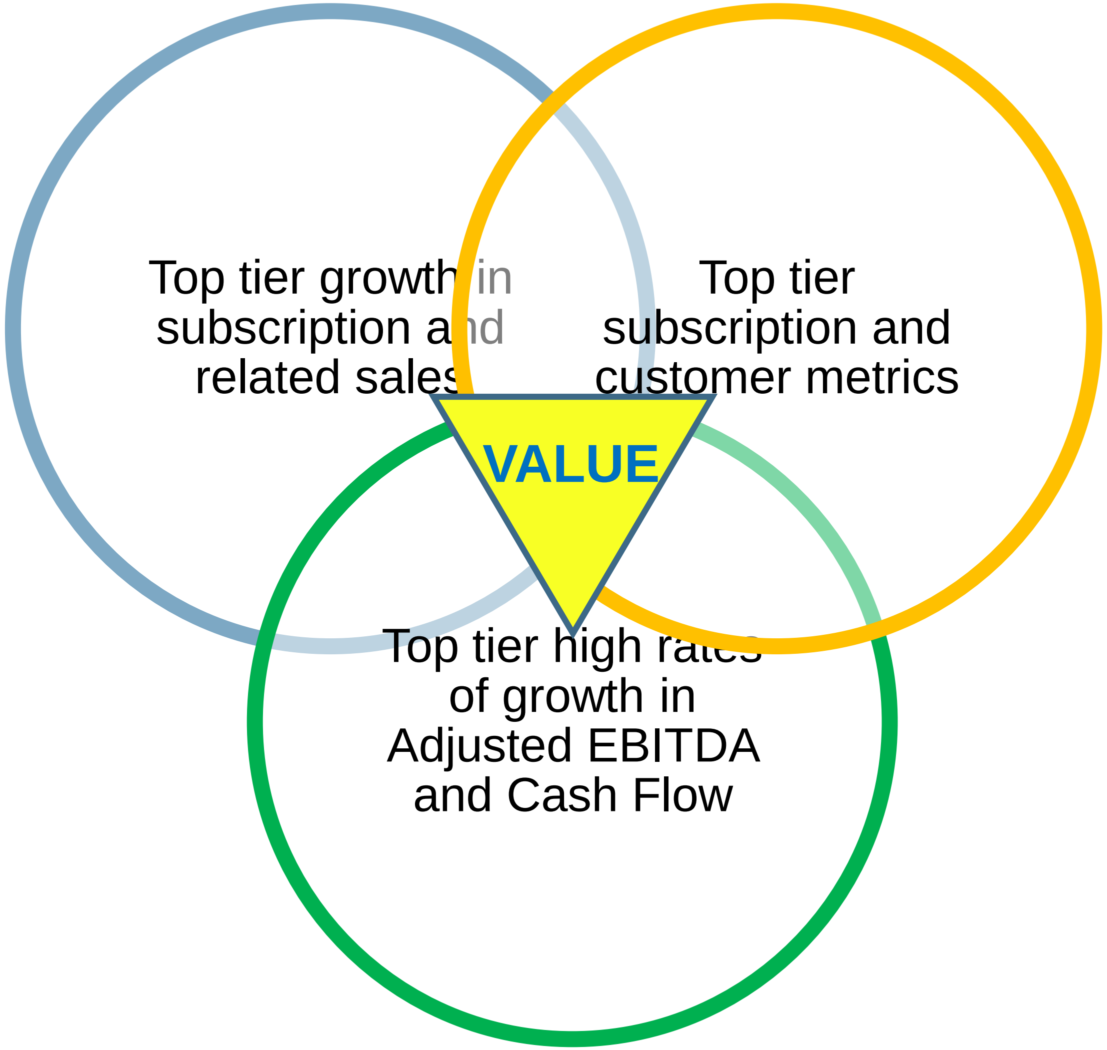
Notes:
- A multi-year contract is a single contract with a duration of at least 24 months.
- Multiple single-year renewals are not counted as multi-year contracts.

