

August 14, 2018



Legacy Education Alliance, Inc. Announces Fiscal Second Quarter 2018 Results

-Non-U.S. Revenue increased 9% YoY

-Revenue of \$25.2 million for second quarter ended June 30, 2018

-Other Foreign Market Segments Revenue Increased 17.1% YoY

-Cash Sales of \$24.7 Million

-Operating Cash Flows and Liquidity decreased \$5.7 Million YoY primarily due to brand development and new ERP integration costs

Company to hold Conference Call on Friday, August 17, 2018

CAPE CORAL, Fla.--(BUSINESS WIRE)-- Legacy Education Alliance, Inc. (OTCQB: LEAI) (www.legacyeducationalalliance.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, 2018.

Second Quarter 2018 Overview

- Net loss was \$2.4 million or (\$0.10) per basic and diluted common share for the three months ended June 30, 2018, compared to a net income of \$2.0 million or \$0.09 per basic and \$0.08 per diluted common share for the three months ended June 30, 2017, an increase in net loss of (\$4.4) million or (\$0.19) per basic and (\$0.18) per diluted common share.
- Revenue was \$25.2 million for the three months ended June 30, 2018 compared to \$26.2 million for the three months ended June 30, 2017. Revenue decreased \$1.0 million or 3.8% during the three months ended June 30, 2018 compared to the same period in 2017.
- Combined UK and Other Foreign Market Segments revenue was \$12 million for the period ended June 20, 2018 compared to \$11 million for the second quarter of 2017, an increase of \$1 million or 9.5%.
- Cash sales were \$24.7 million for the three months ended June 30, 2018 compared to \$26.8 million for the three months ended June 30, 2017, a decrease of \$2.1 million or 7.8%.
- Total operating costs and expenses were \$28.2 million for the three months ended

June 30, 2018 compared to \$24.2 million for the three months ended June 30, 2017, an increase of \$4.0 million or 16.5%.

"There are a number of key developments in the second quarter that auger well for Legacy's continued growth, despite the fact that we incurred headwinds that impacted our financial results this quarter, such as upfront expenses to develop, test and market new brands and products including our new alliance with Kathy Ireland, as well as the funding of our UK property development operations and the continued rollout of our new ERP/CRM system," said Anthony C. Humpage, CEO. "We view these expenses as necessary investments in the future of the Company as we execute on our strategy of brand, product, and geographic diversification. We have taken steps to ensure these expenses are managed to keep them in line with our projected cash sales as we drive course diversification, fulfillment and revenue recognition throughout the remainder of 2018 and beyond."

SECOND QUARTER 2018 VERSUS SECOND QUARTER 2017 RESULTS

Revenue was \$25.2 million for the three months ended June 30, 2018 compared to \$26.2 million for the three months ended June 30, 2017. Revenue decreased \$1.0 million or 3.8% during the three months ended June 30, 2018 compared to the same period in 2017. The decrease in revenue was due to decreased attendance (i.e. fulfillment) of \$2.9 million or 12.9%, partially offset by an increase in revenue from expired contracts of \$1.9 million or 50.5%.

Cash sales were \$24.7 million for the three months ended June 30, 2018 compared to \$26.8 million for the three months ended June 30, 2017, a decrease of \$2.1 million or 7.8%. The decrease was driven primarily by a \$0.8 million decrease in our U.K. segment, a \$0.7 million decrease in our North America segment, and a \$0.6 million decrease in our Other Foreign Markets segment.

Total operating costs and expenses were \$28.2 million for the three months ended June 30, 2018 compared to \$24.2 million for the three months ended June 30, 2017, an increase of \$4.0 million or 16.5%. The increase was primarily due to a \$2.2 million increase in direct course expenses, a \$0.9 million increase in advertising and sales expenses and a \$0.9 million increase in general and administrative expenses.

Net loss was \$2.4 million or (\$0.10) per basic and diluted common share for the three months ended June 30, 2018, compared to a net income of \$2.0 million or \$0.09 per basic and \$0.08 per diluted common share for the three months ended June 30, 2017, an increase in net loss of (\$4.4) million or (\$0.19) per basic and (\$0.18) per diluted common share. Net loss for the three months ended June 30, 2018 was primarily due to increases of \$4.0 million in operating expenses, decreases in revenue as a result of decreased attendance (i.e. fulfillment) of \$2.9 million or 12.9%, partially offset by an increase in revenue from expired contracts of \$1.9 million or 50.5% and an increase of \$0.7 million in tax benefits.

