Q2 EARNINGS PREPARED REMARKS

Lasse Glassen - Safe Harbor

Thank you. Good afternoon everyone. Welcome to Rosetta Stone's second quarter 2019 earnings conference call. Speaking on today's call will be John Hass, Chairman and CEO. Additionally, Nick Gaehde and Matt Hulett, Co-Presidents of Rosetta Stone, and Tom Pierno, the company's Chief Financial Officer will be available during the Q&A portion of today's call.

We have posted to the Investor Relations section of our website at www.rosettastone.com, both the earnings release and a slide presentation that accompanies today's call. We've also posted supplemental information and analysis on our website. This supplemental information will not be read on today's call.

I want to remind everyone that as always, there will be elements in today's presentation which are forward looking and are based on our best view of the world and our businesses as we see them today. These statements are subject to a number of risks and uncertainties that could cause actual results to differ materially. A description of these risks and uncertainties and other factors that could affect our financial results are included in our SEC filings, including our most recent annual report on Form 10-K and quarterly reports on Form 10-Q. We expressly disclaim any obligation to update or revise any forward-looking statements except as required by law.

Today's presentation and discussion also contains references to non-GAAP financial measures. The full definition, GAAP comparison, and a reconciliation of those measures are available in the aforementioned presentation and press release.

Our non-GAAP measures may not be comparable to those used by other companies and we encourage you to review and understand all of our financial reporting before making any investment decisions.

With that, I will now turn the call over to John.

John Hass - Opening

Thank you Lasse and good afternoon everyone.

Slide 3 - Rosetta Stone is a Global Leader in Digital Learning

I am excited to share with you today the progress we are making in the business. Progress demonstrated by a Consumer language business that has stabilized with real opportunities for growth in both our core U.S. market and internationally, and progress demonstrated by the fact that the small reading business we bought just a few years ago is now a leader in K-12 education technology with an expanding portfolio of outstanding products and exciting opportunities for organic growth.

These opportunities are firmly rooted in the areas that make us a global leader in digital learning. We are a pioneer in educational technology, with over 60 years of combined experience in transforming the way we learn to read English or speak a new language. Knowledge that is allowing us to have a positive impact on society.

Because we are now a 100% subscription-based SaaS business with high net margins our growth will deliver high levels of incremental cash flow as demonstrated by our expectation that more than 40% of incremental revenue will fall to Adjusted EBITDA this year and that this will grow next year and the year after.

And because we have an iconic brand and have become a scale player in the K-12 space, we have significant opportunities for organic high margin reinvestment and growth. As you know, we have said this is expected to produce operating cash flow of approximately $38 million next year and $57 million the year after.

In a few minutes I will talk about how we are managing our business and some of the important activities happening now to deliver this growth, but let me begin with an overview of Q2 results. Total revenues for the quarter were $45.9 million, a 6% increase versus the same quarter in 2018. This is our second consecutive quarter of year over year revenue growth following four years of declines.

Net income for the quarter was a loss of $2.8 million, an improvement from a loss of $4.2 million in the second quarter of 2018. Adjusted EBITDA in the quarter was $2.0 million, versus $1.4 million in the same period in 2018.

Slide 4 - Literacy Segment Performance

Turning to **slide 4**, Literacy bookings in Q2 were $12.1 million, a 17% increase compared to $10.3 million in Q2 2018, with the increase largely due to some customers renewing in Q2 that had been expected to renew in Q3.

As we said earlier this year, we expected the first half of 2019 to be relatively flat with 2018, as the vast majority of new business this year, and the renewal of a portion of the business originated in the first half of prior years, will be booked in the second half of 2019.

Sitting here in early August, we feel positive about our ability to achieve our Literacy growth goals, which have us growing bookings by over 25% year-over-year.

Literacy segment revenues grew 19% over the second quarter of 2018 to $15.1 million, while ARR grew 17% to $52.7 million at the end of the quarter. We expect strong revenue and ARR growth in the Literacy segment to continue in the second half of the year as the expected growth in bookings emerges.

2019 is the second consecutive year that bookings growth in the Literacy segment will meaningfully exceed GAAP revenue growth. The lag in revenue growth is being driven by the fact that a significant majority of Literacy bookings growth occurs in the second half of the year with most of the revenue recognized in future periods. But all bookings become revenue and this deferral will help drive revenue growth in 2020 and beyond.

Literacy's retention and renewal rates remained strong while its contribution margin improved to $2.4 million in Q2 2019 from $1.8 million in Q2 2018, as growing revenues continue to be more fully leveraged in the business. How will we continue our growth?

