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FOR IMMEDIATE RELEASE

## PeopleCert reports Consolidated Half-year Financial Results as of June 30, 2022

### London: United Kingdom:

PeopleCert, the market leading differentiator within the assessment and certification industry, presents PeopleCert Wisdom Limited (Parent Guarantor) unaudited Consolidated Financial Results for the 6-months period ended June 30, 2022.

PeopleCert Wisdom Limited was incorporated on 1 June 2021 while on 23 July 2021 obtained the control of PeopleCert International Ltd and its subsidiaries. Following the issuance of PeopleCert's senior secured bond, in Q321, quarterly reports will present financial statements of the Parent Guarantor company – PeopleCert Wisdom Limited on a consolidated basis.

The acquisition of Axelos on 29<sup>th</sup> July 2021, firmly establishes PeopleCert as a vertically integrated, global leader in best practice methodologies that are widely adopted by private, public, and voluntary sectors in more than 200 countries.

PeopleCert's Chairman and CEO, Byron Nicolaidis, said: 'We look forward to being the custodian of the world-leading professional frameworks that have been developed by the UK Government over the last thirty years. We intend to further develop these under PeopleCert's stewardship for the benefit of all stakeholders including corporates, governments, academic institutes, and professionals alike. The current portfolio includes several programs - all of which are gold standards in their respective fields'.

Our most important commitment remains, to work collaboratively and transparently with our network - writing together this exciting next chapter. We remain focused to our customer-first and people-centric vision, continuing to always be responsive, flexible & offer high quality products and experiences to our partners and end-users'

All amounts are presented in GBP.

The classification of 2021 Cost of sales, Administration and Selling & Distribution expenses has been restated for comparability purposes and more accurate presentation.

### Consolidated highlights for H1 2022 (compared to H1 2021):

- Revenue: £55.2 million (+42.3%, compared to £38.8 million at June 30, 2021);
- EBITDA: £38.4 million (+490.8%, compared to £6.5 million at June 30, 2021);
- Adjusted EBITDA: £38.6 million (467.6%, compared to £6.8 million at June 30, 2021);<sup>1</sup>
- EBIT: £28.1 million (+473.5% compared to £4.9 million at June 30, 2021);
- Adjusted EBIT: £28.3 million (+444.3% compared to £5.2 million at June 30, 2021);
- PBT: profit of £10.3 million compared to a profit of £4.2 million at June 30, 2021, evidencing the Group's the new era of sequential improvement and progress following Axelos integration.
- Net Financial Indebtedness: +£236.4 million (compared to £239.3 million at December 31, 2021)<sup>2</sup>.

<sup>1</sup> Adjusted EBITDA & EBIT figures exclude one – off transaction related expenses for the period.

<sup>2</sup> Net Financial Indebtedness is defined as Current and Non-current Borrowings less Cash and Cash Equivalents.

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## Review of performance of the Group, current position, and future developments

Half-year results reflect a strong performance across the Group as well as the efforts on cost containment and competitiveness. As the global recovery continues, potential risks to the industry are closely monitored resulting in satisfying development to date. The Group's financial results and position as presented in the consolidated financial statements is tracking positively, as supported by the key parameters shown below:

### Financial Key Performance Indicators

<u>Ratio</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
<u>Gross margin</u> Gross profit to Revenue	78.1%	39.4%
<u>Pretax margin</u> Profit before tax to Revenue	18.5%	10.9%

**Gross margin** (Gross profit to Revenue) increased by 38.7pp to 78.1% mainly due to the combined effect of the Axelos acquisition, which led to the elimination of Axelos' Revenue share and a change in product mix towards sales of higher margin language products. Further benefit derived from the implementation of synergies such as the content and exam delivery optimisation with an estimated impact on revenue for H1 2022 of £5.6 million.

The increase in **Pretax margin** by 7.6 pp to 18.5% is due to the combined effect of the revenue increase by 42.3% and the savings in Cost of Revenue by 48.3% following the decrease in Axelos royalties after the acquisition of the latter. Although higher net financial costs (H1 2022 £17.9 million vs H1 2021 £0.6 million) and operating expenses (H1 2022 £15.2 million vs H1 2021 £10.6 million) had an adverse impact on the Group's financial position, the pretax margin fluctuation supports and enhances the optimistic prospective and future prosperity of the Group after the acquisition.

### **PeopleCert Consolidated Results as of June 30, 2022**

**Total Revenue** for the six-month period ended June 30, 2022 grew 42.3% to £55.2 million compared to £38.8 million in H1 2021. The growth derives from the B&IT stream that presented an increase of 35%, with a significant further contribution from Languages' products that rose by 51%.

The continuous recovery of volumes and margins and the sequential increase of revenues provide concrete indications of a growth at a faster pace than before, since there is a new stabilised base to build from.

