Rosetta Stone Inc. – Supplemental Information Third Quarter 2018

Rosetta Stone has prepared the following supplemental information regarding the results for the third quarter ended September 30, 2018, to provide shareholders and analysts more detail to help understand and analyze our results in conjunction with our Analyst & Investor Day, earnings release, and supplemental slides. **This supplemental information will not be read during the Analyst & Investor Day.**

The live webcast of the Analyst & Investor Day will begin at approximately 8:00 a.m. ET on Tuesday, November 6, 2018, and will include a series of presentations, product demonstrations and a conversation with Michael B. Horn, author of *Blended: Using Disruptive Innovation to Improve Schools,* followed by questions and answers. Investors may access the live webcast on the Investor Relations section of the Company's website at https://investors.rosettastone.com. The webcast will be archived and available for 90 days following the event.

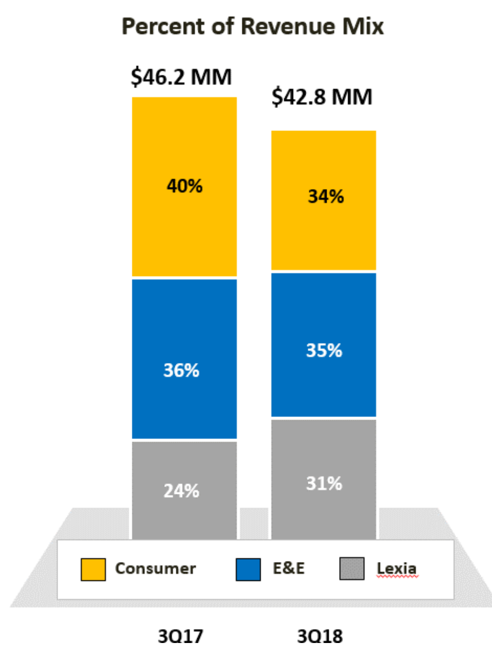
Please see the section "Definition of Non-GAAP Financial Measures" at the end of this document for an explanation of what our non-GAAP financial measures are and how they are computed.

Q3 2018 Revenue

Total Q3 2018 revenue declined $3.5 million (7%) year-over-year, to $42.8 million. The Literacy segment had a strong quarter with revenue increasing $2.2 million (20%) year-over-year, while Consumer Language segment revenue declined $4.1 million (22%). The expected decline in Consumer Language reflected the transition to a 100% SaaS-based revenue model, as subscription revenue (recognized ratably over the life of each subscription) replaces product revenue (primarily recognized at the time of sale).

Education and Enterprise ("E&E") Language segment revenue declined $1.5 million (9%) year-over-year, driven by $0.7 million in lower revenue from the Reseller channel and $0.5 million lower custom content revenue. Product revenue declined $3.9 million (95%) year-over-year, driven by the SaaS transition across all channels in the Consumer Language segment. Subscription and Service revenue was up slightly year-over-year at $42.5 million in Q3 2018 compared to $42.1 million in Q3 2017.

The SaaS transition within the Consumer Language segment's direct-to-consumer ("DTC") channel was largely completed by the end of 2017 and the migration from CD-based product sales to subscriptions in the retail channel was largely completed in the first quarter of 2018.



- Literacy had a strong quarter with revenue up $2.2 million (20%) year-over-year to $13.2 million. Sales were up $9.1 million (37%) year-over-year to $34.0 million, reflecting a consistently high retention rate of 93% in Q3. The biggest volume of business continues to shift into the seasonally strongest third quarter.
- Consumer Language segment revenue declined $4.1 million (22%) year-over-year to $14.5 million, primarily reflecting the segment's continued transition to subscription-based sales from the sale of perpetual products. The percent of perpetual sales units in Q3 2018 was just 1%, compared to 44% in the same quarter last year. The percent of Q3 sales recognized as revenue in-quarter declined to 19% in Q3 2018, compared to 37% in Q3 2017. Consumer

Language sales before prior-year SOURCENEXT and FitBrains, which has been decommissioned, totaled $16.1 million in Q3 2018, flat compared to $16.0 million in Q3 2017.

- E&E Language revenue declined $1.5 million (9%) year-over-year, driven by $0.7 million in lower revenue from the Reseller channel and $0.5 million lower custom content revenue. E&E Language sales decreased $2.3 million (12%), with $1.1 million of the decline due to the absence of custom content deals in the quarter plus $0.5 million unfavorable foreign exchange impacts year-over-year on sales in the U.K. and the reseller channel outside the U.S., along with lower sales from our affiliate channel.