Education Example

Lehigh Valley, Pennsylvania

- Hired *Leader in Me* for workforce development and to improve literacy
- Partnership between school community, business community, and the United Way
- In 2011, started with 1 school, Lincoln Elementary (450 students)
- Today, expanded to 33 schools (24,364 students)
- In next two years, plan to expand to 50+ schools (74,000+ students)

Value Creation



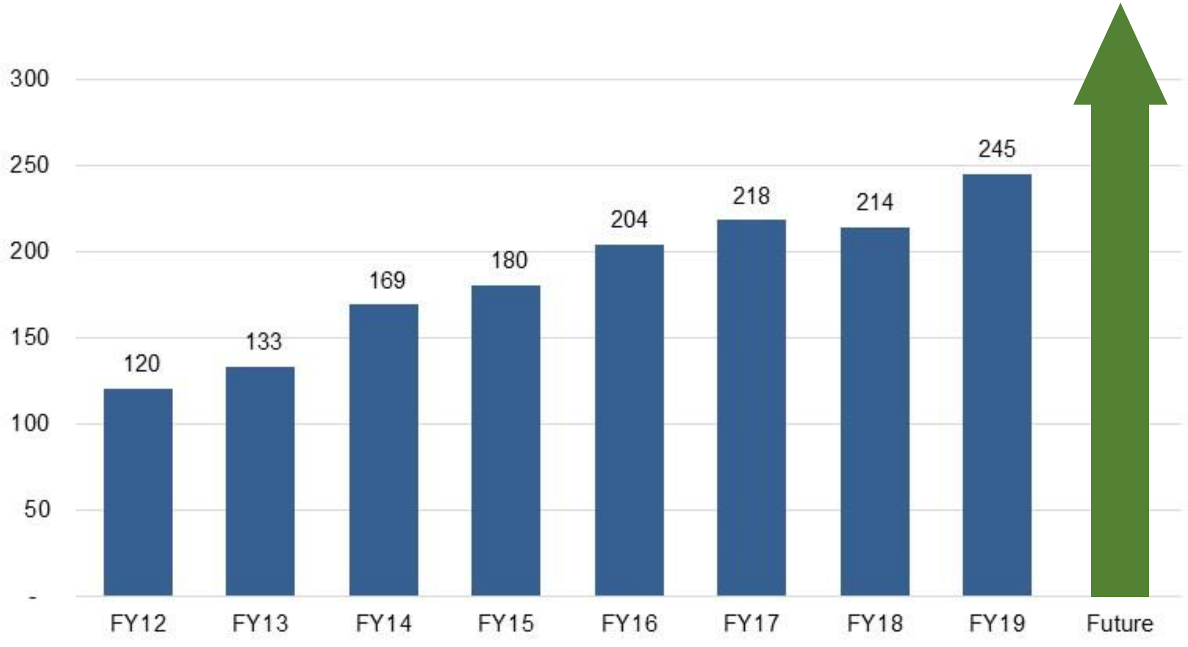
FACTOR 1		FACTOR 2		FACTOR 3		
A PERCENT OF EVERY DOLLAR OF SALES GROWTH IS FLOWING-THROUGH TO INCREASES IN ADJUSTED EBITDA & CASH FLOW	+	SUBSCRIPTION REVENUE IS GROWING RAPIDLY, IS STICKY, AND CREATING SIGNIFICANT & DURABLE LIFETIME CUSTOMER VALUE	+	WE ARE AGGRESSIVELY TAKING ADVANTAGE OF A COMPELLING SALES FORCE EXPANSION OPPORTUNITY	=	HIGH RATES OF GROWTH IN ADJUSTED EBITDA AND CASH FLOW

