

PeopleCert

# Q2 2023 Results

28<sup>th</sup> July 2023

# Disclaimer

IMPORTANT: You must read the following before continuing.

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# Presenters & Agenda

## Presenters



**Byron Nicolaides**

*Founder, Chairman & Chief Executive Officer*



**George Giannetsos**

*Chief Financial Officer*

## Agenda

- **Overview**
- **Financials**
- **Q&A**

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# Overview

# Highlights

## Revenue

- **Q2 23: £33mn** (+15% vs Q2 22)
- **LTM Jun 23: £123mn** (+4% vs LTM Mar23)
- **B&IT LTM Jun 23: £109mn** (+5% vs LTM Mar23) | **Languages LTM Jun 23: £14mn** (-8% vs. LTM Mar23)

## EBITDA

- **Q2 23: £20mn** (+4% vs Q2 22)
- **LTM Jun 23: £77mn** (+1% vs. LTM Mar23) | **Margin** 62% vs. 64% in LTM Mar23

## Net Debt

- **30 June 2023: £197mn** (Cash position: £60.2m vs £45.3m as of 31 March 2023 )
- **Net Debt/EBITDA LTM Jun23 vs LTM Mar23: 2.56x vs 2.87x (LTM Mar21: 4.1x)**

## Other Highlights

- **4 Major Product Releases: Prince2, ITIL Practices (15), LanguageCert Academic, LanguageCert General**
- **Official Training Material (OTM) for Instructor Led Training (ILT) active and delivering results**
- **OTM for e-learning ready in September, Subscription/membership significantly up from last year (+1571% vs Q2 22)**
- **Expansion of product portfolio through the acquisition of DevOps Institute (Integration by Jul 23)**
- **S&P and Moody's (Apr 23) upgraded both PeopleCert and the Bond to B+, following upgrade from Fitch to BB- (Sep 22)**
- **2023: Year of significant investments and transformation initiatives, having finalised the synergies**

# Business Snapshot

## Business Highlights

- PeopleCert is a global leader in the **Learning and Technology** area
- **IP Powerhouse:** Owns and develops frameworks and certifications that improve organizational efficiency and enhance peoples' skills
- Delivers exams in the **IT & Digital Transformation, Project, Programme & Portfolio Management** and **Languages**
- **Owns two of the most globally recognised and IP-protected frameworks, developed by the UK Government over a 30-year period: ITIL® in IT and Digital Transformation and PRINCE2® in Project, Programme & Portfolio Management**
- Controlled by Founder and CEO Byron Nicolaides (c.80%), supported by FTV Capital as minority shareholder (c.20%)

## LTM Jun23 KPI's<sup>1</sup>

**Revenue: £123mn**

**EBITDA: £77mn**

**EBITDA Margin: 62%**

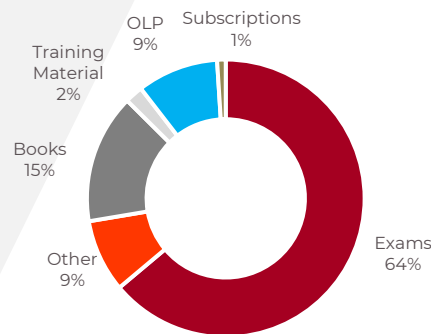
**Cash Flow Conversion<sup>(2)</sup>: 87%**