Q3 2018 Net Loss

The Company reported a Q3 2018 net loss of $6.5 million, or $(0.31) per diluted share, compared to net loss of $3.2 million, or $(0.14) per diluted share, in the year-ago period. The increase in net loss year-over-year was primarily due to the decline in revenue associated with the Consumer SaaS transition described above, and investments in sales and marketing.

Annualized Recurring Revenue

Q3 2018 ARR Performance Metrics

	Q3 2018	Q3 2017
Literacy	$47.8MM	$42.2MM
E&E Language	$54.5MM	$56.9MM

Annualized Recurring Revenue – or "ARR" – which is computed using the annualized value of subscriptions at the end of the period, separate from services like training and implementation. ARR is a performance metric used to assess the health and trajectory of our E&E Language and Literacy segments, which we believe cuts through the differences in the types of licenses and deal sizes in our businesses and aids 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.

ARR for the Literacy segment at September 30, 2018, was up $5.6 million (13%) year-over-year to $47.8 million. Growth in this business continues to be driven by high retention and renewal rates and new sales from its direct salesforce. Direct E&E Language ARR was down $2.4 million (4%) year-over-year and down $1.3 million (2%) on a sequential basis.

Q3 2018 Segment Contribution

Literacy segment contribution was $1.0 million (or 8% of segment revenue), compared to $0.6 million (or 5% of segment revenue) in the year-ago period. This improvement was due to higher revenue, driven by an increase in trailing 12-month sales of $11.5 million (up 25%) through Q3 2018, compared to the same 12-month period ended Q3 2017, which was partially offset by higher cost of goods sold (up 31% to $2.2 million) and higher sales and marketing expenses (up 13% to $7.3 million) as the Company continues to make investments to support Lexia's long-term growth.

One note of clarification about the segment contribution data for the E&E Language segment, the Consumer Language segment and the two Language segments combined. Language Research & Development (R&D) expense is a shared service cost that is not allocated to either Language segment, but *is* included in combined Language – therefore, it is the combined Language view that is comparable to the Lexia segment contribution.

The combined Language segments contribution was $5.1 million (17% of total combined Language segments revenue), which was down $3.6 million from $8.7 million in the prior year period. The dollar decrease was driven by lower revenue in the Language segments (down $5.6 million or 16% year-over-year), primarily related to the Consumer SaaS transition described above, partially offset by decreases in cost of goods sold (down 35%) and research and development expense (down 7%).

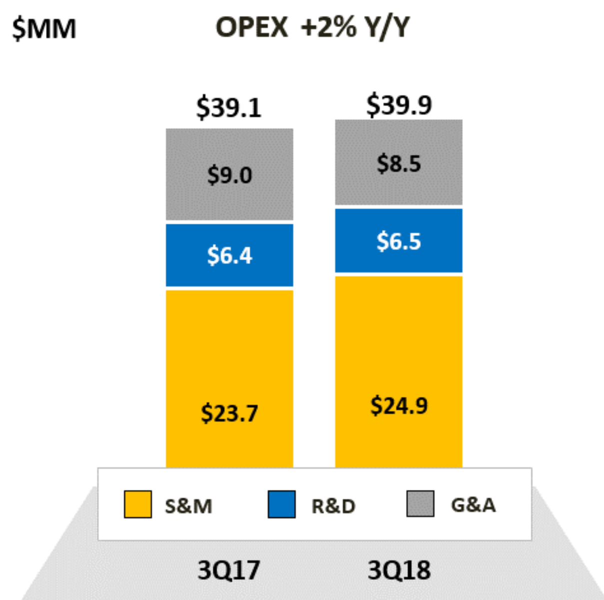
The E&E Language segment contribution margin **before shared Language R&D expense** was $5.7 million (or 38% of segment revenue), which was down $1.5 million from $7.2 million (or 43% of segment revenue) in the year-ago period. This performance was primarily driven by the $1.5 million decline in revenue.

Consumer Language segment contribution margin **before shared Language R&D expense** was $3.3 million (or 23% of segment revenue), which was down $2.4 million from $5.7 million (or 30% of segment revenue) in the year-ago period. This performance reflected the $4.1 million decline in revenue and a $2.2 million decrease in cost of goods sold, both due to the final shift from perpetual to SaaS sales.

