

PeopleCert

All talents, certified.

FOR IMMEDIATE RELEASE

PeopleCert reports First Quarter 2023 Consolidated Financial Results

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 quarter ended March 31, 2023.

All amounts are presented in GBP.

Consolidated highlights for Q1 2023 (compared to Q1 2022):

- Revenue: £28.2 million (+4.6%, compared to £27.0 million at March 31, 2022);
- EBITDA: £16.1 million (-17.5%, compared to £19.6 million at March 31, 2022);
- Adjusted EBITDA: £16.1 million (-17.7%, compared to £19.6 million at March 31, 2022);¹
- EBIT: £11.6 million (-22.3% compared to £14.9 million at March 31, 2022);
- Adjusted EBIT: £12.8 million (-23.9% compared to £16.9 million at March 31, 2022);
- PBT: profit of £11.6 million compared to £14.9 million at March 31, 2022);
- Net Financial Indebtedness: +£219.1 million (compared to £219.1 million at December 31, 2022)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

The results reflect a strong performance across the Group as well as the efforts on cost containment and competitiveness. 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>March 31, 2023</u>	<u>March 31, 2022</u>
<u>Gross margin</u> Gross profit to Revenue	85.6%	87.6%
<u>Pretax margin</u> Profit before tax to Revenue	41.1%	55.3%

Gross margin (Gross profit to Revenue) decreased by 2.0 pp to 85.6% mainly due to the higher amortization due to the revalued intangible assets of Axelos following the completion of the Purchase Price Allocation in Q2 2022. Excluding the amortization expense in both periods, Gross margin is at 97%.

The decrease in **Pretax margin** by 14.2 pp to 41.1% is primarily driven by the higher staff costs following the need for additional employees and the increased marketing costs. Despite the higher amortization costs, the positive contribution of the lower net financial costs (Q1 2023 £1.3 million vs Q1 2022 £1.9

PeopleCert

All talents, certified.

million) combined with the increase in revenue by 4.6% evidence the optimistic prospective and future prosperity of the Group.

PeopleCert Consolidated Results as of March 31, 2023

Total Revenue for the quarter ended March 31, 2023 grew 4.6% to £28.2 million compared to £27.0 million in Q1 2022. Despite the decrease in Languages' products by 30% mainly due to seasonality, the growth derives from the B&IT stream that presented an increase of 9.8%.

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 and Devops Institute while the remaining variation is related to the expansion of Software Development product suite through the acquisition of QAI certifications during Q3 2022. Further to this, PeopleCert managed 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.

Although **Cost of sales** increased by 22.1% to £4.1 million for the quarter ended March 31, 2023 compared to £3.4 million during Q1 2022, gross profit increased by 2.1% (Q1 2023: £24.2 vs Q1 2022: £23.7). The majority of the observed increase in Cost of Sales is attributed to the increase in amortization expense.

Operating expenditure increased by 4.4% to £11.3 million compared to £6.9 million in Q1 2022 in line with the increased operations of the Group and primarily reflects the Group's investment in supporting its growth plan.

Despite the higher revenues, the increased operating costs and the higher cost of sales affected adversely both **EBITDA** and **adjusted EBITDA** for the quarter ended March 31, 2023 – an alternative performance measure and key indicator capturing the underlying business margin by excluding material charges, showing a decrease of 17.7% to £16.1 million.

EBIT decreased by 22.3% to £11.6 million compared to £14.9 million in Q1 2022 however this is mainly due to operating expenses incurred in connection with the expansion of product portfolio through the acquisition of Devops Institute, as well as the OTM that will be launched in Q2 2023 for the Top 3 products.

Net finance costs were £1.3 million, compared to £1.9 million in Q1 2022 with the fluctuation being primarily due to the decrease in FX rates.

Net Financial Indebtedness remains positive as of March 31, 2023, at £219.1 million (December 31, 2022: £219.1 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 March 31, 2023

A. <u>Liquidity Ratios</u>	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
<u>Cash Ratio</u> Cash to Current Liabilities	3.26	2.30
<u>Working Capital Ratio</u> Current Assets to Current Liabilities	4.50	3.05

Indicatively, we state the above liquidity ratios that support the Group's financial health. The cash ratio of 3.26 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.

PeopleCert Consolidated Financial Position as of March 31, 2023

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 March 31, 2023, **Total Assets** were £464.6 million (December 31, 2022: £468.9 million).

Non-current assets amounted to £402.1 million compared to £400.7 million by year-end 2022.

The majority of the balance concerns **Goodwill** of total amount £320.9 million (December 31, 2022: £317.7 million) and **Intangible Assets** of amount £72.8 million (December 31, 2022: £75.3 million). On initial recognition, the value of goodwill in relation to the acquisition of Devops Institute in February 2023 was determined provisionally. Following the completion of the Purchase Price Allocation (PPA), the respective consideration will be allocated between goodwill and identified trade names, trademarks, intellectual property/content and customer relationships.

Current assets decreased to £62.6 million as of March 31, 2023 from £68.2 million as of December 31, 2022.

This variation is mainly attributed to the decrease in **Cash at bank and in hand** by £6.1 million to £45.4 million which is mainly due to the acquisition of Devops Institute and the payment of bond's interest. The remaining variation is due to the combined effect of increased **inventories** in Q1 2023 (March 31, 2023: £285.9 thousand vs December 31, 2022: £200.4 thousand) to cover the demand for Axelos hard copy books, an income tax receivable of £1.1 million (December 31, 2022: nil) and the decrease in **Trade & other receivables** by £0.7 million (March 31, 2023: £15.8 million vs December 31, 2022: £16.6 million). Despite the revenue growth by 4.6%, Trade & other receivables decreased by 4.5%, however, the relatively stable DSO (2023: 51 days, 2022: 52 days) indicate a robust credit control.

