



# Q4 2023 Results

## 28<sup>th</sup> March 2024

# Disclaimer

IMPORTANT: You must read the following before continuing.

Forward looking statements. PeopleCert (“the Company”) does not in general publish forecasts regarding its future financial results. The financial forecasts contained in this document are based on a series of assumptions, which are subject to the occurrence of events that can neither be reasonably foreseen by the Company, nor are within the Company’s control. The said forecasts represent management’s estimates and should be treated as mere estimates. There is no certainty that the actual financial results of the Company will be in line with the forecasted ones. In particular, the actual results may differ (even materially) from the forecasted ones due to, among other reasons, changes in the economic environment and fluctuations in foreign currencies rates. Consequently, it should be stressed that the Company does not and could not reasonably be expected to, provide any representation or guarantee, with respect to the creditworthiness of the forecasts.

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# Presenters & Agenda

## Presenters

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**Byron Nicolaides**

*Founder, Chairman & Chief Executive Officer*



**George Giannetsos**

*Chief Financial Officer*

## Agenda

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

A large, stylized red 'X' graphic composed of two rounded rectangular bars crossing each other. The bars are a vibrant red color and have rounded ends. The 'X' is positioned on the left side of the frame, with its right arm extending towards the center where the word 'Overview' is located.

# Overview

# Highlights

## Revenue

- **Q4 23: £34mn** (-9% vs Q4 22)
- **LTM Dec23: £120mn** (-3% vs LTM Sep 23)

## EBITDA

- **Q4 23: £18mn** (-28% vs Q4 22)
- **LTM Dec23: £67mn** (-9% vs. LTM Sep 23) | **Margin 56%** vs. 60% in LTM Sep 23

## Net Debt

- **31 December 2023: £182mn** (Cash position: £78m vs £63m as of 30 Sep 2023 )
- **Net Debt/EBITDA LTM Dec23 vs LTM Sep23: 2.72x vs 2.65x** (LTM Mar21: 4.1x)

## Other 2023 Highlights

- **2023: Year of significant investments and transformation initiatives**
- **New Product Stack - from monetizing just exams, to monetizing IP**
- **Official Training Materials (OTMs): Instructor-led** (Apr-23, gradual rollout); **eLearning** (Dec-23, gradual rollout)
- **Subscription/membership:** significantly up from last year (**+753%** vs Q4 22)
- **Acquisitions:**
  - ✓ Expansion of product portfolio through the **acquisition of DevOps Institute** (Integration completed)
  - ✓ **Acquisition of LMS technology platform** (Nov 23)
- **Rebranding and New Product Taxonomy**
- **Rating Upgrades:** S&P and Moody's upgrade to B (Apr 23) - Fitch upgrade to BB - (Sep 22)

# 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
- Operates in the **IT, Digital Transformation, Project, Programme & Portfolio Management** and **Language** areas
- **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 Dec23 KPI's<sup>1</sup>

**Revenue: £120mn**

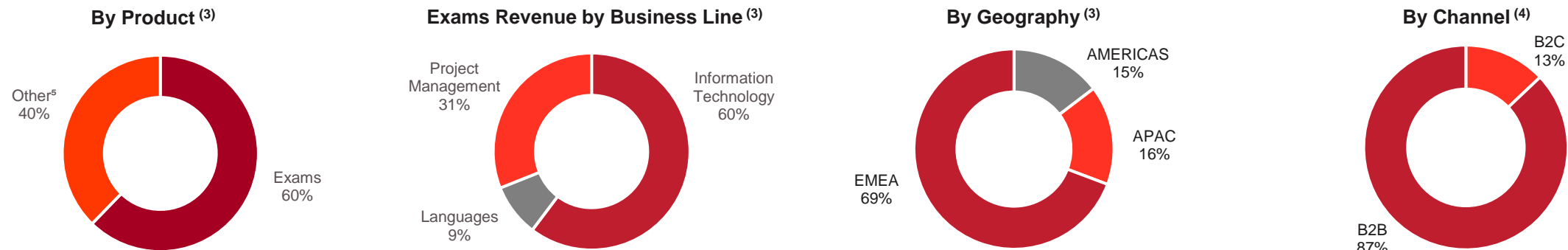
**EBITDA: £67mn**

**EBITDA Margin: 56%**

**Cash Flow Conversion<sup>(2)</sup> : 85%**

**Net Debt / Adjusted EBITDA: 2.72x**

## Revenue Breakdown (LTM Dec23)



### Notes

1. Refers to LTM Q4 2023, Revenue, Adjusted EBITDA, and Adjusted EBITDA margin as of 31<sup>th</sup> December 2023.
2. Cash-flow conversion defined as Operating FCF as % of Adjusted EBITDA
3. Refers to LTM Q4 2023.
4. Reported LTM Q4 2023 revenue B2C revenue includes B2C Exam Revenue, MyAXELOS and Training Revenue
5. Other include: OLP, Books, Training Materials, Subscription and Other Revenue