**Net Debt / Adjusted EBITDA: 2.56x**

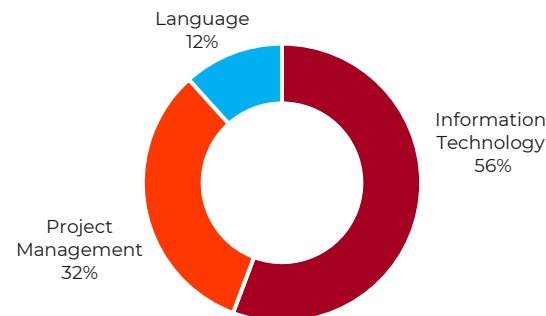
**# Exams: 717k**

## Revenue Breakdown (LTMJun23)

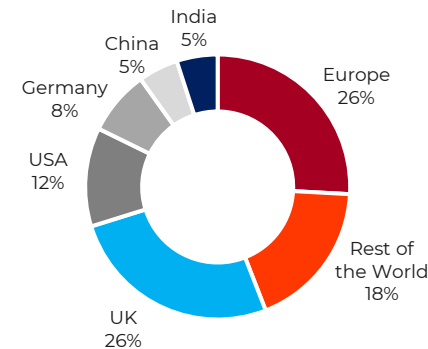
**By Product<sup>(3)</sup>**



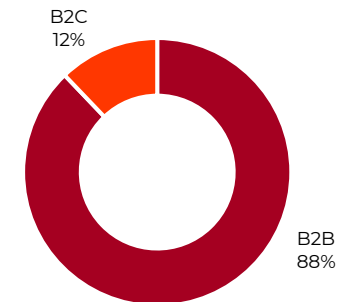
**Exams Revenue by Business Line<sup>(3)</sup>**



**By Geography<sup>(3)</sup>**



**By Channel<sup>(4)</sup>**



**Notes**

1. Refers to LTM Q2 2023, Revenue, Adjusted EBITDA, and Adjusted EBITDA margin as of 30<sup>th</sup> June 2023.
2. Cash-flow conversion defined as Operating FCF as % of Adjusted EBITDA
3. Refers to LTM Q2 2023
4. Reported LTM Q2 2023 revenue B2C revenue includes B2C Exam Revenue, MyAXELOS and Training Revenue

# 2023: Transformation Year

## Following completion of Axelos integration and synergies, 2023 is a transformation year

- Business model change from an Examination Institute to an IP Powerhouse
- Significantly Higher Expenses to Finance Growth, primarily people
- Expansion of IP Portfolio and IP monetization through:
  - Official Books
  - Official Training material (ILT and eLearning)
  - Translations/Localization in 9 languages, for exams, books, OTM, website
  - New Websites, New Subscriptions/Membership site
  - Addressing other groups than ATOs (Accredited Training Organizations)
    - AAP (Accredited Academic Partner), ATV (Accredited Tool Vendor)
    - ACP (Accredited Consulting Partner)
  - More range of products through Acquisitions (IASSC, QAI, DOI)
  - More initiatives under development
  - Aiming for a single holistic experience to our learners

# 2023: Transformation Impact

## Anticipated Result of Transformation

- Increased number of learners
- Increased LTV and Average Revenue per Learner

## Transformation transitory impact in H1 23

- H123 vs H122: Exam volumes: -21% ; Revenue: +10%; EBITDA: - 7%
  - Q2 results already better than Q1 : Revenue yoy growth +15% in Q2 23 vs. +5% Q1 23; EBITDA yoy growth +4% in Q2 23 vs. -18% Q1 23
- Revenue per Learner : c.£200 (+40% vs. H122)
- Volume decline in H123, mainly due to following factors:
  - Increased prices also considering that corporate budgets close Q4 22
  - Significant number of new product introduction (Prince2, LC Academic, LC General) – naturally led to some short-term disruptions in volumes
  - December 2022 pull-forward (due to price increases as of Jan'23)
  - Difficult Macro environment (high interest rates, Ukraine war, recession)



# PeopleCert as an IP Powerhouse

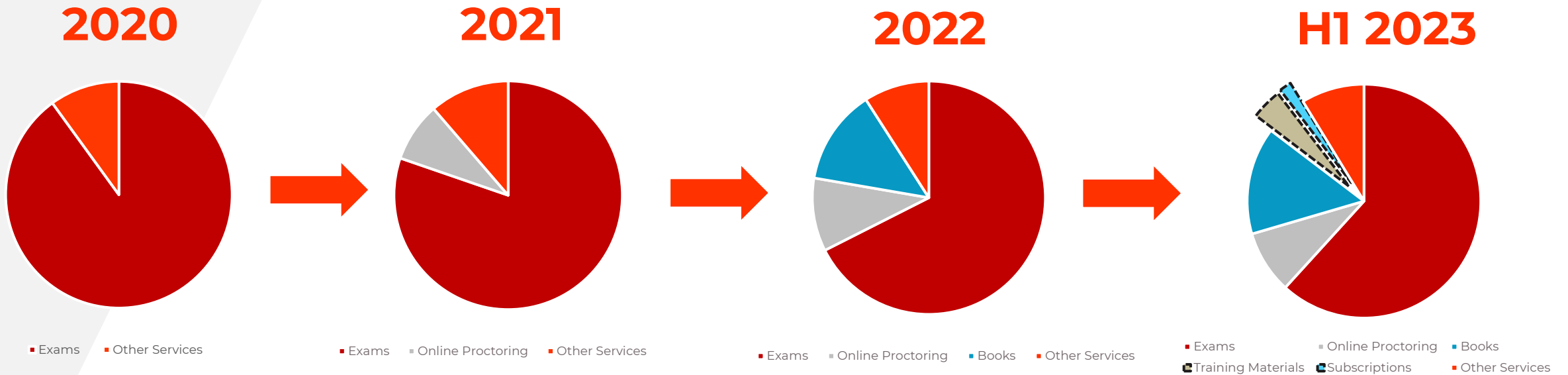
**PeopleCert is a world leader in creating, acquiring and commercializing intellectual property for testing, certification and training**

