



Earnings Supplement

Q2 FY2024

September 11, 2023



Cautionary Notes Regarding Forward Looking Statements

This document includes statements that are, or may be deemed to be, “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created by those laws. All statements, other than statements of historical facts, that address activities, events or developments that we expect or anticipate may occur in the future, including such things as our outlook (including bookings, revenue, adjusted EBITDA, and free cash flow), our product development and planning, our pipeline, future capital expenditures, share repurchases, financial results, the impact of regulatory changes, existing and evolving business strategies and acquisitions and dispositions, demand for our services, competitive strengths, the benefits of new initiatives, growth of our business and operations, and our ability to successfully implement our plans, strategies, objectives, expectations and intentions are forward-looking statements. Also, when we use words such as “may,” “will,” “would,” “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “project,” “forecast,” “seek,” “outlook,” “target,” “goal,” “probably,” or similar expressions, we are making forward-looking statements. Such statements are based upon the current beliefs and expectations of Skillsoft’s management and are subject to significant risks and uncertainties. All forward-looking disclosure is speculative by its nature, and we caution you against unduly relying on these forward-looking statements.

Factors that could cause or contribute to such differences include those described under “Part I - Item 1A. Risk Factors” in our Form 10-K for the fiscal year ended January 31, 2023. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements included in our other periodic filings with the Securities and Exchange Commission. The forward-looking statements contained in this document represent our estimates only as of the date of this filing and should not be relied upon as representing our estimates as of any subsequent date. While we may elect to update these forward-looking statements in the future, we specifically disclaim any obligation to do so, whether to reflect actual results, changes in assumptions, changes in other factors affecting such forward-looking statements, or otherwise.

Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of these assumptions, and therefore also the forward-looking statements based on these assumptions, could themselves prove to be inaccurate. Given the significant uncertainties inherent in the forward-looking statements included in this document, our inclusion of this information is not a representation or guarantee by us that our objectives and plans will be achieved. Annualized, pro forma, projected and estimated numbers are used for illustrative purpose only, are not forecasts and may not reflect actual results. Additionally, statements as to market share, industry data and our market position are based on the most currently available data available to us and our estimates regarding market position or other industry data included in this document or otherwise discussed by us involve risks and uncertainties and are subject to change based on various factors, including as set forth above.

Today's Call

- Opening Remarks
- CEO Commentary
- Business & Operational Highlights
- Q2 FY2024 Financial Results
- Q&A
- Closing Remarks



Jeff Tarr

CEO



Rich Walker

CFO



Chad Lyne

IRO



Webcast Details

Webcast Link: <https://event.choruscall.com/mediaframe/webcast.html?webcastid=TxKC7lq9>

Audio Dial-in: Toll-free (877) 413-9278 | International: (215) 268-9914

“ Skillsoft executed well in the quarter, delivering improved top-line performance with growth in both Bookings and Revenue.

The reskilling revolution is impacting nearly every company and industry around the globe, as organizations seek to enable their talent to succeed in an increasingly dynamic era marked by digital transformation, occupational disruption, and now the emergence of generative AI.

We believe these structural shifts are unlocking new long-term growth opportunity for Skillsoft as we enable organizations to grow and thrive with a future-fit workforce that is skilled and ready for the jobs of tomorrow.”