# Normalization impact on FY23 results

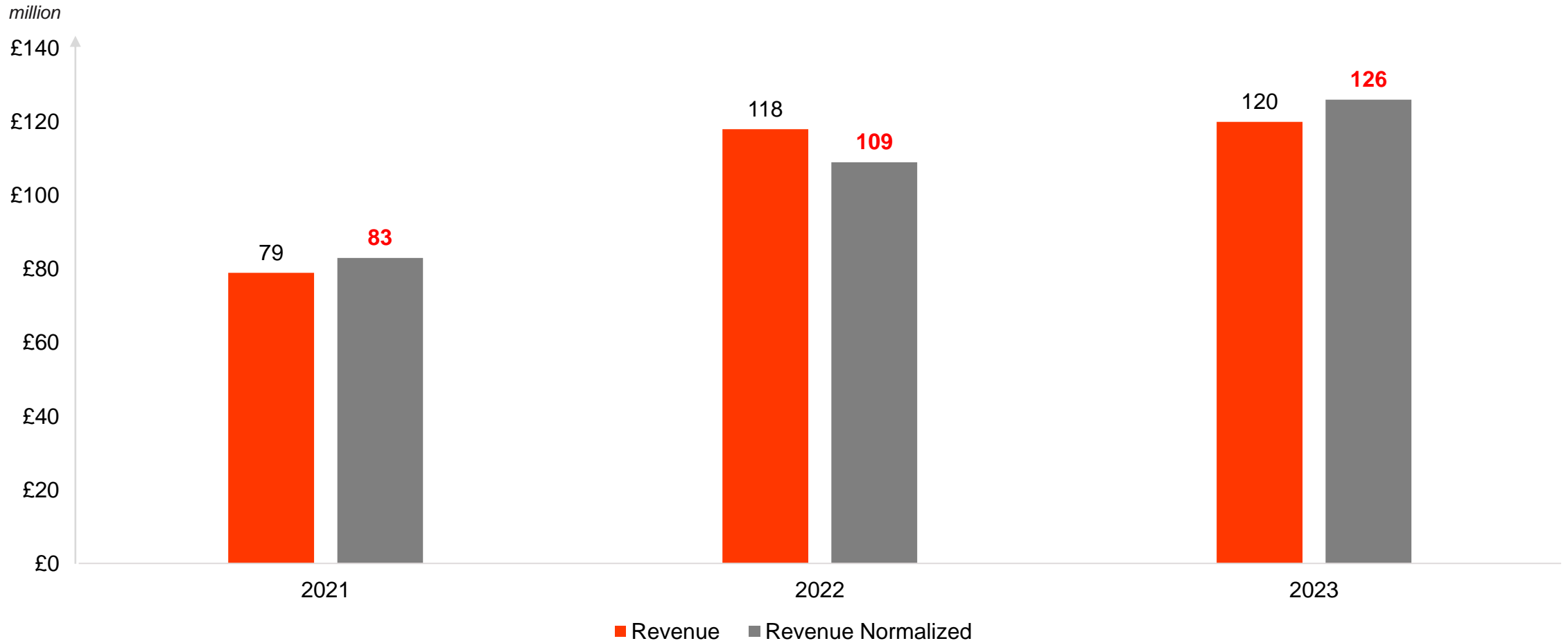
- As part of Axelos integration and the shift to a revised Business Model, PeopleCert updated its commercial policy
- The updates impacted Jan22 and Dec22 results, as follows:
  - ✓ Pull forward of Jan22 (Proprietary content – Books as of Feb 22)
  - ✓ Pull forward of Dec22 (Proprietary content – Official Training Material as of Jan 23)

- Based on the normalized view:

