



## Reach, Relevancy and Recurring Revenue

EARNINGS CONFERENCE CALL:  
Presentation Q4 2017

# Caution on Forward-Looking Statements

---

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by non-historical statements and often include words such as “outlook,” “potential,” “believes,” “expects,” “anticipates,” “estimates,” “intends,” “plans,” “seeks” or words of similar meaning, or future-looking or conditional verbs, such as “will,” “should,” “could,” “may,” “might,” “aims,” “intends,” or “projects.” These statements may include, but are not limited to, statements relating to: our business strategy; guidance or projections related to revenue, Adjusted EBITDA, sales, and other measures of future economic performance; the contributions and performance of our businesses including acquired businesses and international operations; projections for future capital expenditures; and other guidance, projections, plans, objectives, and related estimates and assumptions. A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances. In addition, forward-looking statements are based on the Company’s current assumptions, expectations and beliefs and are subject to certain risks and uncertainties that could cause actual results to differ materially from our present expectations or projections. Some important factors that could cause actual results, performance or achievement to differ materially from those expressed or implied by these forward-looking statements include, but are not limited to: the risk that we are unable to execute our business strategy; declining demand for our language learning solutions; the risk that we are not able to manage and grow our business; the impact of any revisions to our pricing strategy; the risk that we might not succeed in introducing and producing new products and services; the impact of foreign exchange fluctuations; the adequacy of internally generated funds and existing sources of liquidity, such as bank financing, as well as our ability to raise additional funds; the risk that we cannot effectively adapt to and manage complex and numerous technologies; the risk that businesses acquired by us might not perform as expected; and the risk that we are not able to successfully expand internationally. We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by law. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements, risks and uncertainties that are more fully described in the Company’s filings with the U.S. Securities and Exchange Commission (SEC), including those described under the section entitled “Risk Factors” in the Company’s most recent quarterly Form 10-Q filings and Annual Report on Form 10-K, as such factors may be updated from time to time.

Immaterial rounding differences may be present in this data in order to conform to reported totals.

## **Non-GAAP Financial Measures**

Today’s presentation and discussion also contain references to non-GAAP financial measures. The full definition, GAAP comparisons, and reconciliation of those measures are available in this presentation or in our press release which is posted on our website at [www.rosettastone.com](http://www.rosettastone.com).

Our non-GAAP measures may not be comparable to those used by other companies, and we encourage you to review and understand all our financial reporting before making any investment decision.

# Q4 and Full Year 2017 Highlights

---

1

Lexia sales  
UP 24%  
year-over-year (“Y/Y”) in  
FY 2017, and  
UP 21%  
in Q4 2017

2

Achieved  
12<sup>th</sup> consecutive quarter  
of Y/Y expense reductions.  
**\$124MM**  
in total savings  
since 2014

3

Largely completed transition of  
Consumer to 100%  
subscription by end of Q4

4

FY 2017 net loss of \$1.5MM  
vs. net loss of \$27.6MM  
in FY 2016

## 2017 Results Met – Exceeded Guidance

\$MM	Results	Guidance
GAAP Revenue	\$184.6	Approx. \$184 – \$187
GAAP Net Income	\$(1.5)	Approx. \$(10) – \$(12)
Adjusted EBITDA <sup>1</sup>	\$13.3	Approx. \$10 – \$12
Capital Expenditures	\$12.9	Approx. \$14
Ending Cash Balance	\$43.0	Approx. \$44

<sup>1</sup> See Appendix for definitions and reconciliation of GAAP to non-GAAP Financial Measures

# Reach, Relevancy and Recurring Revenue



Transitioned Consumer  
Language to subscription from  
perpetual sales



New products  
in both Consumer and  
Enterprise Language



Introduced  
world-class literacy instruction  
and assessment portfolio



Literacy sales growing strongly  
through new direct sales force

# Four Keys to Creating Shareholder Value

---

1

Powerful  
K-12 Literacy franchise



2

High margin, predictable Language  
business



3

Growing  
SaaS  
Business



4

Predictable growth  
and operating leverage drives cash flow



## Two Objectives

---

1. Be THE K-12 Literacy Expert
2. Be the Global Leader in Digital Language sales

MISSION: Change people's lives through the power of language and literacy education.

# Powerful K-12 Literacy Franchise

---

## OBJECTIVE:

Be THE K-12  
Literacy Expert



- Growing sales momentum
- Developed world-class portfolio of instruction and assessment solutions
- Successful transition to direct salesforce
- Margins will expand with growth



# High-Margin, Predictable Language Business

---

## OBJECTIVE:

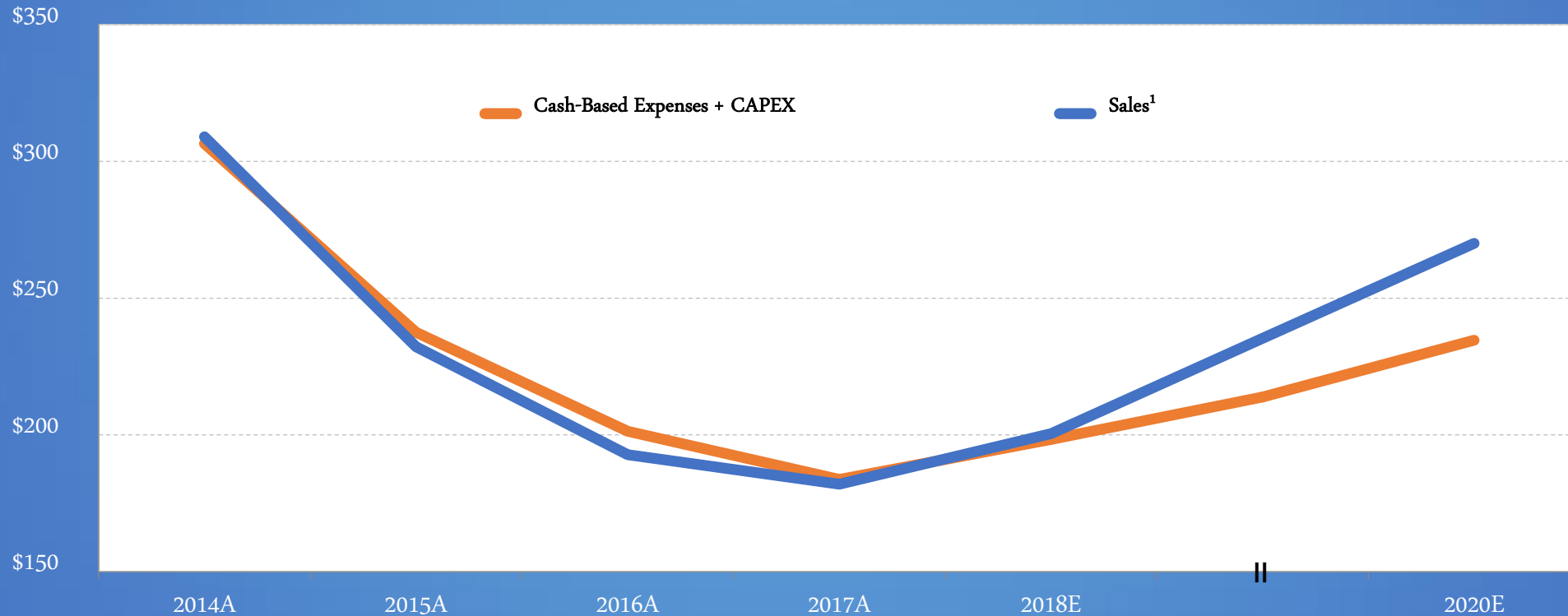
Be the Global Leader in Digital  
Language Sales



- Best product and pricing value proposition in our history
- Conversion to 100% subscription
- Accelerating sales and improved customer acquisition economics
- Leverage iconic Rosetta Stone brand

# Predictable Growth, Operating Leverage Will Drive Cash Flow

\$MM



<sup>1</sup> 2017A Sales before \$12.9MM from SOURCENEXT

# Large Addressable Market with Great Need

2/3

of U.S. students in grades 4 and 8  
are non-proficient readers



Struggling readers account for

60%

of students who drop out or fail  
to graduate on time

12K<sup>1</sup>  
in U.S.