To realize this vision, PeopleCert has designed both the strategy and processes for:

- ✓ Acquiring IP
  - ✓ Creating IP
  - ✓ Registering IP
  - ✓ Managing IP
  - ✓ Protecting IP
  - ✓ Marketing IP
  - ✓ Monetizing IP
- }] **IP Development**
- }] **IP Management**
- }] **IP Monetization**

# Expansion in Product Footprint

and improvement in Revenue Quality



# 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 & Digital Transformation, Project Product & Portfolio Management and Languages, with strong organic growth potential throughout the entire portfolio of products.

3

## **High Barriers to Entry Driven by Intellectual Property, Brand Recognition, Qualifications, and Technology Platform**

Unparalleled portfolio of awarded qualifications and internationally recognised brands, non-replicable owned intellectual properties 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 an EBITDA margin of 62+%, 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

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**Financials**

# Financials Evolution<sup>1</sup>

£mn		2018	2019	2020	2021	LTM Mar21 (Pro-Forma Bond Issuance)	2022	LTM Jun23
<b>Revenue</b>	1	<b>70</b>	<b>72</b>	<b>68</b>	<b>81</b>	<b>72</b>	<b>118</b>	<b>123</b>
Growth (y.o.y.)		-	4%	(6%)	19%	5%	64%	4%
<b>EBITDA</b>	2	<b>42</b>	<b>43</b>	<b>43</b>	<b>50</b>	<b>44</b>	<b>78</b>	<b>77</b>
% Revenue		60%	59%	62%	62%	62%	66%	62%
<b>Capex</b>	3	<b>5</b>	<b>4</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>9</b>	<b>10</b>
% Revenue		8%	6%	9%	7%	9%	8%	8%
<b>FCF<sup>2</sup></b>		<b>36</b>	<b>39</b>	<b>37</b>	<b>44</b>	<b>38</b>	<b>69</b>	<b>67</b>
% of EBITDA		87%	88%	84%	88%	86%	88%	87%
<b>Working Capital</b>		<b>(5)</b>	<b>(6)</b>	<b>(4)</b>	<b>(2)</b>	<b>(4)</b>	<b>(1)</b>	<b>4</b>
% Revenue		(8%)	(8%)	(6%)	(2%)	(5%)	(1%)	3%
<b>Total Exams ('000s)</b>	4	<b>470</b>	<b>501</b>	<b>432</b>	<b>683</b>	<b>459</b>	<b>800</b>	<b>717</b>
Growth (y.o.y.)		-	7%	(14%)	58%	-	74%	-10%

## Commentary

1

- **Revenue LTM Jun23:** £123mn (+71% vs. LTM Mar21)
- Revenue growth driven by +62% increase in B&IT and +188% increase in Languages vs LTM Mar21

2

- **EBITDA LTM Jun23:** £77mn (+75% vs. LTM Mar21)
- EBITDA margin primarily driven by Revenue Growth and Gross Profit margin improvement post Axelos acquisition

3

- **CAPEX for LTM Jun23 up by 66%** at c. £10mn vs LTM Mar21.
- **CAPEX Q2 23: £1.73mn;** Breakdown: **Tangibles** £0.2mn (12%), **ROU Assets** £0.7mn (40%), **Intangibles** £0.9mn (48%).