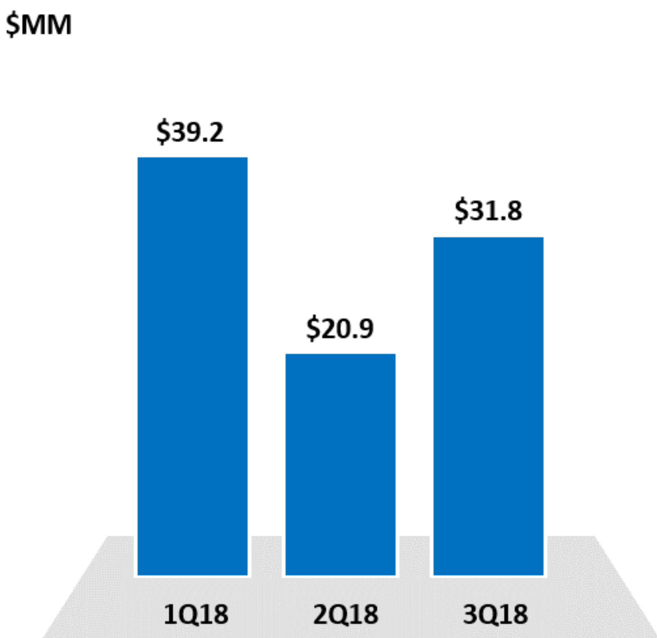
Lifetime Value ("LTV") added was $14.5 million in Q3 2018, an increase of $1.8 million from the year-ago period. Note that Consumer LTV per unit in Q3 2018 was $160 compared to $175 in Q3 2017. This year-over-year decline reflects an increase in shorter-duration new unit subscription sales following the introduction of subscription pricing in mobile app stores in Q1 2018. We believe mobile customers will have somewhat lower overall LTVs, in part, because they tend to purchase shorter initial subscription terms. The Consumer Language segment's transition to all SaaS sales in the DTC channel was largely complete by the end of 2017, so more of the aggregate LTV generated by current quarter sales will be recognized as revenue in future periods compared to the year-ago period.

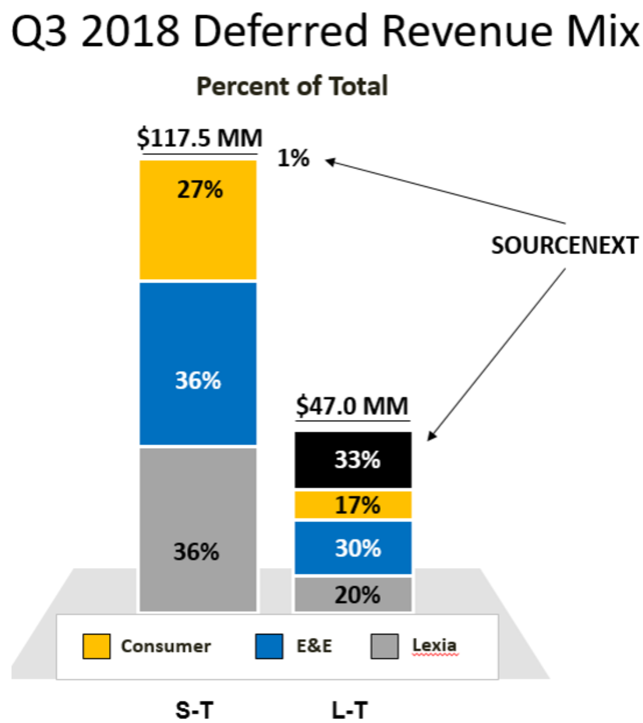
Q3 2018 Operating Expenses

Total operating expenses increased slightly by $0.9 million (2%) year-over-year to $39.9 million in the third quarter 2018 driven by investment in sales and marketing expense partially offset by lower general and administrative expense.