TAM = 70K Schools  
Grades K-8

TAM = 21K Schools  
Grades 9-12

100,000  
U.S. Public Schools



30,000  
U.S. Private Schools

Sources: Parthenon Corporate Survey; The Complete K-12 Report: Market Facts and Segment Analyses 2013, U.S. Department of Education, 2015 National Assessment of Educational Progress, Anne E. Casey Foundation, 2012 "Double Jeopardy: How Third Grade Reading Skills and Poverty Influence High School Graduation", and Council for American Private Education.

<sup>1</sup> Rosetta Stone has previously quoted the total number of schools served in North America.

# Creation of World-Class Literacy Portfolio

---

## CURRICULUM

STUDENT

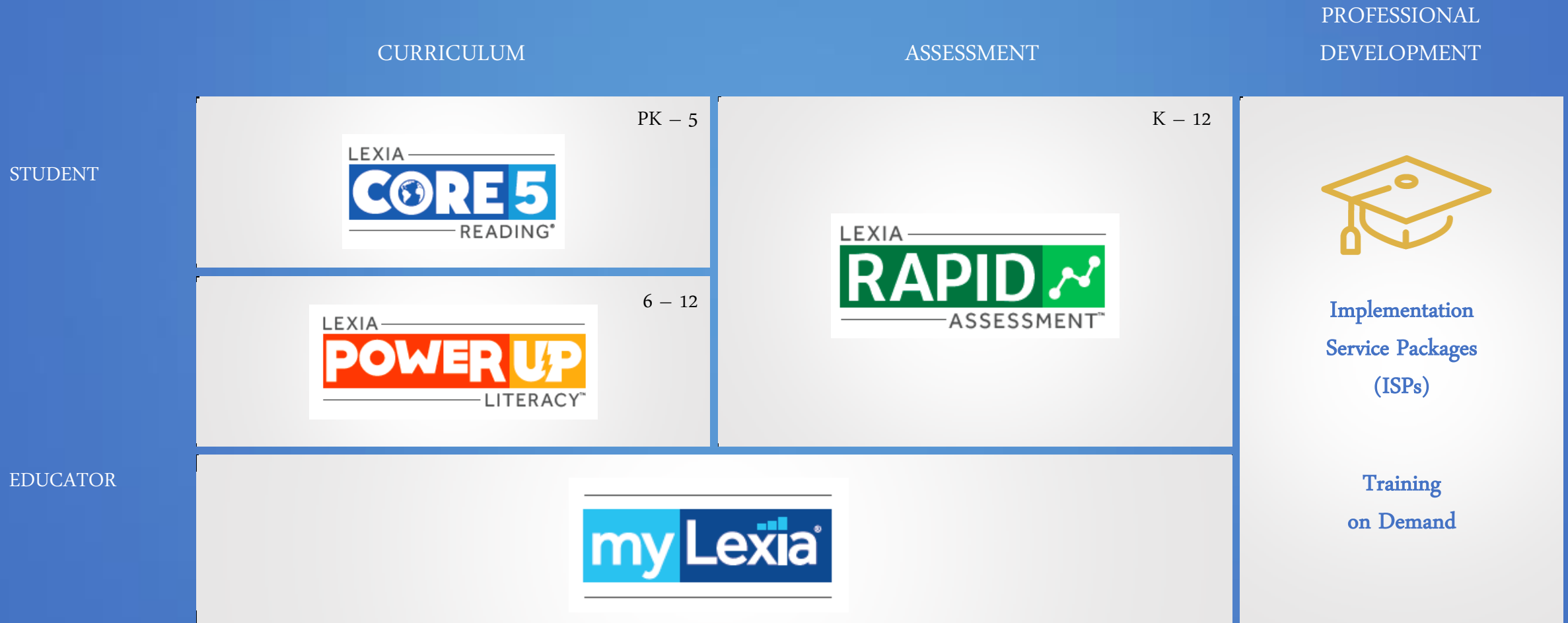
PK – 5



EDUCATOR



# Creation of World-Class Literacy Portfolio



# Power of the Literacy Portfolio to Drive Higher LTV

Year 4 = **1.5X** | ~\$120K

- All 10 elementary schools
- PowerUp/RAPID in Secondary schools

Year 3 = **2X** | ~\$78K

- Renewal of unlimited plus four more elementary schools
- Add PowerUp and RAPID pilot of 100 licenses at 1 middle school

Year 2 = **10X** | ~\$40K

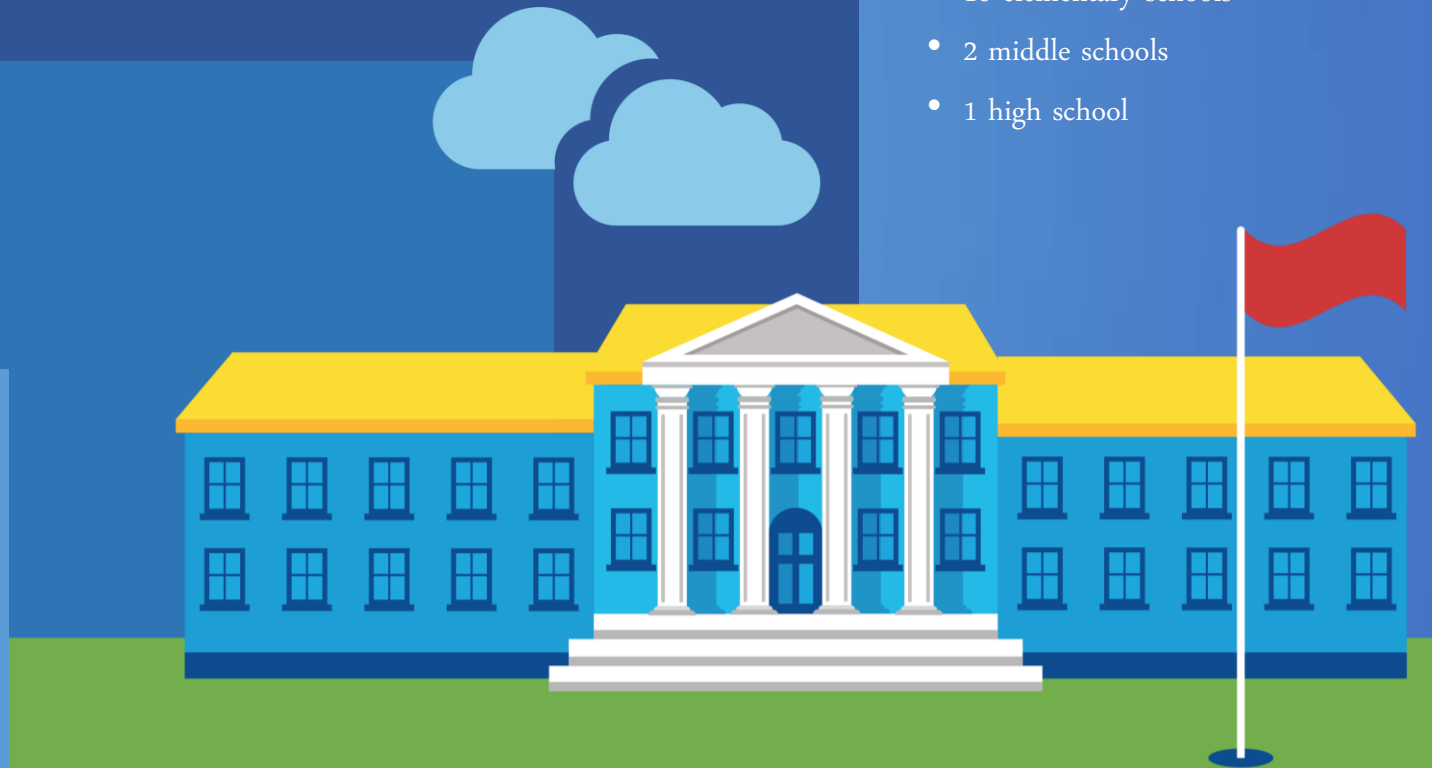
4 unlimited site licenses with Implementation Services

