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FOR IMMEDIATE RELEASE

PeopleCert announces Consolidated Financial Results for the Nine Months ended September 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 9-months period ended September 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 present financial statements of the Parent Guarantor company – PeopleCert Wisdom Limited on a consolidated basis.

The acquisition of Axelos on 29th 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.

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 the 9 months ended September 30, 2022 (compared to the 9 months ended September 30, 2021):

- Revenue: £80.5 million (+40.7%, compared to £57.2 million at September 30, 2021);
- EBITDA: £53.7 million (+800.7%, compared to -£7.7 million at September 30, 2021);
- Adjusted EBITDA: £54.1 million (224.8%, compared to £16.6 million at September 30, 2021);¹
- EBIT: £43.7 million (+490.2% compared to -£11.2 million at September 30, 2021);
- Adjusted EBIT: £44.1 million (+237.1% compared to £13.1 million at September 30, 2021);
- PBT: profit of £14.2 million compared to a loss of £11.5 million at September 30, 2021, evidencing the Group's the new era of sequential improvement and progress following Axelos integration.
- Net Financial Indebtedness: +£233.1 million (compared to £239.3 million at December 31, 2021)².

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

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

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

Nine-month 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>September 30,</u> <u>2022</u>	<u>September 30,</u> <u>2021</u>
<u>Gross margin</u> Gross profit to Revenue	84.6%	51.4%
<u>Pretax margin</u> Profit before tax to Revenue	17.7%	-20.1%

Gross margin (Gross profit to Revenue) increased by 33.2pp to 84.6% 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 the nine-month period of 2022 of £9.3 million.

The increase in **Pretax margin** by 37.8 pp to 17.7% is primarily driven by the fact that the nine-month period of 2021 was burdened with one-off/exceptional costs regarding the Axelos acquisition of £24 million (9M 2022: £0.4 million). Although higher net financial costs (9M 2022 £29.5 million vs 9M 2021 £0.3 million) and administration expenses (9M 2022 £17.4 million vs 9M 2021 £10.2 million) had an adverse impact on the Group's financial position, the combined effect of the revenue increase by 40.7% and the savings in Cost of Revenue by 55.5% following the decrease in Axelos royalties after the acquisition of the latter on pretax margin fluctuation, supports and enhances the optimistic prospective and future prosperity of the Group after the acquisition.

PeopleCert Consolidated Results as of September 30, 2022

Total Revenue for the nine-month period ended September 30, 2022 grew 40.7% to £80.5 million compared to £57.2 million for the same period last year. The growth derives from the B&IT stream that presented an increase of 38.2%, with a significant further contribution from Languages' products that rose by 54.6%.

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.

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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 55.5% to £12.4 million for the nine-month period ended September 30, 2022 compared to £27.8 million during the nine-month period ended September 30, 2021, therefore increasing gross profit by 131.7% (9M 2022: £68.2 vs 9M 2021: £29.4) and the gross profit margin from 51.4% to 84.6%. The main reason for this variation is the termination of Axelos royalties following the acquisition as well as the product mix effect.

Operating expenditure decreased by 39.6% to £24.7 million compared to £40.9 million for the same period last year. Excluding the one-off impact of acquisition-related costs of £24 million (9M 2022: £0.4 million), operating expenses were higher by 46.4% (9M 2022: £24.3 million vs 9M 2021: £16.6 million) primarily reflecting 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 nine-month period ended September 30, 2022 – an alternative performance measure and key indicator capturing the underlying business margin by excluding material charges, showing an increase of 224.8% to £54.1 million.

EBIT increased by 490.2% to £43.7 million compared to operating losses of £11.2 million last year and was mainly driven by the positive impact of synergies (9M 2022: £12.4 million on EBITDA), operational performance linked to efforts on cost containment and competitiveness, as well as negotiating savings.

Net finance costs were £29.5 million, compared to £0.3 million in 2021. The 9M 2022 financial result mainly reflects exchange losses of £17.6 million, interest expenses of £11 million imposed on the Eurobond issued by the PeopleCert Group and bank expenses of £0.9 million. 9M 2021 finance costs mainly concerned bank costs and two-month interest expenses on the bond loan.