Jeff Tarr
CEO

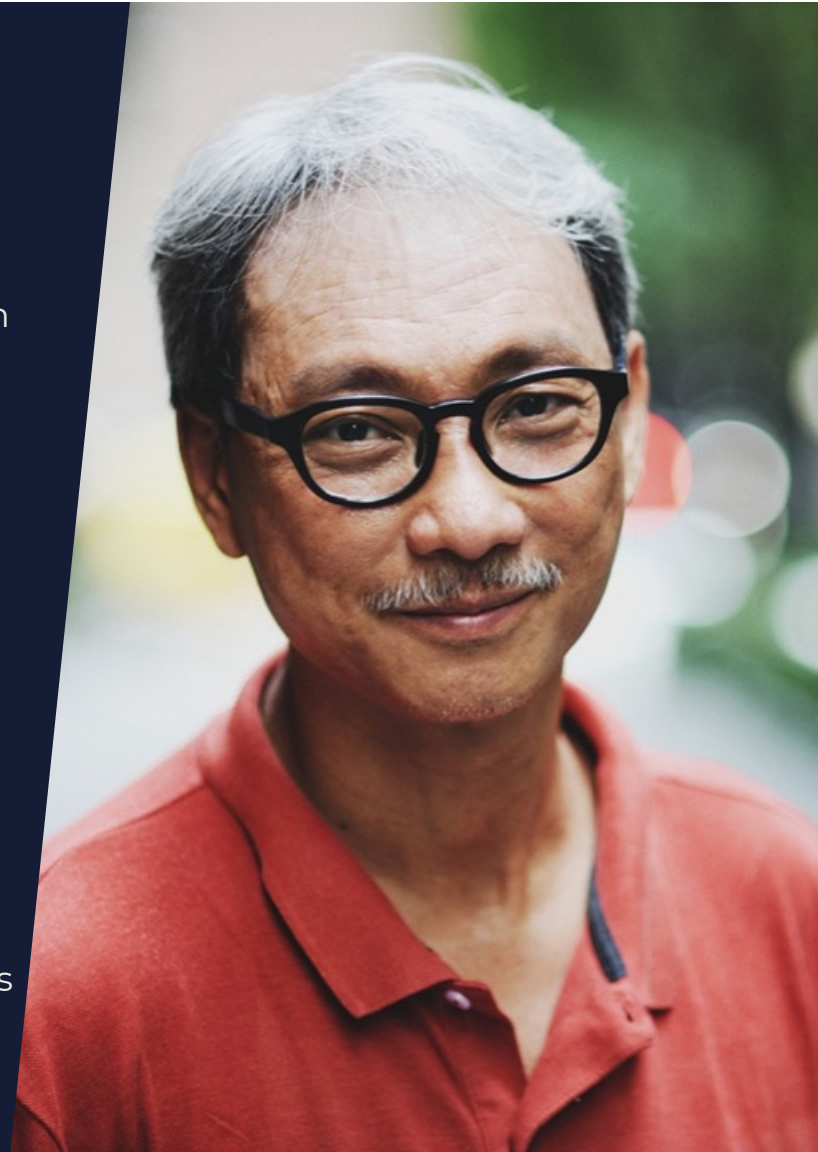


Q2 FY24 Business Highlights

- LTM Content & Platform Dollar Retention Rate¹ was approximately 101% in the quarter, up from approximately 98% in the year-ago period.
- Released a beta version of Skillsoft CAISY™ (Conversion AI Simulator), an innovative generative AI-based tool for simulating business and leadership conversational skills.
- Launched a ChatGPT Learning Journey, the first in a series of generative AI courses.
- Announced significant enhancements to our Codecademy technology skilling solution.
- Released our C-Suite Perspectives report, providing C-level leaders with a roadmap to help them build agile, future-fit teams through transformative learnings.



¹ Refer to Appendix for definitions.



Q2 FY2024 Financial Highlights

A strong second quarter with YoY growth in Bookings and Revenue for the total company led by 7% growth in the Content & Platform segment, with higher profitability QoQ

