

November 14, 2019



Legacy Education Alliance, Inc. Announces Third Quarter 2019 Results

- Revenue of \$25.9 million for the third quarter ended September 30, 2019, an increase of \$3.3 million or 14.6% YoY
- UK and Other Foreign Market Segments Combine for Revenue of \$11.5 million
- Cash Sales Increase to \$28 million, up \$4.7 million or 20.2% YoY
- Net income in Q3 2019 of \$1.6 million or \$0.07 income per share compared to Q3 2018's net loss of \$1.2 million or \$0.05 loss per share
- Operating Cash Flows improved to \$6.3 million, an improvement of \$7.9 million or 125% YoY

CAPE CORAL, Fla.--(BUSINESS WIRE)-- Legacy Education Alliance, Inc. (OTCQB: LEAI) (www.legacyeducationalliance.com), a leading international marketer 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, yesterday announced financial results for the third quarter ended September 30, 2019.

Third Quarter 2019 Overview

- Net income was 1.6 million or \$0.07 per basic and diluted common share for the three months ended September 30, 2019, compared to a net loss of \$1.2 million or (\$0.05) per basic and diluted common share for the three months ended September 30, 2018, an increase in net income of \$2.8 million or \$0.12 per basic and diluted common share.
- Revenue was \$25.9 million for the three months ended September 30, 2019 compared to \$22.6 million for the same period in 2018, an increase of \$3.3 million or 14.6%.
- Revenues from our North American segment increased \$1.8 million, and U.K. and Other International segments increased \$1.6 million combined.
- Cash sales were \$28.0 million for the three months ended September 30, 2019 compared to \$23.3 million for the same period in 2018, an increase of \$4.7 million or 20.2%.
- Total operating costs and expenses were \$24.3 million for the three months ended September 30, 2019 compared to \$24.4 million for the same period in 2018, a decrease of \$0.1 million or 0.4%.
- Net cash provided by operating activities was \$6.3 million in the nine months ended September 30, 2019 compared to net cash used in operating activities of \$1.6 million in the nine months ended September 30, 2018, representing a period-over-period increase of \$7.9 million.

“We are encouraged by our return to profitability this quarter,” said James May, CEO. “We believe this is evidence that our strategy of driving cash sales and improving expense management, including leveraging our digital fulfillment capabilities is gaining traction.”

THIRD QUARTER 2019 VERSUS THIRD QUARTER 2018 RESULTS

Revenue was \$25.9 million for the three months ended September 30, 2019 compared to \$23.3 million for the three months ended September 30, 2018. Revenue increased \$3.3 million or 14.6% during the three months ended September 30, 2019 compared to the same period in 2018. The increase in revenue was mainly due to an increased attendance (i.e. fulfillment) of \$2.3 million or 48.8% and an increase in recognition of revenue from increased attendance (i.e. fulfillment) of \$1.0 million or 6.3%.

Cash sales were \$28.0 million for the three months ended September 30, 2019 compared to \$23.3 million for the three months ended September 30, 2018, an increase of \$4.7 million or 20.2%. The increase was driven by a \$3.0 million increase in our North American segment, a \$1.3 million increase in our U.K. segment and a \$0.4 million increase in our Other Foreign Markets segment.

Total operating costs and expenses were \$24.3 million for the three months ended September 30, 2019 compared to \$24.4 million for the three months ended September 30, 2018, a decrease of \$0.1 million or 0.4%. The decrease was primarily due to a \$0.7 million decrease in general and administrative expenses and a \$0.5 million decrease in advertising and sales expenses, which was partially offset by a \$0.6 million increase in direct course expenses and a \$0.5 million increase in royalty expenses.

Net income was \$1.6 million or \$0.07 per basic and diluted common share for the three months ended September 30, 2019, compared to a net loss of \$1.2 million or (\$0.05) per basic and diluted common share for the three months ended September 30, 2018, an increase in net income of \$2.8 million or \$0.12 per basic and diluted common share.

YTD 2019 VERSUS YTD 2018 RESULTS

Revenue was \$74.2 million for the nine months ended September 30, 2019 compared to \$73.5 million for the nine months ended September 30, 2018. Revenue increased \$0.7 million or 1.0% during the nine months ended September 30, 2019 compared to the same period in 2018. The increase in revenue was due to an increase in revenue from expired contracts of \$4.2 million or 29.0%, partially offset by a decreased attendance (i.e. fulfillment) of \$3.5 million or 5.9%.

Total operating costs and expenses were \$73.1 million for the nine months ended September 30, 2019 compared to \$78.9 million for the nine months ended September 30, 2018, a decrease of \$5.8 million or 7.9%. The decrease was primarily due to a \$4 million decrease in direct course expenses, a \$1.2 million decrease in advertising and sales expenses, a \$1.0 million decrease in general and administrative expenses, partially offset by a \$0.4 million increase in royalty expenses.

