

skillsoft

Earnings Supplement

Q4 FY2024

April 15, 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 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, 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 & Operational Highlights
- Q4 and Full-Year FY2024 Financial Results
- FY2025 Outlook
- Closing Remarks
- Q&A

Ron Hovsepian

EXECUTIVE CHAIR



Rich Walker

CFO



Chad Lyne

IRO



Webcast Details

Webcast Link: <https://event.choruscall.com/mediaframe/webcast.html?webcastid=7ouYktcj>

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

“ Skillsoft delivered full-year Adjusted EBITDA above the top end of our outlook range, further enhancing our industry-leading profit profile as we drove accelerated revenue growth in our subscription-based Content & Platform segment.

We seized the generative AI opportunity and successfully positioned Skillsoft as the partner-of-choice for enterprise customers seeking to prepare their workforces to utilize this important technology.

More broadly, we supported the workforce transformation priorities of thousands of organizations and enabled a community of more than 90 million learners to build future-ready skills.

Our ability to holistically address the reskilling and upskilling priorities of the world's largest and most complex organizations gives us confidence in our strategy and our ability to deliver long-term profitable growth.

”

Rich Walker
CFO

skillsoft

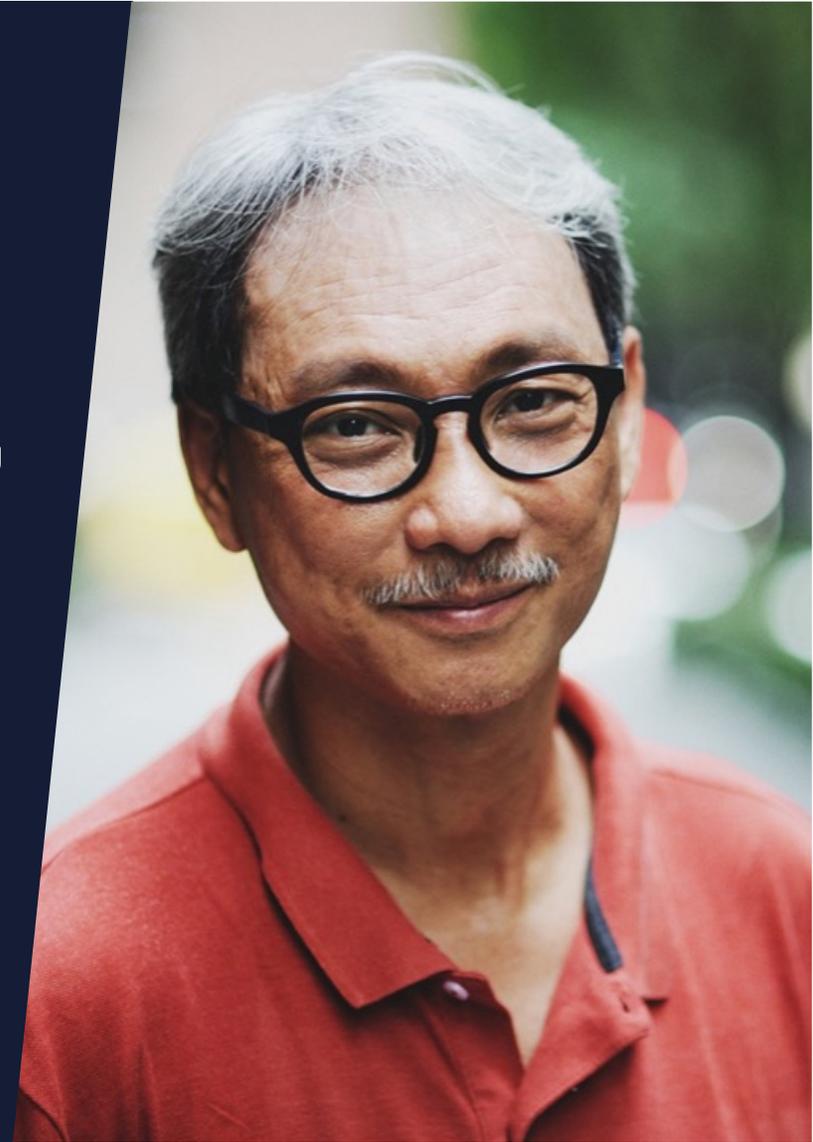


Recent Business Highlights

- Increased fourth quarter LTM Content & Platform Dollar Retention Rates¹ to approximately 101%, up from approximately 100% in the prior year period.
- Launched an expanded collection of more than 60 new learning scenarios and recognized with a 2024 AI Excellence Award by Business Intelligence Group for Skillsoft's AI-powered coaching solution CAISY™.
- Released new GenAI capabilities and enhancements to the Codecademy platform, including direct access to ChatGPT for prompt engineering from within the Codecademy platform, an AI-powered intelligent hint system, a mock interview simulator powered by GPT-4, and a real-time virtual coding assistant.
- Named as a key learning partner for the launch of Accenture LearnVantage, a new service designed to help organizations reskill and upskill their people in technology, data, and AI.