Q3 2018 Selected Balance Sheet Data

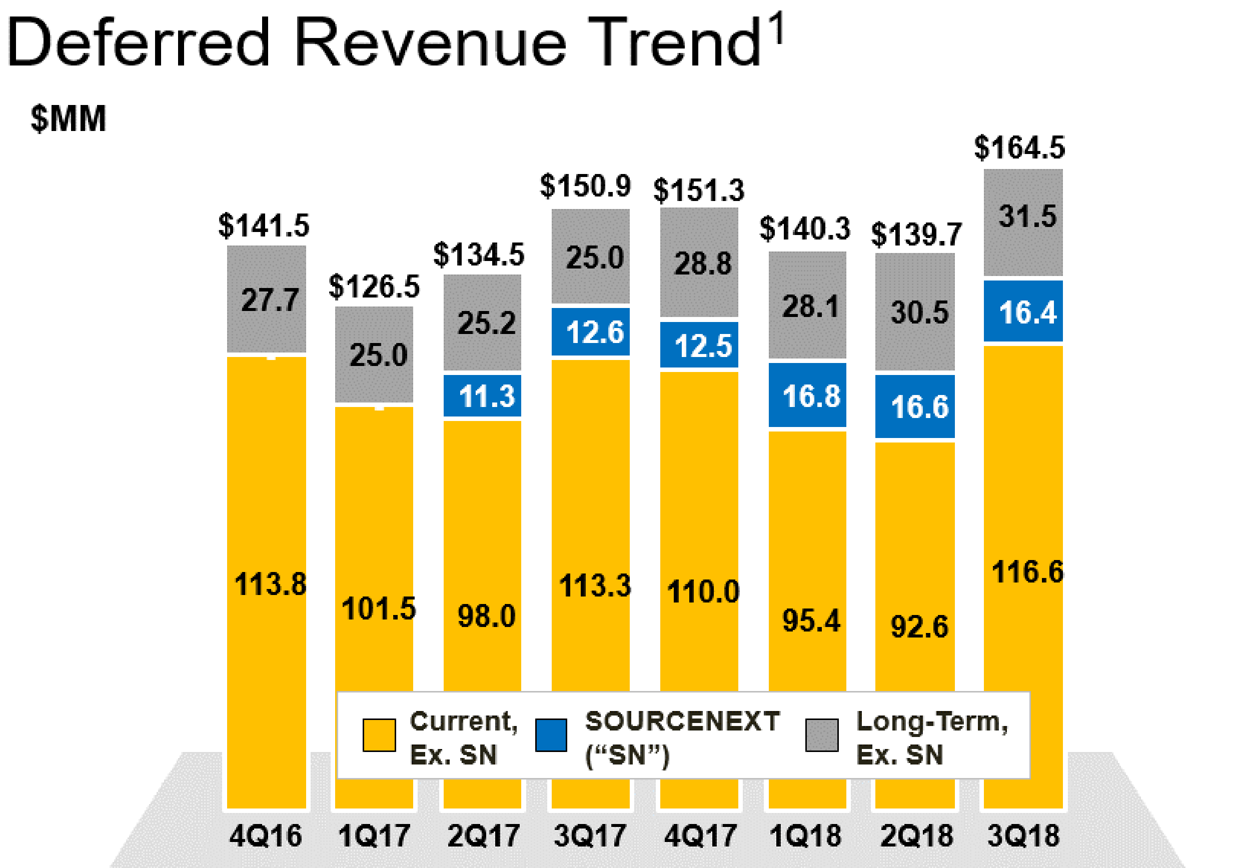




Deferred revenue totaled $164.5 million at September 30, 2018, up sequentially from $139.7 million at June 30, 2018 and up from $150.9 million at September 30, 2017. Of the September 30, 2018 total deferred revenue balance, $117.5 million (or approximately 71%), was short-term and will be recognized as revenue over the next 12 months. The current portion of deferred revenue at September 30, 2018, normalized for SOURCENEXT, was approximately 79%.

The chart above depicts the Q3 2018 balance by the segment components, with separate disclosure of the SOURCENEXT component within the Consumer Language segment - note that the vast majority of the cash received to date from our 2017 long-term royalty agreement with SOURCENEXT was recorded as deferred revenue, with nearly all of that classified as noncurrent to be recognized over 20 years.

The following chart depicts the 8-quarter trend in deferred revenue, with the separation of short-term, long-term and the amounts that were attributable to the SOURCENEXT transaction.



[1] The vast majority of SOURCENEXT deferred revenue is long-term and is being recognized as revenue over 20 years

As of September 30, 2018, the Company had zero debt and $31.8 million of cash and cash equivalents. The ending cash balance was down approximately $8.3 million compared to the year-ago period, and up $10.9 million sequentially from June 30, 2018.

Non-GAAP Financial Measures

The reconciliation of the GAAP metrics to the non-GAAP financial measures can be found at the end of this document. In Q3 2018, the Company reported a net loss of $6.5 million, compared to net loss of $3.2 million in the year-ago period. Adjusted EBITDA was negative $0.7 million, compared to positive Adjusted EBITDA of $2.7 million in the year-ago period.

Net cash provided by operating activities was $14.5 million, compared to net cash provided by operating activities of $17.3 million in Q3 2017. Note that Q3 2017 benefited from $1.5 million received from SOURCENEXT. Capital expenditures, which primarily relate to capitalized labor on product and IT projects, totaled $3.6 million, up from $3.5 million in Q3 2017. Lexia drove the majority of the increase in capital expenditures year-over-year, reflecting investments to support long-term growth. Free cash flow was an inflow of $10.9 million, compared to an inflow of $13.8 million in the year-ago period; the decline primarily reflected the higher net loss this quarter, compared to the year-ago period.