**Revenue yoy growth rates** would be:

- ✓ **31%** vs. 49% for 2022 vs. 2021
- ✓ **16%** vs. 2% for 2023 vs. 2022

# Revenue Normalization

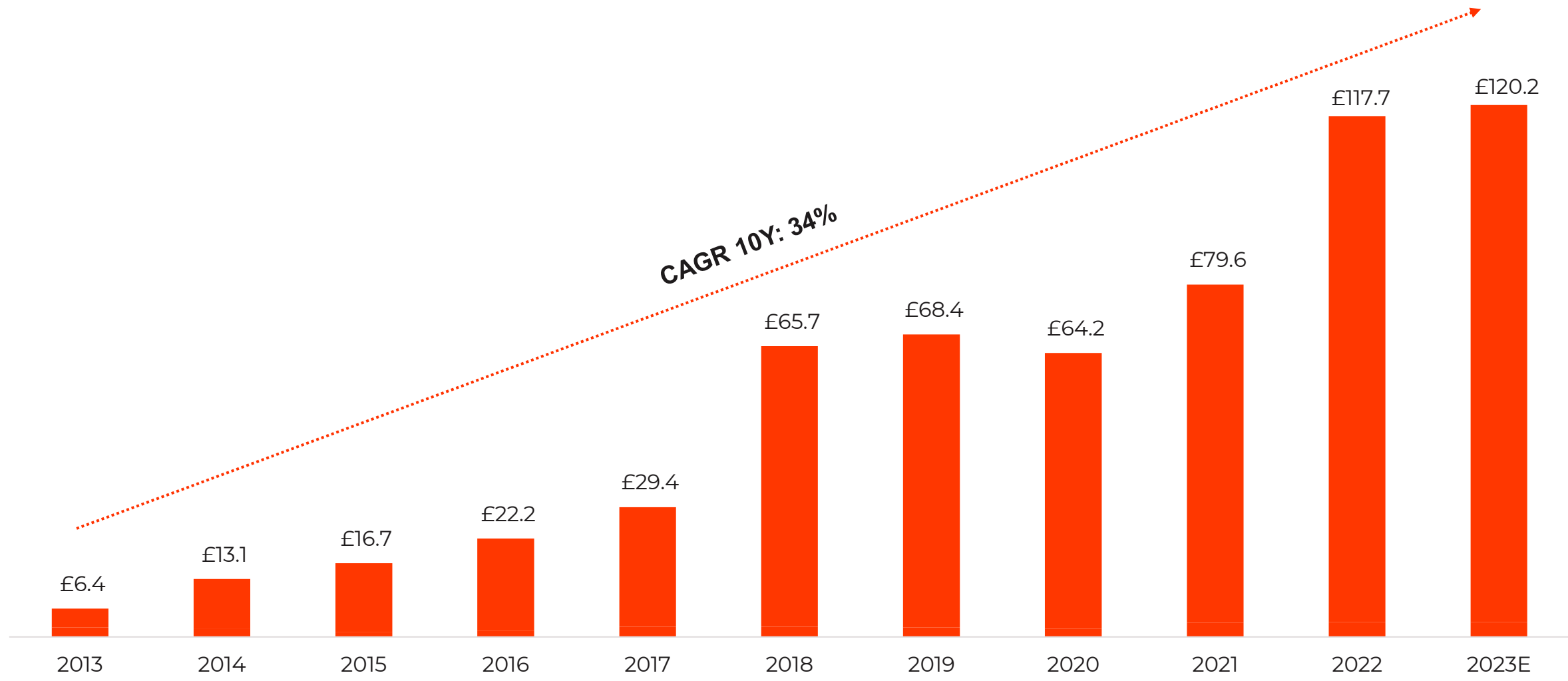


## Notes

1. The chart presents the pull forward Revenue impact for years 2021-2023 and the difference between reported and normalized Revenue (net of this impact).
2. 2021 Revenue of £79mn is actual reported Revenue for the year and not Pro-Forma for Axelos Acquisition.