Slide 5 - Literacy Expansion Opportunity

Turning to **slide five**, we are growing our Literacy business in three ways. First, by continuing to expand the number of whole school site licenses that we sell. In the recently completed school year Lexia was present in over 14 thousand schools in the US but only four thousand of those schools currently have site licenses (versus seat licenses), leaving the other ten thousand as opportunities to upgrade to whole-school solutions.

And because we now have a full suite of literacy solutions we have the opportunity to sell more than one product to each school or district. Sales of multiple products to a single customer have grown quickly since the introduction of PowerUp, increasing from 131 customers using more than one product at the beginning of 2018, to over eighteen hundred at the end of Q2.

Slide 6 - Literacy Expansion Opportunity

Turning to **slide six,** our largest near-term opportunity, however, is to serve more schools in districts where we are already represented. Today we serve over 14% of U.S. public schools but the total opportunity in the districts in which those schools reside represents over 40% of all U.S. public schools. Those 26% of U.S. schools that we aren't yet serving are in districts where we have reference sites and can share data with a decision maker that demonstrates our ability to help schools in their own district succeed.

We saw a great example of each of these opportunities in the second quarter when we closed a district wide opportunity with one of the largest districts in California. In 2018, this district expanded their partnership with us, moving from seven Core5 site licenses to 39 Core5 site licenses and eight PowerUp site licenses. This year, based on the impact we had on student literacy performance and the strong partnership we have built with the district, they expanded to a combined 54 site licenses for Core5 and PowerUp and added the RAPID assessment. And knowing the importance of this large scale implementation, committed to a 3 year term worth over $1.5 million. We now serve over 36 thousand students in the district under a long term partnership to improve student literacy performance, academic success across all subject areas and equity for life-long opportunity.

Next **slide** please.

Slide 7 - Language Business Performance

Consumer bookings of $14.6 million were flat compared to the second quarter of 2018.

Consumer revenues of $16.3 million grew 9% excluding FitBrains, as a result of stable year-over-year bookings and the recognition of previously deferred subscription revenue as our deferred revenue balance has grown.

As I previewed on our last call, we were more aggressive in testing new channels of marketing spend in Q2 in order to identify additional avenues for customer acquisition. This included testing non-digital offline media that had higher production costs and larger upfront cash outlays. We have not deployed this type of marketing in a meaningful way in five years and believe that with a more stable business now is an appropriate time to opportunistically try new, potentially efficient avenues for growth.

Specifically, in Q2 we spent approximately $1.5 million dollars for a targeted test marketing campaign that launched mid-May. As expected, this spend lowered our overall Q2 LTV to CAC ratio from its recent ranges to 1.5x. Excluding the second quarter brand spend, which had almost no impact on in quarter bookings, LTV to CAC would have been 1.8x, in line with seasonal norms.

To be clear, this does not mean the tests were not successful, as this form of marketing has a longer return profile and its benefits were not expected within the quarter. We will measure success on the basis of traffic and bookings uplift as they develop over time, as well as the impact on certain important brand attributes, including awareness of our Consumer app. Because it will take time to study these effects, we are not expecting to spend additional marketing dollars on TV brand advertising this year. We will focus on optimizing net LTV, targeting our historical LTV to CAC ratios through the remainder of 2019.

Enterprise and Education bookings fell to $15.4 million year over year, with the decline driven by the absence of any custom content sales in the quarter versus $1.9 million in custom content sales in Q2 of 2018. E&E revenues in the quarter were down 6% due to lower bookings levels in 2018 and in the first half of this year.

As we've said previously, the timing and size of custom content contracts are difficult to forecast and predict. In fact, despite the decrease in E&E bookings in Q2, we are raising our bookings guidance for E&E for the full year, as we recently agreed to a $7 million custom content deal. The deal has been signed by both parties and funding has been secured by our partner. There is a final formal governance step, which means it is not completely finalized, so there is some risk it won't close, but we expect this step to happen soon and we have included the transaction in our internal forecast and bookings, cash and operating cash flow guidance for the year. If it happens as expected, it will be one of the largest single contracts in the 26-year history of Rosetta Stone.

We are honored to partner with another American Indian tribe to preserve and share their language for generations to come. Because we don't begin to recognize revenues in our custom deals until we begin to deliver content, this deal will have no impact on revenues this year.