4

- Exam Volume LTM Jun23: **717k** (+56% vs. LTM Mar21)
- Exam growth was driven by +21% increase in B&IT exams and +198% increase in Languages exams vs. LTM Mar21

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= EBITDA minus CAPEX

# Q2 2023 – Financial Highlights

## Quarterly Financials

£mn	Q2 22	Q2 23	Variance
<b>Revenue</b>	£28	£33	15%
<b>EBITDA</b>	£19	£19	4%
<i>% of Revenue</i>	66%	60%	
<b>Capex</b>	£1	£2	18%
<i>% of Revenue</i>	5%	5%	

<b>Average Price ITIL</b>	£142	£167	18%
<b>Average Price PRINCE2</b>	£150	£185	24%
<b>Average Price Languages</b>	£42	£41	-3%

# of Exams	Q2 22	Q2 23	Variance
<b>ITIL</b>	60,584	52,180	-14%
<b>IT Total (including ITIL)</b>	68,811	61,419	-11%
<b>PRINCE2</b>	31,411	30,355	-3%
<b>PPM Total (including PRINCE2)</b>	36,177	36,431	1%
<b>Languages</b>	95,723	76,032	-21%
<b>Total</b>	<b>200,711</b>	<b>173,882</b>	<b>-13%</b>

## LTM Financials

£mn	Financials				Variance LTM Jun23		
	LTM Mar21	LTM Dec21	LTM Mar23	LTM Jun23	vs.Mar21	vs.Dec21	vs.Mar23
<i>Bond OM</i>							
<b>Revenue</b>	£72	£81	£119	£123	71%	52%	4%
<b>EBITDA</b>	£44	£50	£76	£77	74%	54%	1.3%
<i>EBITDA margin</i>	61%	61%	64%	62%			
<b>Capex</b>	£6	£7	£10	£10	57%	53%	4%
<i>% of Revenue</i>	9%	8%	8%	8%			

<b>Average Price ITIL</b>	£138	£133	£148	£153	11%	15%	4%
<b>Average Price PRINCE2</b>	£146	£141	£154	£163	11%	16%	5%
<b>Average Price Languages</b>	£45	£36	£44	£44	-4%	21%	-1%

# of Exams	Datapoints				Variance LTM Mar23		
	LTM Mar21	LTM Dec21	LTM Mar23	LTM Jun23	vs.Mar21	vs.Dec21	vs.Mar23
<i>Bond OM</i>							
<b>ITIL</b>	211,768	241,181	266,929	258,512	22%	7%	-3%
<b>IT Total (including ITIL)</b>	237,736	282,293	304,016	296,228	25%	5%	-3%
<b>PRINCE2</b>	115,560	128,968	129,763	128,753	11%	0%	-1%
<b>PPM Total (including PRINCE2)</b>	131,342	147,996	151,178	151,492	15%	2%	0%
<b>Languages</b>	90,416	252,691	288,906	269,244	198%	7%	-7%
<b>Total</b>	<b>459,494</b>	<b>682,980</b>	<b>744,100</b>	<b>716,964</b>	<b>56%</b>	<b>5%</b>	<b>-4%</b>

