



Earnings Supplement

Q2 FY2025

September 9, 2024



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 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, 2024. 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
- Business Update
- Q2 FY2025 Financial Results
- Q&A
- Closing Remarks



Ron Hovsepien

**EXECUTIVE CHAIR AND
CHIEF EXECUTIVE OFFICER**



Rich Walker

CHIEF FINANCIAL OFFICER



Stephen Poe

INVESTOR RELATIONS



Webcast Details

Webcast Link: <https://event.choruscall.com/mediaframe/webcast.html?webcastid=4eBPgf0o>

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

“ Our revenue and Adjusted EBITDA performance were in line with our expectations for the quarter. Our progress on the ‘Fix the Basics’ strategy, including transitioning to a dual business unit structure, already shows improved outcomes. Key leaders have been added, which will further accelerate our efforts. This progress strengthens our foundation for continued profitable growth, unlock shareholder value, and customer success. ”

Ron Hovsepian
Executive Chair and
Chief Executive Officer

“ I am pleased with the progress we made this quarter towards our longer-term goals to grow at or above market rates in all areas of our business. Equally important, we remain laser focused on near-term operational execution and are reaffirming our outlook for FY25. ”

Rich Walker
Chief Financial Officer



Recent Business Highlights

- Microsoft and Skillsoft partnered to innovate GenAI upskilling programs.
- Launched a reimagined Skillsoft platform user experience, featuring a personalized, AI-driven learner experience with enhanced intuitive design and sequenced learning paths to maximize engagement and effectiveness.
- Recognized with multiple industry-leading awards.
- Released our 2024 C-Suite Perspectives report, uncovering a critical skills crisis in cybersecurity, AI, and data science areas.
- Hosted Investor Day, where leadership outlined the company's strategic priorities, recent innovations, and financial performance.



¹ Refer to Appendix for definitions.

² For more details, see the Q2 FY2025 earnings announcement on our Investor Relations website.



Q2 FY2025 Financial Highlights

Achieved strong Adjusted EBITDA profitability, exceeding our expectations, while delivering top-line performance in line with our expectations in Talent Development Solutions.