Content &
Platform Segment
Bookings¹

\$83.1M

▲ **7%**

vs. Prior Year

LTM Dollar
Retention Rate¹

101%

▲ **~300bps**

vs. Prior Year

Adjusted EBITDA¹
% of Revenue

\$25.4M

18%

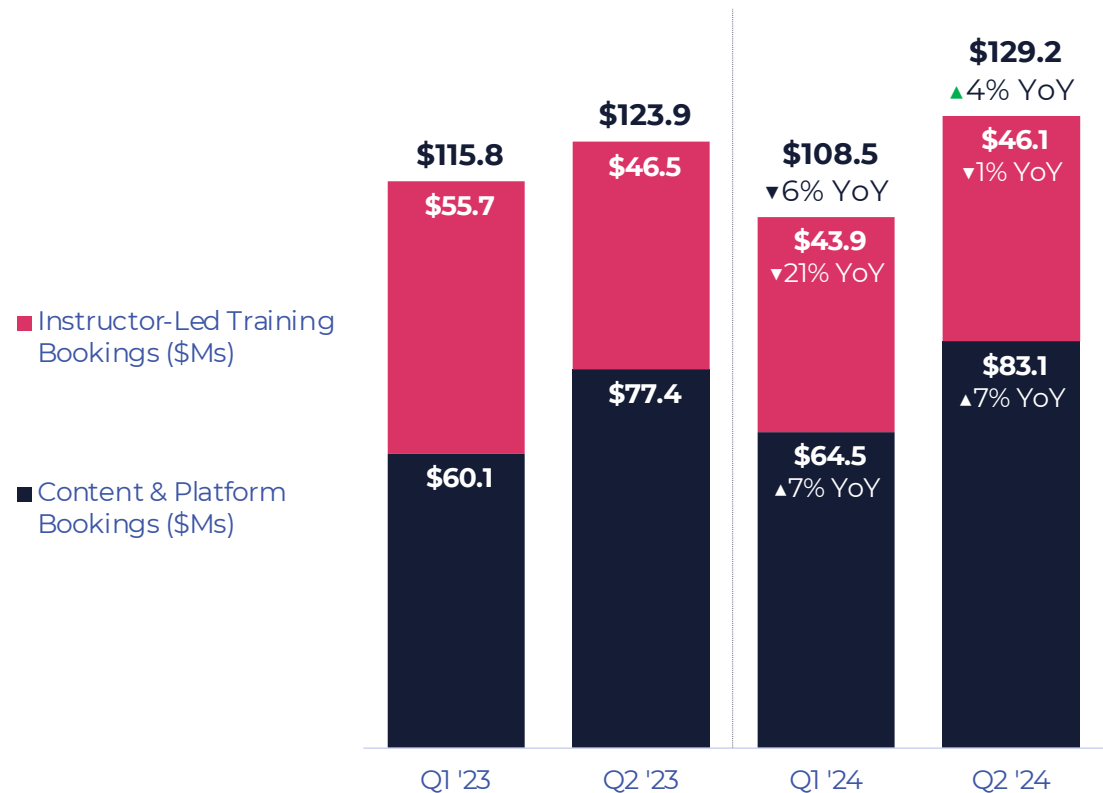
▲ **~200bps**

vs. Prior Quarter

Bookings

- Total Bookings of \$129M, reflecting YoY growth of 4%
- Content & Platform segment Bookings of \$83M, reflecting YoY growth of 7% for the quarter and 2% on an LTM basis
- Instructor-Led Training segment Bookings of \$46M, down 1% YoY

Total Bookings returned to growth with 4% YoY expansion



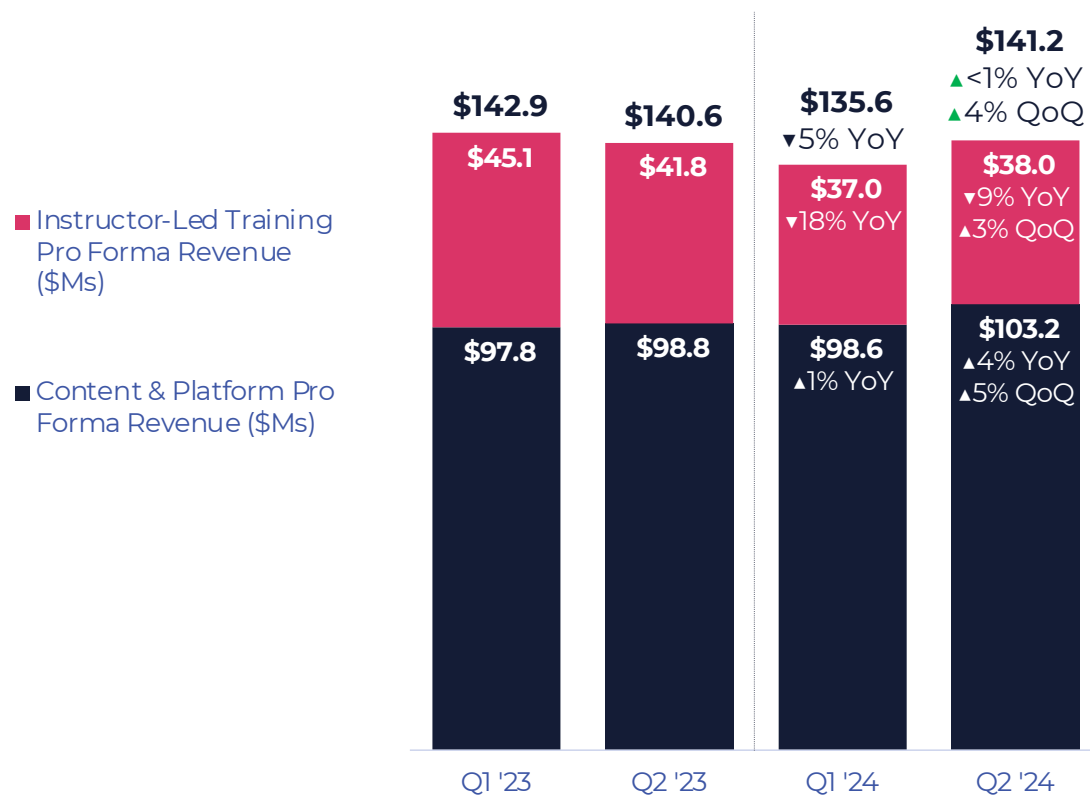
Note: Refer to Appendix for definitions and reconciliation to comparable GAAP measures, as appropriate.

