

August 14, 2019



Legacy Education Alliance, Inc. Announces Second Quarter 2019 Results

- Revenue of \$23.7 Million for the second quarter ended June 30, 2019, a decrease of \$1.5 Million or 6% YoY
- UK and Other Foreign Market Segments Combine for Revenue of \$9.7 Million
- Cash Sales Increase to \$27 Million, up \$2.4 Million or 9.7% YoY
- Net loss and loss per share in Q2 2019 of \$0.3 million or \$0.01 per share compared to Q2 2018, improved \$2.1 million
- Operating Cash Flows Improved to \$3.5 Million, an increase of \$5.9 Million or 257% YoY

Company to hold Conference Call on Wednesday, August 14, 2019

CAPE CORAL, Fla.--(BUSINESS WIRE)-- Legacy Education Alliance, Inc. (OTCQB: LEAI) (www.legacyeducationalliance.com), a leading international provider of practical, high-quality, and value-based educational training on the topics of personal finance, entrepreneurship, real estate, and financial markets investing strategies and techniques, today announced financial results for the second quarter ended June 30, 2019.

Second Quarter 2019 Overview

- Net loss was \$300,000 or (\$0.01) per basic and diluted common share for the three months ended June 30, 2019, compared to a net loss of \$2.4 million or (\$0.10) per basic and diluted common share for the three months ended June 30, 2018, a decrease in net loss of \$2.1 million or \$0.09 per basic and diluted common share.
- Revenue for the second quarter of 2019 was \$23.7 million compared to \$25.2 million for the same period in 2018, a decrease of 6%.
- Revenues from our North American segment increased \$700,000 and U.K. and Other International segments decreased \$2.2 million.
- Cash sales were \$27 million for the three months ended June 30, 2019 compared to \$24.7 million for the three months ended June 30, 2018, an increase of \$2.4 million or 9.7%.
- Total operating costs and expenses were \$24.3 million for the three months ended June 30, 2019 compared to \$28.2 million for the three months ended June 30, 2018, a decrease of \$3.9 million or 13.8%.
- Net cash provided by operating activities was \$3.6 million in the six months ended June 30, 2019 compared to net cash used in operating activities of \$2.3 million in the six months ended June 30, 2018, representing a period-over-period increase of \$5.9 million.

million.

- Funds previously held in reserve by merchant processors released totaling \$2.3 million. On July 18, 2019, the Company received funds totaling \$1.9 million from a former merchant processor. Additionally, during the second quarter we received a distribution from bankruptcy from another former merchant processor totaling \$400,000.

“The cost savings initiatives that we have put in place have improved our financial performance and we are seeing incremental improvements in cash sales, especially in the UK and US,” said James May CEO. “In this quarter our cash sales increased to \$27 million, up \$2.4 million or 9.7% year over year and our liquidity profile has improved with the release of \$2.3 million reserve funds.”

SECOND QUARTER 2019 VERSUS SECOND QUARTER 2018 RESULTS

Revenue was \$23.7 million for the three months ended June 30, 2019 compared to \$25.2 million for the three months ended June 30, 2018. Revenue decreased \$1.5 million or 6.0% during the three months ended June 30, 2019 compared to the same period in 2018. The decrease in revenue was mainly due to a decreased attendance (what we refer to as fulfillment) of \$1.5 million or 8.0% in the UK and Other International business segments.

Total operating costs and expenses were \$24.3 million for the three months ended June 30, 2019 compared to \$28.2 million for the three months ended June 30, 2018, a decrease of \$3.9 million or 13.8%. The decrease was primarily due to a \$3.0 million decrease in direct course expenses, a \$500,000 decrease in advertising and sales expenses, a \$300,000 decrease in royalty expenses and \$100,000 decrease in general and administrative expenses.