Year 1 = ~\$4K

Pilot of Core5

Typical District:

- 10 elementary schools
- 2 middle schools
- 1 high school



# Successful Transition to Direct Sales



# THE Literacy Expert

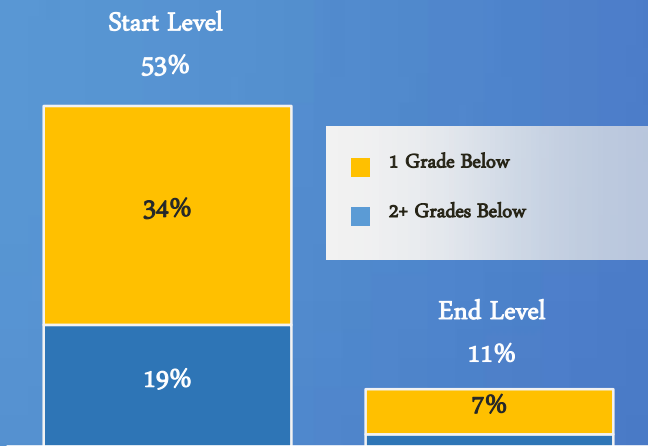
33 Years of Experience

## Program Effectiveness

Validated by Research



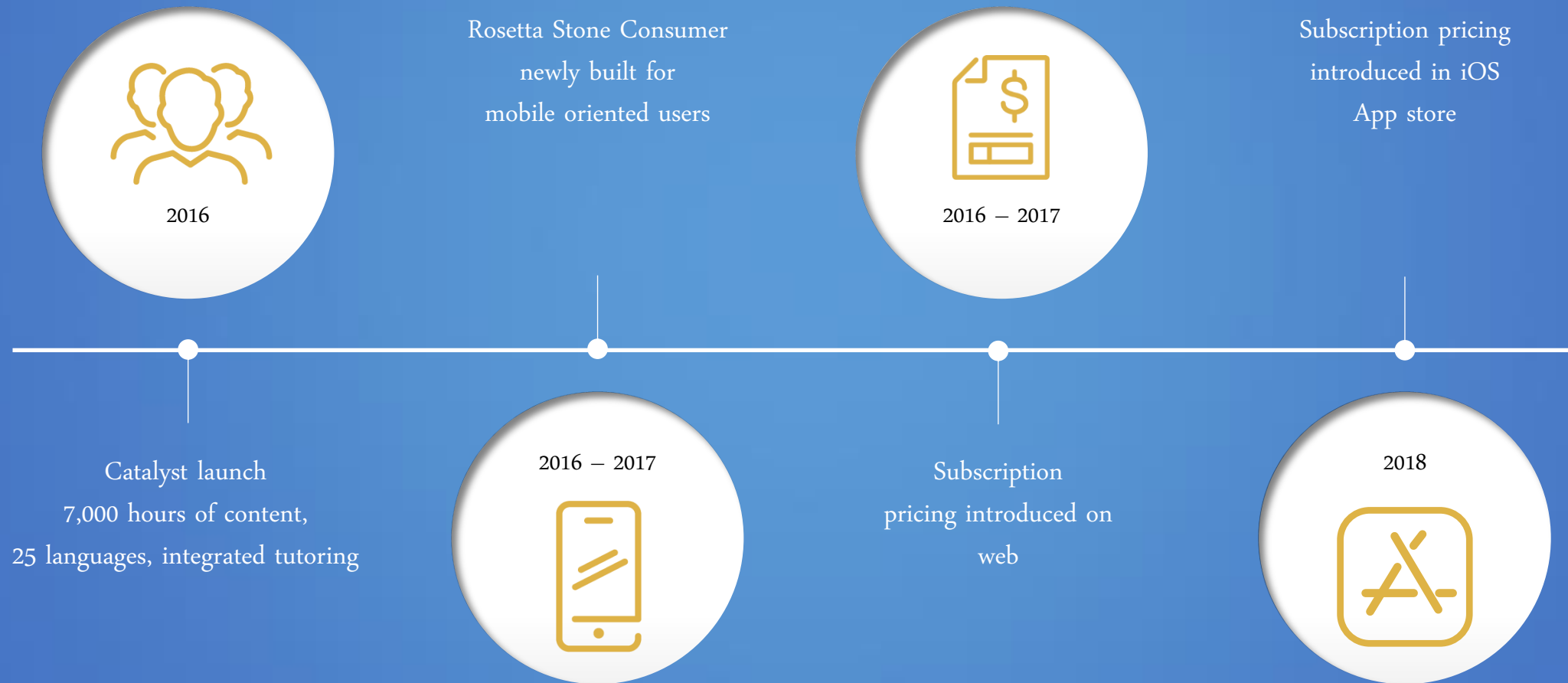
In one school year,  
Students Reading Below Grade Level  
**Declined from 53% to 11%**