Revenue

- Total Revenue of \$141M, reflecting growth of <1% YoY and 4% QoQ
- Content & Platform segment Revenue of \$103M, reflecting growth of 4% YoY and 5% QoQ
- Instructor-Led Training segment Revenue of \$38M, down 9% YoY but up 3% QoQ
- 73% of Revenue from the Content & Platform segment; 27% from the Instructor-Led Training segment
- Geographic mix: 66% United States, 25% EMEA, 9% rest of world



Delivered total company Revenue growth YoY, led by 4% expansion in the primarily SaaS-based and recurring revenue Content & Platform segment



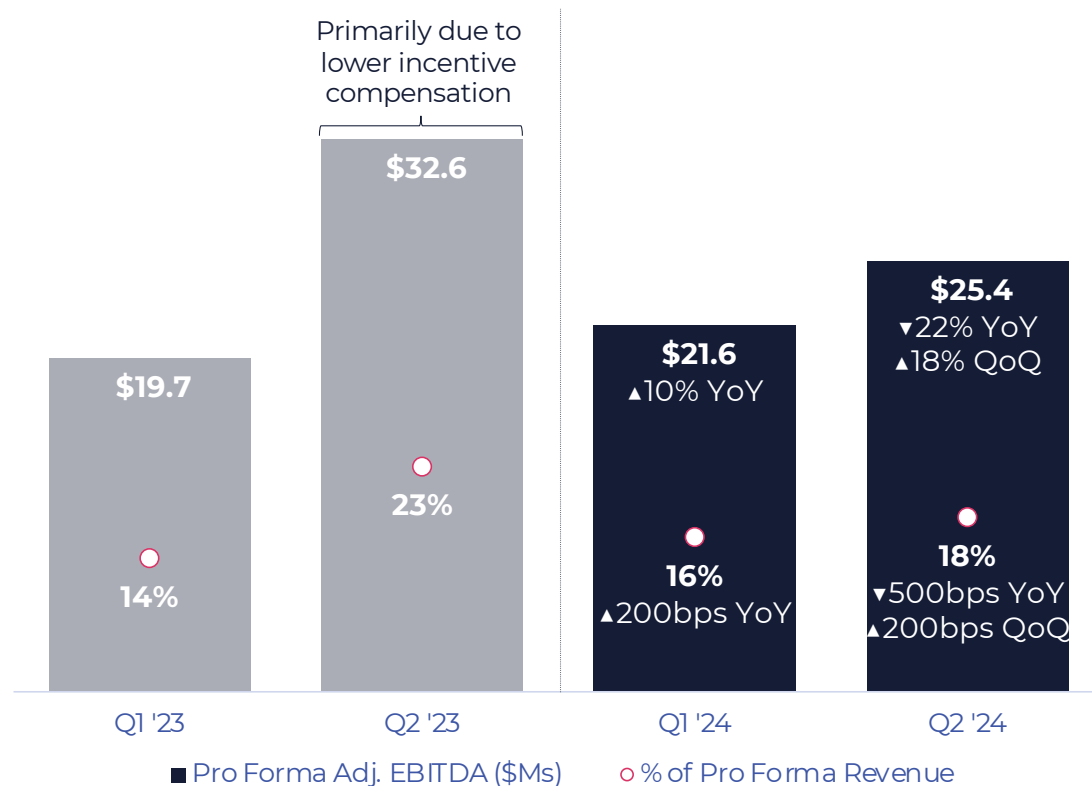
Note: Refer to Appendix for definitions and reconciliation to comparable GAAP measures, as appropriate.