# Revenue Evolution 2013-2023

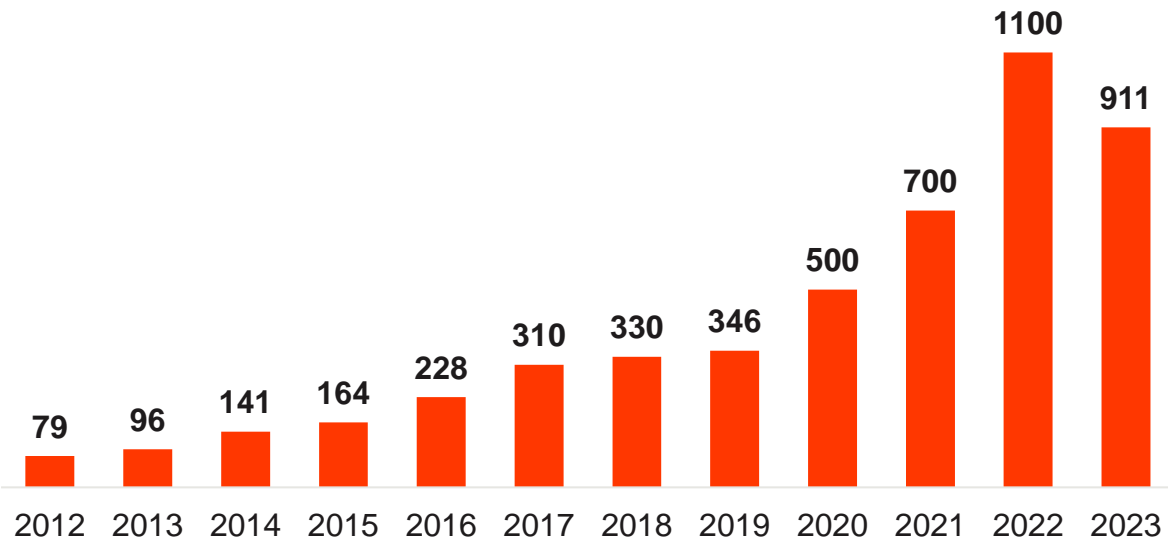


# Global Outreach (200+ countries every year)

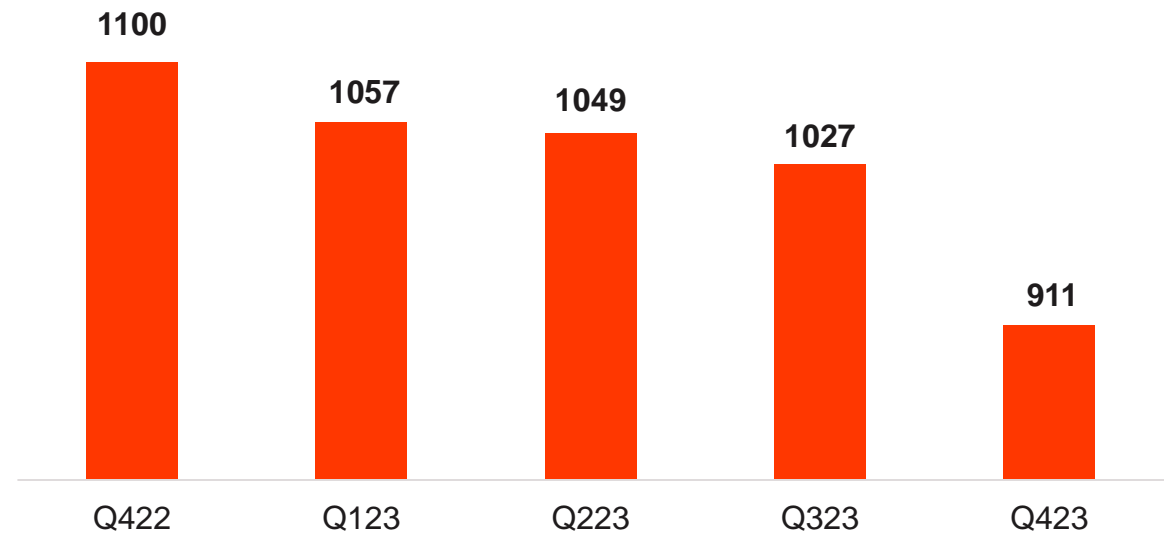


# Evolution of Headcount

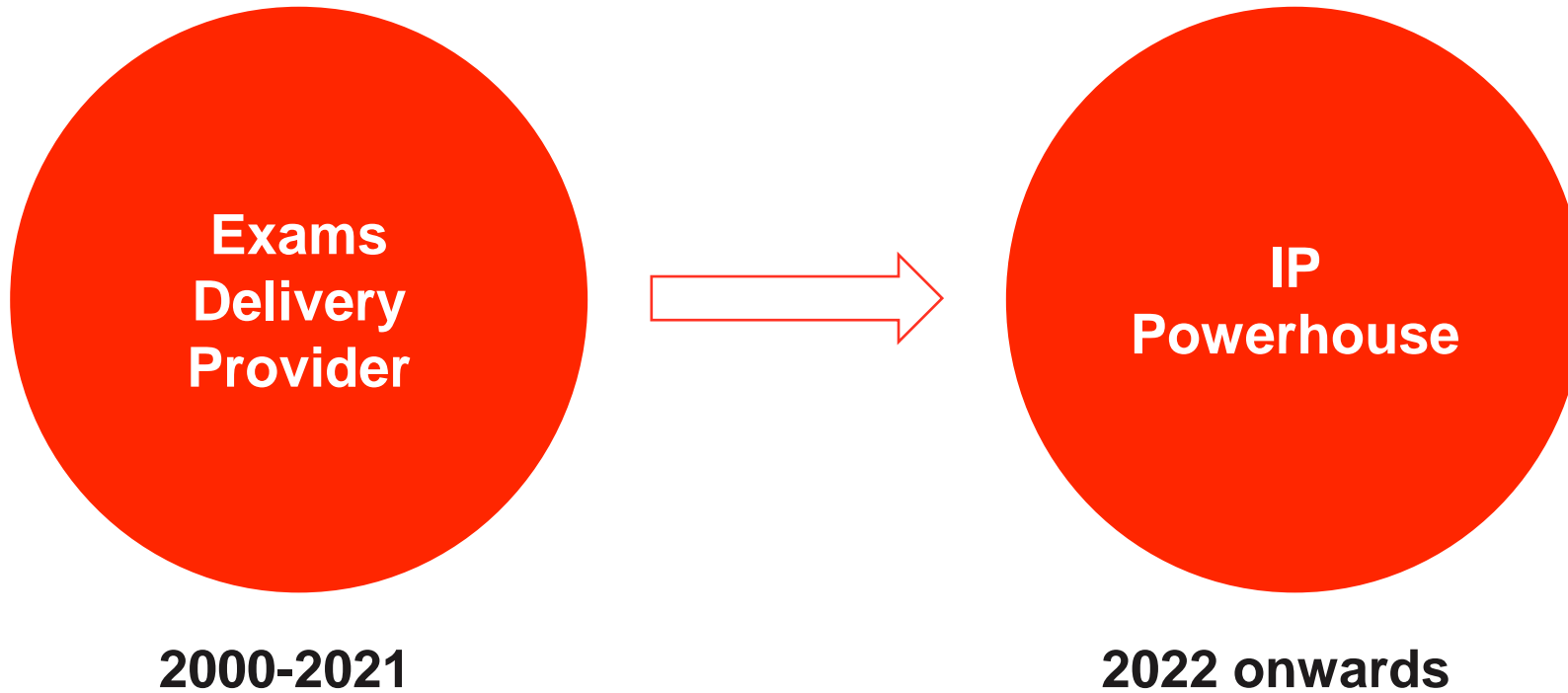
Headcount Evolution



2023 Headcount Normalization

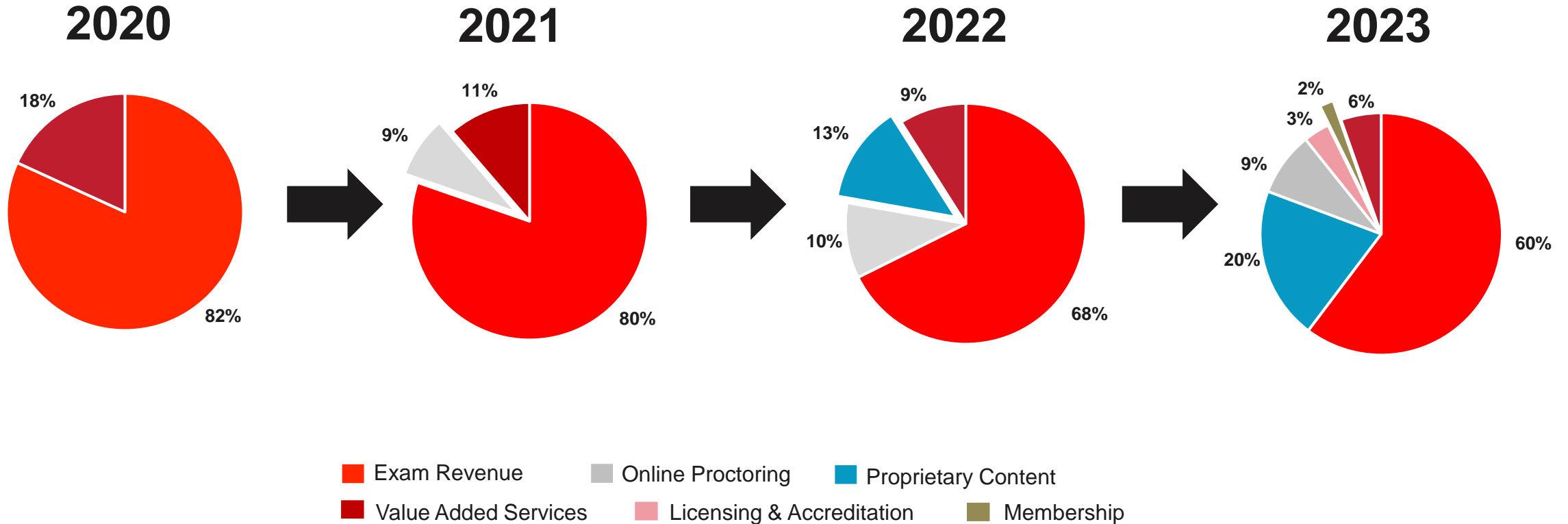


# PeopleCert IP Transition

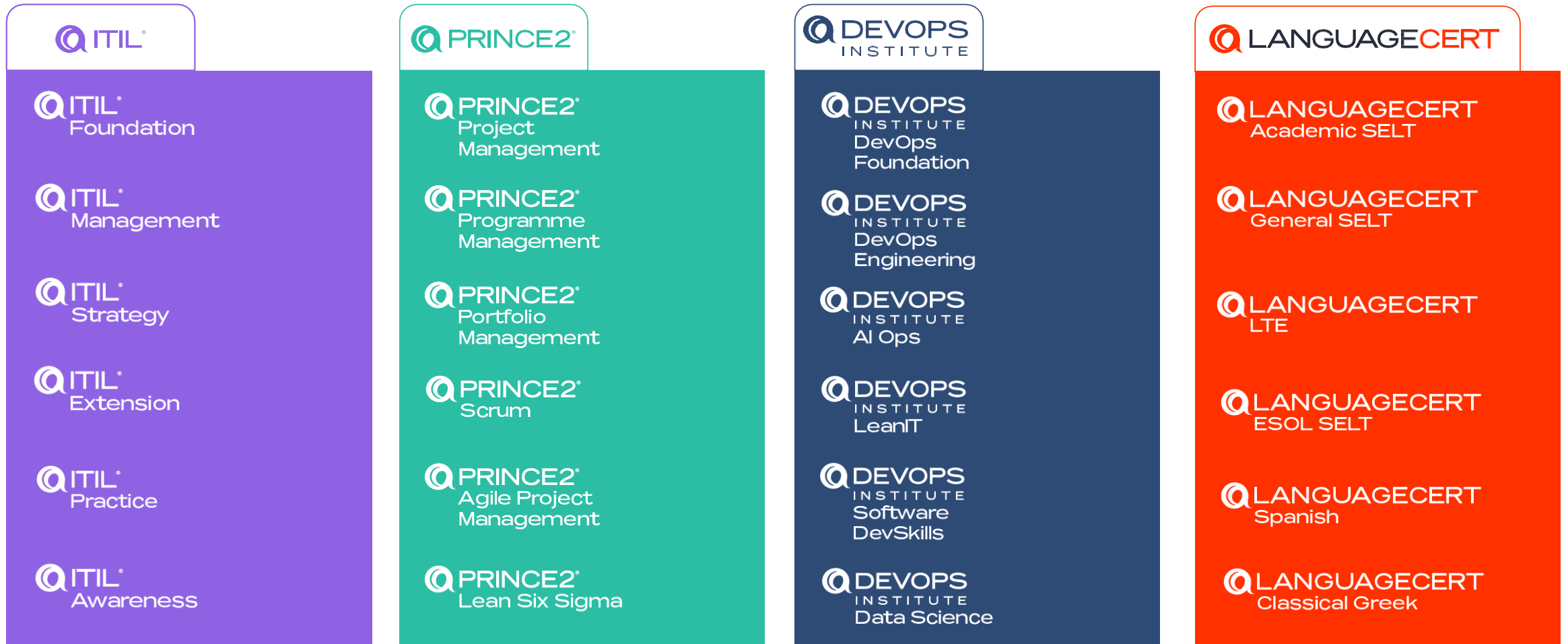


# Expansion in Product Footprint

and improvement in Revenue Quality



# New Branding and Product Taxonomy





# New Products, 2023

## ITIL4

- Awareness, Overview, 15 Practices

## PRINCE2

- PRINCE2 7 (Awareness, Overview, Foundation, Practitioner)
- New PRINCE2 7 addresses everyone, not only project managers (20x+ TAM)

## LanguageCert

- LanguageCert Academic
- LanguageCert General

## DevOps (DevOps Institute Acquisition (Feb 23) – Integration completed Jul 23)

## Product Stack

- Assessment
- Official Book
- Official Training Materials (OTM)
  - ✓ Instructor-Led
  - ✓ eLearning