Financial Outlook - Full Year 2018

With respect to the full year 2018 guidance that we communicated in conjunction with our Q2 2018 conference call on August 2, 2018, our outlook for consolidated revenue and 2018 sales for Lexia and Consumer Language remains unchanged. We are now expecting 2018 E&E Language sales to be approximately $58 million, an $8 million reduction from our prior guidance, reflecting lower performance from non-strategic custom-content and affiliate sales channels, as discussed above, along with unfavorable foreign exchange impacts. We continue to expect total consolidated revenue will be approximately $173 million and, with the $8 million reduction in forecasted E&E Language sales, we now expect consolidated sales will be approximately $184 million, broken down for the mix among the three segments as follows:

- We now expect Literacy revenue will be approximately $52 million (up from prior guidance of $50 million), and continue to expect sales approaching $60 million (a year-over-year increase of approximately 25%).
- We now expect E&E Language revenue to be approximately $60 million (down from prior guidance of $62 million), on sales of approximately $58 million (down from prior guidance of $66 million).
- Consumer revenue is still expected to be approximately $61 million, on sales before SOURCENEXT of approximately $66 million (down $1.6 million (2%) versus 2017 after excluding approximately $2 million from Fit Brain sales in 2017 that will not be repeated as that product has been decommissioned).

For the full year 2018, we are raising our outlook for GAAP net loss by $4 million to approximately $25 million, on lower costs seen in Q3 and expected in Q4. The higher net loss in 2018 versus 2017 is primarily driven by the lower year-over-year GAAP revenue in our Consumer Language segment – despite only a slight decrease in sales before SOURCENEXT – as well as less contribution from long-term subscriptions sold 2-3 years ago, as discussed on the Company's Q1 2018 conference call.

As shown in the chart below, Consumer's 2018 revenue is being impacted by both the shift to SaaS that results in a smaller percent of 2018's sales recognized in-year, as well as sharply declining contribution from the amortization of the large amount of 2- and 3-

year subscriptions sold in the past as they expire and are replaced by new shorter-duration subscription sales.

$MM	2015A	2016A	2017A	2018F
Consumer Sales[1]	**$ 123**	**$ 85**	**$ 70**	**$ 66**
Consumer Revenue from Sales in				
2014 Actuals	29	11	2	-
2015 Actuals	89	21	12	2
2016 Actuals	-	56	23	5
2017 Actuals	-	-	38	24
2018 Expected	-	-	-	31
Reported Consumer Revenue	**120**	**88**	**76**	**61**
In-Year Rev. Recognition as a % of Bookings	72%	66%	54%	47%
Deferred Rev. Balance at 12.31	$ 47	$ 44	$ 38	$ 43

[1] Bookings include Fit Brains and exclude Sourcenext.

Also contributing to our year-over-year forecasted net loss in 2018 is a $2 million expected increase in Cost of Revenue, which is driven by an approximately $3 million non-cash increase in amortization primarily for Lexia's Power Up product costs that had been capitalized during development prior to its launch in January 2018. In addition, we expect an increase of approximately $2 million driven by Lexia's implementation and training services costs in support of their sales growth noted above. These increases will be partially offset by approximately $3 million lower Cost of Revenue in Language, driven by the completion of Consumer's migration to a full SaaS sales model. We are also raising our outlook for negative Adjusted EBITDA by $4 million, to approximately $2 million, for the same reasons we are raising our GAAP net loss. Note that FY 2018

Adjusted EBITDA is down from 2017 due to the Consumer Language revenue factors noted above.

We now expect to end 2018 with approximately $39 million in cash and no debt, down from $43 million at the end of 2017 and $6 million lower than our prior guidance of approximately $45 million, primarily due to the lower expected E&E sales discussed above. Our 2018 ending cash estimate continues to anticipate an outlay of approximately $1.5 million for inventory returns related to our final transition from terms to consignment with our retail partners, and the $4.5 million cash receipt from SOURCENEXT in Q1 2018 related to an amendment to our previously announced license agreement. It should be noted that $1.2 million of cash (for the $1.5 million for inventory returns) was already incurred in the first nine months of 2018.

Finally, we continue to expect capital expenditures of approximately $16 million for the full year ended 2018.