The observed growth is partially attributed to the creation of an IP Powerhouse following the completed merger with Axelos while the remaining variation is related to PeopleCert's achievement to overcome the adverse impact of the coronavirus pandemic and retain its leadership position worldwide by taking advantage of the fact that the Global market is rapidly moving towards more digital delivery models. PeopleCert adapted rapidly to the changing circumstances by promoting the digital transformation of its services.

As opposed to revenue increase, **Cost of sales** decreased by 48.3% to £12.1 million for the six-month period ended June 30, 2022 compared to £23.5 million during H1 2022, therefore increasing gross profit by 182.1% (H1 2022: £43.1 vs H1 2021: £15.3) and the gross profit margin from 39.4% to 78.1%. The main

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reason for this variation is the termination of Axelos royalties following the acquisition as well as the product mix effect.

**Operating expenditure** increased by 44.2% to £15.2 million compared to £10.6 million in H1 2021 in line with the increased operations of the Group and primarily reflects the Group's investment in supporting its growth plan.

Despite the increased operating costs, the higher revenues and the significantly lower cost of sales contributed positively to both **EBITDA** and **adjusted EBITDA** for the six-month period ended June 30, 2022 – an alternative performance measure and key indicator capturing the underlying business margin by excluding material charges, showing an increase of 467.6% to £38.6 million.

**EBIT** increased by 473.5% to £28.1 million compared to £4.9 million last year and was mainly driven by the operational performance linked to efforts on cost containment and competitiveness, as well as negotiating savings.

**Net finance costs** were £17.9 million vs net finance costs in H1 2021 of £1.3 million. The H1 2022 financial result mainly reflects exchange losses of £10.1 million, interest expenses of £7.2 million imposed on the Eurobond issued by the PeopleCert Group and bank expenses of £0.2 million. H1 2021 finance costs mainly concerned bank costs and interest expenses on the loan from EBRD.

**Net Financial Indebtedness** remains positive as of June 30, 2022, at £236.4 million (December 31, 2021: £239.3 million), however, this metric reflects the Eurobond that was issued in August 2021 in the context of Axelos acquisition and therefore cannot be considered indicative of the Group's financial stability, which is better evidenced by other liquidity ratios analysed below.

## Ratios on Financial Performance and Financial Position of the Group as of June 30, 2022

<b>A. <u>Liquidity Ratios</u></b>	<u>June 30, 2022</u>
<u>Cash Ratio</u> Cash to Current Liabilities	1.98
<u>Working Capital Ratio</u> Current Assets to Current Liabilities	3.01

Due to the recent acquisition, profitability and solvency ratios between the quarters distort the Group's financial stability and liquidity.

Indicatively, we state the above liquidity ratios that support the Group's financial health. The cash ratio of 1.98 highlights the Group's ability to maintain adequate cash balances to pay off all of the current debts as they come due, while the high working capital ratio shows a great efficiency in the way that the Group is operating.

Attention to working capital and cash flow management remains a key priority for the Group's management.

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## PeopleCert Consolidated Financial Position as of June 30, 2022

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The Group presents a robust Balance Sheet with strong capital and liquidity levels supporting PeopleCert's readiness for future as the Group enters into a new phase of brand engagement and business growth following a balanced and consistent approach to risk.

### Assets

As of June 30, 2022, **Total Assets** were £423.9 million (December 31, 2021: £421.7 million).

**Non-current assets** at the end of H1 2022 amounted to £382.3 million compared to £393.3 million by year-end 2021.

The majority of the balance concerns **Goodwill** of total amount £309 million and **Intangible Assets** of amount £70 million. On initial recognition, the value of goodwill in relation to the acquisitions of Axelos in 2021 and IASSC International Association for Six Sigma Certification in prior year were determined provisionally. Following the completion of the Purchase Price Allocation (PPA) for both acquisitions, the respective considerations were allocated between goodwill and identified trade names, trademarks, intellectual property/content and customer relationships. Prior year balances will be restated accordingly by year-end.

**Current assets** increased to £41.7 million as of June 30, 2022 from £28.4 million as of December 31, 2021.

This variation is attributed to the combined effect of increased inventories in H1 2022 (June 30, 2022: £234.4 thousand vs December 31, 2021: £25 thousand) to cover the demand for Axelos hard copy books, the increase in **Trade & other receivables** by £4.2 million (June 30, 2022: £13.7 million vs December 31, 2021: £9.6 million), an income tax receivable of £303 thousand (December 31, 2021: nil) and the increase in Cash and bank and in hand by £8.6 million (June 30, 2022: £27.4 million vs December 31, 2021: £18.8 million). Considering that DSO remained relatively stable at 45 days (in 2021: 44 days), the observed variation in Trade & other receivables is in line with the revenue growth. The increase in **Cash at bank and in hand** by £8.6 million to £27.4 million in H1 2022 despite the payment of bond loan's interest in Q1 2022 are the result of the improved credit management.

Changes in cash and cash equivalents are analyzed in the accompanying consolidated statement of cash flow. At this point, it should be noted that protecting the Group's financial health continues to be primary objective.