Profitability and Cash Flow

- Adjusted EBITDA of \$25M was down \$7M or 22% YoY due to lower incentive compensation in prior-year period
- Adjusted EBITDA was up \$4M or 18% QoQ; Adjusted EBITDA margin of 18% was up 200+ basis points QoQ
- YTD Cash Flow from Operations of \$2M
- YTD Free Cash Flow of -\$7M due to normal seasonality
- \$148M of cash & equivalents and \$5M of restricted cash



Expanded profitability QoQ with 18% Adj. EBITDA margin



Note: Refer to Appendix for definitions and reconciliation to comparable GAAP measures, as appropriate.

Reaffirming FY2024 Financial Outlook Metrics

Metric	FY23A	FY24 Outlook	Implied Growth at Midpoint of Outlook
Bookings	\$607M	\$610M-\$640M	~3%
Revenue	\$563M	\$555M-\$585M	~1%
Adj. EBITDA	\$102M	\$100M-\$105M	<1%



Appendix

Reconciliation of Non-GAAP Financial Measures

We track the non-GAAP financial measures and key performance metrics that we believe are key financial measures of our success. Non-GAAP measures and key performance metrics are frequently used by securities analysts, investors, and other interested parties in their evaluation of companies comparable to us, many of which present non-GAAP measures and key performance metrics when reporting their results. These measures can be useful in evaluating our performance against our peer companies because we believe the measures provide users with valuable insight into key components of U.S. GAAP financial disclosures. For example, a company with higher U.S. GAAP net income may not be as appealing to investors if its net income is more heavily comprised of gains on asset sales. Likewise, excluding the effects of interest income and expense moderates the impact of a company's capital structure on its performance. However, non-GAAP measures and key performance metrics have limitations as analytical tools. Because not all companies use identical calculations, our presentation of non-GAAP financial measures and key performance metrics may not be comparable to other similarly titled measures of other companies. They are not presentations made in accordance with U.S. GAAP, are not measures of financial condition or liquidity, and should not be considered as an alternative to profit or loss for the period determined in accordance with U.S. GAAP or operating cash flows determined in accordance with U.S. GAAP. As a result, these performance measures should not be considered in isolation from, or as a substitute analysis for, results of operations as determined in accordance with U.S. GAAP.

We have provided at the back of this supplement reconciliations of our historical non-GAAP financial measures to the comparable GAAP measures. We do not reconcile our forward-looking non-GAAP financial measures to the corresponding U.S. GAAP measures, due to variability and difficulty in making accurate forecasts and projections and/or certain information not being ascertainable or accessible; and because not all of the information necessary for a quantitative reconciliation of these forward-looking non-GAAP financial measures to the most directly comparable U.S. GAAP financial measure is available to us without unreasonable efforts. For the same reasons, we are unable to address the probable significance of the unavailable information. We provide non-GAAP financial measures that we believe will be achieved, however we cannot accurately predict all of the components of the adjusted calculations and the U.S. GAAP measures may be materially different than the non-GAAP measures.

We disclose the following non-GAAP financial measures and key performance metrics in this supplement because we believe these non-GAAP financial measures and key performance metrics provide meaningful supplemental information.