YTD 2018 VERSUS YTD 2017 RESULTS

Revenue was \$51.0 million for the six months ended June 30, 2018 compared to \$48.1 million for the six months ended June 30, 2017. Revenue increased \$2.9 million or 6.0% during the six months ended June 30, 2018 compared to the same period in 2017. The increase in revenue was due to increase in revenue from expired contracts of \$3.3 million or

48.4%, partially offset by decreased attendance (i.e. fulfillment) of \$0.4 million or 1.0%.

Cash sales were \$52.3 million for the six months ended June 30, 2018 compared to \$51.2 million for the six months ended June 30, 2017, an increase of \$1.1 million or 2.1%. The increase was driven primarily by a \$2.1 million increase in our North America segment, which was partially offset by a \$1.0 million decrease in our Other Foreign Markets segment.

Total operating costs and expenses were \$54.5 million for the six months ended June 30, 2018 compared to \$46.9 million for the six months ended June 30, 2017, an increase of \$7.6 million or 16.2%. The increase was primarily due to a \$3.5 million increase in direct course expenses, a \$1.9 million increase in advertising and sales expenses relating primarily to upfront costs to develop, test and market new brands and products, a \$1.5 million increase in general and administrative expenses primarily driven by increases in labor costs and software costs in connection with our new ERP system which was placed into production in January 2018 and a \$0.7 million increase in royalty expense.

Net loss was \$3.3 million or (\$0.14) per basic and diluted common share for the six months ended June 30, 2018, compared to a net income of \$1.6 million or \$0.07 per basic and diluted common share for the six months ended June 30, 2017, an increase in net loss of (\$4.9) million or (\$0.21) per basic and diluted common share. Net loss for the six months ended June 30, 2018, was negatively affected by the increase in operating expenses, partially offset by the increase in revenue, primarily due to increase in revenue from expired contracts of \$3.3 million or 48.4%, partially offset by decreased attendance (i.e. fulfillment) of \$0.4 million or 1.0%.

CASH FLOW AND CAPITAL STRUCTURE

Net cash used in operating activities was \$2.3 million in the six months ended June 30, 2018 compared to net cash provided by operating activities of \$3.4 million in the six months ended June 30, 2017, representing a period-over-period decrease of \$5.7 million. This decrease was primarily the result of a decrease in current liabilities for deferred revenue in 2018 and lower earnings as a result of (i) increased advertising and marketing expense primarily related to our efforts to diversify our product offerings through the introduction and the development of our proprietary brands, and (ii) increased general and administrative expenses primarily driven by increases in labor costs and software costs in connection with our new ERP system which was placed into production in January 2018.

Our consolidated capital structure as of June 30, 2018 and December 31, 2017 was 100.0% equity.

CONFERENCE CALL

Legacy Education Alliance, Inc. will hold a conference call on Friday, August 17, 2018 at 2:00pm ET to discuss its financial results for the second quarter ended June 30, 2018.

To listen to the conference call, interested parties within the U.S. should dial 1-800-289-0438 or 1-323-794-2423 for international calls, approximately 10 minutes prior to the scheduled start time. Conference ID: 8260389. The conference call will also be available through a live webcast, which can be accessed at <http://public.viavid.com/index.php?id=130946> 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 approximately one hour after the conclusion of the call through August 31, 2018. The number for the replay is (844) 512-2921 (US), or (412) 317-6671 for international calls; the passcode for the replay is 8260389.

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 200 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™; Teach Me to Trade™; and Trade Up Investor Education™. 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 2, 2018 and which may be viewed at <http://www.sec.gov>.

Condensed Consolidated Financial Statements Follow:

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

	June 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,613	\$ 6,005
Restricted cash	3,476	2,899
Deferred course expenses	8,881	9,417
Prepaid expenses and other current assets	5,179	6,408
Inventory	454	330
Total current assets	20,603	25,059
Property and equipment, net	1,597	1,187
Deferred tax asset, net	—	441
Other assets	216	333
Total assets	<u>\$ 22,416</u>	<u>\$ 27,020</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 2,796	\$ 2,860
Royalties payable	293	188
Accrued course expenses	2,005	1,829
Accrued salaries, wages and benefits	898	1,506
Other accrued expenses	3,756	2,430
Long-term debt, current portion	12	11
Deferred revenue, current portion	55,078	57,151
Total current liabilities	64,838	65,975
Long-term debt, net of current portion	14	20
Deferred revenue, net of current portion	25	602
Deferred tax liability, net	78	—
Other liabilities	398	1,188
Total liabilities	65,353	67,785
Commitments and contingencies (Note 11)		
Stockholders' deficit:		
Preferred stock, \$0.0001 par value, 20,000,000 shares authorized, none issued	—	—
Common stock, \$0.0001 par value, 200,000,000 shares authorized, 23,007,519 and 23,007,519 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively	2	2
Additional paid-in capital	11,413	11,299
Cumulative foreign currency translation adjustment	541	(445)

