



PeopleCert

All talents, certified.

Call on Q2 2022 Results

29th July 2022

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

- **Q2 22: £28.2m** (+33% vs Q2 21)
- **LTM Jun22: £96.3m** (+8.3% vs LTM Mar22)
- **B&IT LTM Jun22: £82.8m** (+7.8% vs LTM Mar22) | **Languages LTM Jun22: £13.5m** (+11.4% vs. LTM Mar22)

ADJUSTED EBITDA¹

- **Q2 22: £18.8m** (+60% vs Q2 21)
- **LTM Jun22: £65.4m** (+39% vs. LTM Mar22) | **Margin 68%** vs. 54% in LTM Mar22
- Including expected synergies, **LTM Jun22 Pro-Forma EBITDA: £73m**

NET DEBT²

- **30 June 2022: £232m** (Cash position: £27.4m)
- **Net Debt/Pro-Forma EBITDA LTM Jun22 vs LTM Mar22: 3.2x vs 3.95x** (vs. LTM Mar21: 4.1x)

COMMERCIAL HIGHLIGHTS

- **Best performing H1: B&IT Revenue +35%** vs H1 21 | **Languages revenue +51%** vs H1 21
- **Completed AXELOS integration** and initial transformation plans, **12 months ahead of schedule**
- **Business is growing at a faster pace than before**, there is a new stabilised base to build from

1. Adjusted for non-recurring expenses of €21.8m due to Axelos acquisition transaction-related cost

2. Net Debt calculation excludes accrued interest

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 7/2021-7/2022. 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 704k exams LTM Jun22⁽³⁾
- Controlled by Founder and CEO Byron Nicolaides (c.80%), supported by FTV Capital as minority shareholder (c.20%)

Pro-Forma LTM KPI's⁽¹⁾

Revenue: £96m

EBITDA: £73m

~76% EBITDA Margin

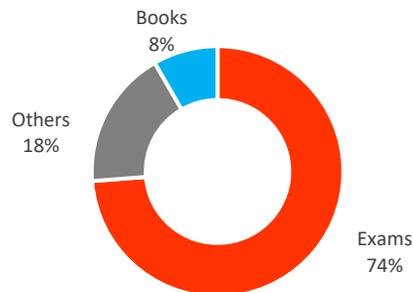
~91% Cash Flow Conversion⁽²⁾

3.2x Net Debt / Pro-Forma EBITDA

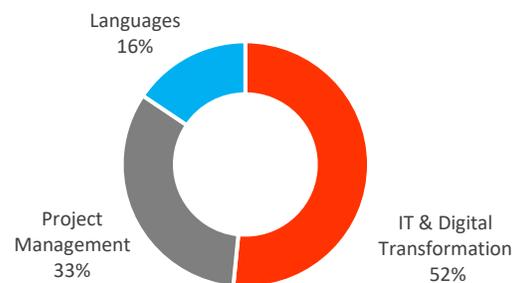
exams Jun22: 704k

Revenue Breakdown (LTM Jun22)

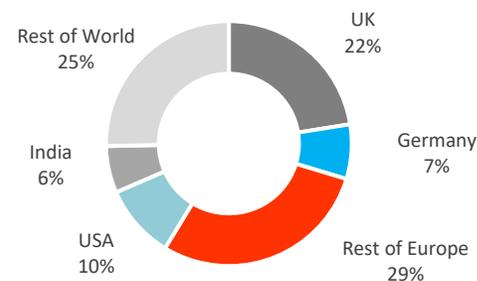
By Product ⁽⁴⁾



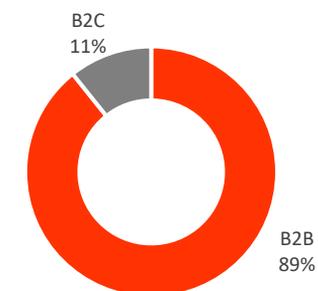
Examination Revenue by Sector ^(4,5)



By Geography ⁽⁶⁾



By Client ⁽⁴⁾



Notes

1. Refers to Pro-Forma LTM Q2 2022, Revenue, EBITDA, and EBITDA margin including run-rate of synergies expected to be achieved within 24 months
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 June 2022
4. Refers to Pro-Forma LTM Q2 2022, excluding run-rate synergies