PeopleCert

All talents, certified.

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 March 31, 2023, the Group has positive net assets of £173.3 million (December 31, 2022: £165.6 million) remaining on track to building wealth.

Total liabilities decreased by £12.1 million (March 31, 2023: £291.3 million vs December 31, 2022: £303.4 million).

The aforementioned decrease is mainly driven by the decrease in **Borrowings** by £6.1 million (March 31, 2023: £264.4 million vs December 31, 2022: £270.5 million) due to the payment of the interest in March 2023 and the effect of the increase in spot rates (March 31, 2023: 1.1374 vs December 31, 2022: 1.1275), as well as due to the current tax liabilities (March 31, 2023: £270.5 million vs December 31, 2022: £5.7 million). **Deferred income** decreased by £0.7 million from £3.3 million as of December 31, 2022 to £2.6 million as of March 31, 2023.

Trade & other payables increased to £1.2 million as of March 31, 2023 (December 31, 2022: £8.2 million). This variation is mainly due to timing reasons.

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. Through the recent acquisitions, 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 acquisitions underline the Group's strategy to expand its presence and broaden its global offerings, support the vertical integration strategy of the Group and entail significant operational improvements, allowing PeopleCert to reach international best performance standards.

At the same time the development of the below commercial actions creates opportunities to accelerate standalone strategies and innovation in the market, while adding value for all the Group's stakeholders:

- Expansion of product portfolio through the acquisition of DevOps Institute
- Official training material announcement - launched April 1 2023 for Top 3 products
- Enhanced customer experience (books and exams through one point of sale)

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.

ENDS

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.

Consolidated statement of Financial Position of PeopleCert Wisdom Limited as of March 31, 2023

Amounts in €	31/3/2023	31/12/2022
ASSETS		
Non-current assets		
Property, plant and equipment	4,786,094	3,725,190
Right-of-use assets	2,846,229	3,308,272
Intangible Assets	72,841,277	75,241,497
Goodwill	320,910,899	317,703,753
Investments	1	1
Deferred tax assets	412,233	528,236
Other Assets	248,923	249,460
	402,045,655	400,756,408
Current assets		
Trade and other receivables	15,849,733	16,590,886
Income tax receivable	1,050,310	0
Inventory	285,958	200,347
Cash at bank and in hand	45,368,232	51,433,660
	62,554,233	68,224,893
Total assets	464,599,888	468,981,301
EQUITY AND LIABILITIES		
Equity		
Share capital	4	4
Share Premium	140,058,339	140,058,339
Other Reserves	4,586,389	9,420,350
Retained earnings	28,670,358	16,133,045
Total Equity	173,315,090	165,611,738
Non-current liabilities		
Borrowings	263,759,451	266,075,388
Provisions for other liabilities and charges	94,440	95,269
Other Non-Current Liabilities	41,317	540,686
Deferred tax liabilities	11,165,124	11,692,747
Obligations under finance leases	2,314,211	2,594,562
	277,374,543	280,998,652
Current liabilities		
Trade and other payables	9,385,417	8,209,172
Deferred income	2,577,237	3,279,162
Borrowings	679,633	4,391,306
Obligations under finance leases	1,076,556	823,764
Income tax payable	191,411	5,667,508
	13,910,255	22,370,912
Total equity and liabilities	464,599,888	468,981,301

PeopleCert

All talents, certified.

Consolidated income statement of PeopleCert Wisdom Limited as of March 31, 2023

Amounts in €	31/3/2023	31/3/2022
Revenue	28,231,699	26,990,287
Cost of sales	(4,076,290)	(3,337,527)
Gross profit	24,155,409	23,652,760
Other income	9,914	105,263
Administration expenses	(7,880,913)	(4,949,852)
Selling and distribution expenses	(3,441,275)	(1,926,218)
Other expenses	0	(51,096)
Operating profit	12,843,135	16,830,857
Finance income	2,571	992
Finance costs	(1,252,902)	(1,914,582)
Profit before tax	11,592,804	14,917,267
Taxation expense	441,815	(1,591)
Net profit	12,034,619	14,915,676

PeopleCert

All talents, certified.

Consolidated statement of cash flows of PeopleCert Wisdom Limited as of March 31, 2023

Amounts in £	31/3/2023	31/3/2022
Operating activities		
Profit/(Loss) before tax	11,592,803	14,917,267
Adjustments:		
Depreciation of property, plant and equipment	134,208	263,287
Amortisation of intangible assets	3,168,418	2,475,881
Exchange Rate difference arising on the translation and consolidation of foreign companies' financial statements	(3,128,914)	(405,548)
Interest expense	3,877,644	1,914,582
	15,644,159	19,165,469
Inventories	(85,612)	(76,967)
Trade and other receivables	741,153	(1,498,774)
Trade and other payables	1,176,245	(1,706,135)
Decrease in deferred income	(701,924)	(1,156,217)
Tax paid	(2,130,181)	(74,340)
	14,643,841	14,653,036
Investing activities		
Payment for purchase of property, plant and equipment	(797,836)	(75,354)
Payment for purchase of intangible assets	(922,237)	(1,007,683)
Acquisition of subsidiary, net of cash acquired	(3,393,492)	-
Other assets	537	-
	(5,113,029)	(1,083,037)
Financing activities		
Payments of lease liabilities	(204,124)	-
Interest paid	(7,594,435)	(8,851,849)
Dividends paid	(7,350,000)	-
	(15,148,560)	(8,851,849)
Net increase/(decrease) in cash and cash equivalents	(5,617,746)	4,718,150
Cash and cash equivalents:		
At beginning of the year	51,433,660	18,836,946
Effect of exchange rate fluctuations on cash held	(447,682)	160,084
	45,368,232	23,715,181