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FOR IMMEDIATE RELEASE

PeopleCert announces Consolidated Financial Results for the Nine Months ended September 30, 2021

London: United Kingdom:

PeopleCert, the market leading differentiator within the assessment and certification industry, presents the unaudited Consolidated Financial Report as of September 30, 2021, which includes the one-off effects booked in connection with the acquisition and integration of Axelos, a UK based examination provider and PeopleCert's main business partner that amounted to £380 million on a cash-free, debt-free basis.

The acquisition firmly establishes PeopleCert as a vertically integrated, global leader in best practice methodologies that are widely adopted by private, public and voluntary sectors in more than 200 countries.

PeopleCert's Chairman and CEO, Byron Nicolaides, said: 'We look forward to being the custodian of the world-leading professional frameworks that have been developed by the UK Government over the last thirty years. We intend to further develop these under PeopleCert's stewardship for the benefit of all stakeholders including corporates, governments, academic institutes and professionals alike. The current portfolio includes several programs - all of which are gold standards in their respective fields'.

Our most important commitment remains, to work collaboratively and transparently with our network - writing together this exciting next chapter. We remain focused to our customer-first and people-centric vision, continuing to always be responsive, flexible & offer high quality products and experiences to our partners and end-users'

Following the issuance of PeopleCert's senior secured bond, in Q321, quarterly reports will present financial statements of the Parent Guarantor company – PeopleCert Wisdom Limited on a consolidated basis. Nine months 2020 presents PeopleCert Holdings UK figures.

All amounts are presented in GBP.

Consolidated highlights for the 9 months ended September 30, 2021 (compared to the 9 months ended September 30, 2020):

- Revenue: £57.2 million (up 31% on £43.8 million in 2020);
- EBITDA: -£4.3 million (down 161% on £7.1 million in 2020);
- Adjusted EBITDA: £15.4 million (up 116% on £7.1 million in 2020)¹;
- EBIT: -£7.9 million (down 261% on £4.9 million in 2020);
- Adjusted EBIT: £11.9 million (up 141% on £4.9 million in 2020);
- Net Result: -£13.9 million (down 439% on £4.1 million in 2020) due to one-off transaction related expenses incurred in connection with the acquisition of Axelos in Q3 2021, which will be more than recovered through the internalization of royalty costs, the contribution of added revenue streams, and planned synergies; and
- Net Financial Indebtedness: +£243.9 million (compared to -£14.5 million at December 31, 2020)².

¹ Adjusted EBITDA & EBIT figures exclude one – off transaction related expenses for the period.

² Net Financial Indebtedness is defined as Current and Non-current Borrowings less Cash and Cash Equivalents (including accrued interest expense).

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Review of performance of the Group, current position, and future developments

Nine-month results reflect a strong performance across the Group as well as the efforts on cost containment and competitiveness. As the global recovery continues, potential risks to the industry are closely monitored resulting in satisfying development to date. The Group's financial results and position as presented in the consolidated financial statements is tracking positively, as supported by the key parameters shown below:

Financial Key Performance Indicators

<u>Ratio</u>	<u>September 30, 2021</u>	<u>September 30, 2020</u>
<u>Gross margin</u> Gross profit to Revenue	47.3%	32.2%
<u>Net margin</u> Profit before tax to Revenue	-20.1%	9.7%

Gross margin (Gross profit to Revenue) increased by 15.1pp to 47.3% mainly due to the effective elimination of the Axelos royalties on consolidation post acquisition, plus an improved product mix towards sales of high margin language products. Further benefit derived from the promotion of online invigilation services and hence a reduction in classroom-related costs.

The decrease in **Net margin** by 29.7pp to -20.1% reflects one-off transactions costs arising from PeopleCert's acquisition of Axelos amounting to £19.7 million. Additionally, increased finance costs of £2.9 million (September 30, 2021: £3.6 million vs September 30, 2020: £0.7 million) arose from accrued interest on the debut 5-year €300 million (£255.5 million) Eurobond issued by the PeopleCert Group.

PeopleCert Consolidated Results as of September 30, 2021

Total Revenue for the nine-month period ended September 30, 2021 grew 30.6% to £57.2 million compared to £43.8 million for the same period last year. This reflects 16% growth in the B&IT stream (primarily Axelos' products) and 346% in Languages' products following the Madrid tender win and SELT's full year contribution.

The continuing recovery of volumes, revenues and margins provides increasing confidence, and notably BI&T performance was back at 2019 levels.