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.
- North America Consumer DTC and Global App Sales LTV per Unit - The Lifetime Value per unit, or LTV per unit, is an operating metric calculated as the combined value of customers' initial purchases plus an estimate of future renewals based on the median renewal rates observed for recent renewals of similar products. The per unit metric is expressed as the weighted average LTV per unit of all products sold during a given period.
- LTV Added is the LTV per unit multiplied by total new unit sales net of returns.
- North America Consumer DTC and Global App Sales CAC - The Customer Acquisition Cost, or CAC, is an operating metric calculated as the sum of Consumer GAAP sales and marketing expenses in a period plus affiliate commission expenses that are classified as cost of goods sold, adjusted to reflect the lifetime app store commissions incurred on the initial app sale plus an estimate of app commission expenses on future renewals.
- CAC per Unit is CAC divided by total new unit sales net of returns for North America DTC and Global App sales.
- The LTV-to-CAC ratio is calculated as LTV per Unit divided by CAC per Unit.
- Net LTV Added is calculated as LTV Added minus CAC.
- Retention is a customer-based metric based on whether a customer was retained from a prior period to the current period. Renewal is an annualized dollar-based metric (of the dollars available to renew) and includes upsells.
- Prior period amounts have been restated to be comparable to the current period methodology. In addition, prior period LTV, CAC Net LTV, retention and renewal metrics presented for a given period may change over time as the most current experience for that period is used to update the calculations of those operating metrics.

Definitions – 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 E&E Language segments. Prior periods have been reclassified to reflect our current segment presentation and definition of segment contribution.

Adjusted EBITDA and Free Cash Flow[1]

	Amounts ($000)							
	Quarterly					Quarterly		
	1Q17	2Q17	3Q17	4Q17	FY17	1Q18	2Q18	3Q18
GAAP net (loss) income	$ 454	$ (1,135)	$ (3,231)	$ 2,366	$ (1,546)	$ (6,402)	$ (4,158)	$ (6,489)
Total other non-operating (income) expense, net	(209)	(312)	40	25	(456)	286	59	(40)
Income tax expense (benefit)	700	782	879	(4,860)	(2,499)	461	454	588
Depreciation and amortization	3,075	2,987	3,015	2,932	12,009	3,610	3,479	3,802
Stock-based compensation	147	1,359	1,552	1,083	4,141	583	1,353	1,452
Restructuring expenses	780	205	196	26	1,207	31	(23)	(8)
Strategy consulting expense	169	—	—	—	169	—	—	—
Other EBITDA adjustments	39	16	248	(7)	296	141	261	27
Adjusted EBITDA	$ 5,155	$ 3,902	$ 2,699	$ 1,565	$ 13,321	$ (1,290)	$ 1,425	$ (668)

	Amounts ($000)							
	Quarterly					Quarterly		
	1Q17	2Q17	3Q17	4Q17	FY17	1Q18	2Q18	3Q18
Net cash provided by/(used in) operating activities	$ 5,756	$ (10,756)	$ 17,312	$ 6,648	$ 18,960	$ (418)	$ (14,316)	$ 14,471
Purchases of property and equipment	(2,313)	(3,080)	(3,510)	(4,041)	(12,944)	(3,948)	(4,188)	(3,564)
Free Cash Flow	$ 3,443	$ (13,836)	$ 13,802	$ 2,607	$ 6,016	$ (4,366)	$ (18,504)	$ 10,907

[1] See Appendix for definitions and reconciliation of GAAP to non-GAAP Financial Measures and Statistical Measures.

Revenue and Sales[1]