Q2 FY25 Talent
Development
Solutions Revenue

\$102M

▼1%

vs. Prior Year¹

LTM Dollar
Retention Rate¹

~98%

▼~240bps

vs. Prior Year¹

Q2 FY25 Adjusted
EBITDA¹

% of Revenue

\$28.3M

21.4%

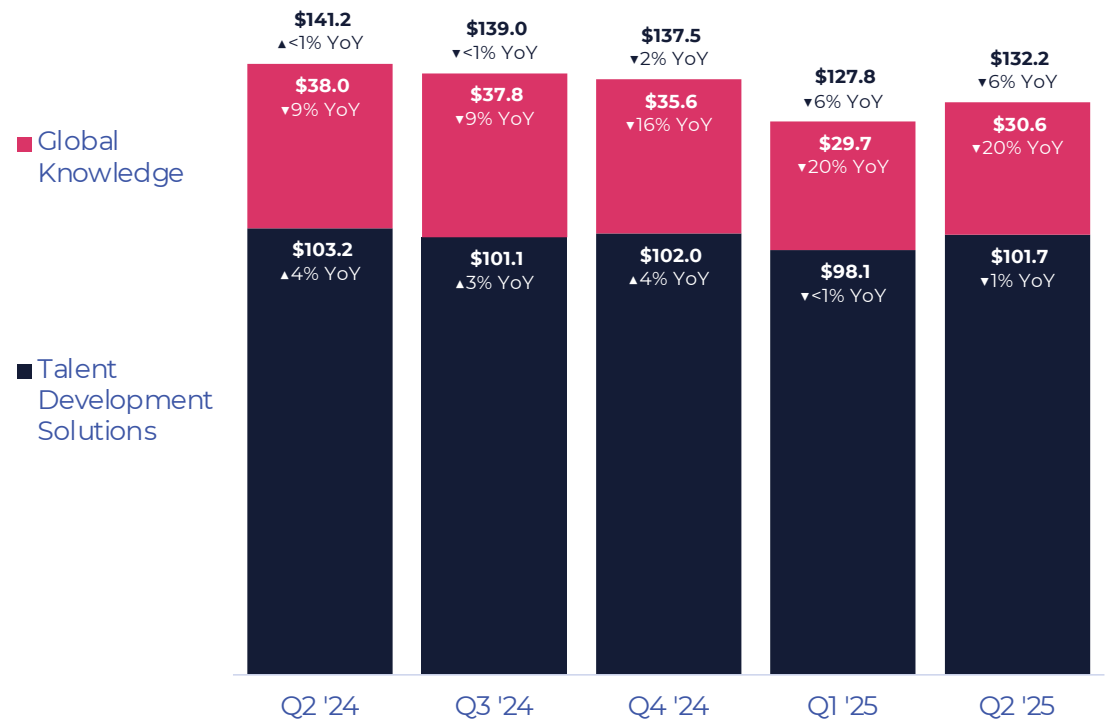
▲~340bps

vs. Prior Year¹

Revenue

- Talent Development Solutions Revenue was down ~1% YoY
- Global Knowledge Revenue declined 20% YoY, inclusive of a ~3% impact from the exit of an apprenticeship business in H2 '24
- Total Revenue declined 6% YoY
- 77% of Revenue now from the Content & Platform segment, up from 70% two years ago
- Geographic mix: 67% United States, 25% EMEA, 9% rest of world

Revenue performed in line with our expectations; Talent Development Solutions was offset by declines in Global Knowledge

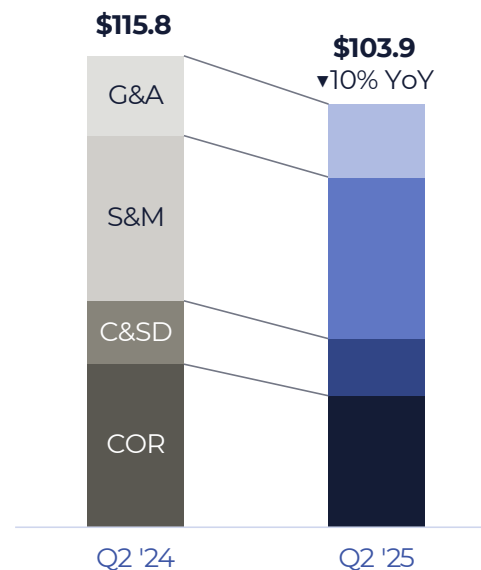


Profitability and Cash Flow

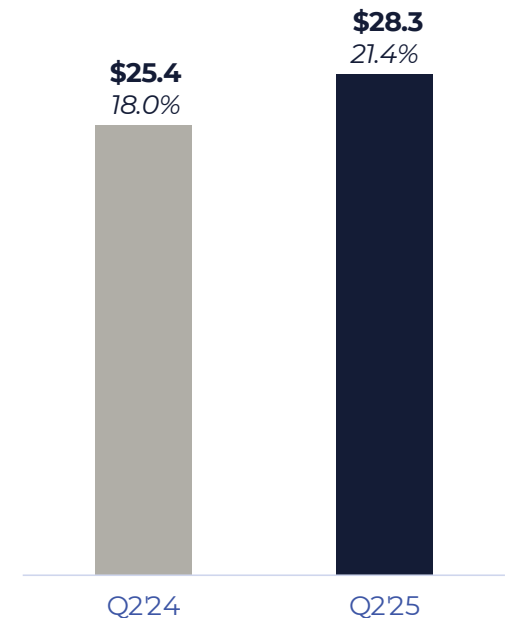
- Non-GAAP Operating Expenses of \$104M, favorably down 10% YoY
- Adjusted EBITDA of \$28M reflected a margin of 21.4% of Revenue, up \$3M and 340bps YoY
- Ended the quarter with \$130M of cash, cash equivalents, and restricted cash

Disciplined expense management drove YoY margin expansion (up ~300 bps), while the full impact of resource reallocation efforts will be seen in future quarters

Non-GAAP OpEx (\$Ms)



Adjusted EBITDA (\$Ms)



¹ Refer to Appendix for definitions and reconciliation to comparable GAAP measures, as appropriate.

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 release 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 presentation because we believe these non-GAAP financial measures and key performance metrics provide meaningful supplemental information.

- 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 resulting 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 currency exchange rates.
 - Acquisition and integration related costs - Costs incurred to effectuate an acquisition, including contingent compensation expenses, and integration related costs.
 - Transformation costs - Costs incurred to transform our operations through significant strategic non-ordinary course transactions.
 - System migration costs - 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 on 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, and other non-cash charges, as applicable.

