

PeopleCert

Q3 2023 Results

22nd November 2023

Disclaimer

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Presenters & Agenda

Presenters



Byron Nicolaides

Founder, Chairman & Chief Executive Officer



George Giannetsos

Chief Financial Officer

Agenda

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

A large, stylized red 'X' graphic composed of two rounded rectangular bars crossing at the center. The 'X' is positioned on the left side of the frame, with its right arm overlapping the first letter of the word 'Overview'.

Overview

Highlights

Revenue

- Q3 23: £26mn (+1% vs Q3 22)
- LTM Sep 23: £124mn (+0% vs LTM Jun 23)

EBITDA

- Q3 23: £13mn (-18% vs Q3 22)
- LTM Sep 23: £74mn (-3% vs. LTM Jun23) | **Margin** 60% vs. 62% in LTM Jun 23

Net Debt

- **30 September 2023: £196mn** (Cash position: £63m vs £60m as of 30 June 2023)
- **Net Debt/EBITDA LTM Sep 23 vs LTM Jun 23: 2.65x vs 2.56x (LTM Mar 21: 4.1x)**

Other Highlights

- **New Products:** PRINCE2 7, ITIL Practices (15), LanguageCert Academic, LanguageCert General, translations
 - **Official Training Materials (OTMs): Instructor-led** (Apr-23, gradual rollout); **eLearning** (Dec-23, gradual rollout)
 - **Subscription/membership:** significantly up from last year (**+382%** vs Q3 22)
 - **Acquisitions:**
 - ✓ Expansion of product portfolio through the **acquisition of DevOps Institute** (Integration completed)
 - ✓ **Acquisition of LMS technology platform** (Nov 23)
- Rating Upgrades:** S&P and Moody's upgraded corporate and issue ratings to B+ and B1 respectively (Apr 23) - Fitch upgraded corporate rating to B+ and issue rating to BB- (Sep 22)
- **2023: Year of significant investments and transformation initiatives**

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 Sep23 KPI's¹

Revenue: £124mn

EBITDA: £74mn

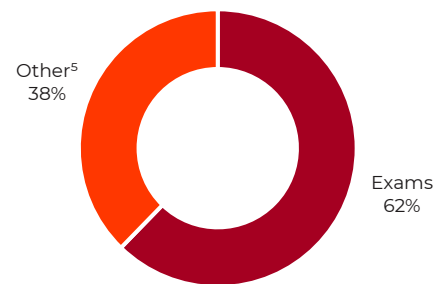
EBITDA Margin: 60%

Cash Flow Conversion⁽²⁾ : 89%

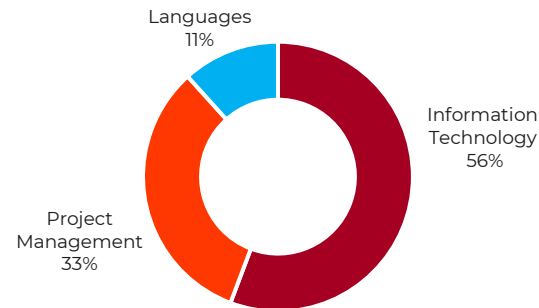
Net Debt / Adjusted EBITDA: 2.65x

Revenue Breakdown (LTM Sep23)

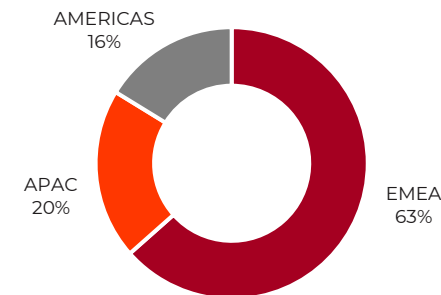
By Product ⁽³⁾



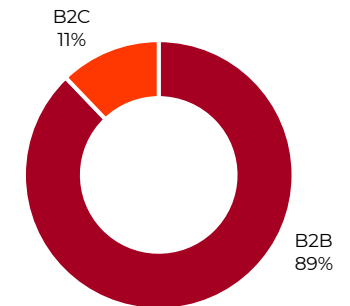
Exams Revenue by Business Line ⁽³⁾



By Geography ⁽³⁾



By Channel ⁽⁴⁾



Notes

1. Refers to LTM Q3 2023, Revenue, Adjusted EBITDA, and Adjusted EBITDA margin as of 30th September 2023.
2. Cash-flow conversion defined as Operating FCF as % of Adjusted EBITDA
3. Refers to LTM Q3 2023.
4. Reported LTM Q3 2023 revenue B2C revenue includes B2C Exam Revenue, MyAXELOS and Training Revenue
5. Other include: OLP, Books, Training Materials, Subscription and Other Revenue

