

**RESEARCH UPDATE**
**FRANKLIN COVEY CO. (NYSE: FC)**
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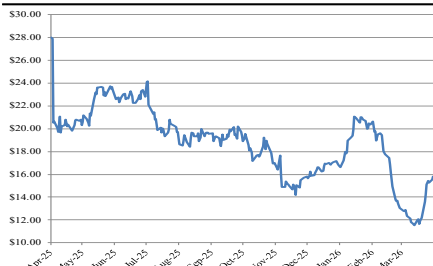
**Market Statistics**

Price	\$15.75
52-Week Range	\$11.16 - \$28.39
Daily Vol. (3 Month Avg.)	161,630
Market Cap (M)	\$182.4
Enterprise Value (M)	\$165.7
Shares Out (M)	11.6
Float (M)	9.4
Institutional Ownership	75.8%
Insider Ownership	18.5%

**Financial Summary**

Equity (M)	\$ 38.1
BV/Sh	\$ 3.29
Cash (M)	\$ 13.7
Debt (M)	\$ 0.8
Debt/Cap	2.1%

FYE: AUG	2025	2026E	2027E
<i>(in \$M)</i>			
Rev	\$ 267.1	\$ 267.3	\$ 278.9
Chng%	-7%	0%	4%
EBITDA	\$ 28.8	\$ 28.7	\$ 32.1
EPS	\$ 0.24	\$ 0.53	\$ 1.18
EV/R	0.6x	0.6x	0.6x
EV/EBITDA	5.8x	5.8x	5.2x
P/E	66.8x	29.6x	13.4x


**COMPANY DESCRIPTION**

Franklin Covey Co. is a leading global provider of training and consulting solutions that delivers principle-based curriculums and effectiveness tools to its global customers. The Company provides consulting, seminars, educational materials, publications, and products designed to make individuals and organizations more effective.

Franklin Covey's 2Q26 results further support our view that the business is nearing an inflection as go-to-market execution improves across the platform. In Enterprise North America, management highlighted better new logo activity, retention, client expansion, and higher multiyear contract penetration, all of which support better growth visibility. Underlying demand also appears stronger than the headline suggests, as Enterprise North America invoiced growth was 10% excluding the government business. International improved as well, with 7% invoiced growth lead by 14% growth in direct offices. Education also had a strong quarter and remained a positive contributor. Taken together, we believe these trends improve the setup for stronger growth, margins, and cash generation into FY27.

**Quarterly results** - FC reported revenue, adj EBITDA, and EPS of \$59.6M, \$4.1M, and (\$0.04), respectively. This compares to our/consensus estimates of \$59.4M/\$58.7M, \$3.8M/\$4.7M, and \$0.11/\$0.03, respectively. Revenue was largely in line, while profitability was affected by restructuring and headquarters relocation costs. More importantly, operating trends remained constructive, with consolidated invoicing up 5%, subscription and contractually committed services invoiced up 16% to \$39.3M, and deferred revenue up 7% to \$101.5M. FC also generated \$16.3M of operating cash flow and \$13.2M of free cash flow, while repurchasing \$17.0M of stock.

**Macro Environment** – Management continues to characterize the backdrop as uneven, with pressure from reduced federal spending, tariff volatility, and broader uncertainty. The clearest impact remains within the government portion of Enterprise North America, though trends elsewhere appear steadier, supported by strength in International and Education. Management also framed AI as a tailwind, increasing demand for leadership, execution, and change support. Overall, we view FY26 as a year of execution, with stronger invoicing expected to support better reported growth in FY27.

**Go-to Market Strategy** – 2Q26 provided further evidence that Franklin Covey's go-to-market transformation is working. Enterprise North America delivered a second straight quarter of 7% invoiced growth, supported by strong new logo wins, healthy retention, and expansion within existing accounts. Management also noted one of its highest revenue retention levels in recent periods, while services bookings remained strong, up 9% year to date. Deferred subscription revenue rose 16% to \$59.0M, and contract duration improved, with 59% of North America AAP contracts at two years or longer and 62% of contracted amounts tied to multiyear agreements. Combined with ongoing cost actions, we believe FC is setting up for better growth, margins, and visibility through FY26 and into FY27.