Net income was \$1.3 million or \$0.05 per basic and diluted common share for the nine months ended September 30, 2019, compared to a net loss of \$4.5 million or (\$0.20) per basic and diluted common share for the nine months ended September 30, 2018, an

increase in net income of \$5.8 million or \$0.25 per basic and diluted common share.

CASH FLOW AND CAPITAL STRUCTURE

Net cash provided by operating activities was \$6.3 million in the nine months ended September 30, 2019 compared to net cash used in operating activities of (\$1.6 million) in the nine months ended June 30, 2018, representing a period-over-period increase of \$7.9 million. This increase was primarily the result of increased earnings and decrease in current liabilities for deferred revenue.

Our consolidated capital structure as of September 30, 2019 and December 31, 2018 was 100.0% equity.

About Legacy Education Alliance Inc.

Legacy Education Alliance, Inc. (<http://www.legacyeducationalliance.com>) is a leading international marketer 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 Legacy 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)

	September 30, 2019
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 7,718
Restricted cash	5,411
Deferred course expenses	9,490
Prepaid expenses and other current assets	2,920
Inventory	70
Total current assets	25,609
Property and equipment, net	1,832
Right-of-use assets	1,788
Deferred tax asset, net	277
Other assets	304
Total assets	<u>\$ 29,810</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT	
Current liabilities:	
Accounts payable	\$ 4,498
Royalties payable	421
Accrued course expenses	2,889
Accrued salaries, wages and benefits	512
Operating lease liability, current portion	894
Other accrued expenses	3,305
Long-term debt, current portion	500
Deferred revenue, current portion	61,171
Total current liabilities	74,190
Long-term debt, net of current portion	—
Operating lease liability, net of current portion	832
Other liabilities	1,333
Total liabilities	<u>76,355</u>
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; 23,162,352 and 23,120,852 shares issued and outstanding as of September 30, 2019 and December 31, 2018, respectively	2

Additional paid-in capital	11,545
Cumulative foreign currency translation adjustment	2,218
Accumulated deficit	(60,310)
Total stockholders' deficit	(46,545)
Total liabilities and stockholders' deficit	<u>\$ 29,810</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		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Revenue	\$ 25,936	\$ 22,557	\$ 74,210	\$ 73,534
Operating costs and expenses:				
Direct course expenses	13,461	12,929	38,925	42,940
Advertising and sales expenses	5,208	5,691	16,141	17,261
Royalty expenses	1,719	1,172	4,411	3,981
General and administrative expenses	3,870	4,584	13,606	14,630
Total operating costs and expenses	<u>24,258</u>	<u>24,376</u>	<u>73,083</u>	<u>78,812</u>
Income/(loss) from operations	<u>1,678</u>	<u>(1,819)</u>	<u>1,127</u>	<u>(5,278)</u>
Other income (expense):				
Interest income/(expense)	29	(5)	(86)	(13)
Other income (expense), net	(111)	(194)	115	(242)
Total other income (expense), net	<u>(82)</u>	<u>(199)</u>	<u>29</u>	<u>(255)</u>
Income/(loss) before income taxes	<u>1,596</u>	<u>(2,018)</u>	<u>1,156</u>	<u>(5,533)</u>
Income tax (expense) benefit	51	797	111	1,040
Net income/(loss)	<u>\$ 1,647</u>	<u>\$ (1,221)</u>	<u>\$ 1,267</u>	<u>\$ (4,493)</u>
Basic income/(loss) per common share	\$ 0.07	\$ (0.05)	\$ 0.05	\$ (0.20)
Diluted income/(loss) per common share	\$ 0.07	\$ (0.05)	\$ 0.05	\$ (0.20)
Basic weighted average common shares outstanding	22,799	23,005	22,641	23,007
Diluted weighted average common shares outstanding	23,163	23,005	23,134	23,007
Comprehensive income/(loss):				

Net income/(loss)	\$ 1,647	\$ (1,221)	\$ 1,267	\$ (4,493)
Foreign currency translation adjustments, net of tax of \$0	825	334	774	1,320
Total comprehensive income/(loss)	<u>\$ 2,472</u>	<u>\$ (887)</u>	<u>\$ 2,041</u>	<u>\$ (3,173)</u>

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

	<u>Common stock</u>		<u>Additional</u>	<u>Cumulative</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>paid-in</u>	<u>foreign</u>	<u>deficit</u>	<u>stockholders'</u>
			<u>capital</u>	<u>translation</u>		<u>deficit</u>
				<u>adjustment</u>		
Balance at December 31, 2017	23,008	\$ 2	\$ 11,299	\$ (445)	\$ (51,621)	\$ (40,765)
Share-based compensation expense	—	—	57	—	—	57
Foreign currency translation adjustment, net of tax of \$0	—	—	—	(421)	—	(421)
Net Loss	—	—	—	—	(857)	(857)
Balance at March 31, 2018	23,008	\$ 2	\$ 11,356	\$ (866)	\$ (52,478)	\$ (41,986)
Share-based compensation expense	—	—	57	—	—	57
Foreign currency translation adjustment, net of tax of \$0	—	—	—	1,407	—	1,407
Net Loss	—	—	—	—	(2,415)	(2,415)
Balance at June 30, 2018	23,008	\$ 2	\$ 11,413	\$ 541	\$ (54,893)	\$ (42,937)