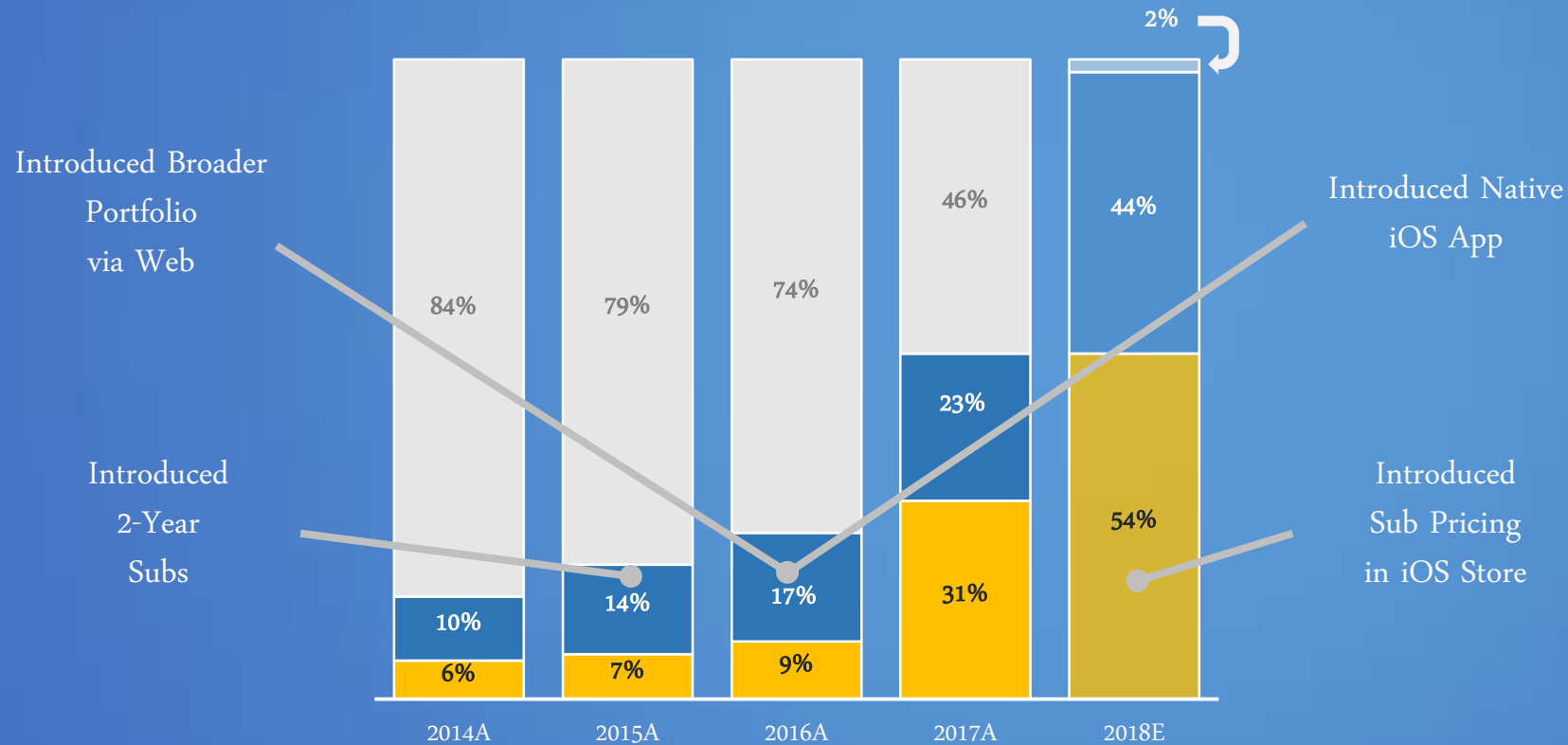
NOTES: 2017 National analysis of 712,000 students using Lexia Reading in a geographically and ethnically representative sample.



# Transforming Language Product and Value Proposition



# Consumer Conversion to 100% Subscriptions



Type of Unit Sold:

- CDs and Digital Downloads
- Subscriptions > 1-year<sup>1</sup>
- Short-Term Subscriptions<sup>2</sup>

Based on Western Consumer (North America and Europe) new unit sales for all sales channels | <sup>1</sup> More than one year subscription term | <sup>2</sup> One year or less subscription term

# Growing Subscriber Base and Stabilizing LTVs

Short-Term Subscriber Base (000)<sup>1</sup>



Lifetime Value "LTV" (\$/unit)<sup>2</sup>

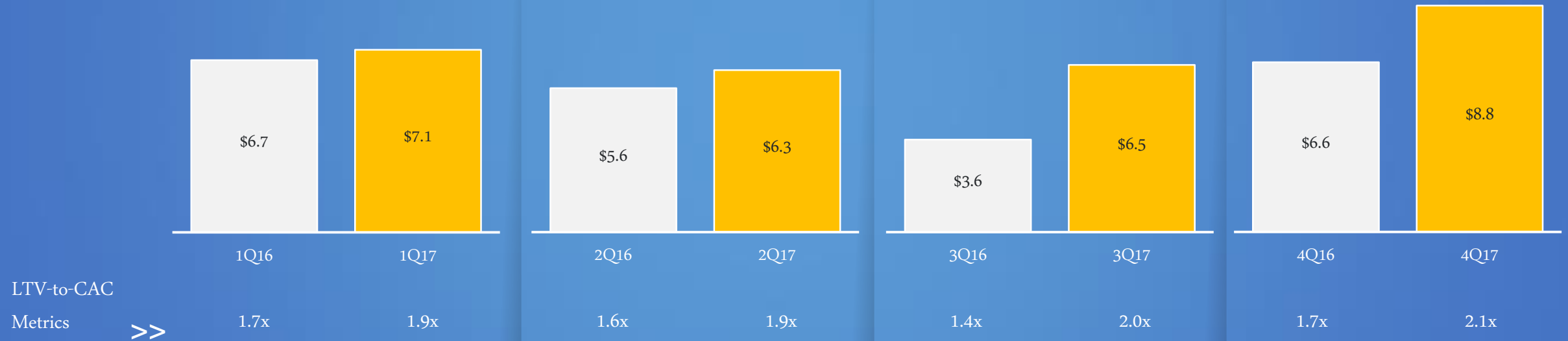


<sup>1</sup> Short-Term Western Consumer at end of period | <sup>2</sup> U.S. DTC