- **Bookings** - Bookings in any particular period represents the dollar value of orders received during that period and reflects (i) subscription renewals, upgrades, churn, and downgrades to existing customers, (ii) non-subscription services, and (iii) sales to new customers. Bookings generally represents a customer's annual obligation (versus the life of the contract), and, for the subscription business, revenue is recognized for such bookings over the following 12 months. We use bookings to measure and monitor current period business activity with respect to our ability to sell subscriptions and services to our platform. Bookings are adjusted and presented on a Pro Forma basis as if Codecademy had merged on February 1, 2022, to enhance comparability.
- **Pro Forma Revenue** - Pro Forma Revenue is defined as GAAP revenue adjusted in accordance with Regulation S-X, Article 11 as if Codecademy had merged on February 1, 2022, to enhance comparability. Pro Forma Revenue is reconciled to the reported GAAP revenue for all the periods presented.
- **Dollar Retention Rate ("DRR")** - For existing customers at the beginning of a given period, DRR represents subscription renewals, upgrades, churn, and downgrades in such period divided by the beginning total renewable base for such customers for such period. Renewals reflect customers who renew their subscription, inclusive of auto-renewals for multi-year contracts, while churn reflects customers who choose to not renew their subscription. Upgrades include orders from customers that purchase additional licenses or content (e.g., a new Leadership and Business module), while downgrades reflect customers electing to decrease the number of licenses or reduce the size of their content package. Upgrades and downgrades also reflect changes in pricing. We use our DRR to measure the long-term value of customer contracts as well as our ability to retain and expand the revenue generated from our existing customers.
- **Adjusted Net Income (Loss)** - Adjusted Net Income (Loss) is defined as GAAP Net Income (Loss) excluding non-cash items, discrete and event-specific costs that do not represent normal, recurring, cash operating expenses necessary for our business operations, and certain accounting income and/or expenses that management believes are necessary to enhance the comparability and are useful in assessing our operating performance, include the following (including the related tax effects):
 - Stock-based compensation expense - Non-cash expense associated with stock-based compensation.
 - Restructuring charges - Severance costs and the abandonment of right-of-use assets resulted from the acquisition integration process and cost saving initiatives.
 - Fair value adjustments - Mark-to-market adjustments of warrants and hedge instruments.
 - Foreign currency impact - Unrealized and realized foreign exchange gains or losses due to fluctuations in exchange rates.
 - Acquisition and integration related costs - Non-recurring costs incurred to effectuate an acquisition, including contingent compensation expenses, and integration related costs.
 - Transformation costs - Non-recurring costs incurred to transform our operations through significant strategic non-ordinary course transactions.
 - System migration costs - Non-recurring costs of temporary resources needed for the migration of content and customers from our legacy system to a global platform.
 - Income from discontinued operations - Income from discontinued operations that do not reflect our current operating performance.
 - (Gain)/loss on sale of business - gain or loss on non-routine sale of business
 - Impairment charges - non-cash goodwill, intangible or other asset impairment charges
- **Adjusted EBITDA** - Adjusted EBITDA is defined as adjusted net loss excluding interest expense or income, benefit from or provision for income taxes, depreciation and amortization expense.
- **Non-GAAP operating expenses** - GAAP operating expenses, less depreciation, stock-based compensation, system migration costs, transformation costs, other non-cash charges and pro forma adjustments, as applicable.
- **Pro forma adjusted net income (loss)** - Pro forma adjusted net income (loss) is defined as adjusted net income (loss) adjusted in accordance with Regulation S-X, Article 11 as if Codecademy had merged on February 1, 2022, to enhance comparability.
- **Pro forma adjusted net income (loss) per share** - Pro forma adjusted net income (loss) per share is defined as adjusted net income (loss) defined above divided by weighted average common shares outstanding.
- **Pro forma adjusted EBITDA** - Pro forma adjusted EBITDA is defined as adjusted EBITDA adjusted in accordance with Regulation S-X, Article 11 as if Codecademy had merged on February 1, 2022, to enhance comparability.
- **Pro forma adjusted EBITDA % of pro forma revenue** - Pro forma adjusted EBITDA % of pro forma revenue is defined as pro forma adjusted EBITDA defined above as a percentage of pro forma revenue defined above.