The observed growth is partially attributed to Axelos revenue that flowed into the Group post acquisition while the remaining variation is related to PeopleCert's achievement to overcome the adverse impact of the coronavirus pandemic and retain its leadership position worldwide by taking advantage of the fact that the Global market is rapidly moving towards more digital delivery models. PeopleCert adapted rapidly to the changing circumstances by promoting the provision of online invigilation services, partially offsetting the original loss from postponed classroom-based exams.



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Cost of sales remained relatively stable, increasing slightly by 1% to £30.1 million for the nine-month period ended September 30, 2021 compared to £29.7 million during the nine-month period ended September 30, 2020, therefore increasing gross profit by 92% (9M 2021: £27.1 vs 9M 2020: £14.1) and the gross profit margin from 32% to 47%. The main reason for this variation is the change in product mix driven by the increase in sales of high margin products of the LanguageCert stream and due to the preference for online invigilated exams, as well as due to the effective elimination of Axelos royalties on consolidation following the acquisition.

Operating expenditure increased by 283% to £35.3 million compared to £9.2 million for the same period last year with this movement arising primarily from one-off costs incurred in PeopleCert's acquisition of Axelos, of total amount to date £19.7million. Excluding these one-off charges, operating expenditure was £15.5 million, an increase of 69% compared to the nine-month period ended September 30, 2020 due to legal fees, consultancy services and increased personnel costs related to temporary staff, to support the tenders of awarded contracts (for the provision of English language exams). The variation is also attributed to an increase in employees' number due to new hires (+16%) and Axelos employees. Other costs continue to be managed closely, reflecting benefits of efforts on cost containment and competitiveness.

Despite the increased operating costs, the higher revenues and the significantly lower cost of sales contributed positively to **adjusted EBITDA** for the nine-month period ended September 30, 2021 – an alternative performance measure and key indicator capturing the underlying business margin by excluding material charges caused by the acquisition of Axelos business, showing an increase of 117% to £15.4 million.

Adjusted EBIT increased by 141% to £11.9 million compared to £4.9 million for the same period last year.

Finance costs were £3.6 million, compared to £0.7 million in 2020, reflecting interest of £2.8 million on the Eurobond issued by the PeopleCert Group.

Net Financial Indebtedness as of September 30, 2021 was £243.9 million (December 31, 2020: -£14.5 million), reflecting the Eurobond issued in August 2021 to support the acquisition of Axelos. The Group's financial stability is best evidenced by other liquidity ratios analysed below.

Ratios on Financial Performance and Financial Position of the Group as of September 30, 2021

A. <u>Liquidity Ratios</u>	<u>September 30, 2021</u>
<u>Cash Ratio</u> Cash to Current Liabilities	0.70
<u>Working Capital Ratio</u> Current Assets to Current Liabilities	1.15

Due to the recent acquisition and the high one-off transaction costs, profitability and solvency ratios distort the Group's financial stability and liquidity.

Indicatively, we state the above liquidity ratios that support the Group's financial health.

Attention to working capital and cash flow management remains a key priority for the Group's management.

PeopleCert Consolidated Financial Position as of September 30, 2021

Although the sanitary situation remains uncertain, the Group presents a robust Balance Sheet with strong capital and liquidity levels supporting PeopleCert's readiness for future as the Group enters into a new phase of brand engagement and business growth following a balanced and consistent approach to risk.

Assets

As of September 30, 2021, **Total Assets** were £424.5 million (December 31, 2020: £36.3 million).

Non-current assets at the end of Q3 2021 amounted to £396.6 million compared to £11.8 million by year-end 2020.

The observed increase is mainly due to provisional goodwill of £300.8 million representing the completion of the acquisition by PeopleCert of Axelos, as well as Axelos' Intangible Assets of £85 million including goodwill of £66 million. Other **Intangible Assets** were increased by net additions of £1.9 million but reduced by amortization (net of currency differences) of £3 million, while **Property, plant & equipment's** net additions were £0.4 million and depreciation (net of currency differences) was £0.6 million.

Current assets increased to £27.9 million as of September 30, 2021 from £24.5 million as of December 31, 2020.

This variation is attributed to an equal increase in **Trade & other receivables** (September 30, 2021: £11.1 million vs December 31, 2020: £7.6 million). Although DSO increased to 52 days (December 31, 2020: 24 days) primarily due to timing reasons, the observed variation up to £2.7 million is mainly driven by the revenue growth, the Madrid tender receivables and the VAT refund. **Cash at bank and in hand** remained relatively stable (September 30, 2021: £16.8 million vs December 31, 2020: £16.9 million) however this fluctuation aggregates the net effect of the following transactions:

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- the distribution of dividends of total amount £10.8 million representing retained earnings for the period through 31 December 2016 (£9.5 million approved in 2021) and for the period ended December 31, 2020 (£1.3 million approved in 2020);
- the consideration paid for the acquisition of Axelos of total amount £380 million net of the acquiree's cash on the acquisition date of amount £8.2 million;
- the increase in Share Premium of PeopleCert Wisdom Ltd by £140 million;
- the cash inflow from the bond loan of total amount £256 million as offset by the amount of £2.3 million that was used to refinance the Group's existing indebtedness.