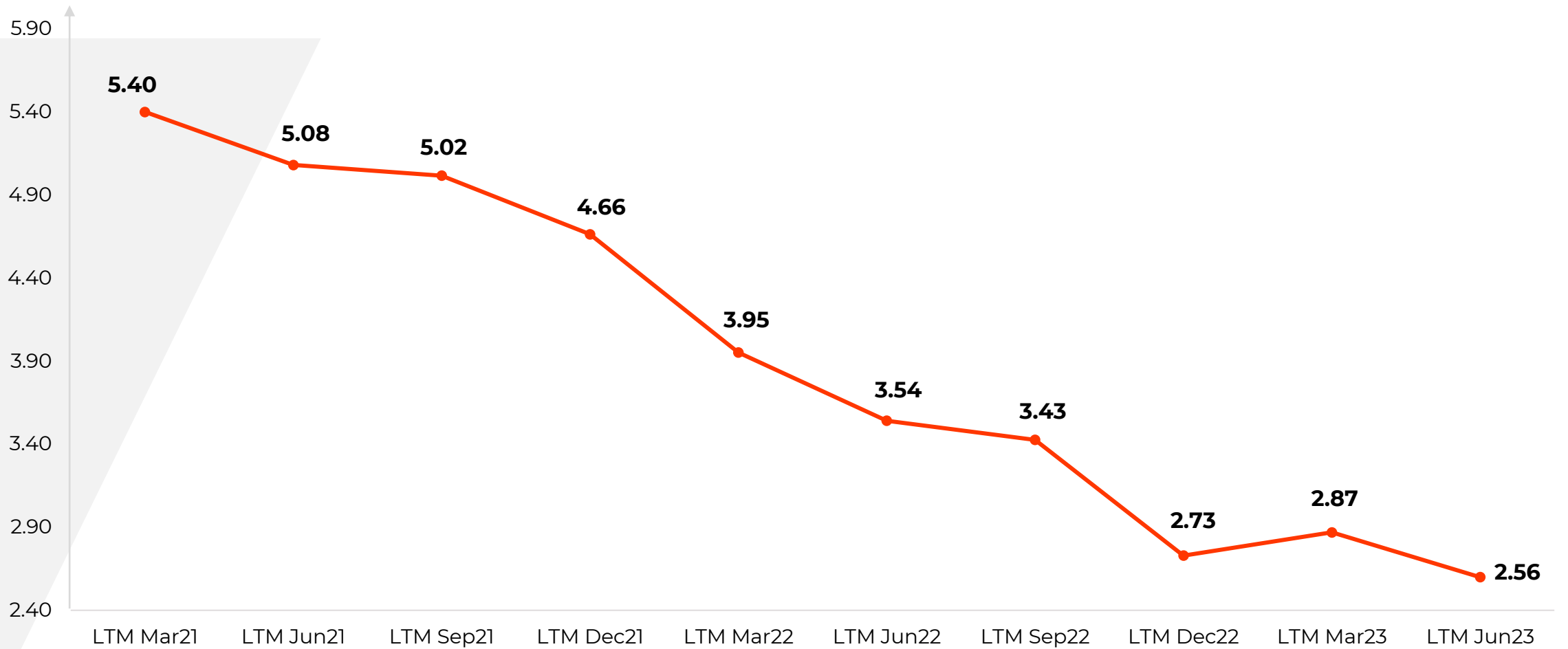
# Capital Structure

	LTM Mar21			LTM Mar23		LTM Jun23	
£mn	£mn	Debt Ratio (Adjusted EBITDA)	Debt Ratio (Pro-Forma EBITDA)	£mn	Debt Ratio (Adjusted EBITDA)	£mn	Debt Ratio (Adjusted EBITDA)
Cash & Cash Equivalent	(17)			(45)		(60)	
<b>Senior Secured Notes</b> ( <i>issued in Euro as €300mn</i> )	<b>255</b>			<b>263</b>		<b>257</b>	
<b>Gross Debt</b>	<b>255</b>	<b>5.8x</b>	<b>4.4x</b>	<b>263</b>	<b>3.5x</b>	<b>257</b>	<b>3.3x</b>
<b>Net Debt</b>	<b>238</b>	<b>5.4x</b>	<b>4.1x</b>	<b>218</b>	<b>2.9x</b>	<b>197</b>	<b>2.6x</b>
Adjusted EBITDA		44			76		77
Pro-Forma Synergised Adjusted EBITDA <sup>1</sup>			58				

1. Pro-Forma Synergised Adjusted EBITDA is only applicable for LTM Mar21. By Dec22 all Axelos relates synergies were completed thus Adjusted EBITDA was equal to Pro-Forma Synergised Adjusted EBITDA

# 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 FY22 actual synergies impact



# Profit & Loss: PeopleCert Wisdom Limited

Consolidated

<i>Amounts in £</i>	<b>30/6/2023</b>	<b>30/6/2022</b>
Revenue	60,784,495	55,214,409
Cost of sales	(10,975,762)	(12,107,372)
<b>Gross profit</b>	<b>49,808,733</b>	<b>43,107,037</b>
Other operating income	35,535	215,475
Administrative expenses	(13,973,282)	(11,752,092)
Distribution expenses	(7,074,275)	(3,283,203)
Other operating expenses	-	(184,549)
<b>Operating profit / (loss)</b>	<b>28,796,711</b>	<b>28,102,668</b>
Finance income	28,443,177	1,269
Finance expense	(24,326,259)	(17,873,372)
<b>Profit / (loss) before tax</b>	<b>32,913,629</b>	<b>10,230,565</b>
Taxation	1,066,192	(16,813)
<b>Profit / (loss) for the year</b>	<b>33,979,822</b>	<b>10,213,752</b>