	Amounts ($000)							
	Quarterly					Quarterly		
	1Q17	2Q17	3Q17	4Q17	FY17	1Q18	2Q18	3Q18
Revenue								
Literacy	$ 10,170	$ 10,370	$ 11,028	$ 12,040	$ 43,608	$ 12,384	$ 12,695	$ 13,215
E&E Language								
Enterprise	9,408	9,914	9,602	8,032	36,956	8,983	8,538	8,421
North America K-12	7,092	7,346	6,927	6,946	28,311	6,453	6,818	6,569
Total E&E Language	16,500	17,260	16,529	14,978	65,267	15,436	15,356	14,990
Consumer Language	21,023	18,275	18,649	17,771	75,718	14,988	15,451	14,545
Total Language	37,523	35,535	35,178	32,749	140,985	30,424	30,807	29,535
Total Revenue	$ 47,693	$ 45,905	$ 46,206	$ 44,789	$ 184,593	$ 42,808	$ 43,502	$ 42,750
Sales								
Literacy	$ 5,300	$ 8,628	$ 24,878	$ 8,705	$ 47,511	$ 4,524	$ 10,325	$ 33,980
E&E Language								
Enterprise	6,034	10,203	9,610	12,095	37,942	5,498	9,921	7,621
North America K-12	2,890	8,354	10,224	5,391	26,859	2,486	7,952	9,901
Total E&E Language	8,924	18,557	19,834	17,486	64,801	7,984	17,873	17,522
Consumer Language	18,495	27,299	17,840	18,968	82,602	19,906	14,752	16,055
Less: Adjustment for SOURCENEXT	—	11,374	1,497	53	12,924	4,486	—	—
Subtotal for Consumer, before SOURCENEXT	18,495	15,925	16,343	18,915	69,678	15,420	14,752	16,055
Subtotal for Language, before SOURCENEXT	27,419	34,482	36,177	36,401	134,479	23,404	32,625	33,577
Total Sales, before SOURCENEXT	$ 32,719	$ 43,110	$ 61,055	$ 45,106	$ 181,990	$ 27,928	$ 42,950	$ 67,557

[1] See Appendix for definitions and reconciliation of GAAP to non-GAAP Financial Measures and Statistical Measures.

Rosetta Stone

Reconciliation of Revenue and Sales[1]

	Amounts ($000)							
	Quarterly					Quarterly		
	1Q17	2Q17	3Q17	4Q17	FY17	1Q18	2Q18	3Q18
Reconciliation of Revenue to Sales								
Literacy								
Segment revenue	$ 10,170	$ 10,370	$ 11,028	$ 12,040	$ 43,608	$ 12,384	$ 12,695	$ 13,215
Segment change in deferred revenue	(4,870)	(1,742)	13,850	(3,335)	3,903	(7,860)	(2,370)	20,765
Sales	$ 5,300	$ 8,628	$ 24,878	$ 8,705	$ 47,511	$ 4,524	$ 10,325	$ 33,980
E&E Language								
Segment revenue	$ 16,500	$ 17,260	$ 16,529	$ 14,978	$ 65,267	$ 15,436	$ 15,356	$ 14,990
Segment change in deferred revenue	(7,576)	1,297	3,305	2,508	(466)	(7,452)	2,517	2,532
Sales	$ 8,924	$ 18,557	$ 19,834	$ 17,486	$ 64,801	$ 7,984	$ 17,873	$ 17,522
Consumer Language								
Segment revenue	$ 21,023	$ 18,275	$ 18,649	$ 17,771	$ 75,718	$ 14,988	$ 15,451	$ 14,545
Segment change in deferred revenue	(2,528)	9,024	(809)	1,197	6,884	4,918	(699)	1,510
Adjustment for SOURCENEXT	—	(11,374)	(1,497)	(53)	(12,924)	(4,486)	—	—
Sales, before SOURCENEXT	$ 18,495	$ 15,925	$ 16,343	$ 18,915	$ 69,678	$ 15,420	$ 14,752	$ 16,055
Total revenue	**$ 47,693**	**$ 45,905**	**$ 46,206**	**$ 44,789**	**$ 184,593**	**$ 42,808**	**$ 43,502**	**$ 42,750**
Change in deferred revenue	(14,974)	8,579	16,346	370	10,321	(10,394)	(552)	24,807
Adjustment for SOURCENEXT	—	(11,374)	(1,497)	(53)	(12,924)	(4,486)	—	—
Total sales, before SOURCENEXT	**$ 32,719**	**$ 43,110**	**$ 61,055**	**$ 45,106**	**$ 181,990**	**$ 27,928**	**$ 42,950**	**$ 67,557**