Changes in cash and cash equivalents are analyzed in the accompanying consolidated statement of cash flow. At this point, it should be noted that protecting the Group's financial health continues to be primary objective.

As of September 30, 2021, the Group has positive net assets remaining on track to building wealth. The changes in **Total Equity** for the nine-month period from £20.3 million in 2020 to £136.5 million in 2021 are explained by the share premium of £140 million, counterbalanced by the consolidated loss of £13.9 million and the dividend pay-out of £10.8 million with the remaining variation relating to exchange differences.

Total liabilities increased by £272 million (September 30, 2021: £288 million vs December 31, 2020: £15.9 million).

The aforementioned increase is mainly driven by the increase in **Borrowings** by £258 million (September 30, 2021: £260.7 million vs December 31, 2020: £2.4 million). The Group has been successful in raising liquidity in the nine-month period to September 30, 2021. Having repaid all existing debt in the period, PeopleCert issued a £255 million senior secured bond due 2026. Since the debut bond issuance in July 2021, PeopleCert's Senior Secured Notes have traded well above par.

Deferred tax liabilities increased by £3.7 million (September 30, 2021: £3.8 million vs December 31, 2020: £0.1 million) corresponding solely to Axelos' accelerated capital allowances.

Further to this, **Deferred income** decreased by £1 million from £2.2 million as of December 31, 2020 to £1.2 million as of September 30, 2021. According to the Group's policy, accreditation fees of FY 2021 were invoiced within November of 2020. The observed fluctuation corresponds mainly to the decrease of the respective liability as the income was earned during the nine-month period of 2021.

Trade & other payables increased to £20 million as of September 30, 2021 (December 31, 2020: £9.1 million). The variation corresponds mainly to amounts due to advisors and consultants that were engaged during the transaction. It should be noted that despite the flow of Axelos' liabilities (£0.7 million), trade payables decreased by £1.9 million (September 30, 2021 excluding Axelos for comparability purposes: £3.1 million vs December 31, 2020: £5.1 million). This variation is mainly due to seasonality reasons, yet it is also in line with the decrease in DPO (September 30, 2021: 35 days, December 31, 2020: 42 days) revealing the positive impact of a new tailor-made cost approval system.

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Business highlights

In the context of its normal course of business, PeopleCert participates in various tenders. The award of the below tendered contracts evidence and supports the Group's growth and future prosperity:

- TFL tender for Taxi Drivers in London with a minimum commitment of circa 55k exams per annum effective from October 2021.
- Two (2) tenders in Madrid, Spain, for the provision of circa 110k English language exams for primary and secondary schools.
- Three (3) government IT-related tenders in Greece for the provision of upskilling/reskilling training and certification.
- One (1) tender in Polynesia, University of French Polynesia for English language certification.

On June 21, 2021, the Group announced its agreement to acquire Axelos. Since its establishment, PeopleCert has always focused on developing and delivering globally, best-in-class Exam and Certification programs, that enhance the lives and careers of its candidates. By taking this next step, PeopleCert is even better positioned to do so, strengthening its capabilities while remaining committed to its Four (4) Core Values of Quality, Innovation, Passion and Integrity. The acquisition underlines the Group's strategy to expand its presence and broaden its global offerings, supports the vertical integration strategy of the Group and entails significant operational improvements, allowing PeopleCert to reach international best performance standards. Robust performance and growth prospects are built on Axelos, while the addition of cutting-edge skills, combined with the Group's recognized deep expertise in this sector will create value for all the Group's stakeholders, while at the same time creates opportunities to accelerate standalone strategies and innovation in the market.

For full details on PeopleCert's reported results, see the financial tables accompanying this release.

ENDS

About PeopleCert

PeopleCert is a global leader in the assessment and certification of professional skills, partnering with multi-national organizations and government bodies to develop and deliver market leading exams. PeopleCert delivers exams across 220 countries, in 25 languages, through its state-of-the-art assessment technology, enabling professionals to reach their full potential and realize their life ambitions through learning.

About Axelos

Axelos is a joint venture company co-owned by the UK Government's Cabinet Office and Capita plc. It is responsible for developing, enhancing and promoting a number of best practice methodologies used globally by professionals working primarily in project, programme and portfolio management, IT service management and cyber resilience. The methodologies, including ITIL®, PRINCE2®, PRINCE2 Agile®, MSP®, RESILIA® and AgileSHIFT®, are adopted in more than 150 countries to improve employees' skills, knowledge and competence in order to make both individuals and organizations work more effectively.