Net Financial Indebtedness remains positive as of September 30, 2022, at £233.1 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 September 30, 2022

A. Liquidity Ratios

	<u>September 30,</u> <u>2022</u>
<u>Cash Ratio</u> Cash to Current Liabilities	4.68
<u>Working Capital Ratio</u> Current Assets to Current Liabilities	6.61

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 4.68 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.

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

PeopleCert Consolidated Financial Position as of September 30, 2022

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 September 30, 2022, **Total Assets** were £443.8 million (December 31, 2021: £421.7 million).

Non-current assets at the end of Q3 2022 amounted to £398.1 million compared to £393.3 million by year-end 2021.

The majority of the balance concerns **Goodwill** of total amount £318.5 million and **Intangible Assets** of amount £73.4 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 £45.7 million as of September 30, 2022 from £28.4 million as of December 31, 2021.

This variation is attributed to the combined effect of increased inventories in Q3 2022 (September 30, 2022: £364.4 thousand vs December 31, 2021: £25 thousand) to cover the demand for Axelos hard copy books, the increase in **Trade & other receivables** by £1.1 million (September 30, 2022: £10.6 million vs December 31, 2021: £9.6 million), an income tax receivable of £2.3 million (December 31, 2021: offset against current tax liabilities) and the increase in Cash and bank and in hand by £13.6 million (September 30, 2022: £32.4 million vs December 31, 2021: £18.8 million). Despite the revenue growth by 40.7%, Trade & other receivables increased at a slower pace by 11% evidencing the DSO decrease to 36 days (in 2021: 44 days). The increase in **Cash at bank and in hand** by £13.6 million to £32.4 million in Q3 2022 despite the payment of bond loan's interest in September 2022 is 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 September 30, 2022, the Group has positive net assets of £158.4 million in Q3 2022 (Q3 2021: £143.9 million) remaining on track to building wealth.

Total liabilities increased by £7.6 million (September 30, 2022: £285.5 million vs December 31, 2021: £277.9 million).

The aforementioned increase is mainly driven by the increase in **Borrowings** by £7.4 million (September 30, 2022: £265.5 million vs December 31, 2021: £258.1 million) due to the material fluctuation of FX currencies (average FX rate of 9M 2022: 1.13 vs average FX rate of FY 2021: 1.1901). Further to this, **Deferred income** decreased by £2.5 million from £3.2 million as of December 31, 2021 to £0.7 million as

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of September 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.

Trade & other payables decreased to £5.4 million as of September 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.

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.

Within Q3 2022, the Group expanded its software development portfolio through various IP acquisitions, while 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

Established in 2000, PeopleCert is the global leader in the certification industry. PeopleCert develops global best practice frameworks and certifications, manages exams and delivers certifications. Its product portfolio of 700 certifications in IT & Digital Transformation, Project Management, Business and Languages includes two of the most globally recognised IP-protected frameworks, developed and evolved by UK Government over a 30-year period: ITIL® and PRINCE2®.

PeopleCert certifications are delivered across 200 countries, 50.000 Corporates (87% of Fortune 500) and 800 government organisations through a global network of 2.500 Accredited Training Organisations and 30.000 venues worldwide, as well as through PeopleCert's award-winning Online Proctoring solution. The PeopleCert team consists of over 1.000 employees from 40 nationalities. PeopleCert has received 50 awards in Entrepreneurship, Business, Technology and Sustainability.

Following the acquisition of Axelos in 2021 for £380 million, PeopleCert became the first "unicorn" of Greek origin.