- Lot of Headroom for Growth
- Compelling Sales Force Growth Economics

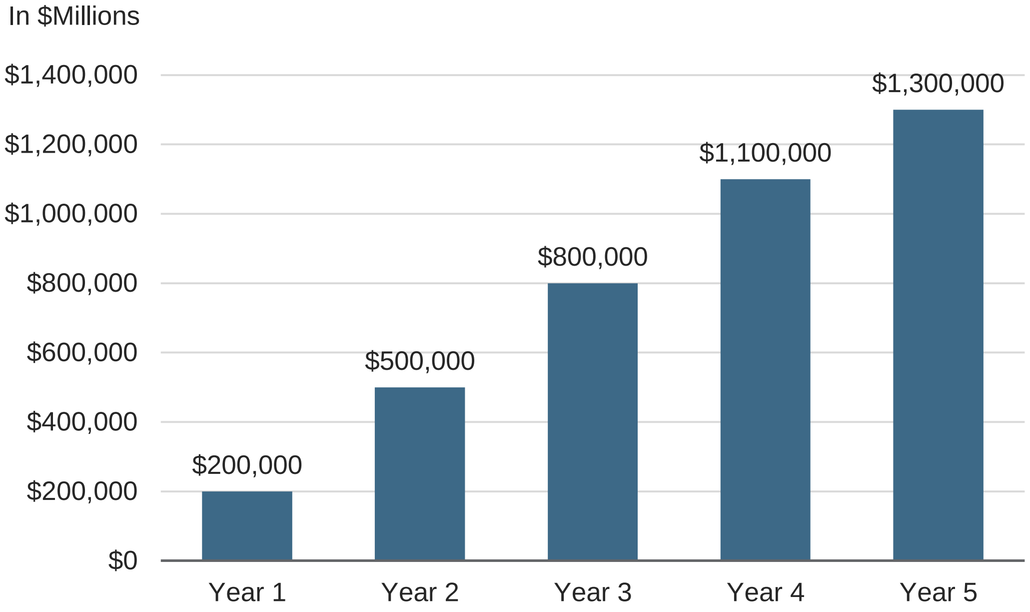
FACTOR 3

Unit Expansion Economics for Growth

Number of Client Partners



Client Partner Ramp*



*See Client Partner ramp definition in Appendix.

We cover investment on a new client partner within: **1 Year**

FACTOR 1

A PERCENT OF EVERY DOLLAR OF SALES GROWTH IS FLOWING-THROUGH TO INCREASES IN ADJUSTED EBITDA & CASH FLOW

- High Single Digit Revenue Growth
- High Gross Margins
- SG&A Declining as a Percent of Sales
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WE ARE AGGRESSIVELY TAKING ADVANTAGE OF A COMPELLING SALES FORCE EXPANSION OPPORTUNITY

- Lot of Headroom for Growth
- Compelling Sales Force Growth Economics

=

HIGH RATES OF GROWTH IN ADJUSTED EBITDA AND CASH FLOW

Appendix

Other Information

Other Income Statement Information:

- Depreciation: $6.4M in FY2019, expected to total approximately $6.7M in FY2020.
- Amortization: $5.0M in FY2019, expected to total approximately $4.6M in FY2020.
- Net Interest and Discount: $2.1M in FY2019, expected to total approximately $3.4M in FY2020.
- Share-based Compensation, Impaired Assets, Restructuring, Accrued Earnout and Other: totaling $6.6M in FY2019; Share-Based Compensation, Impaired Assets, ERP Implementation, Accrued Earnout, Acquisition Costs and Other, expected to total approximately $7.7M in FY2020.
- Effective Tax Rate: Our normalized affective tax rate is expected to be 26% to 30%, before unusual permanent book/tax differences and benefit of re-measuring deferred taxes. Therefore, the tax rate could be a significantly different percentage, and we are not projecting an FY20 effective rate.

Other Information:

- Capital Expenditures: $4.2M in FY2019, expected to total approximately $5.5M to $6.2M in FY2020.
- Capitalized Curriculum excluding acquired content: $2.7M in FY2019, expected to total approximately $6.0M to $7.0M in FY2020, including localization of AAP content, AAP content development, and Education content development.
- Share Count: 13,982K shares outstanding as of October 31, 2019. The Company’s share count may increase due to the vesting and exercise of share-based awards and purchases by Employees under our Employee Stock Purchase Plan, and decrease due to the company buying back shares under its authorized share buy-back program.
- Number of salespersons: 245 on August 31, 2019; expected to be 265 on August 31, 2020.
- Impact of FX in FY19: decrease to Sales $2.0M; decrease to Adjusted EBITDA $1.0M.

All the above-mentioned estimates are subject to change, perhaps material change, based on actual events and circumstances in the year.

Enterprise Revenue

(in millions and unaudited)

	Q4 FY 19	Q4 FY 18	Change	Percent
All Access Pass*	11.6	9.2	2.4	26%
Onsites	7.2	8.1	(0.9)	-11%
Facilitator	5.0	4.8	0.2	4%
Other	0.9	1.1	(0.2)	-20%
Total US/Canada	24.7	23.2	1.5	6%
International Direct Office	10.5	10.5	0.0	0%
International Licensees	3.3	3.3	(0.0)	-1%
Government and Other	7.3	8.4	(1.1)	-13%
Total Enterprise Division	45.8	45.4	0.4	1%

	Fiscal 2019	Fiscal 2018	Change	Percent
All Access Pass*	42.5	32.1	10.4	32%
Onsites	36.0	32.4	3.7	11%
Facilitator	12.5	16.1	(3.7)	-23%
Other	2.2	4.2	(2.0)	-48%
Total US/Canada	93.2	84.8	8.4	10%
International Direct Office	39.1	36.5	2.6	7%
International Licensees	12.9	13.2	(0.3)	-2%
Government and Other	25.5	24.6	0.9	4%
Total Enterprise	170.6	159.1	11.5	7%

Notes:
- This does not include AAP that was sold in Government Services, Australia, Japan and The U.K.
- Higher Education in the Education practice also had a small amount of AAP sales.