Reconciliation of Non-GAAP Financial Measures

SKILLSOFT CORP.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(in thousands, unaudited)

	Three Months Ended July 31, 2023	Three Months Ended July 31, 2022	Six Months Ended July 31, 2023	Six Months Ended July 31, 2022
Revenues, as reported	<u>\$ 141,187</u>	<u>\$ 140,574</u>	<u>\$ 276,741</u>	<u>\$ 275,413</u>
Net income (loss), as reported	\$ (31,999)	\$ (121,499)	\$ (76,223)	\$ (143,142)
Income from discontinued operations, net of tax	—	(5,817)	—	(7,292)
Gain (loss) on sale of business	—	—	682	—
Impairment of goodwill and intangible assets	—	70,475	—	70,475
Acquisition-related costs	937	8,452	2,328	21,764
Restructuring	2,501	4,323	7,719	8,279
Foreign currency impact	1,225	—	1,694	(1,171)
Fair value adjustment of warrants	(793)	(7,066)	(3,645)	(16,952)
Fair value adjustment of hedge instruments	(6,935)	15,065	(7,205)	15,065
Stock-based compensation expense	5,831	10,017	14,955	18,510
Transformation costs	323	1,746	1,450	2,597
System migration costs	403	2,352	1,070	3,964
Tax impact of non-GAAP adjustments	(934)	(1,751)	(2,319)	(3,143)
Adjusted net income (loss) from continuing operations	<u>(29,441)</u>	<u>(23,703)</u>	<u>(59,494)</u>	<u>(31,046)</u>
Interest expense, net	15,384	11,460	30,675	22,837
Expense (benefit from) income taxes, excluding tax impacts above	(955)	(1,314)	(3,954)	(22,259)
Depreciation	1,219	942	2,363	2,360
Amortization of intangible assets	39,221	45,200	77,466	84,758
Adjusted EBITDA from continuing operations	<u>\$ 25,428</u>	<u>\$ 32,585</u>	<u>\$ 47,056</u>	<u>\$ 56,650</u>
GAAP operating margin %	(17.9)%	(78.8)%	(21.9)%	(56.6)%
Amortization of intangible assets	27.9%	32.1%	28.1%	30.8%
Impairment of goodwill and intangible assets	0.0%	50.1%	0.0%	25.6%
Acquisition-related costs	0.7%	6.0%	0.8%	7.9%
Restructuring	1.8%	3.1%	2.8%	3.0%
Stock-based compensation expense	4.1%	7.1%	5.4%	6.7%
Transformation costs	0.2%	1.2%	0.5%	0.9%
System migration costs	0.3%	1.7%	0.4%	1.4%
Depreciation	0.9%	0.7%	0.9%	0.9%
Other	0.0%	0.0%	0.0%	0.0%
Adjusted EBITDA margin %	<u>18.0%</u>	<u>23.2%</u>	<u>17.0%</u>	<u>20.6%</u>

Reconciliation of Non-GAAP Financial Measures

SKILLSOFT CORP.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES - continued
(in thousands, unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Operating expenses:				
GAAP costs of revenues	\$ 40,467	\$ 34,998	\$ 78,291	\$ 73,007
Depreciation	(182)	(278)	(333)	(752)
Stock-based compensation	(238)	(16)	(335)	(29)
Codecademy pro forma (1)	—	—	—	943
Non-GAAP costs of revenues	40,047	34,704	77,623	73,169
GAAP content and software development	17,863	19,693	34,898	36,024
Depreciation	(141)	(81)	(191)	(201)
Stock-based compensation	(1,763)	(1,858)	(3,775)	(3,433)
System migration	(403)	(2,352)	(1,070)	(3,964)
Codecademy pro forma (1)	—	—	—	5,441
Non-GAAP content and software development	15,556	15,402	29,862	33,867
GAAP selling and marketing	40,411	41,848	86,338	81,409
Depreciation	(412)	(181)	(679)	(453)
Stock-based compensation	667	(1,742)	(1,014)	(3,219)
Transformation	(106)	—	(242)	—
Codecademy pro forma (1)	—	—	—	3,665
Non-GAAP selling and marketing	40,560	39,925	84,403	81,402
GAAP general and administrative	25,085	26,367	50,381	55,715
Depreciation	(484)	(402)	(1,160)	(954)
Stock-based compensation	(4,497)	(6,401)	(9,831)	(11,829)
Transformation	(508)	(1,606)	(1,593)	(2,559)
Codecademy pro forma (1)	—	—	—	2,395
Non-GAAP general and administrative	19,596	17,958	37,797	42,768
Total GAAP operating expenses	123,826	122,906	249,908	246,155
Depreciation	(1,219)	(942)	(2,363)	(2,360)
Stock-based compensation	(5,831)	(10,017)	(14,955)	(18,510)
System migration	(403)	(2,352)	(1,070)	(3,964)
Transformation (2)	(614)	(1,606)	(1,835)	(2,559)
Codecademy pro forma (1)	—	—	—	12,444
Total Non-GAAP operating expenses	<u>\$ 115,759</u>	<u>\$ 107,989</u>	<u>\$ 229,685</u>	<u>\$ 231,206</u>