## Translations/Localization approach

- English + 8 languages
- Translating the completed Product Stack



# 2023: Transformation Year

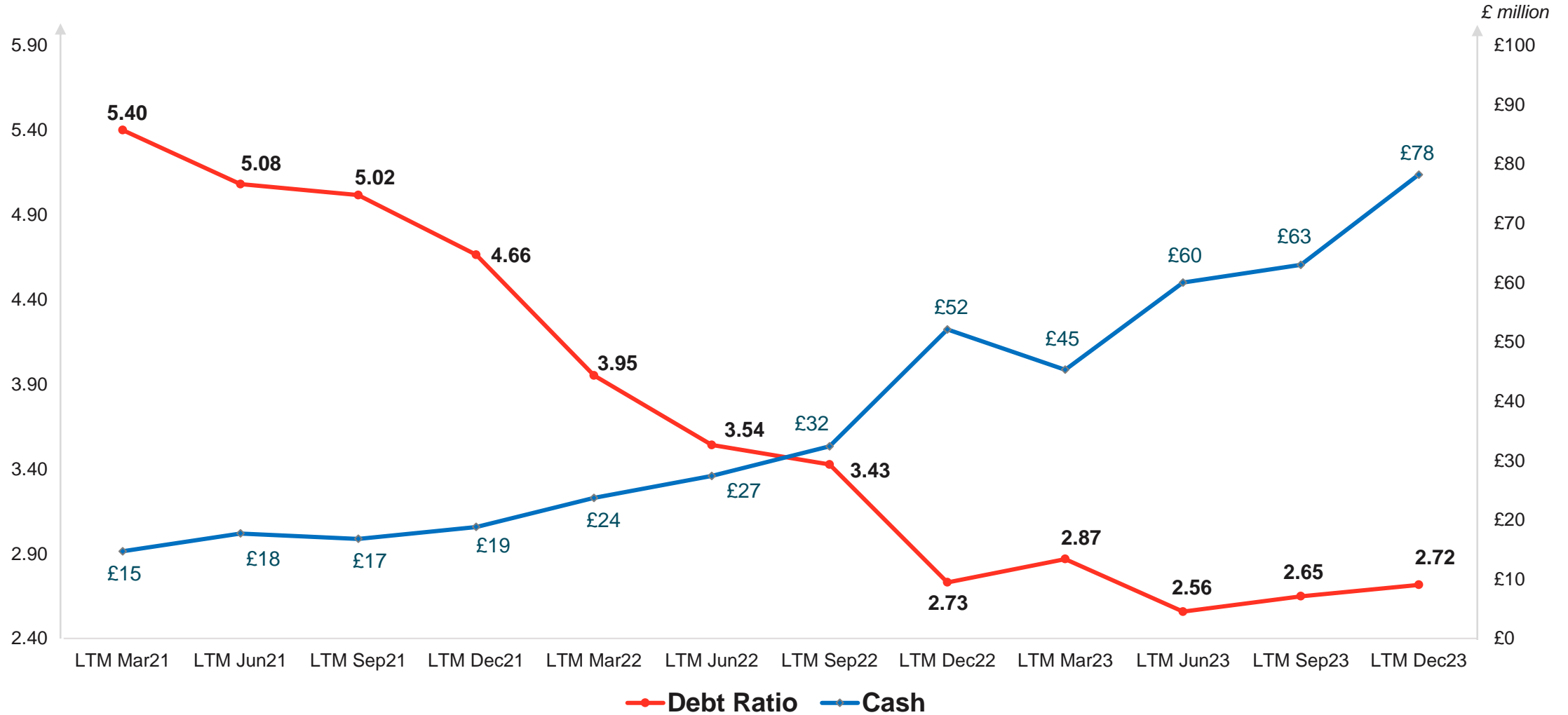
- Business model change from an Examination Institute to an IP Powerhouse. Introduction of new Revenue Streams
- Exam Revenue is not anymore, the driving force behind Revenue Growth (drop from 90% to 60%)
- Significantly Higher Expenses to Finance Growth, primarily people
- Expansion of IP Portfolio 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

- ✓ Focus 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

# Debt Ratio Evolution

Net Debt / Adjusted EBITDA vs Cash

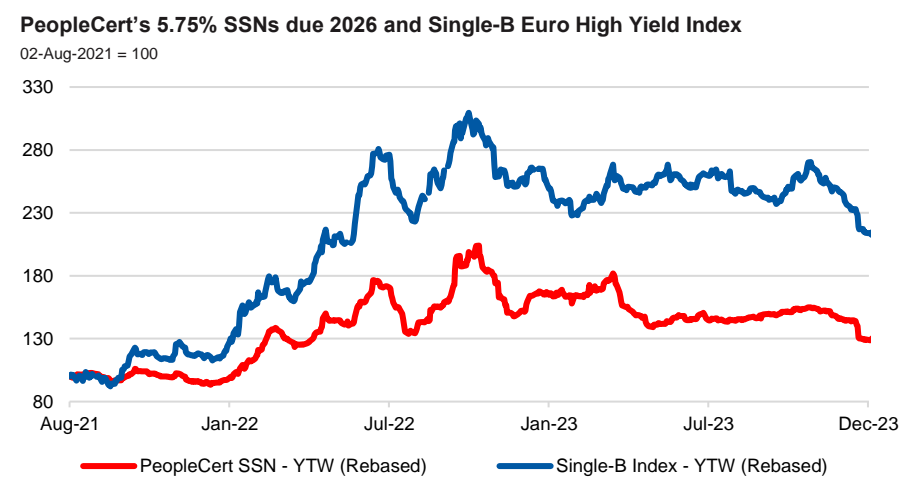


Note: Debt Ratio is calculated as Net Debt / Adjusted EBITDA. Adjusted EBITDA for the periods LTM Mar21 to LTM Dec21 is non synergized. Adjusted EBITDA for 2022 includes FY22 actual synergies impact