2023: Transformation Year

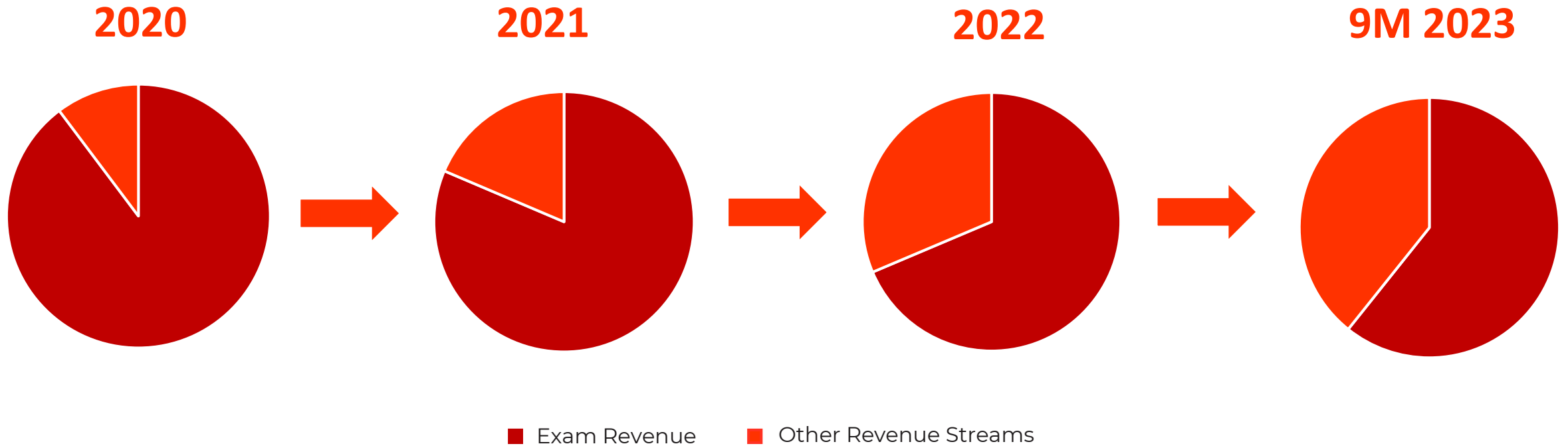
- Business model change from an Examination Institute to an IP Powerhouse. Introduction of new Revenue Streams
- Exam Revenue is no longer the driving force behind Revenue Growth (drop from 90% to 60%)
- Significantly Higher Expenses to Finance Growth, primarily people
- Expansion of IP Portfolio and 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

Anticipated Impact of Transformation

- ✓ New processes on IP Development, IP Management and IP Monetization
- ✓ Shift to a Revenue per learner model
- ✓ Increased number of learners
- ✓ Increased LTV and Average Revenue per Learner

Expansion in Product Footprint

and improvement in Revenue Quality



1. Other Revenue Streams include: OLP, Books, Training Material, Subscription/Membership and Other Revenue



Financials

Financials Evolution¹

£mn	2018	2019	2020	2021	LTM Mar21 (Pro-Forma Bond Issuance)	2022	LTM Sep23
Revenue	70	72	68	81	72	118	124
<i>Growth (y.o.y.)</i>	-	4%	(6%)	19%	5%	46%	5%
EBITDA	42	43	43	50	44	78	74
<i>% Revenue</i>	60%	59%	62%	62%	62%	66%	60%
Capex	5	4	6	6	6	9	8
<i>% Revenue</i>	8%	6%	9%	7%	9%	8%	6%
FCF²	36	39	37	44	38	69	66
<i>% of EBITDA</i>	87%	88%	84%	88%	86%	88%	89%
Working Capital	(5)	(6)	(4)	(2)	(4)	(1)	2
<i>% Revenue</i>	(8%)	(8%)	(6%)	(2%)	(5%)	(7%)	2%