**Guidance** – For FY26, FC reaffirmed revenue guidance of \$265M to \$275M and Adjusted EBITDA guidance of \$28M to \$33M. Management expects results to strengthen through the back half, with Q4 revenue modestly above Q3, roughly 50% to 55% of second-half revenue generated in Q4, and about 60% to 65% of second-half Adjusted EBITDA weighted to Q4. In our view, this cadence reflects normal seasonality, particularly in Education and services delivery, while also benefiting from cost actions and improving operating leverage.

**Valuation** - Based on our DCF analysis, we place a valuation range for FC of \$33.49 to \$37.84 with the mid-point of the range at \$35.49.

## Summary

## Exhibit 1: Quarterly Results Comparison to Model

	2Q26 results		Notes
	Reported	Model	
<b>Total revenues</b>	<b>59.6</b>	<b>59.4</b>	Revenue in-line with our expectations
Cost of sales	14.4	14.7	
<b>Gross (loss) profit</b>	<b>45.3</b>	<b>44.8</b>	GPM was above our expectations
<b>Gross margin</b>	<b>75.9%</b>	<b>75.3%</b>	
SG&A	43.5	41.1	
D&A	1.8	1.9	
Total opex	47.3	42.9	
<b>EBIT - adjusted</b>	<b>(0.4)</b>	<b>1.8</b>	
<b>Operating margin</b>	<b>-0.6%</b>	<b>3.1%</b>	
<b>EBITDA - adjusted</b>	<b>4.1</b>	<b>4.7</b>	
<b>EBITDA margin</b>	<b>6.9%</b>	<b>7.9%</b>	EBITDA behind our expectations
Net income (loss) - adj	(0.4)	1.3	
<b>EPS (loss)</b>	<b>\$ (0.04)</b>	<b>\$ 0.11</b>	EPS slightly below our expectations

Source: Company Reports; Stonegate Capital Markets, Inc.

## INVESTMENT FACTORS

Franklin Covey Co. is a leading global provider of training and consulting solutions delivering principle-based curriculums and effectiveness tools to its global customers. The Company provides consulting, seminars, educational materials, publications, and products designed to make individuals and organizations more effective. The Company appears well positioned in the training industry as it commands a strong global brand name, product differentiation, and is backed by accelerating multi-year growth efforts and margin expansion.

### Investment Positives

**Franklin Covey's brand value is driven by its proprietary content (intellectual property) that creates differentiation and drives strong margins** – The Company's proprietary content or IP is centered on delivering transformational results that alter human behavior with the capability to measure the impact of the delivered training and tools. Furthermore, the Company provides a wide offering of key practices that can help most clients' needs. These attributes provide the Company with a high level of differentiation, in our opinion. As further evidence of differentiation, we note that the Company has one of the highest gross margins vs. other publicly listed training companies. And Franklin Covey's gross margin is about 50% higher than prototypical consultants.

**All Access Pass business model leads to predictable cash flows** – In F16, the Company embarked on changing its business model toward annual subscriptions. This subscription is called All Access Pass (AAP) and allows clients to access all of FCs proprietary content for an annual subscription. AAP is expected to (1) improve client retention; (2) increase lifetime customer spend; (3) show increasing margins as the deferred revenue is at 90%+ gross margins; and (4) allow FC to maintain high-single digit revenue growth rates. While the transition has taken some time, and negatively impacted headline revenue growth comparisons given the deferral of revenue, the Company is largely past the transition to its new business model. As a result, the Company is seeing an increase in predictability of both future revenue growth and cash flows with revenue growth now in the low teens.

