



PeopleCert

All talents, certified.

Call on Q3 2022 Results

22nd November 2022

Disclaimer

IMPORTANT: You must read the following before continuing.

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Presenters & Agenda



Today's Speakers



Byron Nicolaides

Founder, Chairman & Chief Executive Officer



George Giannetsos

Chief Financial Officer



Agenda

- **Key Highlights**
- **Business Overview**
- **Update on Financials**
- **Q&A**

Key Highlights

REVENUE

- **Q3 22: £25.3m** (+35% vs Q3 21)
- **LTM Sep22: £102.9m** (+6.9% vs LTM Jun22)
- **B&IT LTM Sep22: £87.8m** (+6.0% vs LTM Jun22) | **Languages LTM Sep22: £15.2m** (+12.6% vs. LTM Jun22)

ADJUSTED EBITDA¹

- **Q3 22: £15m** (+28% vs Q3 21)
- **LTM Sep22: £68m** (+4.6% vs. LTM Jun22) | **Margin 66% vs. 68%** in LTM Jun22
- Including expected synergies, **LTM Sep22 Pro-Forma EBITDA: £71m**

NET DEBT²

- **30 September 2022: £233m** (Cash position: £32.4m vs £27.4m as of 30 June 2022)
- **Net Debt/Pro-Forma EBITDA LTM Sep22 vs LTM Jun22: 3.3x vs 3.2x** (vs. LTM Mar21: 4.1x)

COMMERCIAL HIGHLIGHTS

- **Best performing 9month: B&IT Revenue +36%** vs 9month 21 | **Languages revenue +55%** vs 9month 21
- **Expansion of Software Development product suite through acquisition of QAI certifications³**
- **Completed AXELOS integration** and initial transformation plans, **12 months ahead of schedule**

1. Adjusted for non-recurring expenses due to Axelos acquisition transaction-related cost

2. Net Debt calculation excludes accrued interest

3. QAI Certifications include certifications in: Software Development, Software Testing and Business Analysis

Overview of PeopleCert

PeopleCert's Global Outreach

Delivering Millions of Exams in 200+ Countries Every Year



Circles indicate countries in which PeopleCert has delivered exams in 9/2021-9/2022. Circle size is relative to the number of exams.

Business Snapshot

Business Highlights

- PeopleCert is a leading global player in Education Technology within the certification of persons market
- Vertically integrated business model: creates and owns frameworks, manages examinations and delivers certifications
- Leader in the IT and Project Management certification markets, fast growing presence in the Languages certification market
- Flexible, highly profitable, and cash generative business model that rapidly adapted and benefited from COVID-19 changes in the way that exams are being delivered
- Delivered 743k exams LTM Sep22⁽³⁾
- Controlled by Founder and CEO Byron Nicolaides (c.80%), supported by FTV Capital as minority shareholder (c.20%)

Pro-Forma LTM Sep22 KPI's⁽¹⁾

Revenue: £103m

EBITDA: £71m

~69% EBITDA Margin

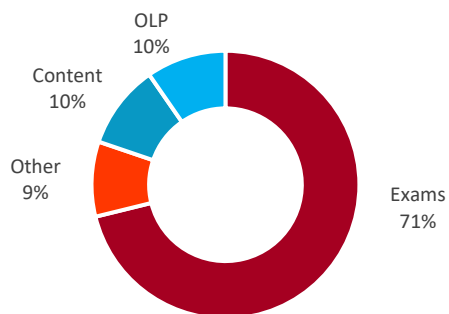
~89% Cash Flow Conversion⁽²⁾

3.3x Net Debt / Pro-Forma EBITDA

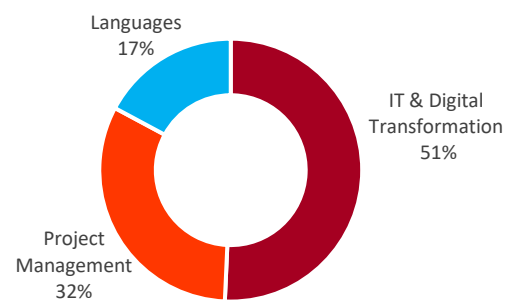
exams: 743k

Revenue Breakdown (LTM Sep22)