# Growing Net LTV Added

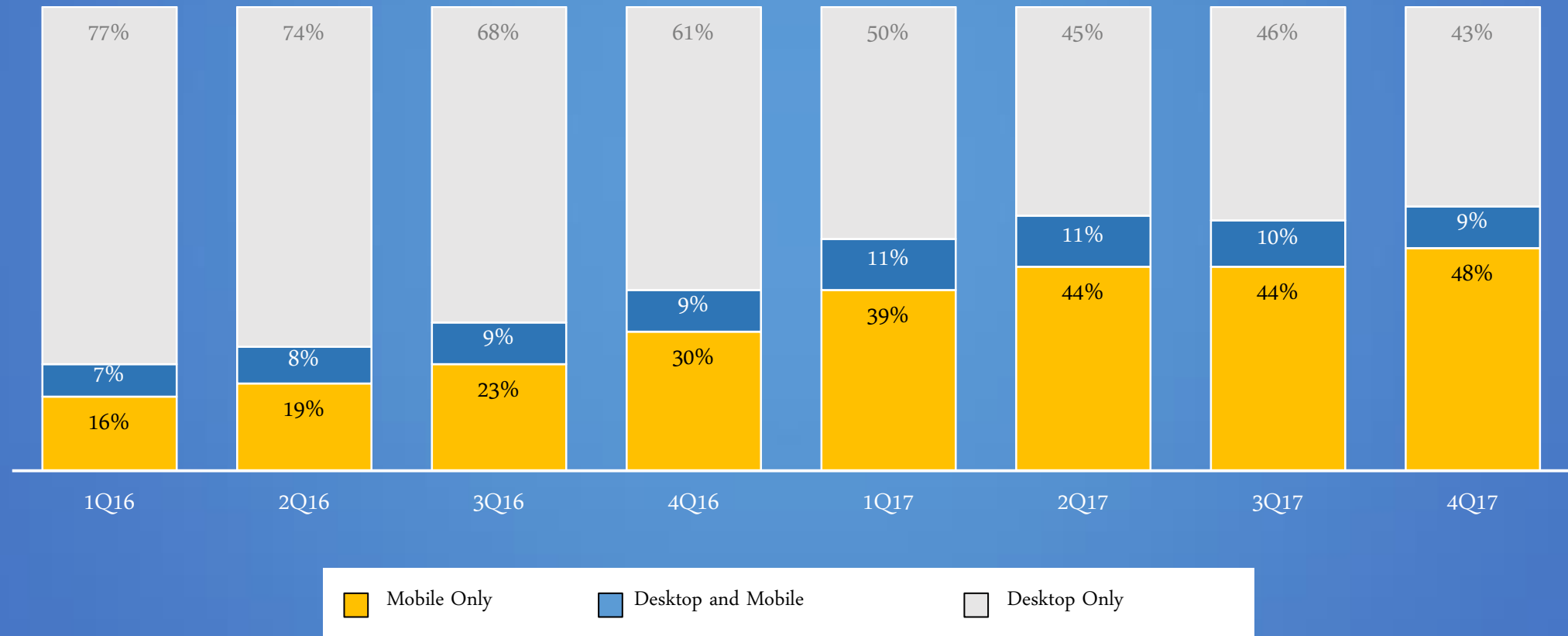
Net LTV = Lifetime Value (LTV) minus Cost to Acquire (CAC)

\$MM



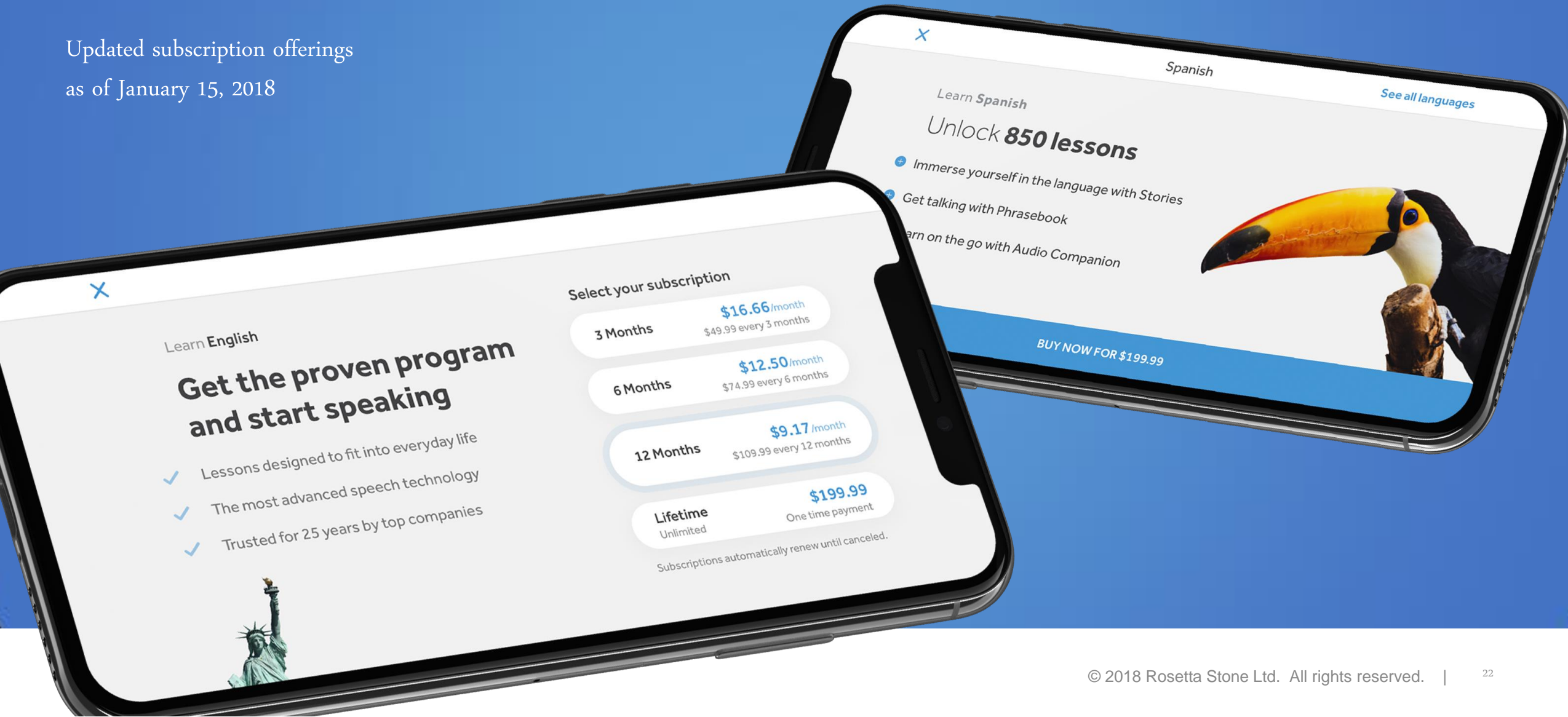
Managing to marginal dollar, not highest LTV/CAC

# Learning Moving to Mobile Devices

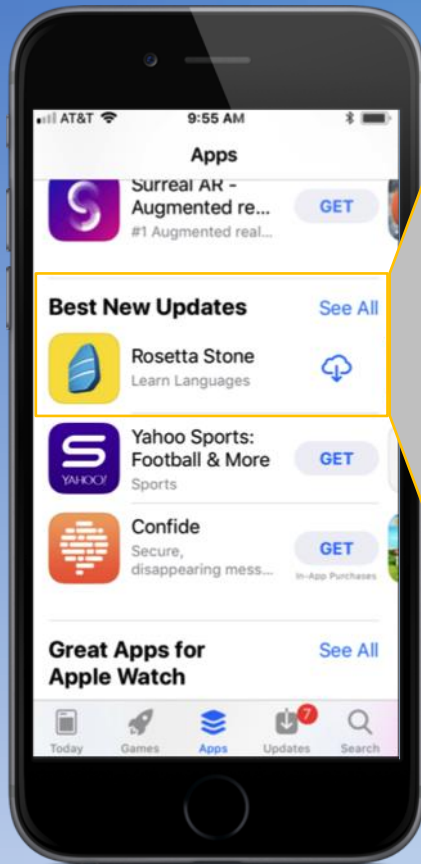


# iOS App Now Offering Subscription Options

Updated subscription offerings  
as of January 15, 2018



# New Features and Functionality



At subscription launch, Apple featured Learn Languages as the best new app update



Google Play Subscriptions



Improved Onboarding



Grammar Tips



Conversational Content



UI Improvements



TruAccent™ Improvements

# Objective: Be the Global Leader in Digital Language Sales

---

## REMAINING REQUIREMENTS



Become Mobile  
Awesome



Build on Catalyst in Enterprise  
(globally)