As of June 30, 2022, the Group has positive net assets remaining on track to building wealth. The changes in **Total Equity** from £143.9 million in 2021 to £143.3 million in H1 2022 are explained by the consolidated profit of £10.2 million and declared dividends of £11.8 million with the remaining variation relating to exchange differences.

**Total liabilities** increased by £2.8 million (June 30, 2022: £280.7 million vs December 31, 2021: £277.9 million).

The aforementioned increase is mainly driven by the increase in **Borrowings** by £5.6 million (June 30, 2022: £263.7 million vs December 31, 2022: £258.1 million) due to accrued interest expense. Further to this, **Deferred income** decreased by £2.0 million from £3.2 million as of December 31, 2021 to £1.2 million as of June 30, 2022. According to the Group's policy, accreditation fees of FY 2022 were invoiced within November of 2021. The observed fluctuation mainly concerns earned income.

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**Trade & other payables** decreased to £6.6 million as of June 30, 2022 (December 31, 2021: £7.2 million). This variation is mainly due to timing reasons, revealing at the same time the positive impact of the tailor-made cost approval system that was introduced in 2020.

## Business highlights

Since its establishment, PeopleCert has always focused on developing and delivering globally, best-in-class Exam and Certification programs, that enhance the lives and careers of its candidates. By acquiring Axelos, PeopleCert is even better positioned to do so, strengthening its capabilities while remaining committed to its Four (4) Core Values of Quality, Innovation, Passion, and Integrity. The acquisition underlines the Group's strategy to expand its presence and broaden its global offerings, supports the vertical integration strategy of the Group and entails significant operational improvements, allowing PeopleCert to reach international best performance standards. Robust performance and growth prospects are built on Axelos, while the addition of cutting-edge skills, combined with the Group's recognized deep expertise in this sector will create value for all the Group's stakeholders, while at the same time creates opportunities to accelerate standalone strategies and innovation in the market.

Further to the above, a new Commercial Policy including all optimization synergies has been implemented since February 1, 2022 with the majority of planned synergies having been completed within Q1 2022, while Axelos integration and initial transformation plans were completed within H1 2022, 12 months ahead of schedule.

The Group remains committed to its expansion strategy with a strong pipeline of potential acquisitions.

For full details on PeopleCert's reported results, see the financial tables accompanying this release.

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## About PeopleCert

PeopleCert is a global leader in the assessment and certification of professional skills, partnering with multi-national organizations and government bodies to develop and deliver market leading exams. PeopleCert delivers exams across 220 countries, in 25 languages, through its state-of-the-art assessment technology, enabling professionals to reach their full potential and realize their life ambitions through learning.

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## Consolidated statement of Financial Position of PeopleCert Wisdom Limited as of 30 June 2022

amounts in £	30/06/2022	31/12/2021
<b>ASSETS</b>		
<b>Non-current assets</b>		
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
	<b>382,299,922</b>	<b>393,328,295</b>
<b>Current assets</b>		
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
	<b>41,689,126</b>	<b>28,390,400</b>
	<b>423,989,048</b>	<b>421,718,695</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
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
	<b>143,322,950</b>	<b>143,862,797</b>
<b>Non-current liabilities</b>		
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
	<b>266,803,787</b>	<b>259,563,911</b>
<b>Current liabilities</b>		
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
	<b>13,862,311</b>	<b>18,291,987</b>
	<b>423,989,048</b>	<b>421,718,695</b>
<b>Total equity and liabilities</b>	<b>423,989,048</b>	<b>421,718,695</b>

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## Consolidated income statement of PeopleCert Wisdom Limited as of 30 June 2022

<i>amounts in £</i>	<b>H1 2022</b>	<b>H1 2021</b>
Revenue	55,214,409	38,762,672
Cost of revenue	(12,107,372)	(23,479,440)
<b>Gross profit</b>	<b>43,107,037</b>	<b>15,283,232</b>
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)
<b>Operating profit</b>	<b>28,102,668</b>	<b>4,876,315</b>
Financial Income	1,269	658,956
Financial Costs	(17,873,372)	(1,301,603)
<b>Profit before tax</b>	<b>10,230,565</b>	<b>4,233,668</b>
Taxation	(16,813)	(143,248)
<b>Net profit for the year</b>	<b>10,213,752</b>	<b>4,090,420</b>

## Consolidated statement of cash flows of PeopleCert Wisdom Limited as of 30 June 2022

amounts in £	H1 2022	H1 2021
<b>Operating activities</b>		
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
	<b>38,374,940</b>	<b>5,125,484</b>
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)
<b>Net cash from operating activities</b>	<b>31,383,095</b>	<b>3,392,473</b>
<b>Investing activities</b>		
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)
<b>Net cash used in investing activities</b>	<b>(2,240,841)</b>	<b>(1,522,462)</b>
<b>Financing activities</b>		
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)
<b>Net cash from/(used in) financing activities</b>	<b>(20,952,339)</b>	<b>(11,387,290)</b>
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
<b>At the end of the period</b>	<b>27,428,583</b>	<b>7,498,486</b>