Let me spend a moment on our thoughts around custom deals generally. We like these partnerships because they leverage the investment we have made in our Language infrastructure, support new investment in tools that make the creation of content efficient, have a reasonable margin, although lower than selling existing products, and are aligned with our mission as a company in an incredibly impactful way. Given their size and unpredictability we will continue to assume a relatively small amount in our guidance until realized.

Overall contribution margin for the combined Language business was $6.1 million, or 20% of revenues, flat compared to Q2 last year. Contribution margin in the quarter was negatively impacted by the $1.5 million incremental test marketing campaign spend which was reflected as a GAAP expense in the period.

Please turn to the **next slide**.

Slide 8 - Consumer Language Performance

Total Consumer subscribers at the end of Q2 were 533 thousand, an increase of 28% over the end of Q2 last year, and 3% sequentially in the seasonally slower second quarter. Short term subscribers, or those with initial terms of twelve months or less, were 44% of the total, up a bit from 40% in Q2 2018, but stable with the 45% we saw in the first quarter of this year.

The year over year increase in short term subscribers led to a slight decrease in the initial average term length, to 13.4 months versus 13.8 months, and the average initial selling price to $93 from $112, versus Q2 of last year. Sequentially each of these metrics was relatively stable.

In order to better analyze the varying dynamics since the Consumer transition to a 100% SaaS subscription business, we have focused on estimated gross and net lifetime value added each period as a key operating metric. As I discussed previously and previewed on our last call, Q2 was impacted by approximately $1.5 million in production costs and variable media spending for our offline media test. This impacted both the LTV created in the quarter, as a smaller portion of our dollars were spent on faster returning performance marketing, and the overall amount of CAC incurred in the period.

Slide 9 - Consolidated Results

Turning to **slide nine**, consolidated revenues of $45.9 million were 6% higher than a year ago. The second quarter net loss was $2.8 million versus a loss of $4.2 million in Q2 of 2018. The improvement in net loss was driven by the increase in revenues and relatively stable expenses. Adjusted EBITDA in the quarter was $2.0 million up from $1.4 million in Q2 2018.

Ending cash of $20.8 million included $9.9 million in net borrowings in Q2 2019 to fund our seasonal cash low point. Net cash and the use of our facility to fund working capital were generally in line with our expectations as we are a net user of cash in the first half of the year like other companies with large K-12 businesses. We expect all of our borrowings to be repaid during the second half of 2019. In fact we started to pay them down in July.

Slide 10 - Guidance

Turning to **slide ten,** while we expect revenue growth to accelerate in the second half of 2019, we are slightly lowering our revenue outlook for the year, driven by the expected timing of the realization as revenues of slightly lower bookings from E&E excluding custom content. E&E bookings are expected to come in later in the year than previously expected, and consequently contribute less to 2019 revenues or, in the case of the custom deal, contribute to revenue beyond 2019. Because the increase in expected bookings that will occur if the custom content deal is finalized more than offsets the slightly lower expectations for the portion that will be realized as revenues in 2019, we are raising our guidance for consolidated revenue plus change in deferred revenue to $203 million on the high end.

Bookings and revenue guidance for Consumer Language remain unchanged with total revenue expected to grow approximately 10% in 2019.

We continue to feel good about the outlook for our Literacy business this year. Bookings, revenue and ARR guidance for Literacy remain unchanged and represent continued significant year-over-year growth in this part of the business.

Because of continued strong cost containment our net income outlook remains unchanged despite the revenue timing adjustment to the outlook. Adjusted EBITDA is now likely to be closer to $6 million due to the change in our revenue outlook which is partially offset by lower expected expenses.

Finally, we are changing our operating cash flow expectations for the year to a range of $17 to $23 million and are now forecasting an ending cash range of approximately $38 to $42 million with the high end of both representing the expected finalization of the custom content deal. The high end implies approximately $31 million of cash generation in the second half of 2019.

Slide 11 - 2020-2021 Outlook

Looking forward, as shown on **slide eleven**, we are excited about the opportunity we see to leverage the investments we have made, especially in our K-12 businesses, to drive continued top-line growth and earnings improvement beyond 2019. If we achieve our goals, given the high incremental margins in our business, approximately 40% in 2020 and over 50% in 2021, of incremental revenues will become operating cash flow. And because, barring additional new product initiatives, we believe we can hold total R&D and Cap Ex relatively stable the next few years, the growth in operating cash should largely turn into cash on the balance sheet.