Reach International Consumer  
Markets

## STRONG FOUNDATIONAL ELEMENTS





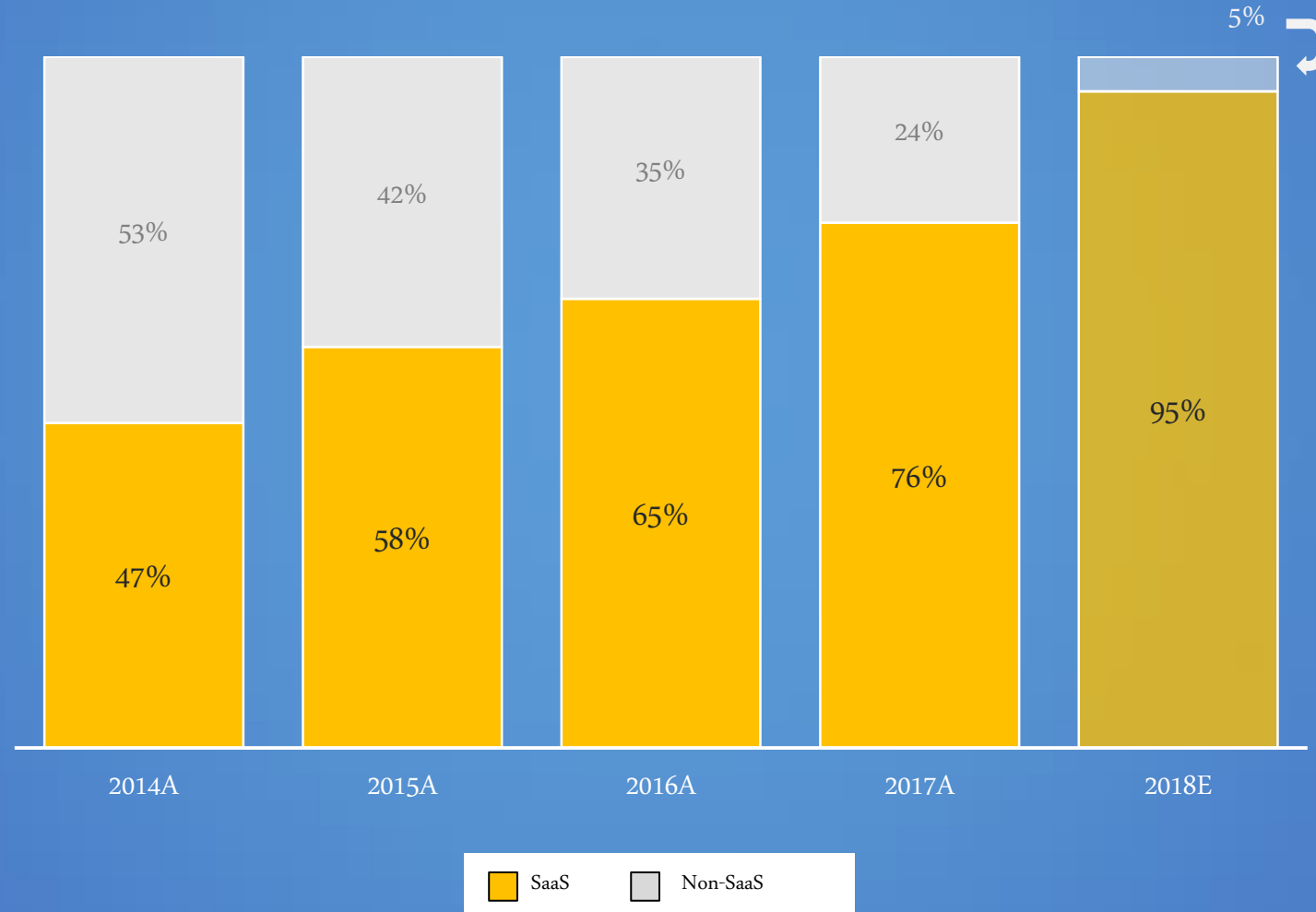
# Literacy ARR and Retention

\$MM



<sup>1</sup> See Appendix for definitions and reconciliation of GAAP to non-GAAP Financial Measures. Prior period ARR has been updated to reflect current period presentation.

## Expect to Reach 95% SaaS-Based Sales Mix Companywide



# Reaching New Audience

	Stage 1	Stage 2	Stage 3	Stage 4
	CDs/Downloads	Long-Term Subscriptions	Short-Term Subscriptions	Short-Term Subscriptions / Apps
Sales Period	2014A	2015A / 2016A	2017A	2018E
Initial Sales Price (ASPU)	\$253	\$199	\$87	\$68
LTV	\$275	\$234	\$178	\$183
Age <35 Years	30%	35%	43%	51%
Income \$75k+	74%	75%	74%	68%
Education Bachelor+	87%	87%	88%	84%

NOTE: CD/Download: FY14, Long-term Subs Web: FY15 & FY16, Short-term Subs Web: FY17, Short-term Subs App: 1/16/2018 to 2/15/2018 | Source: RS Analysis

# Transition to Subscription Essentially Completed

\$MM		2015A	2016A	2017A	2018E
Sales <sup>1</sup>		\$123	\$85	\$70	\$71
Consumer Revenue from Sales in:					
	2014A	29	11	2	—
	2015A	89	21	12	1
	2016A	—	56	23	5
	2017A	—	—	38	25
	2018E	—	—	—	30
Total Consumer Revenue		\$120	\$88	\$75	\$61
% Sales Recognized In-Year		72%	66%	54%	44%
Consumer Deferred Revenue (year-end) <sup>1</sup>		\$47	\$44	\$38	\$46

<sup>1</sup> Before \$12.9MM from SOURCENEXT in 2017

# FY 2018 Guidance

\$MM	FY 2017 Actual			FY 2018 Guidance		
	Literacy Segment	Language Segments	Consolidated	Literacy Segment	Language Segments	Consolidated
Revenue	\$43.6	\$141.0	\$184.6	~\$50	~\$123	~\$173
Revenue+Change in Deferred Revenue <sup>1,2</sup>	\$47.5	\$134.5	\$182.0	~\$60	~\$137	~\$195 – \$198
GAAP Net Income			\$(1.5)			~\$(29)
Adjusted EBITDA			\$13.3			~\$(6)
Capital Expenditures			\$12.9			~\$14
Change in Deferred Revenue <sup>2</sup>	\$3.9	\$(6.5)	\$(2.6)	~\$10	~\$14	~\$22 – \$25
Ending Cash Balance			\$43.0			~\$48

<sup>1</sup> See Appendix for definitions and reconciliation of GAAP to non-GAAP Financial Measures | <sup>2</sup> Before \$12.9MM from SOURCENEXT (Language and Consolidated).