Education Gross Sales & Adjusted EBITDA

(in thousands and unaudited)

Sales and profitability in the Education Division are very seasonal. Educators conduct a majority of their training activities during the summer months which correspond with our 4th quarter. Below is a summary of Sales and Adjusted EBITDA for the Education Division. The schedule shows that essentially all of the Education Division's Adjusted EBITDA is generated in the 4th quarter. The division's sales will continue to be slightly less seasonal in the future due to the impact of deferred sales.

Net Sales

	Q1		Q2		Q3		Q4		
	Amount	%	Amount	%	Amount	%	Amount	%	Total
FY17	8,743	19.8%	7,848	17.8%	8,596	19.5%	18,935	42.9%	44,122
FY18	9,176	20.3%	9,007	19.9%	9,235	20.4%	17,854	39.4%	45,272
FY19	10,347	21.2%	9,698	19.8%	11,088	22.7%	17,747	36.3%	48,880

Adjusted EBITDA

	Q1	Q2	Q3	Q4	Total
FY17	233	(555)	341	7,176	7,195
FY18	(842)	(1,151)	(901)	5,604	2,710
FY19	(265)	(909)	(181)	4,908	3,553

Franklin Covey– Contracts Signed

(in thousands and unaudited)

Current Quarter - Q4	Enterprise Division FY19	Enterprise Division FY18	Enterprise Division Change	Enterprise Division %	Education Division FY19	Education Division FY18	Education Division Change	Education Division %	Corporate FY19	Corporate FY18	Corporate Change	Total Company FY19	Total Company FY18	Total Company Change	Total Company %
Sales	45,781	45,405	376	0.8%	17,748	17,854	(106)	-0.6%	1,636	1,560	76	65,165	64,819	346	0.5%
Change in Deferred Revenue	6,554	4,604	1,950	42.4%	11,705	9,321	2,384	25.6%	-	-	-	18,259	13,925	4,334	31.1%
Invoiced Amounts	52,335	50,009	2,326	4.7%	29,453	27,175	2,278	8.4%	1,636	1,560	76	83,424	78,744	4,680	5.9%
Change in Unbilled Deferred Revenue	6,115	9,226	(3,111)	-33.7%	78	204	(126)		-	-	-	6,193	9,430	(3,237)	-34.3%
Total Contracts Signed	58,450	59,235	(785)	-1.3%	29,531	27,379	2,152	7.9%	1,636	1,560	76	89,617	88,174	1,443	1.6%

Full Year	Enterprise Division FY19	Enterprise Division FY18	Enterprise Division Change	Enterprise Division %	Education Division FY19	Education Division FY18	Education Division Change	Education Division %	Corporate FY19	Corporate FY18	Corporate Change	Total Company FY19	Total Company FY18	Total Company Change	Total Company %
Sales	170,650	159,116	11,534	7.2%	48,880	45,272	3,608	8.0%	5,826	5,370	456	225,356	209,758	15,598	7.4%
Change in Deferred Revenue	6,517	7,278	(761)	-10.5%	1,782	4,127	(2,345)	-56.8%	-	-	-	8,299	11,405	(3,106)	-27.2%
Invoiced Amounts	177,167	166,394	10,773	6.5%	50,662	49,399	1,263	2.6%	5,826	5,370	456	233,655	221,163	12,492	5.6%
Change in Unbilled Deferred Revenue	6,435	7,181	(746)	-10.4%	(993)	164	(1,157)		-	-	-	5,442	7,345	(1,903)	-25.9%
Total Contracts Signed	183,602	173,575	10,027	5.8%	49,669	49,563	106	0.2%	5,826	5,370	456	239,097	228,508	10,589	4.6%

Notes:

- Please compare this information to the Segment Information footnote in Form 10-Q.
- Please refer to Definitions in the Appendix for the definition of Deferred Revenue and Unbilled Deferred Revenue.