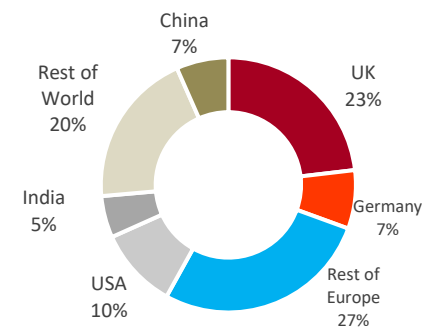
By Product ⁽⁴⁾



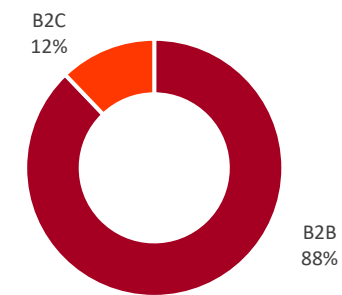
Examination Revenue by Sector ⁽⁴⁾



By Geography ⁽⁵⁾



By Client ⁽⁴⁾



Notes

1. Refers to Pro-Forma LTM Q3 2022, Revenue, EBITDA, and EBITDA margin including run-rate of synergies as of 30th September 2022
2. Cash-flow conversion defined as Operating FCF as % of Pro-Forma Synergized EBITDA
3. Refers to the number of invoiced exams, as of 30th September 2022
4. Refers to Pro-Forma LTM Q3 2022, excluding run-rate synergies

5. Reported LTM Q3 2022 revenue B2C revenue includes B2C Exam Revenue, MyAXELOS and Training Revenue

Key Credit Highlights

- 1 Attractive Industry Backdrop with Supportive Secular Tailwinds**
Digital transformation driving growth in the Education Technology market, which coupled with the global reskilling and upskilling trend provides supportive tailwinds for the certification market.
- 2 Vertically Integrated, Global, and Diversified Leader with Strong Growth Potential**
Vertically integrated, diversified business model offering globally established market leading products in Global Best Practices for IT and Project Management, as well as in Languages, with strong organic growth potential throughout the entire portfolio of products.
- 3 High Barriers to Entry Driven by Brand Recognition, Intellectual Property, Qualifications, and Technology Platform**
Portfolio of internationally recognised brands, non-replicable owned intellectual properties, unparalleled portfolio of awarded qualifications, and a proprietary technology platform granting competitive advantage, without external technology dependencies.
- 4 Diversified Client Base with Entrenched End-Users**
Highly diversified client base of Accredited Training Organizations (ATOs), serving end-users who are entrenched to the efficiency frameworks of ITIL and PRINCE2, with strong ability to cross-sell into both a B2B and a rapidly growing B2C customer base.
- 5 The Completed Merger with Axelos Created an IP Powerhouse**
Synergies in excess of the announced amount at the time of the transaction have already been implemented, significantly ahead of schedule, and also started impacting positively the cash flow line. Vertical integration provides further growth potential throughout the entire value chain.
- 6 Unique Combination of Growth, Profitability and Cash Generation**
Highly cash generative financial profile driven by Pro-Forma EBITDA margin of 69%, coupled with proven resilience and stability through COVID-19 related disruptions.
- 7 Founder-led, Senior Management Team Supported by a Committed Equity Partner**
Award-winning self-made serial entrepreneur with 44 years of professional experience, supported by a highly committed and professional team and backed by FTV Capital.

Financials Update

Financials Evolution¹

£m		2018	2019	2020	LTM Mar21 (Pro-Forma Bond Issuance)	2021	LTM Sep22
Total Exams ('000s)	1	470	501	432	459	683	743
<i>Growth (y.o.y.)</i>		-	7%	(14%)	-	58%	9%
Revenue	2	70	72	68	72	81	103
<i>Growth (y.o.y.)</i>		-	4%	(6%)	5%	19%	27%
Adjusted EBITDA	3	42	43	43	44	50	68
<i>% Revenue</i>		60%	59%	62%	62%	62%	66%
Capex	4	5	4	6	6	6	8
<i>% Revenue</i>		8%	6%	9%	9%	7%	8%
FCF²		36	39	37	38	44	60
<i>% of Adjusted EBITDA</i>		87%	88%	84%	86%	88%	88%
Working Capital		(5)	(6)	(4)	(4)	(2)	5
<i>% Revenue</i>		(8%)	(8%)	(6%)	(5%)	(2%)	5%

Commentary

1

- Exam Volume 30 September 2022: **743k (+62% vs. LTM Mar21)**
- Exam growth was driven by **+32%** increase in B&IT exams and **+180%** increase in Languages exams vs. LTM Mar21

2

- Revenue LTM Sep22 : **£103m (+43% vs. LTM Mar21)**
- Revenue growth was driven by **+42%** increase in B&IT and **+207%** increase in Languages vs LTM Mar21