# Q1 2018 Guidance

\$MM	Q1 2017 Actual			Q1 2018 Guidance		
	Literacy Segment	Language Segments	Consolidated	Literacy Segment	Language Segments	Consolidated
Revenue	\$10.2	\$37.5	\$47.7	~\$11.8	~\$29.7	~\$41.5
Sales <sup>1</sup>	\$5.3	\$27.4	\$32.7	~\$4.0	~\$23.0	~\$27.0
GAAP Net Income (Loss)			\$0.5			~\$(9.0)
Adjusted EBITDA <sup>1</sup>			\$5.2			~\$(4.0)
Capital Expenditures			\$2.3			~\$4.0
Ending Cash Balance			\$39.7			~\$37.0

<sup>1</sup> See Appendix for definitions and reconciliation of GAAP to non-GAAP Financial Measures

# Growth and Operating Leverage Drives Cash Flow

\$MM	FY 2018 Guidance	Trends 2018-2020	FY 2020 Outlook	2020-2022
Revenue	~\$173	~17%	~\$240	~15%
Expenses	~\$202	~10%	~\$240	~8% - 10%
Adjusted EBITDA	~\$(6)	\$35	~\$30	Margin ~16 – 18%
Literacy Sales	~\$60	~25% - 30%	~\$100	~20%
Language Sales	~\$137	~8% - 10%	~\$160	~8% - 10%
Total Sales	~\$196	~15%	~\$260	~12% - 14%
Ending Cash Balance	~\$48	~\$52	~\$100	~\$200MM+

<sup>1</sup> See Appendix for definitions and reconciliation of GAAP to non-GAAP Financial Measures



# Appendix



# Definitions

---

## Statistical Measures

Annualized recurring revenue (or “ARR”) is computed using the annualized value of active subscription arrangements at the end of the period. ARR is a performance metric used to assess the health and trajectory of our E&E Language and Literacy segments, which we believe aids investors in understanding our segment results. We present ARR as a statistical measure rather than a non-GAAP financial measure. ARR should be viewed independently of revenue and deferred revenue, as ARR is a performance metric and is not intended to be combined with either of these items.

## Non-GAAP Financial Measures

- Sales represents executed contracts received by the Company that are either recorded immediately as revenue or deferred revenue. Therefore, sales is an operational metric and in any one period is equal to revenue plus the change in deferred revenue.
- Adjusted EBITDA is GAAP net income/loss plus interest income and expense, other income/expense, income tax benefit/expense, impairment, lease abandonment and termination, depreciation, amortization, stock-based compensation, restructuring, and strategy and cost-reduction related consulting expenses. In addition, Adjusted EBITDA excludes "Other" items related to non-restructuring wind down and severance costs, and transaction and other costs associated with mergers and acquisitions, as well as all adjustments related to recording the non-cash tax valuation allowance for deferred tax assets. Adjusted EBITDA for prior periods has been revised to conform to current definition.
- Free cash flow is cash flow from operating activities minus cash used in purchases of property and equipment.
- Segment contribution is calculated as segment revenue less expenses directly incurred by or allocated to the segment. Direct segment expenses include costs and expenses that are directly incurred by or allocated to the segment and include materials costs, service costs, customer care and coaching costs, sales and marketing expenses, and bad debt expense. In addition to the previously referenced expenses, the Literacy segment includes direct research and development expenses and Combined Language includes shared research and development expenses, costs of revenue, sales and marketing, and general and administrative expenses applicable to the Consumer Language and Enterprise and Education Language segments.

# Adjusted EBITDA and Free Cash Flow<sup>1</sup>

	Amounts (\$000)									
	Quarterly				FY16	Quarterly				FY17
	1Q16	2Q16	3Q16	4Q16		1Q17	2Q17	3Q17	4Q17	
GAAP net income (loss)	\$ (7,507)	\$ (8,978)	\$ (5,452)	\$ (5,613)	\$ (27,550)	\$ 454	\$ (1,135)	\$ (3,231)	\$ 2,366	\$ (1,546)
Total non-operating (income) expense, net	(1,129)	(816)	(524)	596	(1,873)	(209)	(312)	40	25	(456)
Income tax (benefit) expense	449	(992)	1,793	1,253	2,503	700	782	879	(4,860)	(2,499)
Impairment	0	2,902	1,028	0	3,930	0	0	0	0	0
Depreciation and amortization	3,408	3,178	3,226	3,510	13,322	3,075	2,987	3,015	2,932	12,009
Stock-based compensation expense	421	1,397	1,639	1,449	4,906	147	1,359	1,552	1,083	4,141
Restructuring expense	2,509	2,512	162	10	5,193	780	205	196	26	1,207
Lease abandonment and termination	0	30	0	1,614	1,644	0	0	0	0	0
Strategy consulting expense	402	519	458	577	1,956	169	0	0	0	169
Other EBITDA adjustments	(117)	304	85	56	328	39	16	248	(7)	296
Adjusted EBITDA	<u>\$ (1,564)</u>	<u>\$ 56</u>	<u>\$ 2,415</u>	<u>\$ 3,452</u>	<u>\$ 4,359</u>	<u>\$ 5,155</u>	<u>\$ 3,902</u>	<u>\$ 2,699</u>	<u>\$ 1,565</u>	<u>\$ 13,321</u>

	Amounts (\$000)									
	Quarterly				FY16	Quarterly				FY17
	1Q16	2Q16	3Q16	4Q16		1Q17	2Q17	3Q17	4Q17	
Net cash provided by/(used in) operating activities	\$ (2,546)	\$ (9,879)	\$ 6,479	\$ 7,186	\$ 1,240	\$ 5,769	\$ (10,397)	\$ 17,305	\$ 6,625	\$ 19,302
Purchases of property and equipment	(2,586)	(3,348)	(3,694)	(2,886)	(12,514)	(2,313)	(3,080)	(3,510)	(4,041)	(12,944)
Free Cash Flow	<u>\$ (5,132)</u>	<u>\$ (13,227)</u>	<u>\$ 2,785</u>	<u>\$ 4,300</u>	<u>\$ (11,274)</u>	<u>\$ 3,456</u>	<u>\$ (13,477)</u>	<u>\$ 13,795</u>	<u>\$ 2,584</u>	<u>\$ 6,358</u>

<sup>1</sup> See Appendix for definitions and reconciliation of GAAP to non-GAAP Financial Measures.

# Revenue and Sales<sup>1</sup>

	Amounts (\$000)									
	Quarterly					Quarterly				
	1Q16	2Q16	3Q16	4Q16	FY16	1Q17	2Q17	3Q17	4Q17	FY17
<b>Revenue</b>										
Literacy	\$ 7,577	\$ 7,950	\$ 8,786	\$ 9,810	\$ 34,123	\$ 10,170	\$ 10,370	\$ 11,028	\$ 12,040	\$ 43,608
Language										
E&E Language										
Enterprise	11,044	10,479	11,041	10,554	43,118	9,408	9,914	9,602	8,032	36,956
North America K-12	7,287	7,011	7,295	7,372	28,965	7,092	7,346	6,927	6,946	28,311
Subtotal E&E Language	18,331	17,490	18,336	17,926	72,083	16,500	17,260	16,529	14,978	65,267
Consumer Language	22,094	20,276	21,571	23,942	87,883	21,023	18,275	18,649	17,771	75,718
Subtotal Combined Language	40,425	37,766	39,907	41,868	159,966	37,523	35,535	35,178	32,749	140,985
<b>Total Revenue</b>	<b>\$ 48,002</b>	<b>\$ 45,716</b>	<b>\$ 48,693</b>	<b>\$ 51,678</b>	<b>\$ 194,089</b>	<b>\$ 47,693</b>	<b>\$ 45,905</b>	<b>\$ 46,206</b>	<b>\$ 44,789</b>	<b>\$ 184,593</b>
<b>Sales</b>										
Literacy	\$ 3,817	\$ 9,433	\$ 17,923	\$ 7,221	\$ 38,394	\$ 5,300	\$ 8,628	\$ 24,878	\$ 8,705	\$ 47,511
Language										
E&E Language										
Enterprise	7,906	8,972	12,553	11,071	40,502	6,034	10,203	9,610	12,095	37,942
North America K-12	2,877	9,184	11,643	5,438	29,142	2,890	8,354	10,224	5,391	26,859
Subtotal E&E Language	10,783	18,156	24,196	16,509	69,644	8,924	18,557	19,834	17,486	64,801
Consumer Language	22,911	18,234	19,203	24,413	84,761	18,495	27,299	17,840	18,968	82,602
Less: Adjustment for the SOURCENEXT transaction	0	0	0	0	0	0	11,374	1,497	53	12,924
Subtotal Consumer Language, before SOURCENEXT	22,911	18,234	19,203	24,413	84,761	18,495	15,925	16,343	18,915	69,678
Subtotal Combined Language, before SOURCENEXT	33,694	36,390	43,399	40,922	154,405	27,419	34,482	36,177	36,401	134,479
<b>Total Sales, before SOURCENEXT</b>	<b>\$ 37,511</b>	<b>\$ 45,823</b>	<b>\$ 61,322</b>	<b>\$ 48,143</b>	<b>\$ 192,799</b>	<b>\$ 32,719</b>	<b>\$ 43,110</b>	<b>\$ 61,055</b>	<b>\$ 45,106</b>	<b>\$ 181,990</b>