**Further growth is also expected from international licensees** – The Company is looking to expand its international licensees' business that operates via a royalty model. The Company's international licensee partners represent the Franklin Covey brand in over 150 countries. Currently, these licensees are underpenetrated in their respective home market and have even lower penetration in non-home country markets. As penetration rates grow in the respective home country and approach North American levels, licensees' gross revenues should accelerate. Additionally, the international licensees have the ability to roll-out the AAP model in their respective markets.

**This all leads to margin expansion as the Company has high incremental margins** – For every incremental dollar in revenue, 40% - 50% of the incremental revenue falls to adjusted EBITDA (exclusive of stock option expense). Given the AAP model, we would expect flow-through rates to move toward the higher end of the range. As a result, this should lead to expanding adjusted EBITDA margins.

## Investment challenges / risks

**Intangible assets comprise a significant portion of the balance sheet** – The Company has significant intangible assets and goodwill. At the end of FY25, Franklin Covey had \$34.6M in intangible assets and \$31.2M in goodwill, compared to total assets of \$242.9M. Any future impairment of these assets could negatively impact the company's financial results.

**Competition is intense and there are little barriers to entry** – The training and consulting industry is highly fragmented with no one player with a large market share position. Additionally, a variety of organizations offer individual services comparable with those of Franklin Covey. With little barriers to entry, many new entrants to the industry further compound the intensity of competition.

**The industry and hence Franklin Covey is sensitive to macroeconomic events** – The training industry is affected by economic growth or lack thereof. Consequently, any negative macroeconomic events could slow growth in the industry and negatively affect Franklin Covey's results.

## VALUATION SUMMARY

To help frame valuation we use a DCF analysis.

### DCF Analysis

For our sensitivity analysis, we use a range of discount rates from 10.75%-11.25% and terminal growth rates between 1% and 3%. The discount range is deemed reasonable based on the CAPM formula for determining WACC. The key variables for this include:

- The cost of company debt equal to approximately 6.7%, based on LIBOR + 185bps
- The current 3-month T-Bill rate of 3.7%
- A beta adjusted market risk premium of 5.0%
- An average cost of equity equal to 11.20% after accounting for a size premium
- A tax rate of 25%

The above assumption results in a valuation range of \$33.49 to \$37.84 with the mid-point of the range at \$35.49.

#### Sensitivity Analysis:

		Terminal Growth Rates				
		1.0%	1.5%	2.0%	2.5%	3.0%
Discount rate	10.50%	\$35.68	\$36.71	\$37.86	\$39.16	\$40.63
	10.75%	\$34.62	\$35.58	\$36.64	\$37.84	\$39.19
	11.00%	\$33.61	\$34.50	\$35.49	\$36.60	\$37.84
	11.25%	\$32.66	\$33.49	\$34.40	\$35.43	\$36.57
	11.50%	\$31.75	\$32.52	\$33.37	\$34.32	\$35.38

We see the following important catalysts for the stock in F26 and beyond:

- Continued traction of All Access Pass ..... F26+
- EBITDA margin expansion ..... F26+
- Continued growth in Education ..... F26+
- Sales force expansion ..... F26+