3

- Adjusted EBITDA LTM Sep22: **£68m (+54.5% vs. LTM Mar21)**
- The increase of EBITDA margin is primarily driven by Revenue Growth and Gross Profit margin improvement post Axelos acquisition

4

- CAPEX for LTM Sep22 increased by 33% at c. **£8m vs LTM Mar21.**
- CAPEX Q3 22: £3.1m;** Breakdown: **Tangibles £2m (65%), Intangibles £1.1m (35%).**

1. Figures have been calculated as the sum of the two standalone companies' figures, excluding royalties paid from PeopleCert to AXELOS. Figures for the year ended December 31, 2020 and 2021, have been calculated in connection with the *pro-forma* adjustments for the Axelos acquisition and financing.

2. FCF= Adjusted EBITDA minus CAPEX

Q3 2022 – Financial Highlights

Quarterly Financials

£m	Q3 21	Q3 22	Variance
Revenue	£19	£25	35%
Adjusted EBITDA	£12	£15	32%
% of Revenue	62%	61%	
Capex	£1	£3	138%
% of Revenue	7%	12%	

Average Price ITIL	£133	£145	9%
Average Price PRINCE2	£142	£155	9%
Average Price Languages	£46	£42	-9%

# of Exams	Q3 21	Q3 22	Variance
ITIL	56,038	54,437	-3%
IT Total (including ITIL)	69,182	65,146	-6%
PRINCE2	27,540	25,990	-6%
PPM Total (including PRINCE2)	31,451	30,363	-3%
Languages	38,501	82,688	115%
Total	139,134	178,197	28%

LTM Financials

£m	Financials			Variance LTM Sep22	
	LTM Mar21	LTM Dec21	LTM Sep22	vs.Mar21	vs.Dec21
Revenue	<i>Bond OM</i> £72	£81	£103	43%	26%
Adjusted EBITDA ⁽¹⁾	£44	£50	£68	54%	36%
Adjusted EBITDA margin	61%	61%	66%		
Net Pro-Forma synergies	£14	£16	£3		
Pro-Forma EBITDA	£58	£66	£71	23%	9%
Capex	£6	£7	£8	17%	14%
% of Revenue	9%	8%	7%		

Average Price ITIL	£138	£133	£138	0%	4%
Average Price PRINCE2	£146	£141	£145	-1%	3%
Average Price Languages	£45	£36	£42	-7%	17%

# of Exams	Datapoints			Variance LTM Sep22	
	LTM Mar21	LTM Dec21	LTM Sep22	vs.Mar21	vs.Dec21
ITIL	<i>Bond OM</i> 211,768	241,181	256,175	21%	6%
IT Total (including ITIL)	237,736	282,293	295,461	24%	5%
PRINCE2	115,560	128,968	139,281	21%	8%
PPM Total (including PRINCE2)	131,342	147,996	161,537	23%	9%
Languages	90,416	252,691	286,464	217%	13%
Total	459,494	682,980	743,462	62%	9%

Synergies Update

Revenue Synergies	Implementation Status	9M 2022 estimated impact (£m)		2022 Annualized estimated impact (£m)	
		Revenue	EBITDA	Revenue	EBITDA
UK Market Exam adjustment	Completed 01.02.2022	0.6	0.6	0.8	0.8
Exam Delivery Optimisation	Completed 01.02.2022	1.9	1.6	2.1	1.8
Mock tests	Completed 01.02.2022	0.1	0.1	0.8	0.7
Content Optimisation	Completed 01.02.2022	7.4	6.2	7.9	6.8
Revenue Synergies		9.9	8.5	11.7	10.1
Cost Synergies		Cost	EBITDA	Cost	EBITDA
Rationalization of duplicate functions	Completed 31.03.2022	-	2.7	-	4.2
Shared-service cost savings	Completed 01.01.2022	-	0.6	-	0.9
Other cost savings	Completed 28.02.2022	-	0.6	-	0.6
Cost Synergies			3.9		5.7
Total Synergies			12.4		15.8