Consolidated statement of Financial Position of PeopleCert Wisdom Limited as of 30 September 2022

<i>amounts in £</i>	30/09/2022	31/12/2021
ASSETS		
Non-current assets		
Property, plant and equipment	3,815,079	1,456,360
Right-of-use assets	1,309,719	1,698,586
Intangible Assets	73,396,240	25,686,664
Goodwill	318,475,860	364,299,986
Investments	1	-
Deferred tax assets	890,034	-
Other Assets	179,716	186,699
	398,066,649	393,328,295
Current assets		
Trade and other receivables	10,630,556	9,528,234
Income tax receivable	2,334,450	-
Inventory	364,359	25,220
Cash at bank and in hand	32,415,649	18,836,946
	45,745,014	28,390,400
Total assets	443,811,663	421,718,695
EQUITY AND LIABILITIES		
Equity		
Share capital	4	4
Share Premium	140,058,339	140,058,339
Other Reserves	4,715,434	(1,612,150)
Retained earnings	13,582,982	5,416,604
	158,356,759	143,862,797
Non-current liabilities		
Borrowings	264,900,662	252,079,657
Provisions for other liabilities and charges	82,511	78,518
Other Non-Current Liabilities	6,164	591,164
Deferred tax liabilities	12,059,694	5,510,095
Obligations under finance leases	1,480,163	1,304,477
	278,529,193	259,563,911
Current liabilities		
Trade and other payables	5,399,371	7,182,534
Deferred income	639,366	3,164,328
Borrowings	638,396	6,029,185
Obligations under finance leases	222,431	467,834
Income tax payable	26,147	1,448,106
	6,925,711	18,291,987
Total equity and liabilities	443,811,663	421,718,695

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Consolidated income statement of PeopleCert Wisdom Limited as of 30 September 2022

amounts in £	9M 2022	9M 2021
Revenue	80,509,671	57,238,738
Cost of revenue	(12,393,285)	(27,839,488)
Gross profit	68,116,386	29,399,250
Other Operating Income	280,021	283,187
Administration	(17,369,384)	(10,172,398)
Selling and distribution expenses	(6,893,213)	(6,419,416)
One-off/Exceptional Costs	(389,265)	(24,300,981)
Operating profit	43,744,545	(11,210,359)
Financial Income	1,669	3,924,243
Financial Costs	(29,519,780)	(4,198,729)
Profit before tax	14,226,434	(11,484,845)
Taxation	372,538	(2,435,560)
Net profit for the year	14,598,972	(13,920,405)

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Consolidated statement of cash flows of PeopleCert Wisdom Limited as of 30 September 2022

Amounts in GBP	9M-2022	9M 2021
Operating activities		
Profit/(Loss) before tax	14,226,434	(11,155,629)
Adjustments:		
Depreciation of property, plant and equipment	721,716	605,412
Amortisation of intangible assets	9,202,607	2,962,945
Exchange Rate difference arising on the translation and consolidation of foreign companies' financial statements	6,368,766	(723,042)
Exchange Rate difference arising on the translation of the bond loan	12,816,662	-
Interest expense	10,958,568	2,591,551
	54,294,753	(5,718,763)
Inventories	(339,139)	-
Trade and other receivables	(1,102,322)	(3,476,660)
Trade and other payables	(1,783,163)	10,911,605
Deferred income	(2,524,962)	(941,266)
Tax paid	(1,945,684)	(2,859,796)
Net cash from operating activities	46,599,483	(2,084,880)
Investing activities		
Payment for purchase of property, plant and equipment	(2,329,514)	(475,153)
Payment for purchase of intangible assets	(3,059,815)	(1,885,993)
Payment for purchase of investment in subsidiaries	-	(365,095)
Other assets	6,983	(54,732)
Cash from Investements	-	(372,599,537)
Net cash used in investing activities	(5,382,346)	(375,380,509)
Financing activities		
Payments of lease liabilities	(476,067)	(430,683)
Increase in Share Premium	-	140,050,000
Proceeds from borrowings	-	256,058,347
Repayments of borrowings	-	(2,227,704)
Interest paid	(16,337,528)	(42,716)
Dividends paid	(11,782,562)	(10,795,777)
Net cash from/(used in) financing activities	(28,596,157)	382,611,468
Net increase/(decrease) in cash and cash equivalents	12,620,979	5,146,079
Cash and cash equivalents:		
At beginning of the year	18,836,946	16,884,064
Effect of exchange rate fluctuations on cash held	957,724	(5,193,073)
At the end of the period	32,415,649	16,837,071