Commentary

- 1**
- **Revenue LTM Sep23: £124mn (+72% vs. LTM Mar21)**
 - Revenue growth (vs LTM Mar21) driven by **+64%** increase in B&IT, **+174%** increase in Languages and the positive impact of new revenue streams

- 2**
- **EBITDA LTM Sep23: £74mn (+68% vs. LTM Mar21)**
 - EBITDA growth driven by Revenue Growth
 - **EBITDA margin** is stable in the range of 60%

- 3**
- **CAPEX for LTM Sep23 up by 31%** at c. **£8mn** vs LTM Mar21.
 - **CAPEX Q3 23: £1.5mn**; Breakdown: **Tangibles** £0.1mn (6%), **Intangibles** £1.4mn (94%).

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

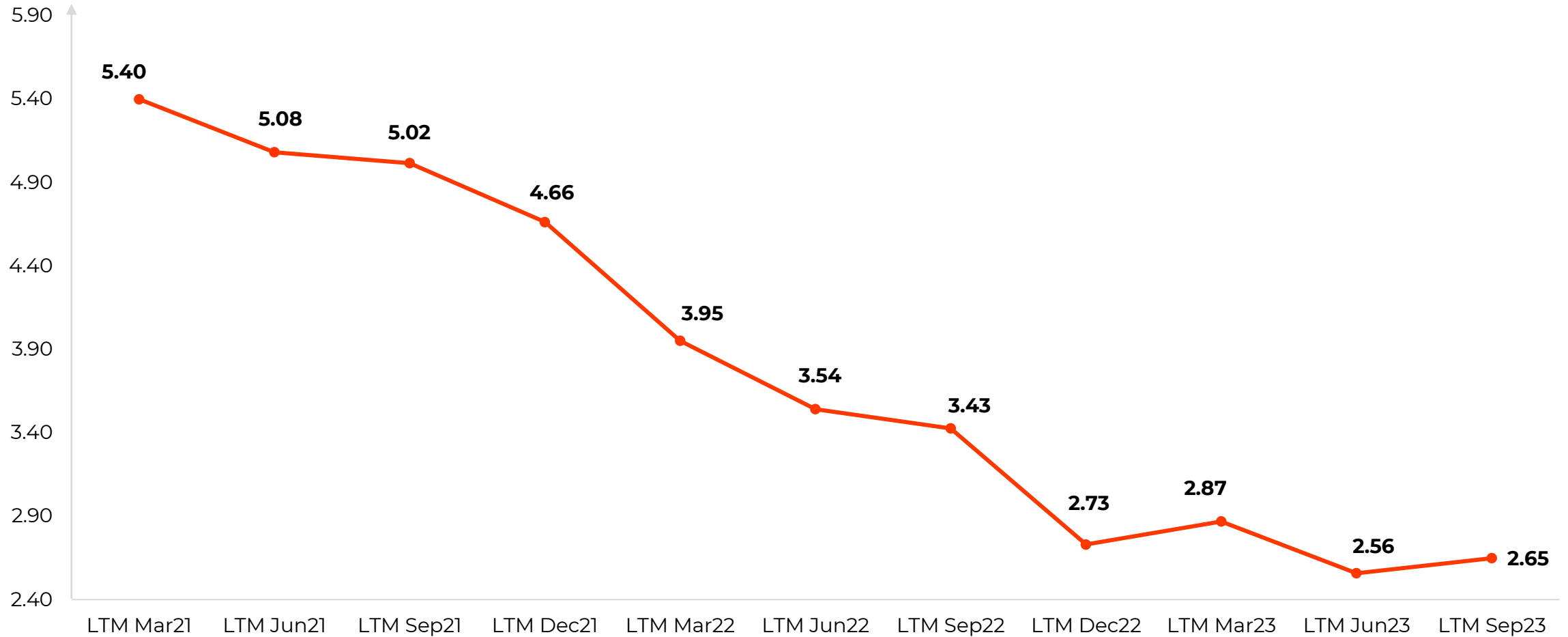
Capital Structure

	LTM Mar21			LTM Jun23		LTM Sep23	
£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)			(60)		(63)	
Senior Secured Notes (<i>issued in Euro as €300mn</i>)	255			257		259	
Gross Debt	255	5.8x	4.4x	257	3.3x	259	3.5x
Net Debt	238	5.4x	4.1x	197	2.6x	196	2.6x
Adjusted EBITDA		44			77		74
Pro-Forma Synergised Adjusted EBITDA ¹			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>	9M 2023	9M 2022
Revenue	86,465,429	80,509,671
Cost of sales	(16,356,219)	(12,393,285)
Gross profit	70,109,210	68,116,386
Other operating income	76,526	280,021
Administrative expenses	(21,214,568)	(17,369,384)
Distribution expenses	(10,963,700)	(6,893,213)
Other operating expenses	(42,163)	(389,265)
Operating profit / (loss)	37,965,304	43,744,545
Finance income	35,074,836	1,669
Finance expense	(37,525,836)	(29,519,780)
Profit / (loss) before tax	35,514,305	14,226,434
Taxation	49,843	372,538
Profit / (loss) for the year	35,564,148	14,598,972

Balance Sheet: PeopleCert Wisdom Limited

Consolidated

amounts in £	9/30/2023	31/12/2022
ASSETS		
Non-current assets		
Property, plant and equipment	4,575,489	3,725,190
Right-of-use assets	2,868,882	3,308,272
Intangible Assets	68,726,865	75,241,497
Goodwill	320,838,557	317,703,753
Deferred tax assets	348,857	528,236
Other Assets	484,988	249,460
	397,843,638	400,756,408
Current assets		
Trade and other receivables	21,472,959	16,590,886
Inventory	495,386	200,347
Income tax receivable	970,985	-
Cash at bank and in hand	63,005,292	51,433,660
	85,944,623	68,224,893
Total assets	483,788,260	468,981,301
EQUITY AND LIABILITIES		
Equity		
Share capital	4	4
Share Premium	140,058,339	140,058,339