5. Does not add up to 100% due to rounding
6. Reported LTM Q2 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 76%, 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 Jun22
Total Exams ('000s)	1	470	501	432	459	683	704
Growth (y.o.y.)		-	7%	(14%)	-	58%	3%
Revenue	2	70	72	68	72	81	96
Growth (y.o.y.)		-	4%	(6%)	5%	19%	18%
Adjusted EBITDA	3	42	43	43	44	50	65
% Revenue		60%	59%	62%	62%	62%	68%
Capex	4	5	4	6	6	6	6
% Revenue		8%	6%	9%	9%	7%	7%
FCF²		36	39	37	38	44	59
% of Adjusted EBITDA		87%	88%	84%	86%	88%	91%
Working Capital		(5)	(6)	(4)	(4)	(2)	5
% Revenue		(8%)	(8%)	(6%)	(5%)	(2%)	5%

Commentary

1

- Exam Volume 30 June 2022: **704k (+53%** vs. LTM Mar21)
- Exam growth was driven by **+25%** increase in B&IT exams and **+168%** increase in Languages exams vs. LTM Mar21

2

- Revenue LTM Jun22 : **£96m (+35%** vs. LTM Mar21)
- Revenue growth was driven by **+25%** increase in B&IT and **+172%** increase in Languages vs LTM Mar21

3

- Adjusted EBITDA LTM Jun22: **£65m (+48%** 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 Jun22 remains stable at c. **£6m** vs LTM Mar21 in line with projections and historical figures
- CAPEX Q2 22: £1.5m**; Breakdown: **Tangibles** £0.2m (13%), **Intangibles** £1m (68%), **Acquisition of RoU Assets** £0.29m (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= Adjusted EBITDA minus CAPEX

Q2 2022 – Financial Highlights

Quarterly Financials

£m	Q2 21	Q2 22	Variance
Revenue	£21	£28	33%
Adjusted EBITDA	£12	£19	60%
% of Revenue	56%	67%	
Capex	£1	£1	2%
% of Revenue	7%	5%	

Average Price ITIL	£131	£142	8%
Average Price PRINCE2	£139	£150	7%
Average Price Languages	£24	£43	77%

# of Exams	Q2 21	Q2 22	Variance
ITIL	58,897	60,584	3%
IT Total (including ITIL)	67,453	68,703	2%
PRINCE2	32,960	31,411	-5%
PPM Total (including PRINCE2)	37,726	36,177	-4%
Languages	139,241	95,723	-31%
Total	244,420	200,603	-18%

LTM Financials

£m	Financials			Variance LTM Jun22	
	LTM Mar21	LTM Dec21	LTM Jun22	vs.Mar21	vs.Dec21
Revenue	<i>Bond OM</i> £72	£81	£96	34%	18%
Adjusted EBITDA ⁽¹⁾	£44	£50	£65	48%	31%
Adjusted EBITDA margin	61%	61%	68%		
Net Pro-Forma synergies	£14	£16	£8		
Pro-Forma EBITDA	£58	£66	£73	26%	11%
Capex	£6	£7	£6	0%	-2%
% of Revenue	9%	8%	7%		

Average Price ITIL	£138	£133	£136	-2%	2%
Average Price PRINCE2	£146	£141	£143	-2%	2%
Average Price Languages	£45	£36	£46	1%	26%

# of Exams	Datapoints			Variance LTM Jun22	
	LTM Mar21	LTM Dec21	LTM Jun22	vs.Mar21	vs.Dec21
ITIL	<i>Bond OM</i> 211,768	241,181	257,776	22%	7%
IT Total (including ITIL)	237,736	282,293	299,228	26%	6%
PRINCE2	115,560	128,968	140,827	22%	9%
PPM Total (including PRINCE2)	131,342	147,996	162,625	24%	10%
Languages	90,416	252,691	242,275	168%	-4%
Total	459,494	682,980	704,128	53%	3%

Synergies Update

Revenue Synergies	Implementation Status	H1 2022 estimated impact (£m)		Annualized estimated impact (£m) ¹	
		Revenue	EBITDA	Revenue	EBITDA
UK Market Exam adjustment	Completed 01.02.2022	0.5	0.5	0.8	0.8
Exam Delivery Optimisation	Completed 01.02.2022	1.1	0.9	2.1	1.8
Mock tests	Completed 01.02.2022	0.0	0.0	0.8	0.7
Content Optimisation	Completed 01.02.2022	4.5	3.8	7.9	6.8
Revenue Synergies		6.1	5.2	11.7	10.1
Cost Synergies		Cost	EBITDA	Cost	EBITDA
Rationalization of duplicate functions	Completed 31.03.2022	-	2.1	-	4.2
Shared-service cost savings	Completed 01.01.2022	-	0.4	-	0.9
Other cost savings	Completed 28.02.2022	-	0.4	-	0.6
Cost Synergies					5.7
Total Synergies					15.8