Sales Information

(in thousands and unaudited)

	FY17 Information					FY18 Information					FY19 Information				
	Q1	Q2	Q3	Q4	Yr Total	Q1	Q2	Q3	Q4	YTD Total	Q1	Q2	Q3	Q4	YTD Total
Sales															
Reported Net Sales	39,787	42,196	43,751	59,522	185,256	47,932	46,549	50,461	64,818	209,760	53,829	50,356	56,006	65,165	225,356
Change in Deferred Revenue	702	2,069	5,442	12,562	20,775	(5,193)	211	2,461	13,925	11,404	(8,514)	(1,795)	349	18,259	8,299
Invoiced Amount	40,489	44,265	49,193	72,084	206,031	42,739	46,760	52,922	78,743	221,164	45,315	48,561	56,355	83,424	233,655
Balance Sheet															
Roll-Forward of Deferred Revenue															
Beginning Balance (deferred revenue)	15,460	16,096	18,185	23,618	15,460	36,397	31,429	32,067	34,521	36,397	48,432	41,375	39,580	39,929	48,432
Subscription Sales	6,306	8,710	13,785	23,026	51,827	7,882	13,941	17,324	30,563	69,710	9,798	15,902	19,276	37,848	82,824
Amounts Recorded to Revenue	(5,604)	(6,641)	(8,343)	(10,464)	(31,052)	(13,075)	(13,730)	(14,863)	(16,638)	(58,306)	(18,312)	(17,697)	(18,927)	(19,589)	(74,525)
Change in Deferred Revenue	702	2,069	5,442	12,562	20,775	(5,193)	211	2,461	13,925	11,404	(8,514)	(1,795)	349	18,259	8,299
FX, 606, and Other Changes	(66)	20	(9)	217	162	225	427	(7)	(14)	631	1,457	-	-	-	1,457
Ending Balance (Def Subscription Revenue)	16,096	18,185	23,618	36,397	36,397	31,429	32,067	34,521	48,432	48,432	41,375	39,580	39,929	58,188	58,188
Unbilled Deferred Contracts															
Beginning Balance (off balance sheet)	2,378	1,978	1,728	2,479	2,378	17,151	16,255	15,463	15,067	17,151	24,495	24,426	24,959	23,744	24,495
New Unbilled Contracts	-	-	751	15,600	16,351	1,863	2,149	2,766	13,437	20,215	1,434	4,578	3,534	12,760	22,306
Amounts Invoiced	(400)	(250)	-	(928)	(1,578)	(2,759)	(2,941)	(3,162)	(4,009)	(12,871)	(1,503)	(4,045)	(4,749)	(6,566)	(16,863)
Ending Balance (off balance sheet)	1,978	1,728	2,479	17,151	17,151	16,255	15,463	15,067	24,495	24,495	24,426	24,959	23,744	29,938	29,938
Breakout of Deferred Sales (above)															
Subscription Sales (Invoiced Amounts)															
AAP Subscriptions	4,969	7,801	9,189	12,616	34,575	6,822	13,409	11,667	16,895	48,793	8,270	15,070	13,708	21,226	58,274
Education Memberships	652	226	4,130	9,766	14,774	893	159	4,978	13,142	19,172	827	382	5,236	15,406	21,851
Other Subscriptions and Adjustments	685	683	466	644	2,478	167	373	679	526	1,745	701	450	332	1,216	2,699
Total Additions to balance sheet	6,306	8,710	13,785	23,026	51,827	7,882	13,941	17,324	30,563	69,710	9,798	15,902	19,276	37,848	82,824

Notes:

- Invoiced Amounts represent the amount billed (invoiced) in the period. The Invoiced Amount is equal to Reported Net Sales, plus the associated chance in Deferred Subscription Sales on the balance sheet (adjusted for FX). AAP Subscriptions, Education Memberships, and Other Invoiced Subscriptions are all Invoiced Amounts. Unbilled portions of multi-year agreements are not included.
- The Difference between Change in Deferred Sales, which is added to Reported Net Sales to equal the Invoiced Amount, and the Change in Deferred Sales on the balance sheet is adjustments for FX, acquisitions and other. Q1 of FY2019 also includes the adjustment attributed to the adoption of Topic 606.
- Certain historical amounts have been adjusted by immaterial amounts to conform with the current presentation - including the acquired Jhana Deferred Revenue.
- Deferred Revenue is primarily a current liability. However, a small portion is long-term and recorded as a part of Other Liabilities.