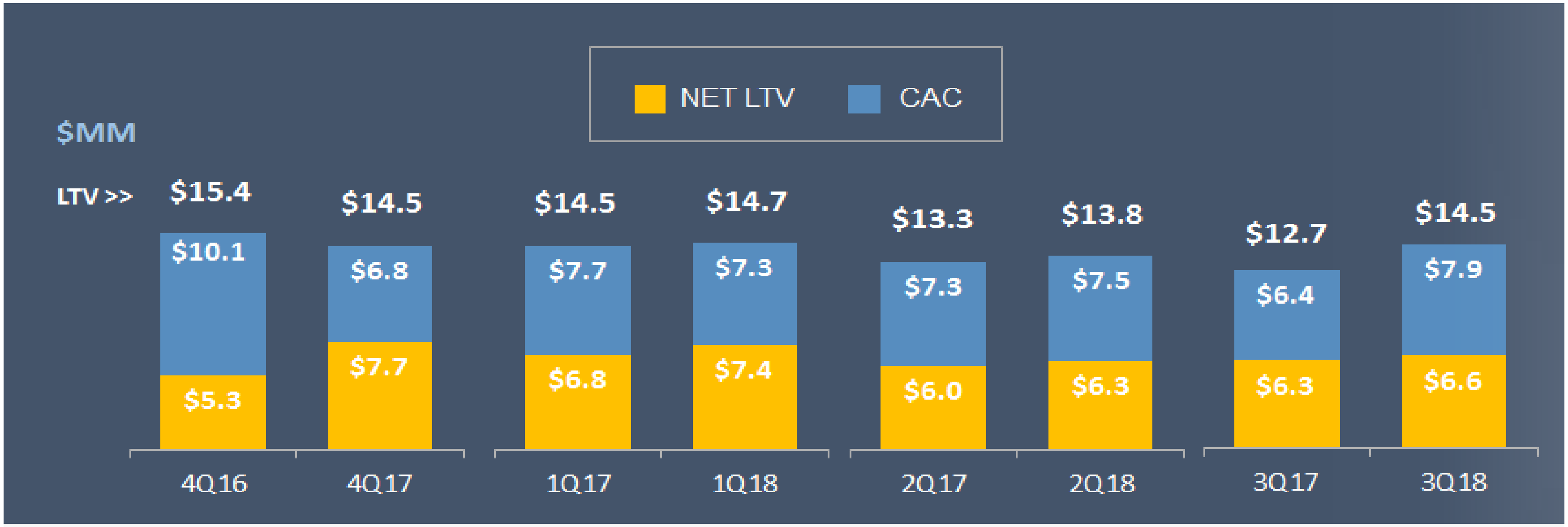
[1] See Appendix for definitions and reconciliation of GAAP to non-GAAP Financial Measures and Statistical Measures.

Segment Contribution[1]

	Amounts ($000)							
	Quarterly					Quarterly		
	1Q17	2Q17	3Q17	4Q17	FY17	1Q18	2Q18	3Q18
Revenue:								
Literacy segment	$ 10,170	$ 10,370	$ 11,028	$ 12,040	$ 43,608	$ 12,384	$ 12,695	$ 13,215
E&E Language segment	16,500	17,260	16,529	14,978	65,267	15,436	15,356	14,990
Consumer Language segment	21,023	18,275	18,649	17,771	75,718	14,988	15,451	14,545
Shared services	—	—	—	—	—	—	—	—
Combined Language	37,523	35,535	35,178	32,749	140,985	30,424	30,807	29,535
Total revenue	$ 47,693	$ 45,905	$ 46,206	$ 44,789	$ 184,593	$ 42,808	$ 43,502	$ 42,750
Segment contribution								
Literacy segment	$ 961	$ 1,591	$ 582	$ 1,830	$ 4,964	$ 1,872	$ 1,823	$ 1,025
E&E Language segment	7,119	7,357	7,176	5,245	26,897	5,890	5,663	5,666
Consumer Language segment	8,357	6,060	5,683	4,749	24,849	2,085	4,550	3,301
Shared services	(4,990)	(4,672)	(4,148)	(3,559)	(17,369)	(4,156)	(4,074)	(3,907)
Combined Language	10,486	8,745	8,711	6,435	34,377	3,819	6,139	5,060
Total segment contribution	$ 11,447	$ 10,336	$ 9,293	$ 8,265	$ 39,341	$ 5,691	$ 7,962	$ 6,085
Segment contribution margin percentage:								
Literacy segment	9%	15%	5%	15%	11%	15%	14%	8%
E&E Language segment	43%	43%	43%	35%	41%	38%	37%	38%
Consumer Language segment	40%	33%	30%	27%	33%	14%	29%	23%
Combined Language	28%	25%	25%	20%	24%	13%	20%	17%

[1] Please see the Appendix for definitions and reconciliation of GAAP to non-GAAP Financial Measures and Statistical Measures.

Consumer – LTV, CAC and Net LTV Added[1]



LTV-to-CAC Metrics

4Q16	4Q17	1Q17	1Q18	2Q17	2Q18	3Q17	3Q18
1.5x	2.1x	1.9x	2.0x	1.8x	1.8x	2.0x	1.8x

[1] See Appendix for definitions and reconciliation of GAAP to non-GAAP Financial Measures and Statistical Measures. LTV and CAC are computed using N.A. DTC and global app channel data. Prior period amounts have been restated to be comparable to the current period methodology.