DISCOUNTED CASH FLOW ANALYSIS

<b>Franklin Covey Co</b>														
<b>Discounted Cash Flow Model</b>														
<i>(in \$M, except per share)</i>														
Estimates:	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2026E	2036E	Terminal Value
Revenue	287.2	267.1	267.3	278.9	290.8	303.9	318.1	333.0	349.7	367.5	387.0	407.7	430.5	
Operating Income	33.0	5.7	9.4	18.0	37.8	41.8	44.8	48.3	51.4	55.1	58.0	62.4	65.9	
Less: Taxes (benefit)	9.6	3.0	3.6	5.6	9.5	10.4	11.2	12.1	12.9	13.8	14.5	15.6	16.5	
NOPAT	23.4	2.7	5.9	12.4	28.4	31.3	33.6	36.2	38.6	41.3	43.5	46.8	49.4	
Plus: Depreciation & Amortization	8.2	8.5	7.4	7.5	7.3	6.7	6.4	6.0	5.9	6.1	6.2	6.1	6.5	
Plus: Changes in WC	11.8	5.1	4.1	2.8	0.7	0.8	0.8	0.5	0.5	0.6	0.6	0.6	0.6	
Less: Capex	(11.3)	(16.9)	(15.0)	(11.2)	(8.7)	(6.1)	(4.8)	(3.3)	(3.5)	(3.3)	(3.5)	(3.7)	(3.9)	
Free Cash Flow	32.1	(0.6)	2.4	11.6	27.6	32.7	36.0	39.4	41.5	44.7	46.8	49.8	52.6	596.5
Discount period - months			6	18	30	42	54	66	78	90	102	114	126	
Discount period - years			0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5	10.5	
Discount factor			0.95	0.86	0.77	0.69	0.63	0.56	0.51	0.46	0.41	0.37	0.33	
PV of FCF			2.3	9.9	21.3	22.7	22.5	22.2	21.1	20.4	19.3	18.5	17.6	199.4
<b>Growth rate assumptions:</b>														
Revenue		-7.0%	0.1%	4.3%	4.3%	4.5%	4.7%	4.7%	5.0%	5.1%	5.3%	5.4%	5.6%	
Operating Income		-82.7%	65.3%	90.9%	110.1%	10.5%	7.3%	7.7%	6.4%	7.2%	5.3%	7.5%	5.6%	
EBITDA		-65.6%	19.2%	51.1%	76.8%	7.5%	5.6%	6.0%	5.6%	6.7%	5.0%	6.6%	5.6%	
Free Cash Flow		-101.9%	-509.2%	372.9%	139.1%	18.4%	10.1%	9.3%	5.4%	7.5%	4.9%	6.4%	5.6%	
<b>Margin assumptions:</b>														
Operating Income	11.5%	2.1%	3.5%	6.5%	13.0%	13.8%	14.1%	14.5%	14.7%	15.0%	15.0%	15.3%	15.3%	
D&A as a % of sales	2.8%	3.2%	2.8%	2.7%	2.5%	2.2%	2.0%	1.8%	1.7%	1.7%	1.6%	1.5%	1.5%	
EBITDA	14.3%	5.3%	6.3%	9.1%	15.5%	16.0%	16.1%	16.3%	16.4%	16.7%	16.6%	16.8%	16.8%	
Taxes	29.2%	52.6%	37.9%	31.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	
Changes in WC	4.1%	1.9%	1.6%	1.0%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	
Capex as a % of sales	-3.9%	-6.3%	-5.6%	-4.0%	-3.0%	-2.0%	-1.5%	-1.0%	-1.0%	-0.9%	-0.9%	-0.9%	-0.9%	
<b>Valuation:</b>														
Shares outstanding	11.6													
PV of FCF	197.7													
PV of Terminal Value	199.4													
Enterprise Value	397.1													
less: Net Debt	(12.9)													
Estimated Total Value:	410.0													
<b>Est Equity Value/share:</b>	<b>\$ 35.49</b>													
Price	\$15.75													

<b>Sensitivity Analysis:</b>						
		Terminal Growth Rates				
		1.0%	1.5%	2.0%	2.5%	3.0%
Discount rate	10.50%	\$35.68	\$36.71	\$37.86	\$39.16	\$40.63
	10.75%	\$34.62	\$35.58	\$36.64	\$37.84	\$39.19
	11.00%	\$33.61	\$34.50	\$35.49	\$36.60	\$37.84
	11.25%	\$32.66	\$33.49	\$34.40	\$35.43	\$36.57
	11.50%	\$31.75	\$32.52	\$33.37	\$34.32	\$35.38

Source: Company Reports; Stonegate Capital Markets

## INCOME STATEMENT

Franklin Covey Co. (NYSE: FC)

Consolidated Statements of Income (in \$M, except per share amounts)  
Fiscal Year: August