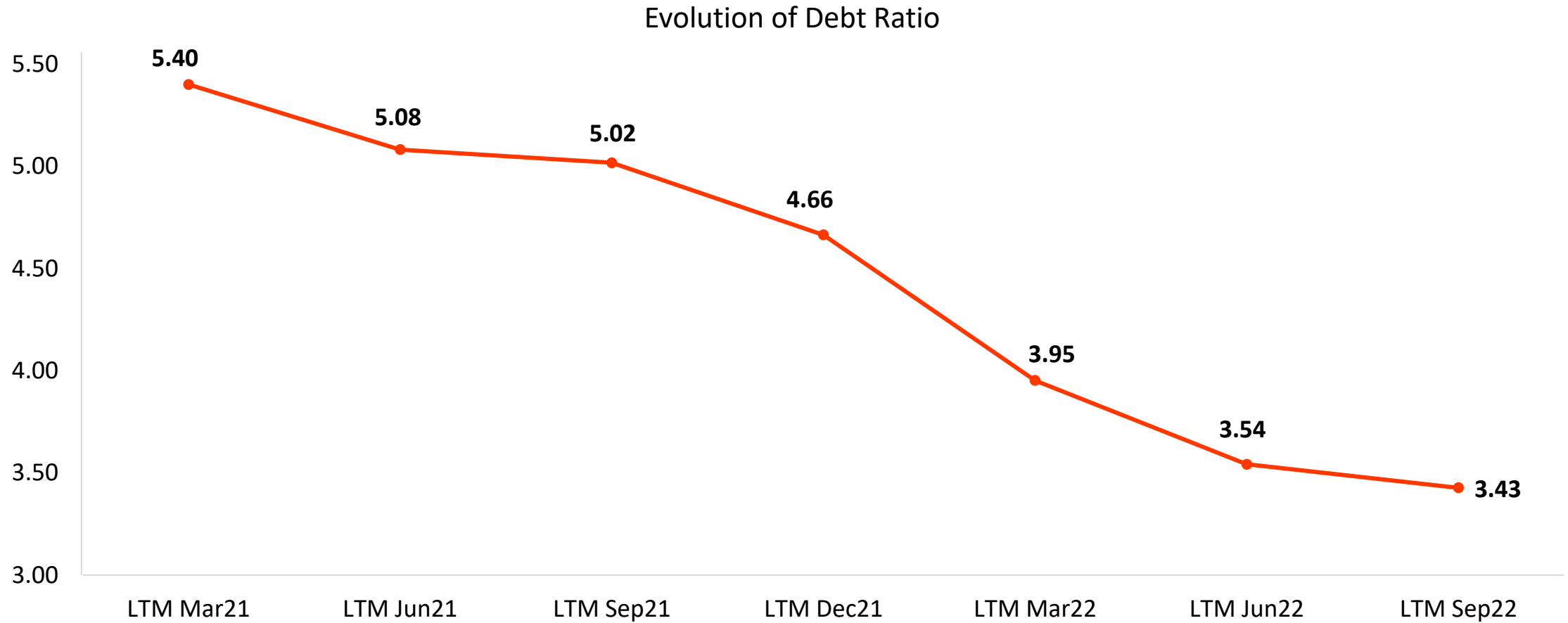
+£0.5 MM compared with Bond OM estimate in July 2021 (£15.3 MM) ←

Note: PeopleCert currently considers utilizing the existing my Axelos infrastructure for the Digital Badges initiative and will postpone for now this optimization synergy

Capital Structure

	LTM Mar21			LTM Sep22		
£m	£m	Debt Ratio (Adjusted EBITDA)	Debt Ratio (Pro-Forma EBITDA)	£m	Debt Ratio (Adjusted EBITDA)	Debt Ratio (Pro-Forma EBITDA)
Cash & Cash Equivalent	(17)			(32)		
Senior Secured Notes (<i>issued in Euro as €300m</i>)	255			265		
Gross Debt	255	5.8x	4.4x	265	3.9x	3.7x
Net Debt	238	5.4x	4.1x	233	3.4x	3.3x
Adjusted EBITDA		44			68	
Pro-Forma Synergised Adjusted EBITDA			58			71

Debt Ratio Evolution (Net Debt/Adjusted EBITDA)



Note: Debt Ratio is calculated as Net Debt / Adjusted EBITDA. Adjusted EBITDA for the periods LTM Mar21 to LTM Dec21 is non synergized. Adjusted EBITDA for 2022 includes Q122, H122 and 9M22 actual synergies impact

Inflation & War Impact on Business

Inflation Impact

- **Revenue:** No upward adjustment on exam prices in 2022
- **Cost:** Minor inflation impact, mainly on Energy / Utilities & Travel (<5% of total OPEX)

Ukraine War Impact

- PeopleCert officially suspended all commercial activities in Russia & Belarus (as of March 2022)
- Russia, Ukraine and Belarus accounted for 0.3% of FY2021 Revenue