(1) For the six months ended July 31, 2022, the unaudited pro forma financial information is presented in accordance with Regulation S-X, Article 11 to enhance comparability for all periods by including operating results for Codecademy as if the merger had closed on February 1, 2022.

(2) This line item does not agree to the amounts reflected on preceding table due to certain transformation expenses not being reflected in GAAP operating expenses.

Reconciliation of Non-GAAP Financial Measures

SKILLSOFT CORP. PRO FORMA REVENUE (in thousands)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Revenue, as reported	\$ 141,187	\$ 140,574	\$ 276,741	\$ 275,413
Pro forma adjustments				
Revenue from acquisitions (1)	—	—	—	8,058
Pro forma revenue (2)	\$ 141,187	\$ 140,574	\$ 276,741	\$ 283,471

- (1) Revenue from acquisitions for the six months ended July 31, 2022 only includes Codecademy's revenue for the period from February 1, 2022 to April 4, 2022 as its post-acquisition revenue is included in the GAAP revenue.
- (2) Pro forma revenue is presented in Note 3 "Business Combinations" of the Notes to Unaudited Condensed Consolidated Financial Statements included in our Form 10-Q to be filed with the SEC for the quarterly period ended July 31, 2023 in accordance with Regulation S-X, Article 11.

SKILLSOFT CORP. PRO FORMA ADJUSTED EBITDA (in thousands)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Pro forma adjusted EBITDA				
Adjusted EBITDA from continuing operations (1)	\$ 25,428	\$ 32,585	\$ 47,056	\$ 56,650
Pro forma adjustments:				
Adjusted EBITDA from acquisitions (2)	—	—	—	(4,385)
Pro forma adjusted EBITDA	\$ 25,428	\$ 32,585	\$ 47,056	\$ 52,265
Pro forma adjusted EBITDA % of pro forma revenue	18%	23%	17%	17%

- (1) See RECONCILIATION OF NON-GAAP FINANCIAL MEASURES within this presentation for more details.
- (2) Adjusted EBITDA from acquisitions for the six months ended July 31, 2022 includes Codecademy's adjusted EBITDA for the period from February 1, 2022 to April 4, 2022 as its post-acquisition adjusted EBITDA is included in the adjusted EBITDA from continuing operations.



SKILLSOFT CORP. PRO FORMA ADJUSTED NET INCOME (LOSS) (in thousands)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Adjusted net income (loss) from continuing operations (1)	\$ (29,441)	\$ (23,703)	\$ (59,494)	\$ (31,046)
Pro forma adjustments				
Adjusted net income (loss) from acquisitions (2)	—	—	—	(4,156)
Pro forma adjusted net income (loss)	\$ (29,441)	\$ (23,703)	\$ (59,494)	\$ (35,202)
Pro forma adjusted net income (loss) per share	\$ (0.18)	\$ (0.14)	\$ (0.37)	\$ (0.23)

- (1) See RECONCILIATION OF NON-GAAP FINANCIAL MEASURES within this presentation for more details.
- (2) Adjusted net income (loss) from acquisitions for the six months ended July 31, 2022 only includes Codecademy's adjusted net income (loss) for the period from February 1, 2022 to April 4, 2022 as its post-acquisition adjusted net income (loss) is included in the adjusted net income (loss) from continuing operations.

SKILLSOFT CORP. FREE CASH FLOW RECONCILIATION (in thousands)

	Six Months Ended July 31,	
	2023	2022
Free cash flow reconciliation		
Net cash provided by (used in) operating activities	\$ 1,985	\$ (13,003)
Purchase of property and equipment	(3,406)	(3,528)
Internally developed software - capitalized costs	(5,951)	(5,721)
Total free cash flow	\$ (7,372)	\$ (22,252)