Revenue from Contracts with Customers (Topic 606)

(in millions and unaudited)

4th Quarter, 2019	Enterprise Division			Education practice			Consolidated		
	As Reported	Without ASC 606	Impact of ASC 606	As Reported	Without ASC 606	Impact of ASC 606	As Reported	Without ASC 606	Impact of ASC 606
Sales	45.8	45.7	0.1	17.7	19.1	(1.3)	65.2	66.4	(1.2)
Gross Profit	35.3	35.2	0.1	11.7	13.1	(1.3)	47.5	48.7	(1.2)
Selling, general and administrative	24.6	24.6	-	6.8	6.9	(0.1)	34.1	34.2	(0.1)
Adjusted EBITDA	10.7	10.6	0.1	4.9	6.1	(1.2)	13.4	14.5	(1.1)

Fiscal 2019	Enterprise Division			Education practice			Consolidated		
	As Reported	Without ASC 606	Impact of ASC 606	As Reported	Without ASC 606	Impact of ASC 606	As Reported	Without ASC 606	Impact of ASC 606
Sales	170.6	170.6	0.1	48.9	48.8	0.1	225.4	225.2	0.1
Gross Profit	127.0	126.9	0.1	30.4	30.3	0.1	159.3	159.2	0.1
Selling, general and administrative	101.5	101.5	-	26.8	26.8	(0.0)	138.7	138.7	(0.0)
Adjusted EBITDA	25.5	25.5	0.1	3.6	3.5	0.1	20.6	20.5	0.1
Net Loss							(1.0)	(1.1)	(0.1)

Notes:
- Franklin Covey adopted the new accounting standard Topic 606 on September 1, 2018 using the modified retrospective method.
- Amounts might not total due to rounding.

Net Cash Generated as defined below

(in thousands and unaudited)

	Current Quarter		Full Year	
	Q4 FY19	Q4 FY18	FY19	FY18
Reported Adjusted EBITDA	$ 13,402	$ 11,356	$ 20,606	$ 11,878
Adjustments				
Change in Deferred Revenue (related to subscription sales)	18,259	13,924	8,299	11,403
Costs deferred with Deferred Revenue	(3,050)	(1,574)	(2,419)	(1,345)
Amortization of capitalized development	1,003	1,357	4,954	5,280
Purchases of property and equipment	(1,157)	(1,547)	(4,153)	(6,528)
Capitalized curriculum development costs	(867)	(553)	(2,688)	(2,998)
Cash paid for interest	(531)	(708)	(2,386)	(2,655)
Net Cash Generated	$ 27,059	$ 22,255	$ 22,213	$ 15,035

Notes:

- We expected Net Cash Generated in FY2019 (in local currency) to fall within the range of $18 million to $22 million.
- Net Cash Generated is a measure used by management to monitor the amount of available cash generated by the operations of the company. Net Cash Generated includes the items listed above and excludes other cash activities shown on the Consolidated Statements of Cash Flows, such as cash paid for taxes, acquisitions, changes in working capital, other SG&A, and payments on term notes and financing obligations.
- Please refer to the Appendix for the definition of Adjusted EBITDA and for the reconciliation of Adjusted EBITDA to Net Income.
- Please also refer to the Condensed Consolidated Statements of Cash Flows for the current quarter.

Reconciliation of Net Income (Loss) to Adjusted EBITDA

(in thousands and unaudited)

	Quarter Ended		Fiscal Year Ended	
	August 31, 2019	August 31, 2018	August 31, 2019	August 31, 2018
Reconciliation of net income (loss) to Adjusted EBITDA:				
Net income (loss)	$ 5,875	$ 1,779	$ (1,023)	$ (5,887)
Adjustments:				
Interest expense, net	534	527	2,063	2,154
Income tax expense	2,319	5,295	1,615	367
Amortization	1,179	1,251	4,976	5,368
Depreciation	1,558	1,615	6,364	5,161
Stock-based compensation	1,749	665	4,789	2,846
Increase to contingent earnout liabilities	189	224	1,334	1,014
Licensee transition costs	-	-	488	-
ERP implementation costs	-	-	-	855
Adjusted EBITDA	$ 13,403	$ 11,356	$ 20,606	$ 11,878
Adjusted EBITDA margin	20.6%	17.5%	9.1%	5.7%

Note: Adjusted EBITDA and Operating SG&A are non-GAAP financial measures. Please see the appendix for additional information.