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Consolidated statement of Financial Position of PeopleCert Wisdom Limited as of 30 September 2021

amounts in GBP	30/9/2021	31/12/2020
ASSETS		
Non-current assets		
Property, plant and equipment	1.444.328	1.247.604
Right-of-use assets	1.629.370	1.601.417
Intangible Assets	393.116.161	8.607.737
Financial assets at fair value through other comprehensive income	7.704	8.049
Deferred tax assets	200.877	243.694
Other Assets	163.016	108.284
	396.561.456	11.816.785
Current assets		
Trade and other receivables	11.074.781	7.598.121
Loans receivable	0	0
Cash at bank and in hand	16.837.071	16.884.064
	27.911.852	24.482.185
Total assets	424.473.307	36.298.970
EQUITY AND LIABILITIES		
Equity		
Share capital	4	200
Share Premium	140.058.339	-
Other Reserves	2.039.462	1.470.822
Retained earnings	(5.650.707)	18.844.330
Total Equity	136.447.098	20.315.352
Non-current liabilities		
Borrowings	258.160.008	1.213.240
Provisions for other liabilities and charges	554.462	579.268
Other Non-Current Liabilities	40.484	-
Deferred tax liabilities	3.794.672	103.981
Obligations under finance leases	1.263.059	1.273.084
	263.812.684	3.169.573
Current liabilities		
Trade and other payables	19.961.684	9.050.077
Deferred income	1.219.803	2.161.069
Borrowings	2.561.381	1.142.863
Lease Liabilities	439.438	383.831
Current tax liabilities	31.220	76.205
	24.213.525	12.814.045
Total equity and liabilities	424.473.307	36.298.970

Consolidated income statement of PeopleCert Wisdom Limited as of 30 September 2021

<i>amounts in GBP</i>	9M 2021	9M 2020
Revenue	57.238.738	43.839.814
Cost of sales	(30.136.558)	(29.720.951)
Gross profit / (loss)	27.102.180	14.118.863
Other income	282.571	5.574
Administration expenses	(13.071.165)	(7.611.377)
Selling and distribution expenses	(2.459.076)	(1.597.245)
Other expenses ¹	(19.769.735)	-
Operating profit / (loss)	(7.915.224)	4.915.814
Finance costs	(3.569.621)	(680.062)
Profit / (Loss) before tax	(11.484.845)	4.235.752
Taxation expense	(2.435.560)	(114.164)
Net profit / (loss) for the year	(13.920.405)	4.121.588

Consolidated statement of cash flows of PeopleCert Wisdom Limited as of 30 September 2021

<i>amounts in GBP</i>	30/9/2021	30/9/2020
Operating activities		
Profit/(Loss) before tax	(11,484,845)	4,235,752
Adjustments:		
Depreciation of property, plant and equipment	605,412	485,599
Amortisation of intangible assets	2,962,945	1,727,712
Exchange Rate difference arising on the translation and consolidation of foreign companies' financial statements	(723,042)	807,889
Interest expense	2,870,377	71,787
	(5,769,153)	7,328,738
Trade and other receivables	(3,476,660)	2,746,378
Trade and other payables	10,911,605	(2,576,596)
Increase in deferred income	(941,266)	(987,843)
Tax paid	(2,859,796)	-
	(2,135,270)	6,510,677
Net cash (used in)/from operating activities		
Investing activities		
Payment for purchase of property, plant and equipment	(475,153)	(68,849)
Payment for purchase of intangible assets	(1,885,993)	(1,618,711)
Purchase of other assets	(54,732)	(12,951)
Payment for purchase of investment in subsidiaries	(365,095)	(1,540,913)
Acquisition of subsidiary, net of cash acquired	(372,599,537)	-
	(375,380,509)	(3,241,425)
Net cash from/(used in) investing activities		
Financing activities		
Payments of leases liabilities	(430,683)	(351,370)
Increase in Share Premium	140,050,000	
Proceeds from borrowings	256,058,347	
Repayments of borrowings	(2,227,704)	(851,234)
Interest paid	(321,542)	(71,787)
Dividends paid	(10,795,777)	(400,000)
	382,332,642	(1,674,391)
Net cash from/(used in) financing activities		
Net increase/(decrease) in cash and cash equivalents	4,816,863	1,594,861
Cash and cash equivalents:		
At beginning of the year	16,884,064	12,012,568
Effect of exchange rate fluctuations on cash held	(4,863,857)	(99,440)
At the end of the period	16,837,071	13,507,989