Profit Loss: PeopleCert Wisdom Limited, Consolidated

<i>amounts in £</i>	9M 2022	9M 2021
Revenue	80,509,671	57,238,738
Cost of revenue	(12,393,285)	(27,839,488)
Gross profit	68,116,386	29,399,250
Other Operating Income	280,021	283,187
Administration	(17,369,384)	(10,172,398)
Selling and distribution expenses	(6,893,213)	(6,419,416)
One-off/Exceptional Costs	(389,265)	(24,300,981)
Operating profit	43,744,545	(11,210,359)
Financial Income	1,669	3,924,243
Financial Costs	(29,519,780)	(4,198,729)
Profit before tax	14,226,434	(11,484,845)
Taxation	372,538	(2,435,560)
Net profit for the year	14,598,972	(13,920,405)

Balance Sheet: PeopleCert Wisdom Limited, Consolidated

<i>amounts in £</i>	30/09/2022	31/12/2021
ASSETS		
Non-current assets		
Property, plant and equipment	3,815,079	1,456,360
Right-of-use assets	1,309,719	1,698,586
Intangible Assets	73,396,240	25,686,664
Goodwill	318,475,860	364,299,986
Investments	1	-
Deferred tax assets	890,034	-
Other Assets	179,716	186,699
	398,066,649	393,328,295
Current assets		
Trade and other receivables	10,630,556	9,528,234
Income tax receivable	2,334,450	-
Inventory	364,359	25,220
Cash at bank and in hand	32,415,649	18,836,946
	45,745,014	28,390,400
Total assets	443,811,663	421,718,695
EQUITY AND LIABILITIES		
Equity		
Share capital	4	4
Share Premium	140,058,339	140,058,339
Other Reserves	4,715,434	(1,612,150)
Retained earnings	13,582,982	5,416,604
	158,356,759	143,862,797
Non-current liabilities		
Borrowings	264,900,662	252,079,657
Provisions for other liabilities and charges	82,511	78,518
Other Non-Current Liabilities	6,164	591,164
Deferred tax liabilities	12,059,694	5,510,095
Obligations under finance leases	1,480,163	1,304,477
	278,529,193	259,563,911
Current liabilities		
Trade and other payables	5,399,371	7,182,534
Deferred income	639,366	3,164,328
Borrowings	638,396	6,029,185
Obligations under finance leases	222,431	467,834
Income tax payable	26,147	1,448,106
	6,925,711	18,291,987
Total equity and liabilities	443,811,663	421,718,695

Cash Flow: PeopleCert Wisdom Limited, Consolidated

<i>Amounts in GBP</i>	9M-2022	9M 2021
Operating activities		
Profit/(Loss) before tax	14,226,434	(11,155,629)
Adjustments:		
Depreciation of property, plant and equipment	721,716	605,412
Amortisation of intangible assets	9,202,607	2,962,945
Exchange Rate difference arising on the translation and consolidation of foreign companies' financial statements	6,368,766	(723,042)
Exchange Rate difference arising on the translation of the bond loan	12,816,662	-
Interest expense	10,958,568	2,591,551
	54,294,753	(5,718,763)
Inventories	(339,139)	-
Trade and other receivables	(1,102,322)	(3,476,660)
Trade and other payables	(1,783,163)	10,911,605
Deferred income	(2,524,962)	(941,266)
Tax paid	(1,945,684)	(2,859,796)
Net cash from operating activities	46,599,483	(2,084,880)
Investing activities		
Payment for purchase of property, plant and equipment	(2,329,514)	(475,153)
Payment for purchase of intangible assets	(3,059,815)	(1,885,993)
Payment for purchase of investment in subsidiaries	-	(365,095)
Other assets	6,983	(54,732)
Cash from Investments	-	(372,599,537)
Net cash used in investing activities	(5,382,346)	(375,380,509)
Financing activities		
Payments of lease liabilities	(476,067)	(430,683)
Increase in Share Premium	-	140,050,000
Proceeds from borrowings	-	256,058,347
Repayments of borrowings	-	(2,227,704)
Interest paid	(16,337,528)	(42,716)
Dividends paid	(11,782,562)	(10,795,777)
Net cash from/(used in) financing activities	(28,596,157)	382,611,468
Net increase/(decrease) in cash and cash equivalents	12,620,979	5,146,079
Cash and cash equivalents:		
At beginning of the year	18,836,946	16,884,064
Effect of exchange rate fluctuations on cash held	957,724	(5,193,073)
At the end of the period	32,415,649	16,837,071

Q&A