Accumulated deficit	(54,893)	(51,621)
Total stockholders' deficit	(42,937)	(40,765)
Total liabilities and stockholders' deficit	<u>\$ 22,416</u>	<u>\$ 27,020</u>

LEGACY EDUCATION ALLIANCE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE INCOME/(LOSS)

(Unaudited)

(In thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenue	\$ 25,222	\$ 26,208	\$50,977	\$48,173
Operating costs and expenses:				
Direct course expenses	15,397	13,220	29,611	26,083
Advertising and sales expenses	5,998	5,131	11,570	9,722
Royalty expenses	1,653	1,639	3,209	2,532
General and administrative expenses	5,198	4,231	10,046	8,572
Total operating costs and expenses	<u>28,246</u>	<u>24,221</u>	<u>54,436</u>	<u>46,909</u>
Income/(loss) from operations	<u>(3,024)</u>	<u>1,987</u>	<u>(3,459)</u>	<u>1,264</u>
Other income (expense):				
Interest expense	(4)	(2)	(8)	(5)
Other income (expense), net	<u>(27)</u>	<u>69</u>	<u>(48)</u>	<u>152</u>
Total other income (expense), net	<u>(31)</u>	<u>67</u>	<u>(56)</u>	<u>147</u>
Income/(loss) before income taxes	<u>(3,055)</u>	<u>2,054</u>	<u>(3,515)</u>	<u>1,411</u>
Income tax (expense) benefit	640	(107)	243	226
Net income/(loss)	<u>\$ (2,415)</u>	<u>\$ 1,947</u>	<u>\$ (3,272)</u>	<u>\$ 1,637</u>
Basic earnings/(loss) per common share	\$ (0.10)	\$ 0.09	\$ (0.14)	\$ 0.07
Diluted earnings/(loss) per common share	\$ (0.10)	\$ 0.08	\$ (0.14)	\$ 0.07
Basic weighted average common shares outstanding	23,008	21,284	23,008	21,284
Diluted weighted average common shares outstanding	23,008	22,763	23,008	22,697
Comprehensive income/(loss):				
Net income/(loss)	\$ (2,415)	\$ 1,947	\$ (3,272)	\$ 1,637
Foreign currency translation adjustments, net of tax of \$0	<u>1,407</u>	<u>(980)</u>	<u>986</u>	<u>(1,278)</u>

Total comprehensive income/(loss)	\$ (1,008)	\$ 967	\$ (2,286)	\$ 359
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LEGACY EDUCATION ALLIANCE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six Months Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income/(loss)	\$(3,272)	\$1,637
Adjustments to reconcile net income/(loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	70	65
Gain on change in fair value of derivatives	(24)	(87)
Share-based compensation	114	107
Deferred income taxes	(270)	(355)
<i>Changes in operating assets and liabilities:</i>		
Deferred course expenses	514	(240)
Prepaid expenses and other receivable	1,109	(539)
Inventory	(126)	(18)
Other assets	(8)	(27)
Accounts payable-trade	(18)	(388)
Royalties payable	106	201
Accrued course expenses	203	725
Accrued salaries, wages and benefits	(607)	280
Other accrued expenses	1,627	656
Deferred revenue	(1,708)	1,254
Other liabilities	—	100
Net cash provided by/(used in) operating activities	<u>(2,290)</u>	<u>3,371</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(480)</u>	<u>(103)</u>
Net cash used in investing activities	<u>(480)</u>	<u>(103)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on debt	<u>(6)</u>	<u>(5)</u>
Net cash used in financing activities	<u>(6)</u>	<u>(5)</u>
Effect of exchange rate differences on cash	<u>(39)</u>	<u>(14)</u>
Net increase/(decrease) in cash and cash equivalents and restricted cash	<u>(2,815)</u>	<u>3,249</u>
Cash and cash equivalents and restricted cash, beginning of period	<u>\$ 8,904</u>	<u>\$4,859</u>

Cash and cash equivalents and restricted cash, end of period	<u>\$ 6,089</u>	<u>\$8,108</u>
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Supplemental disclosures:

Cash paid during the period for interest	\$	8	\$	5
Cash paid during the period for income taxes, net of refunds received		(774)	\$	30

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