You will hear later about important advancements in Core5 and our language technology stack that will help us continue to innovate and grow. The investments we have made in our Language tech stack, for example, are an important step in reducing our maintenance costs and increasing capital available for growth. In fact, we could improve near-term cash flow further as much of our recent expenditure has been on new products and to complete the rebuild of our language products, but we see exciting opportunities for high margin reinvestment in the business.

I would now like to spend a few minutes and talk about how we are managing the business given the growth and cash generation opportunity that we have. Please turn to **slide twelve**.

Slide 12 - Rosetta Stone Investment Opportunity

I believe there are four important factors to understand about our business and the opportunity we have.

First, we are a learning company focused on addressing important societal needs. We care about our ESG ratings and other measures of constituent impact, but our most important measure is the lives we change through language and literacy education. We believe that when we help teach a child to read or anyone to speak a second language we will improve their life. This provides us focus that has made our language and English reading learning solutions standards in the industry.

Second, because we leverage technology to deliver our learning solutions, we have high incremental cash flow margins. This has been clear as operating cash flow improved even as we invested in building the fixed cost infrastructure of our K-12 Literacy business, and will become more clear as growth continues in the future.

Third, because we are now a 100% subscription-based SaaS-business our bookings and revenue are more predictable than they have ever been. Approximately 90% of our Literacy customers renew at the end of their contract and in Consumer Language approximately one-third of our bookings are now from renewing customers. And critically, as a SaaS-business we now have insight into the needs and behavior of the millions of learners using our products across our end markets - K-12, enterprise and consumer. This is a unique position and one we are only beginning to benefit from.

Finally, because of the leadership position we have in each of our businesses, and the key investments we have made - from building the Rosetta Stone brand, to our presence in seventeen thousand K-12 schools worldwide - we have very attractive organic investment opportunities. This is especially important as we operate in an industry where many of our competitors are driving growth by paying high multiples to acquire businesses. While we look at strategic transactions, and will look to be opportunistic, especially if multiples weaken, I am excited that we have areas for organic growth like English language learning in our schools and internationally that we have talked about previously and will update you on today.

Before I do that, let me share how we think about investment in the business because while our K-12 and Language businesses have many similarities that benefit us, they also have distinct characteristics that create attractive and complementary reinvestment opportunities.

Please turn to **slide thirteen**.

Slide 13 - Attractive Reinvestment Opportunities

Our K-12 business has a long term investment and return profile similar to other high performing enterprise SaaS companies. World class products like Core5 and PowerUp that serve large market opportunities with resilient demand, which produce strong retention rates driven by quality outcomes, all of which create high gross and net margins. We invest to build new products and maintain their excellence, but as new business compounds on top of retained customers we earn substantial incremental cash flow. Despite ongoing investment in current and new products we are moving into this phase in our K-12 business.

Our U.S. Consumer Language business, on the other hand, is an attractive, but more tactical investment opportunity. The educational goals of our Language business are the same as in K-12 - create solutions that delight learners and provide outstanding outcomes. And like K-12, we have the opportunity to leverage technology with high gross margins to drive attractive incremental net returns.

The way we create demand in our Consumer Language business, however, is very different. In K-12 we close business by offering highly effective products sold through a largely fixed cost sales force, while in Consumer we have a business driven by an iconic brand with 90% aided recognition and granular incremental marketing. Lead times are shorter and conversion to paid subscription is responsive to the right stimulation at the right time. We compound the return from this variable marketing spend by recycling it into additional media with a short-term positive return and, as these marginal returns diminish or become too elongated, by reinvesting in long term shareholder value creating opportunities. Over the last five years the focus of these investments has been to build our K-12 business.

Slide 14 - K-12 Investment Focus

Turning to **slide fourteen**, given our long-term compounding opportunity in K-12, it is important to understand how we approach these investments.

Our strategy has four pillars. Build all of our products on our data sharing and information management platform, myLexia, to enhance its power and capability. Continually improve the value proposition of our flagship product - Core5. Introduce differentiated products and services to meet critical K-12 needs in areas underserved by existing solutions. And ensure that we have the right team with the right resources to be the trusted partner to schools.

So how have we done?

In five years Lexia has gone from being a one product company to a growing portfolio of world-class K-12 products built on a platform, myLexia, that is implemented in seventeen thousand schools. A platform that shares with teachers, schools and districts the critical data and information that empowers them to help their students learn.