Net loss was \$300,000 or (\$0.01) per basic and diluted common share for the three months ended June 30, 2019, compared to a net loss of \$2.4 million or (\$0.10) per basic and diluted common share for the three months ended June 30, 2018, a decrease in net loss of \$2.1 million or \$0.09 per basic and diluted common share.

YTD 2019 VERSUS YTD 2018 RESULTS

Revenue was \$48.3 million for the six months ended June 30, 2019 compared to \$51.0 million for the six months ended June 30, 2018. Revenue decreased \$2.7 million or 5.3% during the six months ended June 30, 2019 compared to the same period in 2018. The decrease in revenue was due to a decreased attendance (fulfillment) of \$4.6 million or 11.3%, partially offset by an increase in revenue from expired contracts of \$1.9 million or 19.7%.

Total operating costs and expenses were \$48.8 million for the six months ended June 30, 2019 compared to \$54.5 million for the six months ended June 30, 2018, a decrease of \$5.7 million or 10.5%. The decrease was primarily due to a \$4.5 million decrease in direct course expenses, a \$700,000 decrease in advertising and sales expenses, a \$400,000 decrease in general and administrative expenses, and a \$100,000 decrease in royalty expenses.

Net loss was \$400,000 or (\$0.02) per basic and diluted common share for the six months

ended June 30, 2019, compared to a net loss of \$3.3 million or (\$0.14) per basic and diluted common share for the six months ended June 30, 2018, a decrease in net loss of \$2.9 million or \$0.12 per basic and diluted common share.

CASH FLOW AND CAPITAL STRUCTURE

Net cash provided by operating activities was \$3.6 million in the six months ended June 30, 2019 compared to net cash used in operating activities of \$2.3 million in the six months ended June 30, 2018, representing a period-over-period increase of \$5.9 million. This increase was primarily attributable to an improvement in earnings and cash sales for the period.

Our consolidated capital structure as of March 31, 2019 and December 31, 2017 was 100.0% equity.

CONFERENCE CALL

Management will host a conference call on Wednesday, August 14, 2019 at 4:30 p.m. ET to discuss its financial results for the second quarter ended June 30, 2019 and provide a corporate update. To listen to the conference call, interested parties within the U.S. should dial 1-800-263-0877 or 1-646-828-8143 for international calls, approximately 10 minutes prior to the scheduled start time. Conference ID:4667642. The conference call will also be available through a live webcast, which can be accessed at <http://public.viavid.com/player/index.php?id=135802> or through the company's website at <http://ir.legacyeducationalliance.com/ir-calendar>.

Management will answer pre-submitted questions gathered prior to the earnings conference call in the Question and Answer period of the call. Interested parties may submit questions for Management's consideration prior to the call by submitting them in writing to Legacy Education Alliance Investor Relations at scottg@coreir.com.

A replay of the call will be available from 7:30 PM ET on August 14, 2019 thorough 11:59 PM ET on August 28, 2019. The number for the replay is (844) 512-2921 (US), or (412) 317-6671 for international calls; the passcode for the replay is 4667642.

About Legacy Education Alliance Inc.

Legacy Education Alliance, Inc. (<http://www.legacyeducationalliance.com>) is a leading international provider of practical, high-quality, and value-based educational training on the topics of personal finance, entrepreneurship, real estate, and financial markets investing strategies and techniques. Legacy Education Alliance was founded in 1996, today we are a global company with approximately 165 full-time employees that has cumulatively served more than two million students from more than 150 countries and territories over the course of our operating history.

We offer our training through a variety of brands including Rich Dad® Education; Rich Dad® Stock Education; Making Money from Property with Martin Roberts™; Brick Buy Brick™; Building Wealth; Robbie Fowler Property Academy™; Women in Wealth™; Perform in Property™, and Teach Me to Trade™. For more information, please visit our website at www.legacyeducationalliance.com.