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Q1 Nov-24	Q2 Feb-25	Q3 May-25	Q4 Aug-25	FY 2025	Q1 Nov-25	Q2 Feb-26	Q3 E May-26	Q4 E Aug-26	FY 2026 E	Q1 E Nov-26	Q2 E Feb-27	Q3 E May-27	Q4 E Aug-27	FY 2027 E	
<b>Revenues</b>																					
Revenues	\$ 198.5	\$ 224.2	\$ 262.8	\$ 280.5	\$ 287.2	\$ 69.1	\$ 59.6	\$ 67.1	\$ 71.2	\$ 267.1	\$ 64.0	\$ 59.6	\$ 69.1	\$ 74.5	\$ 267.3	\$ 69.2	\$ 61.4	\$ 70.5	\$ 77.7	\$ 278.9	
<b>Total revenue</b>	<b>198.5</b>	<b>224.2</b>	<b>262.8</b>	<b>280.5</b>	<b>287.2</b>	<b>69.1</b>	<b>59.6</b>	<b>67.1</b>	<b>71.2</b>	<b>267.1</b>	<b>64.0</b>	<b>59.6</b>	<b>69.1</b>	<b>74.5</b>	<b>267.3</b>	<b>69.2</b>	<b>61.4</b>	<b>70.5</b>	<b>77.7</b>	<b>278.9</b>	
<b>Cost of revenues</b>																					
Cost of sales	53.1	51.3	60.9	67.0	66.2	16.4	13.9	15.8	17.5	63.5	15.7	14.4	16.2	16.4	62.7	16.9	14.2	16.3	17.9	65.2	
<b>Total cost of revenues</b>	<b>53.1</b>	<b>51.3</b>	<b>60.9</b>	<b>67.0</b>	<b>66.2</b>	<b>16.4</b>	<b>13.9</b>	<b>15.8</b>	<b>17.5</b>	<b>63.5</b>	<b>15.7</b>	<b>14.4</b>	<b>16.2</b>	<b>16.4</b>	<b>62.7</b>	<b>16.9</b>	<b>14.2</b>	<b>16.3</b>	<b>17.9</b>	<b>65.2</b>	
<b>Gross (loss) profit</b>	<b>145.4</b>	<b>172.9</b>	<b>201.9</b>	<b>213.5</b>	<b>221.1</b>	<b>52.7</b>	<b>45.7</b>	<b>51.3</b>	<b>53.8</b>	<b>203.6</b>	<b>48.4</b>	<b>45.3</b>	<b>52.8</b>	<b>58.1</b>	<b>204.6</b>	<b>52.3</b>	<b>47.3</b>	<b>54.2</b>	<b>59.9</b>	<b>213.6</b>	
<b>Operating expenses</b>																					
Selling, general and administrative	129.4	153.6	168.1	178.5	175.9	47.2	45.1	46.7	43.7	182.7	46.1	43.5	45.2	46.8	181.7	48.7	44.0	47.1	48.3	188.1	
Depreciation	6.7	6.2	4.9	4.3	3.9	1.0	1.0	1.0	1.1	4.1	1.1	1.1	1.1	4.5	1.1	1.1	1.1	1.1	1.1	4.5	
Amortization	4.6	5.0	5.3	4.3	4.2	1.1	1.1	1.1	1.1	4.4	0.7	0.7	0.9	0.8	3.0	0.8	0.8	0.8	0.8	3.0	
Restructuring cost/other	1.6	-	-	-	3.9	2.0	-	4.7	-	6.7	4.1	2.0	-	-	6.1	-	-	-	-	-	
<b>Total operating expenses</b>	<b>142.3</b>	<b>164.8</b>	<b>178.2</b>	<b>187.1</b>	<b>188.0</b>	<b>51.2</b>	<b>47.2</b>	<b>53.5</b>	<b>45.9</b>	<b>197.9</b>	<b>52.0</b>	<b>47.3</b>	<b>47.2</b>	<b>48.7</b>	<b>195.2</b>	<b>50.6</b>	<b>45.9</b>	<b>49.0</b>	<b>50.2</b>	<b>195.6</b>	