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

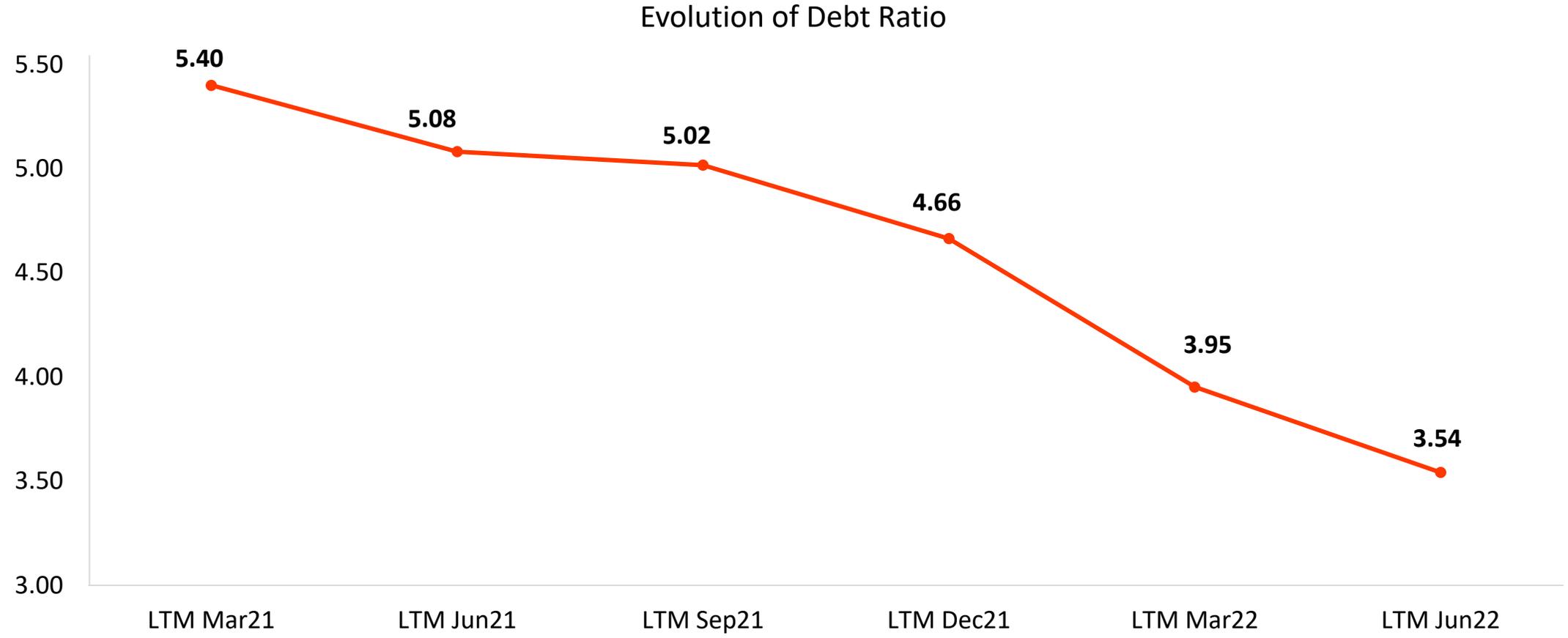
Note: Run-rate figures represent the estimated incremental annual run-rate revenue and annual run-rate EBITDA, respectively, that PeopleCert expects to generate from each synergy assuming exam volumes at the level recorded for last twelve-month period ending March 31, 2021, which is the last historical twelve-month period prior to the Axelos acquisition process

¹ 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 Jun22		
£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)			(27)		
Senior Secured Notes (<i>issued in Euro as €300m</i>)	255			259		
Gross Debt	255	5.8x	4.4x	259	3.9x	3.5x
Net Debt	238	5.4x	4.1x	232	3.5x	3.2x
Adjusted EBITDA		44			65	
Pro-Forma Synergised Adjusted EBITDA			58			73