Forward-Looking Statements

This press release contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) (which Sections were adopted as part of the Private Securities Litigation Reform Act of 1995). Statements preceded by, followed by or that otherwise include the words “believe,” “anticipate,” “estimate,” “expect,” “intend,” “plan,” “project,” “prospects,” “outlook,” and similar words or expressions, or future or conditional verbs such as “will,” “should,” “would,” “may,” and “could” are generally forward-looking in nature and not historical facts. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements to be materially different from any anticipated results, performance or achievements. The Company disclaims any intention to, and undertakes no obligation to, revise any forward-looking statements, whether as a result of new information, a future event, or otherwise. For additional risks and uncertainties that could impact the Company’s forward-looking statements, please see the Company’s Annual Report on Form 10-K (including but not limited to the discussion under “Risk Factors” therein) filed with the SEC on April 15, 2019 and which may be viewed at <http://www.sec.gov>.

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements.

LEGACY EDUCATION ALLIANCE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except share data)

	<u>June 30,</u> <u>2019</u>	<u>December</u> <u>31,</u> <u>2018</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,542	\$ 1,557
Restricted cash	6,476	5,080
Deferred course expenses	9,474	8,547
Prepaid expenses and other current assets	3,708	3,132
Inventory	69	89
Total current assets	24,269	18,405
Property and equipment, net	1,703	1,880
Right-of-use assets	1,038	—
Deferred tax asset, net	235	97
Other assets	290	178
Total assets	<u>\$ 27,535</u>	<u>\$ 20,560</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 5,086	\$ 4,962

Royalties payable	374	210
Accrued course expenses	2,535	1,483
Accrued salaries, wages and benefits	694	748
Operating lease liability, current portion	493	—
Other accrued expenses	4,042	2,614
Long-term debt, current portion	881	512
Deferred revenue, current portion	60,588	57,353
Total current liabilities	74,693	67,882
Long-term debt, net of current portion	—	8
Operating lease liability, net of current portion	545	—
Other liabilities	1,332	1,331
Total liabilities	76,570	69,221
Commitments and contingencies (Note 10)		
Stockholders' deficit:		
Preferred stock, \$0.0001 par value, 20,000,000 shares authorized, none issued	—	—
Common stock, \$0.0001 par value; 200,000,000 authorized; 23,162,502 and 23,120,852 shares issued and outstanding as of June 30, 2019 and December 31, 2018, respectively	2	2
Additional paid-in capital	11,527	11,470
Cumulative foreign currency translation adjustment	1,393	1,444
Accumulated deficit	(61,957)	(61,577)
Total stockholders' deficit	(49,035)	(48,661)
Total liabilities and stockholders' deficit	\$ 27,535	\$ 20,560

LEGACY EDUCATION ALLIANCE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE LOSS

(Unaudited)

(In thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenue	\$ 23,698	\$ 25,222	\$ 48,274	\$ 50,977
Operating costs and expenses:				
Direct course expenses	12,383	15,397	25,464	30,011
Advertising and sales expenses	5,495	5,998	10,933	11,570
Royalty expenses	1,332	1,653	2,692	2,809
General and administrative expenses	5,041	5,198	9,736	10,046
Total operating costs and expenses	24,251	28,246	48,825	54,436

Income/(loss) from operations	(553)	(3,024)	(551)	(3,459)
Other income (expense):				
Interest expense	(74)	(4)	(115)	(8)
Other income (expense), net	352	(27)	226	(48)
Total other income (expense), net	278	(31)	111	(56)
Loss before income taxes	(275)	(3,055)	(440)	(3,515)
Income tax (expense) benefit	—	640	60	243
Net loss	<u>\$ (275)</u>	<u>\$ (2,415)</u>	<u>\$ (380)</u>	<u>\$ (3,272)</u>
Basic loss per common share	\$ (0.01)	\$ (0.10)	\$ (0.02)	\$ (0.14)
Diluted loss per common share	\$ (0.01)	\$ (0.10)	\$ (0.02)	\$ (0.14)
Basic weighted average common shares outstanding	23,123	23,008	23,120	23,008
Diluted weighted average common shares outstanding	23,123	23,008	23,120	23,008
Comprehensive loss:				
Net loss	\$ (275)	\$ (2,415)	\$ (380)	\$ (3,272)
Foreign currency translation adjustments, net of tax of \$0	341	1,407	(51)	986
Total comprehensive income (loss)	<u>\$ 66</u>	<u>\$ (1,008)</u>	<u>\$ (431)</u>	<u>\$ (2,286)</u>