<sup>1</sup> See Appendix for definitions and reconciliation of GAAP to non-GAAP Financial Measures.

# Reconciliation of Revenue and Sales<sup>1</sup>

	Amounts (\$000)									
	Quarterly					Quarterly				
	1Q16	2Q16	3Q16	4Q16	FY16	1Q17	2Q17	3Q17	4Q17	FY17
Reconciliation of Revenue to Sales										
Literacy										
Segment revenue	\$ 7,577	\$ 7,950	\$ 8,786	\$ 9,810	\$ 34,123	\$ 10,170	\$ 10,370	\$ 11,028	\$ 12,040	\$ 43,608
Segment change in deferred revenue	(3,760)	1,483	9,137	(2,589)	4,271	(4,870)	(1,742)	13,850	(3,335)	3,903
Sales	\$ 3,817	\$ 9,433	\$ 17,923	\$ 7,221	\$ 38,394	\$ 5,300	\$ 8,628	\$ 24,878	\$ 8,705	\$ 47,511
E&E Language										
Segment revenue	\$ 18,331	\$ 17,490	\$ 18,336	\$ 17,926	\$ 72,083	\$ 16,500	\$ 17,260	\$ 16,529	\$ 14,978	\$ 65,267
Segment change in deferred revenue	(7,548)	666	5,860	(1,417)	(2,439)	(7,576)	1,297	3,305	2,508	(466)
Sales	\$ 10,783	\$ 18,156	\$ 24,196	\$ 16,509	\$ 69,644	\$ 8,924	\$ 18,557	\$ 19,834	\$ 17,486	\$ 64,801
Consumer Language										
Segment revenue	\$ 22,094	\$ 20,276	\$ 21,571	\$ 23,942	\$ 87,883	\$ 21,023	\$ 18,275	\$ 18,649	\$ 17,771	\$ 75,718
Segment change in deferred revenue	817	(2,042)	(2,368)	471	(3,122)	(2,528)	9,024	(809)	1,197	6,884
Adjustment for the SOURCENEXT transaction	0	0	0	0	0	0	(11,374)	(1,497)	(53)	(12,924)
Sales, before SOURCENEXT	\$ 22,911	\$ 18,234	\$ 19,203	\$ 24,413	\$ 84,761	\$ 18,495	\$ 15,925	\$ 16,343	\$ 18,915	\$ 69,678
Total revenue	\$ 48,002	\$ 45,716	\$ 48,693	\$ 51,678	\$ 194,089	\$ 47,693	\$ 45,905	\$ 46,206	\$ 44,789	\$ 184,593
Change in deferred revenue	(10,491)	107	12,629	(3,535)	(1,290)	(14,974)	8,579	16,346	370	10,321
Adjustment for the SOURCENEXT transaction	0	0	0	0	0	0	(11,374)	(1,497)	(53)	(12,924)
Total sales, before SOURCENEXT	\$ 37,511	\$ 45,823	\$ 61,322	\$ 48,143	\$ 192,799	\$ 32,719	\$ 43,110	\$ 61,055	\$ 45,106	\$ 181,990

<sup>1</sup> See Appendix for definitions and reconciliation of GAAP to non-GAAP Financial Measures.

# Segment Contribution<sup>1</sup>

	Amounts (\$000)									
	Quarterly					Quarterly				
	1Q16	2Q16	3Q16	4Q16	FY16	1Q17	2Q17	3Q17	4Q17	FY17
Revenue:										
Literacy segment	\$ 7,577	\$ 7,950	\$ 8,786	\$ 9,810	\$ 34,123	\$ 10,170	\$ 10,370	\$ 11,028	\$ 12,040	\$ 43,608
Enterprise & Education ("E&E") Language segment	18,331	17,490	18,336	17,926	72,083	16,500	17,260	16,529	14,978	65,267
Consumer Language segment	22,094	20,276	21,571	23,942	87,883	21,023	18,275	18,649	17,771	75,718
Shared services	0	0	0	0	0	0	0	0	0	0
Combined Language	40,425	37,766	39,907	41,868	159,966	37,523	35,535	35,178	32,749	140,985
Total revenue	\$ 48,002	\$ 45,716	\$ 48,693	\$ 51,678	\$ 194,089	\$ 47,693	\$ 45,905	\$ 46,206	\$ 44,789	\$ 184,593
Segment contribution:										
Literacy segment	\$ 57	\$ 439	\$ (364)	\$ 1,400	\$ 1,532	\$ 961	\$ 1,591	\$ 582	\$ 1,830	\$ 4,964
E&E Language segment	6,297	6,903	8,064	7,818	29,082	7,119	7,357	7,176	5,245	26,897
Consumer Language segment	5,040	3,934	6,233	6,295	21,502	8,357	6,060	5,683	4,749	24,849
Shared services	(5,457)	(4,982)	(4,758)	(5,562)	(20,759)	(4,990)	(4,672)	(4,148)	(3,559)	(17,369)
Combined Language	5,880	5,855	9,539	8,551	29,825	10,486	8,745	8,711	6,435	34,377
Total segment contribution	\$ 5,937	\$ 6,294	\$ 9,175	\$ 9,951	\$ 31,357	\$ 11,447	\$ 10,336	\$ 9,293	\$ 8,265	\$ 39,341
Segment contribution margin percentage:										
Literacy segment	1%	6%	-4%	14%	4%	9%	15%	5%	15%	11%
E&E Language segment	34%	39%	44%	44%	40%	43%	43%	43%	35%	41%
Consumer Language segment	23%	19%	29%	26%	24%	40%	33%	30%	27%	33%

<sup>1</sup> Please see the Appendix for definitions of non-GAAP financial measures. The Literacy segment was previously a component of the "Enterprise & Education" segment and is comprised solely of the Lexia business. Prior periods have been reclassified to reflect our current segment presentation and definition of segment contribution.