<b>Income (loss) from operations</b>	<b>3.1</b>	<b>8.1</b>	<b>23.7</b>	<b>26.4</b>	<b>33.0</b>	<b>1.5</b>	<b>(1.5)</b>	<b>(2.2)</b>	<b>7.9</b>	<b>5.7</b>	<b>(3.7)</b>	<b>(2.0)</b>	<b>5.7</b>	<b>9.4</b>	<b>9.4</b>	<b>1.7</b>	<b>1.4</b>	<b>5.2</b>	<b>9.7</b>	<b>18.0</b>	
<b>Inc (loss) from operations - adjusted (1)</b>	<b>3.6</b>	<b>8.1</b>	<b>23.7</b>	<b>26.9</b>	<b>37.0</b>	<b>3.5</b>	<b>(1.4)</b>	<b>3.0</b>	<b>9.5</b>	<b>14.5</b>	<b>0.5</b>	<b>(0.4)</b>	<b>5.7</b>	<b>9.4</b>	<b>15.2</b>	<b>1.7</b>	<b>1.4</b>	<b>5.2</b>	<b>9.7</b>	<b>18.0</b>	
<b>Other (income) expense:</b>																					
Interest expense	2.3	2.0	1.6	0.5	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)	(0.0)	0.1	(0.2)	(0.2)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.6)	
<b>Total other income (expense):</b>	<b>2.3</b>	<b>2.0</b>	<b>1.6</b>	<b>0.5</b>	<b>(0.0)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.4)</b>	<b>(0.0)</b>	<b>0.1</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>(0.3)</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>(0.6)</b>	
<b>Pre-tax income (loss)</b>	<b>0.8</b>	<b>6.1</b>	<b>22.1</b>	<b>25.9</b>	<b>33.0</b>	<b>1.6</b>	<b>(1.3)</b>	<b>(2.1)</b>	<b>8.0</b>	<b>6.1</b>	<b>(3.6)</b>	<b>(2.1)</b>	<b>5.8</b>	<b>9.6</b>	<b>9.7</b>	<b>1.9</b>	<b>1.5</b>	<b>5.4</b>	<b>9.8</b>	<b>18.6</b>	
Income taxes (benefit)	10.2	(7.5)	3.6	8.1	9.6	0.4	(0.3)	(0.7)	3.6	3.0	(0.3)	(0.1)	1.5	2.5	3.6	0.6	0.5	1.6	3.0	5.6	
<b>Net income (loss)</b>	<b>(9.4)</b>	<b>13.6</b>	<b>18.4</b>	<b>17.8</b>	<b>23.4</b>	<b>1.2</b>	<b>(1.1)</b>	<b>(1.4)</b>	<b>4.4</b>	<b>3.1</b>	<b>(3.3)</b>	<b>(2.0)</b>	<b>4.3</b>	<b>7.1</b>	<b>6.1</b>	<b>1.3</b>	<b>1.1</b>	<b>3.8</b>	<b>6.9</b>	<b>13.0</b>	
<b>EPS (loss)</b>	<b>\$ (0.68)</b>	<b>\$ 0.97</b>	<b>\$ 1.29</b>	<b>\$ 1.24</b>	<b>\$ 1.74</b>	<b>\$ 0.09</b>	<b>\$ (0.08)</b>	<b>\$ (0.11)</b>	<b>\$ 0.34</b>	<b>\$ 0.24</b>	<b>\$ (0.27)</b>	<b>\$ (0.17)</b>	<b>\$ 0.39</b>	<b>\$ 0.64</b>	<b>\$ 0.53</b>	<b>\$ 0.12</b>	<b>\$ 0.10</b>	<b>\$ 0.34</b>	<b>\$ 0.62</b>	<b>\$ 1.18</b>	