LEGACY EDUCATION ALLIANCE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)
(In thousands)

	Common stock		Additional paid-in capital	Contra equity
	Shares	Amount		adjustments
Balance at December 31, 2017	23,008	\$ 2	\$ 11,299	\$ —
Share-based compensation expense	—	—	57	—
Foreign currency translation adjustment, net of tax of \$0	—	—	—	—
Net Loss	—	—	—	—
Balance at March 31, 2018	23,008	\$ 2	\$ 11,356	\$ —
Share-based compensation expense	—	—	57	—
Foreign currency translation adjustment, net of tax of \$0	—	—	—	—
Net Loss	—	—	—	—
Balance at June 30, 2018	<u>23,008</u>	<u>\$ 2</u>	<u>\$ 11,413</u>	<u>\$ —</u>

	Common stock		Additional paid-in capital	Cur fo cu trar adj
	Shares	Amount		
Balance at December 31, 2018	23,121	\$ 2	\$ 11,470	\$
Share-based compensation expense	—	—	28	
Cancellation of common stock	(13)	—	—	
Foreign currency translation adjustment, net of tax of \$0	—	—	—	
Net Loss	—	—	—	
Balance at March 31, 2019	23,108	\$ 2	\$ 11,498	\$
Share-based compensation expense	—	—	29	
Issuance of common stock	55	—	—	
Foreign currency translation adjustment, net of tax of \$0	—	—	—	
Net Loss	—	—	—	
Balance at June 30, 2019	23,163	\$ 2	\$ 11,527	\$

LEGACY EDUCATION ALLIANCE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six Months Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (380)	\$ (3,272)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	102	70
Non-cash lease expense	337	—
Gain on the sale of fixed assets	(40)	—
Gain on change in fair value of derivatives	—	(24)
Share-based compensation	57	114
Deferred income taxes	(139)	(270)
<i>Changes in operating assets and liabilities:</i>		
Deferred course expenses	(925)	514
Prepaid expenses and other receivable	(577)	1,109
Inventory	20	(126)
Other assets	(161)	(8)
Accounts payable-trade	125	(18)
Royalties payable	164	106

Accrued course expenses	1,053	203
Accrued salaries, wages and benefits	(54)	(607)
Operating lease liability	(337)	—
Other accrued expenses	1,132	1,627
Deferred revenue	3,200	(1,708)
Net cash provided by (used in) operating activities	<u>3,577</u>	<u>(2,290)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(13)	(480)
Proceeds from sales of property and equipment	165	—
Net cash provided by (used in) investing activities	<u>152</u>	<u>(480)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on debt	(18)	(6)
Proceeds from issuance of debt	395	—
Net cash provided by (used in) financing activities	<u>377</u>	<u>(6)</u>
Effect of exchange rate differences on cash	275	(39)
Net increase (decrease) in cash and cash equivalents and restricted cash	<u>4,381</u>	<u>(2,815)</u>
Cash and cash equivalents and restricted cash, beginning of period	\$ 6,637	\$ 8,904
Cash and cash equivalents and restricted cash, end of period	<u>\$ 11,018</u>	<u>\$ 6,089</u>
Supplemental disclosures:		
Cash paid during the period for interest	\$ 75	\$ 8
Cash paid during the period for income taxes, net of refunds received	\$ (120)	\$ (774)

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