In 2013, we introduced a new product, Core5, that is setting the standard for personalized reading instruction in our schools. Since then we have continuously improved the value proposition of Core5 to make it more effective for learners and more important to our customers. We introduced a new animation engine to make the experience more engaging even on the low end devices often found in our schools, new licensing to allow K-6 schools to use PowerUp in their 6th grade classes at no incremental cost and, just last month, the biggest expansion of content and functionality for Core5 since its introduction. More on that in a bit, but all of this was done to make Core5 the reading product teachers demand to have in their classrooms.

And while we expect teaching young children to read, in other words Core5, will always be the primary driver of our K-12 business, there is much more that we have been doing and will do. In 2016, we introduced RAPID to provide a computer adaptive screener for K-12 schools. In 2018, we introduced PowerUp for struggling readers in 6th through 12th grades and delivered a great product that fulfilled an unmet need in the marketplace. In fact, in only a little over a year, PowerUp is already used in over four thousand schools, or approximately 4% of U.S. public schools.

Please turn to **slide fifteen** for the most recent analysis of how Core5 is producing these outcomes in our schools.

Slide 15 - 2018-2019 Impact Study

We’ve just finalized our annual analysis of the impact of Core5 on closing the reading gap. This year we analyzed almost 900 thousand students during the 2018-2019 school year. At the beginning of the year only 50% of students were working on skills in or above their grade level. That number increased to 91% by the end of the school year. For students most at risk of reading failure--those who started the year two or more grade levels behind--65% gained two or more grade levels of skills in one year. Sustained growth in achievement like this makes a real difference.

And one of the key ways we achieve these results is by building products and implementing them effectively so that they are used with fidelity.

Please turn to **slide sixteen**.

Slide 16 - Efficacy + Usage = Positive Outcomes

I just walked through our most recent efficacy analysis and last quarter, I talked about the cost to individuals and to society as a whole when we fail to teach a child to read at the appropriate grade level at the right time. But even our products won't help if schools don't use them. And unfortunately, one of the failures of the educational technology industry is that most products go largely unused by the schools that purchase them. Here too we are different.

According to a recent study by LEARN Platform, an organization dedicated to expanding equitable access for all students to education technology that works, 63%, almost two-thirds of purchased ed tech product licenses are never activated. LEARN reports that therefore 65% of students exhibited zero or trivial use. Moreover, they found that only 5% of students actually received the full recommended dosage.

By comparison, during the 2018/2019 school year Lexia customers activated over 80% of the licenses available to them. And over 40% of learners used our software at the prescribed level of intensity, eight times better than our industry as a whole, a fact that we are extraordinarily proud of. Please turn to slide seventeen.

Slide 17 - Expanding K-12 - EL Update

Next year we will introduce a new product for K-6 emerging bi-linguals focused on learning English. Why do we care about this market? First, teaching non-native speakers how to speak and read English is one of the most difficult problems our schools face and there is no one from a pedagogy, technology, trust, and brand perspective better able to meet this need than we are.

Second, it is a large, fast growing need. Currently, approximately 10% of public school students are non-native English speakers, this is expected to grow to approximately 25% by 2025 according to the National Education Association. We also know that if these children are not equipped with appropriate academic English skills their chances of success in the classroom are diminished. Third, we have a large adjacent install base. Core5 already helps emerging English learners to read English and Rosetta Stone is used in thousands of classrooms to teach English. But we have never offered a solution built for students and schools that specifically focuses on the needs of emerging bi-linguals learning English with an emphasis on speaking skills. Like Core5 and like PowerUp we expect this new product to become the standard in its marketplace and as it grows to have similarly high gross and net margins. Development is progressing and we intend to begin sales for this product next year for use in the 2020-2021 school year.

We will have more opportunities like this going forward because we are a trusted partner for our school partners and we know how to build products that work and get used. And we will do this knowing that growing, high retention, high margin revenue streams are attractive to investors as shown by the very high multiples paid for companies in strategic transactions in our industry. The opportunity to organically build these revenue streams while solving problems is very exciting.

And a number of new product releases are demonstrating how we are doing that this year.

Please turn to **slide eighteen.**

Slide 18 - Product Advancements - K12

We just released major upgrades across our entire Literacy product line, including important upgrades to myLexia, RAPID and PowerUp.

We also released a brand new program for teachers - Lexia Academy. Lexia Academy is an amazing e-Learning platform that will support our educators' professional growth with resources and strategies to support blended learning, literacy instruction, and product implementation. It includes expert videos, dynamic interactive content and in-depth course material, among other things. Teaching reading is difficult, and most elementary school teachers are not trained in the science of reading, the foundation for knowing how to teach reading. We believe that as Lexia Academy grows we can better equip teachers to understand the 'why' of reading instruction and therefore to be successful in this area.