Other Reserves	1,975,753	9,420,350
Retained earnings	48,482,631	16,133,045
Total Equity	190,516,726	165,611,738
Non-current liabilities		
Borrowings	259,380,944	266,075,388
Provisions for other liabilities and charges	92,872	95,269
Other Non-Current Liabilities	41,668	540,686
Deferred tax liabilities	9,989,633	11,692,747
Obligations under finance leases	2,363,914	2,594,561
	271,869,031	280,998,651
Current liabilities		
Trade and other payables	17,510,589	8,209,172
Deferred income	1,224,108	3,279,162
Borrowings	672,569	4,391,306
Obligations under finance leases	1,099,678	823,764
Income tax payable	895,559	5,667,508
	21,402,503	22,370,912
Total equity and liabilities	483,788,260	468,981,301

Cash Flow: PeopleCert Wisdom Limited

Consolidated

<i>amounts in £</i>	9/30/2023	9/30/2022
Operating activities		
Profit before tax	35,514,305	14,226,434
Adjustments:		
Depreciation, amortisation and impairment	10,705,861	9,924,323
Exchange Rate differences	(11,447,398)	19,185,428
Finance expense	11,254,040	10,958,568
	46,026,808	54,294,753
(Increase)/decrease in Inventories	(295,039)	(339,139)
(Increase)/decrease in Trade and other receivables	(4,882,073)	(1,102,322)
Increase/(decrease) in Trade and other payables	9,301,417	(1,783,163)
Increase/(decrease) in deferred income	(2,055,054)	(2,524,962)
Tax paid	(4,422,972)	(1,945,684)
Net cash from/(used in) operating activities	43,673,087	46,599,483
Investing activities		
Acquisition of subsidiary, net of cash acquired	(3,329,635)	-
Acquisition of property, plant and equipment	(1,083,895)	(2,329,514)
Acquisition of intangible assets	(3,208,852)	(3,059,815)
Payment for purchase of investments at FVTPL	(216,151)	-
Acquisition of other assets	(19,377)	6,983
Net cash used in investing activities	(7,857,910)	(5,382,346)
Financing activities		
Payments of lease liabilities	(617,462)	(476,068)
Interest paid	(14,982,015)	(16,337,528)
Dividends paid	(7,350,000)	(11,782,562)
Net cash from/(used in) financing activities	(22,949,477)	(28,596,158)
Net increase in cash and cash equivalents	12,865,700	12,620,979
Cash and cash equivalents:		
At beginning of the year	51,433,660	18,836,946
Effect of exchange rate fluctuations on cash held	(1,294,067)	957,724
At the end of the period	63,005,292	32,415,649



Q&A



PeopleCert

 Get ready for the world