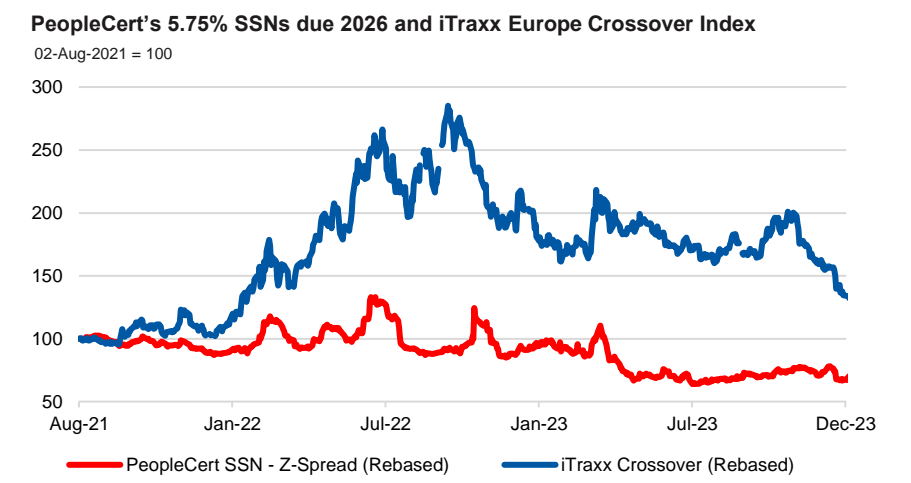
# PeopleCert's 2026 Notes

## Bid Price Evolution Since Issuance

- **PeopleCert's Senior Secured Notes** continue to **trade strongly** despite overall market volatility seen since issuance in July 2021
- After a weak start of 2023, the Notes **strongly rallied upon the ratings upgrade to B1/B+ in April 2023** on the back of continued strong operating performance, and continued to trade up in line with broader market conditions, **closing the year at a Bid Price of 98.750, Yield of 6.3% and Spread of 368**



The ICE BofA Single-B Euro High Yield Index tracks the performance of EUR denominated corporate debt rated B1 through B3 issued in the euro domestic or Eurobond markets



The Markit iTraxx Europe Crossover Index comprises 75 equally weighted credit default swaps on the most liquid sub-investment grade European corporate entities



**Financials**

# Financials Evolution<sup>1</sup>

£mn		2018	2019	2020	2021	LTM Mar21 (Pro-Forma Bond Issuance)	2022	LTM Dec23
<b>Revenue</b>	1	70	72	68	81	72	118	120
<i>Growth (y.o.y.)</i>		-	4%	(6%)	19%	5%	46%	2%
<b>EBITDA</b>	2	42	43	43	50	44	78	67
<i>% Revenue</i>		60%	59%	62%	62%	62%	66%	56%
<b>Capex</b>	3	5	4	6	6	6	9	10
<i>% Revenue</i>		8%	6%	9%	7%	9%	8%	8%
<b>FCF<sup>2</sup></b>		36	39	37	44	38	69	57
<i>% of EBITDA</i>		87%	88%	84%	88%	86%	88%	85%
<b>Working Capital</b>		(5)	(6)	(4)	(2)	(4)	(1)	(1)
<i>% Revenue</i>		(8%)	(8%)	(6%)	(2%)	(5%)	(1%)	(1%)

## Commentary

- 1
- **Revenue LTM Dec23:** £120mn (+67% vs. LTM Mar21)
  - Revenue growth (vs LTM Mar21) driven by +60% increase in B&IT, +160% increase in Languages and the positive impact of new revenue streams

- 2
- **EBITDA LTM Dec23:** £67mn (+52% vs. LTM Mar21)
  - EBITDA growth driven by Revenue Growth

- 3
- **CAPEX for LTM Dec23 up by 66%** at c. £10mn vs LTM Mar21.
  - **CAPEX Q4 23: £5.3mn;** Breakdown: **Tangibles** £1.6mn (30%), **Intangibles** £2.7mn (51%), **RoU Assets** £1mn (19%)

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

£mn	LTM Mar21		LTM Sep23		LTM Dec23		
	£mn	Debt Ratio (Adjusted EBITDA)	Debt Ratio (Pro-Forma EBITDA)	£mn	Debt Ratio (Adjusted EBITDA)	£mn	Debt Ratio (Adjusted EBITDA)
Cash & Cash Equivalent	(17)			(63)		(78)	
<b>Senior Secured Notes</b> ( <i>issued in Euro as €300mn</i> )	<b>255</b>			<b>259</b>		<b>260</b>	
<b>Gross Debt</b>	<b>255</b>	<b>5.8x</b>	<b>4.4x</b>	<b>259</b>	<b>3.5x</b>	<b>260</b>	<b>3.9x</b>
<b>Net Debt</b>	<b>238</b>	<b>5.4x</b>	<b>4.1x</b>	<b>196</b>	<b>2.6x</b>	<b>182</b>	<b>2.7x</b>
Adjusted EBITDA		44			74		67
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