Reconciliation of Non-GAAP Financial Measures

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

	Three Months Ended July 31,		Six Months Ended July 31,	
	2024	2023	2024	2023
Revenues				
Talent Development Solutions	\$ 101,652	\$ 103,188	\$ 199,727	\$ 201,761
Global Knowledge	30,571	37,999	60,289	74,980
Total revenues, as reported	\$ 132,223	\$ 141,187	\$ 260,016	\$ 276,741
Net income (loss), as reported	\$ (39,566)	\$ (31,999)	\$ (67,202)	\$ (76,223)
Acquisition and integration related costs	921	937	2,418	2,328
Restructuring	11,299	2,501	12,266	7,719
Transformation costs	527	323	1,187	1,450
System migration costs	1	403	118	1,070
Stock-based compensation expense	(809)	5,831	6,339	14,955
Executive exit costs	3,326	—	3,326	—
Fair value adjustment of warrants	—	(793)	—	(3,645)
Fair value adjustment of interest rate swaps	6,506	(6,935)	(1,240)	(7,205)
Foreign currency impact	399	1,225	(1,821)	1,694
Gain (loss) on sale of business	—	—	—	682
Tax impact of adjustments	(2,251)	(934)	(2,292)	(2,319)
Adjusted net income (loss) from continuing operations	(19,647)	(29,441)	(46,901)	(59,494)
Interest expense, net	15,370	15,384	30,720	30,675
Expense (benefit from) income taxes, excluding tax impacts above	195	(955)	(1,347)	(3,954)
Depreciation	643	1,219	1,404	2,363
Amortization of intangible assets	31,788	39,221	63,371	77,466
Adjusted EBITDA from continuing operations	\$ 28,349	\$ 25,428	\$ 47,247	\$ 47,056
Weighted average common shares outstanding:				
Ordinary – Basic and diluted	8,180	8,005	8,135	8,042
Ordinary basic and diluted per share information:				
Net income (loss), as reported	\$ (4.84)	\$ (4.00)	\$ (8.26)	\$ (9.48)
Adjusted net income (loss) from continuing operations	\$ (2.40)	\$ (3.68)	\$ (5.77)	\$ (7.40)
Adjusted net income (loss) margin %	(14.9)%	(20.9)%	(18.0)%	(21.5)%
Interest expense, net	11.6%	10.9%	11.8%	11.1%
Expense (benefit from) income taxes, excluding tax impacts above	0.1%	(0.7)%	(0.5)%	(1.4)%
Depreciation	0.5%	0.9%	0.5%	0.9%
Amortization of intangible assets	24.1%	27.8%	24.4%	28.0%
Adjusted EBITDA margin %	21.4%	18.0%	18.2%	17.0%
Adjusted gross margin	75.6%	71.6%	74.5%	72.0%
Adjusted contribution margin	21.5%	18.0%	18.2%	17.0%

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,	
	2024	2023	2024	2023
Operating expenses:				
GAAP costs of revenues	\$ 32,471	\$ 40,467	\$ 66,942	\$ 78,291
Depreciation	(107)	(182)	(224)	(333)
Stock-based compensation	(132)	(238)	(298)	(335)
Adjusted costs of revenues	32,232	40,047	66,420	77,623
GAAP content and software development	14,993	17,863	30,499	34,898
Depreciation	(70)	(141)	(144)	(191)
Stock-based compensation	(914)	(1,763)	(2,204)	(3,775)
System migration	(1)	(403)	(118)	(1,070)
Adjusted content and software development	14,008	15,556	28,033	29,862
GAAP selling and marketing	40,684	40,411	82,976	86,338
Depreciation	(162)	(412)	(370)	(679)
Stock-based compensation	(797)	667	(2,053)	(1,014)
Transformation	(36)	(106)	(213)	(242)
Adjusted selling and marketing	39,689	40,560	80,340	84,403
GAAP general and administrative	19,395	25,085	44,704	50,381
Depreciation	(304)	(484)	(666)	(1,160)
Stock-based compensation	2,652	(4,497)	(1,784)	(9,831)
Transformation	(533)	(508)	(1,013)	(1,593)
Executive exit costs	(3,326)	—	(3,326)	—
Adjusted general and administrative	17,884	19,596	37,915	37,797
Total GAAP operating expenses	107,543	123,826	225,121	249,908
Depreciation	(643)	(1,219)	(1,404)	(2,363)
Stock-based compensation	809	(5,831)	(6,339)	(14,955)
System migration	(1)	(403)	(118)	(1,070)
Transformation ⁽¹⁾	(569)	(614)	(1,226)	(1,835)
Executive exit costs	(3,326)	—	(3,326)	—
Adjusted total operating expenses	\$ 103,813	\$ 115,759	\$ 212,708	\$ 229,685

(1) 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.

SKILLSOFT CORP.
FREE CASH FLOW RECONCILIATION
(in thousands)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2024	2023	2024	2023
Free cash flow reconciliation				
Net cash provided by (used in) operating activities	\$ (11,440)	\$ (19,479)	\$ 3,497	\$ 1,985
Purchase of property and equipment	(246)	(1,770)	(399)	(3,406)
Internally developed software - capitalized costs	(4,432)	(3,268)	(8,796)	(5,951)
Total free cash flow	(16,118)	(24,517)	(5,698)	(7,372)
Cash impact for adjusted EBITDA excluded charges	4,015	3,097	7,098	7,792
Adjusted free cash flow (levered)	\$ (12,103)	\$ (21,420)	\$ 1,400	\$ 420