Additional Financial Information

(in thousands and unaudited)

	Quarter Ended		Fiscal Year Ended	
	August 31, 2019	August 31, 2018	August 31, 2019	August 31, 2018
Sales by Division/Segment:				
Enterprise Division:				
Direct offices	$ 42,482	$ 42,088	$ 157,754	$ 145,890
International licensees	3,298	3,317	12,896	13,226
	45,780	45,405	170,650	159,116
Education Division	17,748	17,854	48,880	45,272
Corporate and other	1,637	1,559	5,826	5,370
Consolidated	$ 65,165	$ 64,818	$ 225,356	$ 209,758
Gross Profit by Division/Segment:				
Enterprise Division:				
Direct offices	$ 32,554	$ 32,254	$ 116,755	$ 108,140
International licensees	2,716	2,430	10,231	10,031
	35,270	34,684	126,986	118,171
Education Division	11,705	12,560	30,373	28,654
Corporate and other	527	517	1,955	1,464
Consolidated	$ 47,502	$ 47,761	$ 159,314	$ 148,289
Adjusted EBITDA by Division/Segment:				
Enterprise Division:				
Direct offices	$ 8,753	$ 7,341	$ 19,455	$ 13,254
International licensees	1,945	858	6,072	5,081
	10,698	8,199	25,527	18,335
Education Division	4,909	5,605	3,553	2,710
Corporate and other	(2,204)	(2,448)	(8,474)	(9,167)
Consolidated	$ 13,403	$ 11,356	$ 20,606	$ 11,878

Condensed Consolidated Balance Sheets

(in thousands and unaudited)

	August 31, 2019	August 31, 2018
Assets		
Current assets:		
Cash	$ 27,699	$ 10,153
Accounts receivable, less allowance for doubtful accounts of $4,242 and $3,555	73,227	71,914
Inventories	3,481	3,160
Income taxes receivable	-	179
Prepaid expenses and other current assets	14,933	14,757
Total current assets	119,340	100,163
Property and equipment, net	18,579	21,401
Intangible assets, net	47,690	51,934
Goodwill	24,220	24,220
Deferred income tax assets	5,045	3,222
Other long-term assets	10,039	12,935
	$ 224,913	$ 213,875

	August 31, 2019	August 31, 2018
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of term notes payable	$ 5,000	$ 10,313
Current portion of financing obligation	2,335	2,092
Accounts payable	9,668	9,790
Income taxes payable	764	-
Subscription deferred revenue	56,250	47,417
Other deferred revenue	5,972	4,471
Accrued liabilities	23,555	20,761
Total current liabilities	103,544	94,844
Line of credit	-	11,337
Term notes payable, less current portion	15,000	2,500
Financing obligation, less current portion	16,648	18,983
Other liabilities	7,527	5,501
Deferred income tax liabilities	180	210
Total liabilities	142,899	133,375
Shareholders' equity:		
Common stock	1,353	1,353
Additional paid-in capital	215,964	211,280
Retained earnings	59,403	63,569
Accumulated other comprehensive income	269	341
Treasury stock at cost, 13,087 and 13,159 shares	(194,975)	(196,043)
Total shareholders' equity	82,014	80,500
	$ 224,913	$ 213,875

Condensed Consolidated Statements of Operations

(in thousands, except per-share amounts and unaudited)

	Quarter Ended		Fiscal Year Ended	
	August 31, 2019	August 31, 2018	August 31, 2019	August 31, 2018
Net sales	$ 65,165	$ 64,818	$ 225,356	$ 209,758
Cost of sales	17,663	17,057	66,042	61,469
Gross profit	47,502	47,761	159,314	148,289
Selling, general, and administrative	36,037	37,294	145,319	141,126
Depreciation	1,558	1,615	6,364	5,161
Amortization	1,179	1,251	4,976	5,368
Income (loss) from operations	8,728	7,601	2,655	(3,366)
Interest expense, net	(534)	(527)	(2,063)	(2,154)
Income (loss) before income taxes	8,194	7,074	592	(5,520)
Income tax provision	(2,319)	(5,295)	(1,615)	(367)
Net income (loss)	$ 5,875	$ 1,779	$ (1,023)	$ (5,887)
Net income (loss) per common share:				
Basic	$ 0.42	$ 0.13	$ (0.07)	$ (0.43)
Diluted	0.41	0.13	(0.07)	(0.43)
Weighted average common shares:				
Basic	13,974	13,906	13,948	13,849
Diluted	14,227	14,114	13,948	13,849
Other data:				
Adjusted EBITDA[(1)]	$ 13,403	$ 11,356	$ 20,606	$ 11,878

(1) The term Adjusted EBITDA (earnings before interest, income taxes, depreciation, amortization, stock-based compensation, and certain other items) is a non-GAAP financial measure that the Company believes is useful to investors in evaluating its results. For a reconciliation of this non-GAAP measure to the most comparable GAAP equivalent, refer to the Reconciliation of Net Loss to Adjusted EBITDA.