# Balance Sheet: PeopleCert Wisdom Limited

Consolidated

Amounts in £	30/6/2023	31/12/2022
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	4,731,329	3,725,190
Right-of-use assets	3,040,696	3,308,272
Intangible Assets	70,501,732	75,241,497
Goodwill	320,836,800	317,703,753
Investments	1	1
Deferred tax assets	380,218	528,236
Other Assets	257,753	249,460
	<b>399,748,529</b>	<b>400,756,409</b>
<b>Current assets</b>		
Trade and other receivables	16,669,286	16,590,886
Inventory	404,558	200,347
Income tax receivable	1,050,310	-
Cash at bank and in hand	60,234,613	51,433,660
	<b>78,358,766</b>	<b>68,224,893</b>
	<b>478,107,295</b>	<b>468,981,301</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	4	4
Share Premium	140,058,339	140,058,339
Other Reserves	1,066,208	9,420,350
Retained earnings	47,729,016	16,133,045
	<b>188,853,567</b>	<b>165,611,738</b>
<b>Non-current liabilities</b>		
Borrowings	257,488,628	266,075,388
Provisions for other liabilities and charges	92,195	95,269
Other Non-Current Liabilities	40,203	540,686
Deferred tax liabilities	10,506,368	11,692,747
Obligations under finance leases	2,437,977	2,594,562
	<b>270,565,371</b>	<b>280,998,652</b>
<b>Current liabilities</b>		
Trade and other payables	9,437,890	8,209,172
Deferred income	2,006,023	3,279,162
Borrowings	4,417,583	4,391,306
Obligations under finance leases	1,134,364	823,763
Income tax payable	1,692,498	5,667,508
	<b>18,688,358</b>	<b>22,370,911</b>
	<b>478,107,295</b>	<b>468,981,301</b>

# Cash Flow: PeopleCert Wisdom Limited

Consolidated

Amounts in €	30/6/2023	30/6/2022
<b>Operating activities</b>		
Profit before tax	32,913,629	10,230,565
Adjustments:		
Depreciation, amortisation and impairment	7,057,190	10,273,080
Exchange Rate differences	(13,272,013)	10,682,102
Finance expense	7,619,298	7,189,194
	<b>34,318,105</b>	<b>38,374,941</b>
(Increase)/decrease in Inventories	(204,211)	(209,181)
(Increase)/decrease in Trade and other receivables	(78,400)	(4,196,101)
(Increase)/decrease in Trade and other payables	1,228,718	(561,491)
(Increase)/decrease in deferred income	(1,273,139)	(2,025,073)
Tax paid	(2,079,536)	-
<b>Net cash from/(used in) operating activities</b>	<b>31,911,537</b>	<b>31,383,095</b>
<b>Investing activities</b>		
Acquisition of subsidiary, net of cash acquired	(3,302,037)	-
Acquisition of property, plant and equipment	(988,465)	(263,774)
Acquisition of intangible assets	(1,800,957)	(1,998,459)
Acquisition of other assets	(8,293)	21,392
<b>Net cash used in investing activities</b>	<b>(6,099,753)</b>	<b>(2,240,841)</b>
<b>Financing activities</b>		
Payments of lease liabilities	(406,533)	(317,928)
Interest paid	(7,594,435)	(8,851,849)
Dividends paid	(7,350,000)	(11,782,562)
<b>Net cash from/(used in) financing activities</b>	<b>(15,350,969)</b>	<b>(20,952,339)</b>
<b>Net increase in cash and cash equivalents</b>	10,460,815	8,189,915
<b>Cash and cash equivalents:</b>		
<b>At beginning of the year</b>	51,433,660	18,836,946
<b>Effect of exchange rate fluctuations on cash held</b>	(1,659,862)	401,722
<b>At the end of the period</b>	<b>60,234,613</b>	<b>27,428,583</b>



Q&A





PeopleCert

 Get ready for the world