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 and H122 actual synergies impact

Inflation & War Impact on Business

Inflation Impact

- **Revenue:** No upward adjustment on exam prices in 2022
- **Cost:** No significant impact from inflation yet

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>	H1 2022	H1 2021
Revenue	55,214,409	38,762,672
Cost of revenue	(12,107,372)	(23,479,440)
Gross profit	43,107,037	15,283,232
Other Operating Income	215,475	147,656
Administration	(11,752,092)	(6,584,580)
Selling and distribution expenses	(3,283,203)	(3,667,113)
One-off/Exceptional Costs	(184,549)	(302,880)
Operating profit	28,102,668	4,876,315
Financial Income	1,269	658,956
Financial Costs	(17,873,372)	(1,301,603)
Profit before tax	10,230,565	4,233,668
Taxation	(16,813)	(143,248)
Net profit for the year	10,213,752	4,090,420

Balance Sheet: PeopleCert Wisdom Limited, Consolidated

<i>amounts in £</i>	30/06/2022	31/12/2021
ASSETS		
Non-current assets		
Property, plant and equipment	1,549,809	1,456,360
Right-of-use assets	1,712,615	1,698,586
Intangible Assets	69,960,239	25,686,664
Goodwill	308,839,769	364,299,986
Investments	1	-
Deferred tax assets	72,182	-
Other Assets	165,307	186,699
	382,299,922	393,328,295
Current assets		
Trade and other receivables	13,724,335	9,528,234
Income tax receivable	301,808	-
Inventory	234,401	25,220
Cash at bank and in hand	27,428,583	18,836,946
	41,689,126	28,390,400
Total assets	423,989,048	421,718,695
EQUITY AND LIABILITIES		
Equity		
Share capital	4	4
Share Premium	140,058,339	140,058,339
Other Reserves	1,572,969	(1,612,150)
Retained earnings	1,691,638	5,416,604
	143,322,950	143,862,797
Non-current liabilities		
Borrowings	259,380,944	252,079,657
Provisions for other liabilities and charges	80,193	78,518
Other Non-Current Liabilities	591,376	591,164
Deferred tax liabilities	5,426,930	5,510,095
Obligations under finance leases	1,324,344	1,304,477
	266,803,787	259,563,911
Current liabilities		
Trade and other payables	6,621,043	7,182,534
Deferred income	1,139,255	3,164,328
Borrowings	4,368,667	6,029,185
Obligations under finance leases	474,959	467,834
Income tax payable	1,258,386	1,448,106
	13,862,311	18,291,987
Total equity and liabilities	423,989,048	421,718,695

Cash Flow: PeopleCert Wisdom Limited, Consolidated

<i>amounts in £</i>	H1 2022	H1 2021
Operating activities		
Profit/(Loss) before tax	10,230,565	4,233,669
Adjustments:		
Depreciation of property, plant and equipment	448,478	386,094
Amortisation of intangible assets	9,824,602	1,204,591
Exchange Rate difference arising on the translation and consolidation of foreign companies' financial statements	3,383,102	(769,617)
Exchange Rate difference arising on the translation of the bond loan	7,299,000	
Interest expense	7,189,194	70,747
	38,374,940	5,125,484
Inventories	(209,181)	-
Trade and other receivables	(4,196,101)	(1,079,470)
Trade and other payables	(561,491)	57,003
Increase in deferred income	(2,025,073)	(710,544)
Net cash from operating activities	31,383,095	3,392,473
Investing activities		
Payment for purchase of property, plant and equipment	(263,774)	(409,598)
Payment for purchase of intangible assets	(1,998,459)	(971,056)
Payment for purchase of investment in subsidiaries	-	(105,197)
Other assets	21,392	(36,611)
Net cash used in investing activities	(2,240,841)	(1,522,462)
Financing activities		
Payments of leases liabilities	(317,929)	(261,661)
Repayments of borrowings	-	(543,456)
Interest paid	(8,851,849)	(30,535)
Dividends paid	(11,782,562)	(10,551,638)
Net cash from/(used in) financing activities	(20,952,339)	(11,387,290)
Net increase/(decrease) in cash and cash equivalents	8,189,915	(9,517,279)
Cash and cash equivalents:		
At beginning of the year	18,836,946	16,864,989
Effect of exchange rate fluctuations on cash held	401,722	150,776
At the end of the period	27,428,583	7,498,486

Q&A