Share-based compensation expense	—	—	31	—	—	31
Cancellation of common stock	(7)	—	—	—	—	—
Foreign currency translation adjustment, net of tax of \$0	—	—	—	334	—	334
Net Loss	—	—	—	—	(1,221)	(1,221)
Balance at September 30, 2018	<u>23,001</u>	<u>\$ 2</u>	<u>\$ 11,444</u>	<u>\$ 875</u>	<u>\$ (56,114)</u>	<u>\$ (43,793)</u>

	<u>Common stock</u>		<u>Additional paid-in capital</u>	<u>Cumulative foreign currency translation adjustment</u>	<u>Accumulated deficit</u>	<u>Total stockholders' deficit</u>
	<u>Shares</u>	<u>Amount</u>				
Balance at December 31, 2018	<u>23,121</u>	<u>\$ 2</u>	<u>\$ 11,470</u>	<u>\$ 1,444</u>	<u>\$ (61,577)</u>	<u>\$ (48,661)</u>
Share-based compensation expense	—	—	28	—	—	28
Issuance of common stock	—	—	—	—	—	—
Cancellation of common stock	(13)	—	—	—	—	—
Foreign currency translation adjustment, net of tax of \$0	—	—	—	(392)	—	(392)
Net Loss	—	—	—	—	(105)	(105)
Balance at March 31, 2019	<u>23,108</u>	<u>\$ 2</u>	<u>\$ 11,498</u>	<u>\$ 1,052</u>	<u>\$ (61,682)</u>	<u>\$ (49,130)</u>
Share-based compensation expense	—	—	29	—	—	29

Issuance of common stock	—	—	—	—	—	—
Issuance of common stock	55	—	—	—	—	—
Foreign currency translation adjustment, net of tax of \$0	—	—	—	341	—	341
Net Loss	—	—	—	—	(275)	(275)
Balance at June 30, 2019	<u>23,163</u>	<u>\$ 2</u>	<u>\$ 11,527</u>	<u>\$ 1,393</u>	<u>\$ (61,957)</u>	<u>\$ (49,035)</u>
Share-based compensation expense	—	—	18	—	—	18
Issuance of common stock	—	—	—	—	—	—
Issuance of common stock	—	—	—	—	—	—
Foreign currency translation adjustment, net of tax of \$0	—	—	—	825	—	825
Net Income	—	—	—	—	1,647	1,647
Balance at September 30, 2019	<u>23,163</u>	<u>\$ 2</u>	<u>\$ 11,545</u>	<u>\$ 2,218</u>	<u>\$ (60,310)</u>	<u>\$ (46,545)</u>

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

Nine Months
Ended
September 30,

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income/(loss)	\$ 1,267	\$ (4,493)
Adjustments to reconcile net income/(loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	140	108
Non-cash lease expense	578	—
Gain on the sale of fixed assets	(41)	—
Gain on change in fair value of derivatives	—	(24)
Share-based compensation	75	145
Deferred income taxes	(189)	(1,072)
<i>Changes in operating assets and liabilities:</i>		
Deferred course expenses	(1,080)	577
Prepaid expenses and other receivable	158	622
Inventory	18	51
Other assets	(193)	(5)
Accounts payable-trade	(348)	37
Royalties payable	211	120
Accrued course expenses	1,430	619
Accrued salaries, wages and benefits	(230)	(832)
Operating lease liability	(640)	—
Other accrued expenses	284	868
Deferred revenue	4,817	1,636
Net cash provided by (used in) operating activities	<u>6,257</u>	<u>(1,643)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(192)	(839)
Proceeds from sales of property and equipment	165	—
Net cash used in investing activities	<u>(27)</u>	<u>(839)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on debt	(402)	(9)
Proceeds from issuance of debt	395	500
Net cash (used in) provided by financing activities	<u>(7)</u>	<u>491</u>
Effect of exchange rate differences on cash	269	157
Net increase (decrease) in cash and cash equivalents and restricted cash	<u>6,492</u>	<u>(1,834)</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>\$ 13,129</u>	<u>\$ 7,070</u>
Supplemental disclosures:		
Cash paid during the period for interest	\$ 25	\$ 13
Cash paid during the period for income taxes, net of refunds received	\$ (66)	\$ (774)

View source version on businesswire.com:

<https://www.businesswire.com/news/home/20191114005867/en/>

Investor Contact:

CORE IR

Scott Gordon

516 222 2560

scottg@coreir.com

Source: Legacy Education Alliance, Inc.