Cash Flows from Operating Activities

(in thousands and unaudited)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (1,023)	$ (5,887)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	11,359	10,525
Amortization of capitalized curriculum development costs	4,954	5,280
Deferred income taxes	(1,051)	(2,535)
Stock-based compensation expense	4,789	2,846
Excess tax benefit from stock-based compensation	-	-
Increase (decrease) in contingent consideration liabilities	1,334	1,014
Changes in assets and liabilities, net of effect of acquired		
Decrease (increase) in accounts receivable, net	(1,770)	(5,679)
Decrease (increase) in inventories	(260)	157
Decrease in receivable from related party	535	213
Decrease (increase) in prepaid expenses and other assets	32	(1,335)
Increase in accounts payable and accrued liabilities	2,932	1,746
Increase in deferred revenue	8,828	11,613
Increase (decrease) in income taxes payable/receivable	889	109
Decrease in other liabilities	(1,096)	(1,206)
Net cash provided by operating activities	**30,452**	**16,861**

Definitions

- "Deferred Revenue" primarily consists of billings or payments received in advance of revenue recognition from subscription services and is recognized as the revenue recognition criteria are met. The Company generally invoices customers in annual installments upon execution of a contract. The deferred revenue balance is influenced by several factors, including seasonality, the compounding effects of renewals, contract duration, invoice timing and contract size. When Management refers to Deferred Revenue or the change in Deferred Revenue it is primarily referring to the subscription related portion and not the customer deposits and other portions.

- "Unbilled Deferred Revenue" is an operational measure that represents future billings under our non-cancelable subscription agreements that have not been invoiced and, accordingly are not recorded in our recognized revenue or deferred revenue.

- "Operating SG&A" is non-GAAP financial measure. It generally excludes stock-based compensation, changes to contingent earn-out liability and unusual or one-time charges. See the Reconciliation of Net Income or Loss to Adjusted EBITDA in additional financial information.

- "Contracted" is the sum of Invoiced Amounts plus the Change in Unbilled Deferred Revenue (not recorded on the balance sheet) and, as the term reflects represents, the total amount of contracts with customers that were entered into during the period.

- "Sales Flow-Through" is the year-over-year change in Adjusted EBITDA divided by the year-over-year change in sales.

- Constant Currency: Franklin Covey presents constant currency information to provide a framework for assessing how our underlying business performed excluding the effect of foreign currency rate fluctuations. There are several approaches that an entity can take to calculate constant currency information and Franklin Covey's method may not be consistent with another entity's constant currency calculation. To calculate this measure, FranklinCovey converts the actual monthly results of our foreign operations, including the results of our International Licenses, into $USD at the respective prior year monthly exchange rate. The non-GAAP measure should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with generally accepted accounting principles (GAAP).

Definitions

- “Adjusted EBITDA” (earnings before interest, income taxes, depreciation, amortization, stock-based compensation, and certain other items) is a non-GAAP financial measure that the Company believes is useful to investors in evaluating its results. A reconciliation of “Adjusted EBITDA,” to consolidated net income (loss), the most comparable GAAP financial measure is provided within this presentation. The Company references this non-GAAP financial measure in its decision making because it provides supplemental information that facilitates consistent internal comparisons to the historical operating performance of prior periods and the Company believes it provides investors with greater transparency to evaluate operational activities and financial results. We are unable to provide a reconciliation of forward-looking estimates of non-GAAP Adjusted EBITDA to GAAP measures because certain information needed to make a reasonable forward-looking estimate is difficult to estimate and dependent on future events which may be uncertain or out of our control, including the amount of AAP contracts invoiced, the number of AAP contracts that are renewed, necessary costs to deliver our offerings such as unanticipated content development costs, and other potential variables. Accordingly, a reconciliation is not available without unreasonable effort.

- “Invoiced” is the sum of reported Net Sales plus the change in Deferred Revenue reported on the balance sheet (a portion of which is recorded as a currant liability and a portion as a long-term liability and represents the amount of billings during the period). We typically invoice our customers annually upon execution of the contract or subscription renewals. Our clients frequently prepay for products and services, which prepayment is included in amounts invoiced and corresponding Deferred Revenue.

- Client Partner Ramp is the expected amount of invoiced amounts the Company expects its client partners to generate based upon the length of time the client partner has been in a sales role. This metric measures client partners who are currently employed by the Company and does not subtract any accounts that are transitioned to a client partner from a previous client partner.