But our biggest release this year was a significant upgrade to Core5. In fact, this was the largest expansion of capability and content since Core5's original introduction in 2013. The focus of this release was to deepen and broaden the content for older elementary school students in the 3rd through 5th grades.

So while we are rightly excited to introduce a new K-6 English learning product next year, continuing to expand and improve our core literacy product portfolio is critical to continued growth and learner impact.

An area of great importance that hasn't been talked about as much is the fundamental change happening with our Language technology platforms. Please turn to **slide nineteen.**

Slide 19 - Rosetta Stone Language Platform

Over the last several years, we have been upgrading and migrating our legacy language learning technology platforms to a single technology stack. This effort has included eliminating Flash from our products so that they are compatible with modern Web browsers and platforms, in addition to finishing the migration of our advanced content from multiple historical acquisitions.

We are in the final months of this migration and integration which will result in our customers having a better experience. One result of this effort is that we recently upgraded our world-class enterprise product, Catalyst. Our new Catalyst upgrade includes over 2,900 hours of goal-driven curriculum that teaches learners meaningful business and industry language skills. The upgrade includes adaptive assessment technology that aligns to the Common European

Framework of Reference for Languages or CEFR and a new “end-to-end” mobile experience for iOS and Android.

More fundamentally, completing this work will now allow our Language engineering efforts to focus on more innovation rather than the de-flashing and migration work that has consumed much of our effort in recent years. This has been a very, very expensive, and not always forward moving process, which we will be happy to complete.

Please turn to **slide twenty**.

Slide 20 - Rosetta Stone Live Update

As you know, we are testing our ability to profitably meet the needs of the larger language learning opportunity outside the US. Our goal here is to leverage our brand, our content and our ability to provide high quality Rosetta Stone certified online language instructors to create a unique product offering for demanding international customers.

And we will approach selling our solution differently from our peers. Our intention is to provide customers the tutoring they want, when they want it. Not packages of tutoring sessions sold a year at a time for a high upfront cost.

South Korea is our test market and the offering is now live for Android users in the country. We view this as a test and will treat the investment as such until we learn more about product and pricing fit with the market. Next **slide** please.

Slide 21 - Efficacy x Scale = Impact (and Profitability)

Finally, the simple formula for our success is efficacy times scale equals impact. Efficacy without scale creates no lasting impact. Scale without efficacy is counterproductive. Think about the ed tech products I mentioned sitting unused in our schools. It takes both to impact society and that is our goal.

Over the last several years, our lack of profitability came from investing heavily in the K-12 Literacy business, while simultaneously making the necessary technology, marketing and business model changes in our Language businesses, like the very large investments that were necessary to modernize our Language product platforms and shift to a SaaS subscription-based Consumer language business. Now with a scaled and growing Literacy business and a modernized and stabilized Language business, we have the opportunity to meaningfully improve profitability as we achieve scale.

Our B2B businesses have attractive incremental segment contribution margins of approximately 70% as we leverage high gross margin products and scaled distribution. In our Consumer language business we actively manage our variable media spend to produce the highest absolute dollar return to reinvest across the portfolio.

But the opportunity to sell our current products at a high incremental margin is necessary, but not sufficient, to achieving our ultimate goals. Our presence in K12 schools and the Rosetta Stone brand are both capable of being scaled beyond our existing products to reach more learners globally.

To ensure that we are appropriately positioned to take advantage of these opportunities, today we are filing with the SEC a $200 million shelf registration statement to take the place of a shelf that expired a few years ago while we were going through the turnaround. While we have no current need or plans to utilize the authorization, I believe it is good corporate practice to have an active shelf registration.

We are confident in our direction and the outlook for organic cash flow generation, but a shelf provides us the flexibility to act quickly if we see opportunities to invest in our business, for example to finance a strategic transaction to leverage our growing K-12 presence. We will be disciplined stewards of your capital, and, of course, it is possible the shelf will not be used, but I believe we should be prepared for opportunities if they present themselves.

So as we move forward into the critical second half of the year I feel good about where we sit. We expect to have positive revenue growth and operating cash flow this year. Just as importantly, I am proud of the work we are doing across the company to provide real value to our learners as evidenced by the fact that in a sea of unused K-12 products, teachers and their students make time in their day to use Core5 because they know that if they do, results will follow.

That concludes my prepared remarks. Operator you can now open the line for questions.