<b>Net income (loss) - adjusted (1) (2)</b>	<b>1.0</b>	<b>4.5</b>	<b>18.5</b>	<b>18.2</b>	<b>26.1</b>	<b>2.7</b>	<b>(1.0)</b>	<b>2.0</b>	<b>5.2</b>	<b>8.9</b>	<b>0.4</b>	<b>(0.4)</b>	<b>5.6</b>	<b>9.2</b>	<b>14.8</b>	<b>1.4</b>	<b>1.1</b>	<b>3.9</b>	<b>7.1</b>	<b>13.4</b>	
<b>EPS (loss) - adjusted (1) (2)</b>	<b>\$ 0.07</b>	<b>\$ 0.32</b>	<b>\$ 1.29</b>	<b>\$ 1.27</b>	<b>\$ 1.93</b>	<b>\$ 0.20</b>	<b>\$ (0.08)</b>	<b>\$ 0.16</b>	<b>\$ 0.41</b>	<b>\$ 0.68</b>	<b>\$ 0.04</b>	<b>\$ (0.04)</b>	<b>\$ 0.50</b>	<b>\$ 0.83</b>	<b>\$ 1.29</b>	<b>\$ 0.12</b>	<b>\$ 0.10</b>	<b>\$ 0.35</b>	<b>\$ 0.64</b>	<b>\$ 1.21</b>	
Shares outstanding	13.9	14.1	14.3	14.3	13.5	13.3	13.1	12.9	12.8	13.0	12.2	11.4	11.1	11.1	11.5	11.1	11.0	11.0	11.0	11.0	
EBITDA	14.3	19.3	33.8	35.0	41.2	3.5	0.7	(0.1)	10.1	14.2	(1.9)	(0.2)	7.6	11.3	16.9	3.6	3.2	7.1	11.6	25.5	
EBITDA - adjusted (1)	14.3	28.0	42.2	48.1	55.3	7.7	2.1	7.3	11.7	28.8	3.7	4.1	8.6	12.3	28.7	5.3	4.9	8.7	13.2	32.1	
<b>Margin Analysis</b>																					
Gross margin	73.3%	77.1%	76.8%	76.1%	77.0%	76.3%	76.7%	76.5%	75.5%	76.2%	75.5%	75.9%	76.5%	78.0%	76.6%	75.6%	77.0%	76.9%	77.0%	76.6%	
Operating margin	1.5%	3.6%	9.0%	9.4%	11.5%	2.1%	-2.4%	-3.3%	11.1%	2.1%	-5.7%	-3.4%	8.2%	12.6%	3.5%	2.5%	2.2%	7.4%	12.5%	6.5%	
Operating margin - adjusted	1.8%	3.6%	9.0%	9.6%	12.9%	5.0%	-2.3%	4.4%	13.3%	5.4%	0.7%	-0.6%	8.2%	12.6%	5.7%	2.5%	2.2%	7.4%	12.5%	6.5%	
EBITDA margin	7.2%	8.6%	12.9%	12.5%	14.3%	5.1%	1.1%	-0.1%	14.1%	5.3%	-2.9%	-0.3%	11.1%	15.2%	6.3%	5.2%	5.3%	10.1%	14.9%	9.1%	
EBITDA adjusted margin	7.2%	12.5%	16.1%	17.1%	19.2%	11.1%	3.5%	10.9%	16.4%	10.8%	5.7%	6.9%	12.5%	16.5%	10.7%	7.6%	8.0%	12.4%	17.0%	11.5%	
Pre-tax margin	0.4%	2.7%	8.4%	9.2%	11.5%	2.3%	-2.3%	-3.2%	11.2%	2.3%	-5.7%	-3.5%	8.4%	12.8%	3.6%	2.7%	2.5%	7.6%	12.7%	6.7%	
Net income margin	-4.8%	6.1%	7.0%	6.3%	8.1%	1.7%	-1.8%	-2.1%	6.1%	1.1%	-5.1%	-3.3%	6.2%	9.5%	2.3%	1.9%	1.7%	5.3%	8.9%	4.7%	