# Profit & Loss: PeopleCert Wisdom Limited

Consolidated

<i>amounts in £</i>	12M 2023	12M 2022
Revenue	120,212,779	117,721,199
Cost of sales	(22,733,179)	(13,760,542)
<b>Gross profit</b>	<b>97,479,600</b>	<b>103,960,657</b>
Other operating income	87,921	299,530
Administrative expenses	(29,621,146)	(24,460,100)
Distribution expenses	(15,580,924)	(10,520,577)
Other operating expenses	(142,172)	(1,503,812)
<b>Operating profit</b>	<b>52,223,278</b>	<b>67,775,698</b>
Finance income	47,791,311	2,058
Finance expense	(57,093,600)	(37,756,433)
<b>Profit before tax</b>	<b>42,920,990</b>	<b>30,021,323</b>
Taxation	(1,414,515)	(9,193,790)
<b>Profit for the year</b>	<b>41,506,474</b>	<b>20,827,533</b>

# Balance Sheet: PeopleCert Wisdom Limited

amounts in £	31/12/2023	31/12/2022	Consolidated
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6,040,937	3,725,190	
Right-of-use assets	3,849,940	3,308,272	
Intangible Assets	67,967,133	75,241,497	
Goodwill	320,855,473	317,703,753	
Deferred tax assets	325,993	528,236	
Other Assets	632,799	249,460	
	<b>399,672,275</b>	<b>400,756,408</b>	
<b>Current assets</b>			
Trade and other receivables	14,623,215	16,590,886	
Inventory	260,288	200,347	
Income tax receivable	98,043	-	
Cash at bank and in hand	78,284,655	51,433,660	
	<b>93,266,201</b>	<b>68,224,893</b>	
	<b>Total assets</b>	<b>492,938,476</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	3,469,643	9,420,350	
Retained earnings	54,691,474	16,133,045	
	<b>Total Equity</b>	<b>198,219,460</b>	<b>165,611,738</b>
<b>Non-current liabilities</b>			
Borrowings	260,710,872	266,075,388	
Provisions for other liabilities and charges	113,635	95,269	
Other Non-Current Liabilities	40,189	540,686	
Deferred tax liabilities	9,656,463	11,692,747	
Obligations under finance leases	3,055,429	2,594,561	
	<b>273,576,587</b>	<b>280,998,651</b>	
<b>Current liabilities</b>			
Trade and other payables	11,811,494	8,209,172	
Deferred income	2,899,896	3,279,162	
Borrowings	3,989,362	4,391,306	
Obligations under finance leases	1,421,366	823,764	
Income tax payable	1,020,311	5,667,508	
	<b>21,142,429</b>	<b>22,370,912</b>	
	<b>Total equity and liabilities</b>	<b>492,938,476</b>	<b>468,981,301</b>



# Cash Flow: PeopleCert Wisdom Limited

Consolidated

<i>amounts in £</i>	31/12/2023	31/12/2022
<b>Operating activities</b>		
Profit before tax	42,920,990	30,021,323
Adjustments:		
Depreciation, amortisation and impairment	14,814,036	10,833,552
Exchange Rate differences	(11,059,628)	22,921,976
Charge to profit or loss for provision	-	163,114
Finance expense	15,000,756	14,834,457
	<b>61,676,154</b>	<b>78,774,422</b>
Increase in Inventories	(59,941)	(175,127)
(Increase)/decrease in Trade and other receivables	1,967,671	(7,062,654)
Increase in Trade and other payables	3,967,020	1,042,779
Increase/(decrease) in deferred income	(379,266)	714,834
Defined benefits obligations paid	-	(132,613)
Increase in other assets	(299,168)	(62,761)
Tax paid	(3,201,584)	(5,371,853)
<b>Net cash from/(used in) operating activities</b>	<b>63,670,886</b>	<b>67,727,027</b>
<b>Investing activities</b>		
Acquisition of subsidiary, net of cash acquired	(3,672,973)	-
Acquisition of property, plant and equipment	(2,716,516)	(2,673,905)
Acquisition of intangible assets	(5,889,871)	(4,565,325)
Payment for purchase of investments at FVTPL	(84,171)	-
<b>Net cash used in investing activities</b>	<b>(12,363,531)</b>	<b>(7,239,230)</b>
<b>Financing activities</b>		
Payments of lease liabilities	(1,088,156)	(816,498)
Interest paid	(14,982,015)	(16,337,528)
Dividends paid	(7,350,000)	(11,782,562)
<b>Net cash from/(used in) financing activities</b>	<b>(23,420,171)</b>	<b>(28,936,588)</b>
<b>Net increase in cash and cash equivalents</b>	<b>27,887,184</b>	<b>31,551,209</b>
<b>Cash and cash equivalents:</b>		
<b>At beginning of the year</b>	<b>51,433,660</b>	<b>18,836,946</b>
<b>Effect of exchange rate fluctuations on cash held</b>	<b>(1,036,189)</b>	<b>1,045,505</b>
<b>At the end of the period</b>	<b>78,284,655</b>	<b>51,433,660</b>



**Q&A**