Tax rate	1285.3%	-124.2%	16.5%	31.3%	29.2%	25.6%	20.2%	33.8%	45.0%	49.4%	9.4%	3.9%	26.0%	26.0%	36.9%	30.0%	30.0%	30.0%	30.0%	30.0%	
<b>Growth Rate Analysis Y/Y</b>																					
Total revenue	-11.9%	13.0%	17.3%	6.7%	2.4%	1.0%	-2.8%	-8.5%	-15.3%	-7.0%	-7.3%	0.1%	2.9%	4.6%	0.1%	8.0%	3.0%	2.1%	4.3%	4.3%	
Total cost of revenues	-19.6%	-3.4%	18.8%	10.0%	-1.3%	1.6%	-4.3%	-8.0%	-5.1%	-4.0%	-4.3%	3.7%	2.7%	-6.1%	-1.3%	7.7%	-1.5%	0.4%	9.0%	4.0%	
Selling, general and administrative	-11.0%	18.7%	9.4%	6.2%	-1.4%	6.8%	10.6%	3.5%	-4.7%	3.8%	-2.3%	-3.5%	-3.2%	7.1%	-0.6%	5.6%	1.3%	4.3%	3.1%	3.6%	
Depreciation	4.7%	-7.1%	-20.8%	-12.9%	-8.6%	-12.9%	11.3%	2.2%	19.6%	4.1%	15.7%	12.2%	11.2%	3.4%	10.4%	2.4%	-1.3%	0.0%	0.0%	0.2%	
Amortization	-7.4%	8.7%	5.2%	-17.5%	-2.1%	2.5%	2.5%	3.4%	5.1%	3.4%	-37.4%	-39.0%	-22.6%	-31.7%	-32.7%	9.2%	11.9%	-11.8%	0.0%	1.5%	
Operating income	15.2%	164.9%	192.2%	11.3%	25.3%	-72.3%	-200.9%	-126.4%	-56.0%	-82.7%	-347.5%	-37.4%	356.9%	19.5%	65.3%	147.4%	168.0%	-7.8%	2.8%	90.9%	
Operating income - adjusted	-19.9%	127.0%	191.5%	13.4%	37.3%	-41.5%	-134.2%	-67.0%	-47.3%	-60.8%	-86.5%	73.4%	89.9%	-0.4%	4.7%	270.8%	465.4%	-7.8%	2.8%	18.6%	
EBITDA - adjusted	-30.7%	95.7%	50.9%	13.9%	15.0%	-30.0%	-72.3%	-47.5%	-48.9%	-48.0%	-52.0%	99.1%	18.2%	4.9%	-0.2%	42.8%	19.1%	1.3%	7.5%	11.8%	
Pre-tax income	34.5%	663.3%	263.2%	17.2%	27.7%	-69.9%	-195.3%	-125.4%	-55.8%	-81.6%	-328.9%	-53.0%	373.1%	20.3%	59.7%	151.8%	173.2%	-7.6%	2.8%	92.0%	
Net income	-822.3%	244.4%	35.3%	-3.5%	31.6%	-75.7%	-223.1%	-124.6%	-63.4%	-86.9%	-378.5%	-84.2%	405.1%	62.0%	99.2%	140.1%	153.3%	-12.6%	-2.8%	113.1%	
EPS	-826.0%	242.3%	33.3%	-3.4%	39.7%	-75.0%	-226.7%	-125.6%	-61.7%	-86.4%	-402.7%	-111.3%	453.1%	85.9%	125.8%	144.1%	155.2%	-11.7%	-1.8%	121.5%	
Share count - fully diluted	-0.4%	1.5%	1.5%	-0.1%	-5.8%	-2.7%	-2.8%	-3.6%	-4.5%	-3.4%	-8.0%	-12.8%	-13.6%	-12.8%	-11.8%	-9.2%	-3.5%	-1.0%	-1.0%	-3.8%	

(1) Excludes 1x items

(2) Using a 27% tax rate

Source: Company Reports, Stonegate Capital Markets estimates

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