¹ Refer to Appendix for definitions.



Fiscal FY2024 Financial Highlights

Delivered accelerated Revenue growth in our SaaS-based Content & Platform segment, complemented with higher retention rates and improved profitability

FY24 Content & Platform Segment Revenue

\$404.9M

▲ 3%

vs. Prior Year¹

FY24 Dollar Retention Rate¹

101%

▲ ~100bps

vs. Prior Year¹

FY24 Adjusted EBITDA¹
% of Revenue

\$105.1M

19%

▲ ~100bps

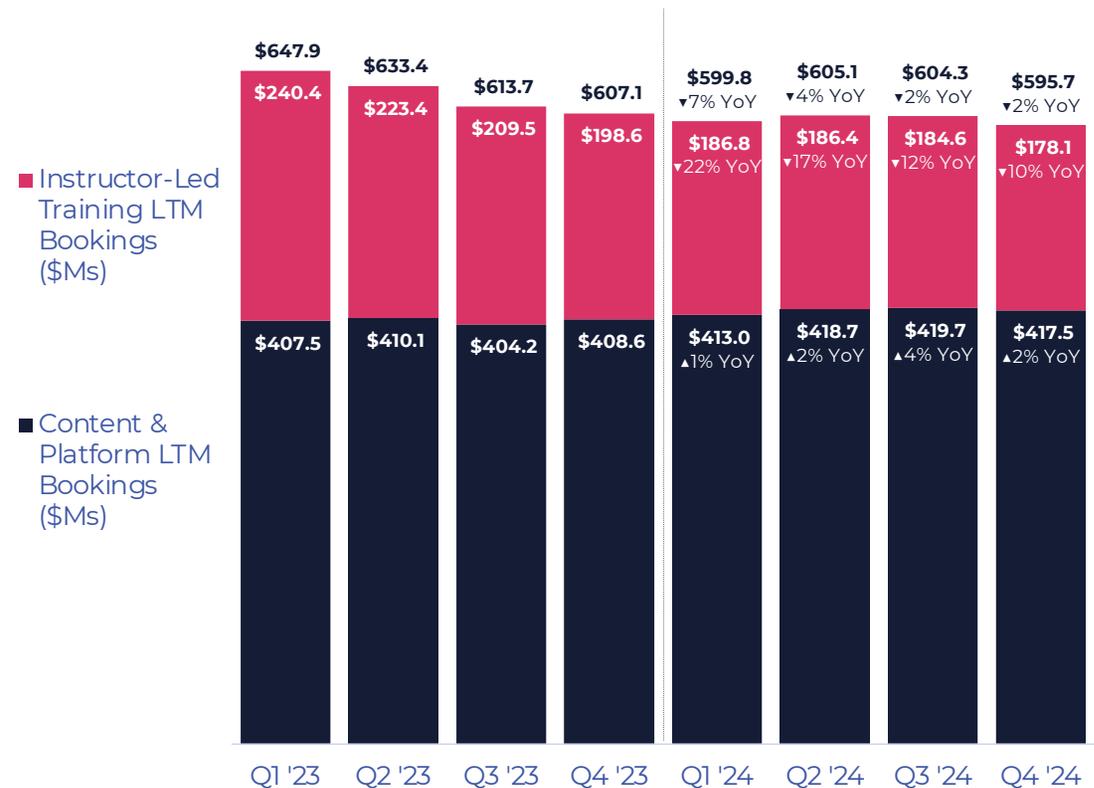
vs. Prior Year¹

LTM Bookings

- Content & Platform segment Q4 LTM Bookings of \$418M, reflecting YoY growth of 2%
- Instructor-Led Training segment Q4 LTM Bookings of \$178M, down 10% YoY
- Total Q4 LTM Bookings of \$596M, reflecting a YoY decline of 2%



2% YoY growth in Content & Platform segment LTM Bookings was offset by 10% contraction in Instructor-Led Training segment LTM Bookings

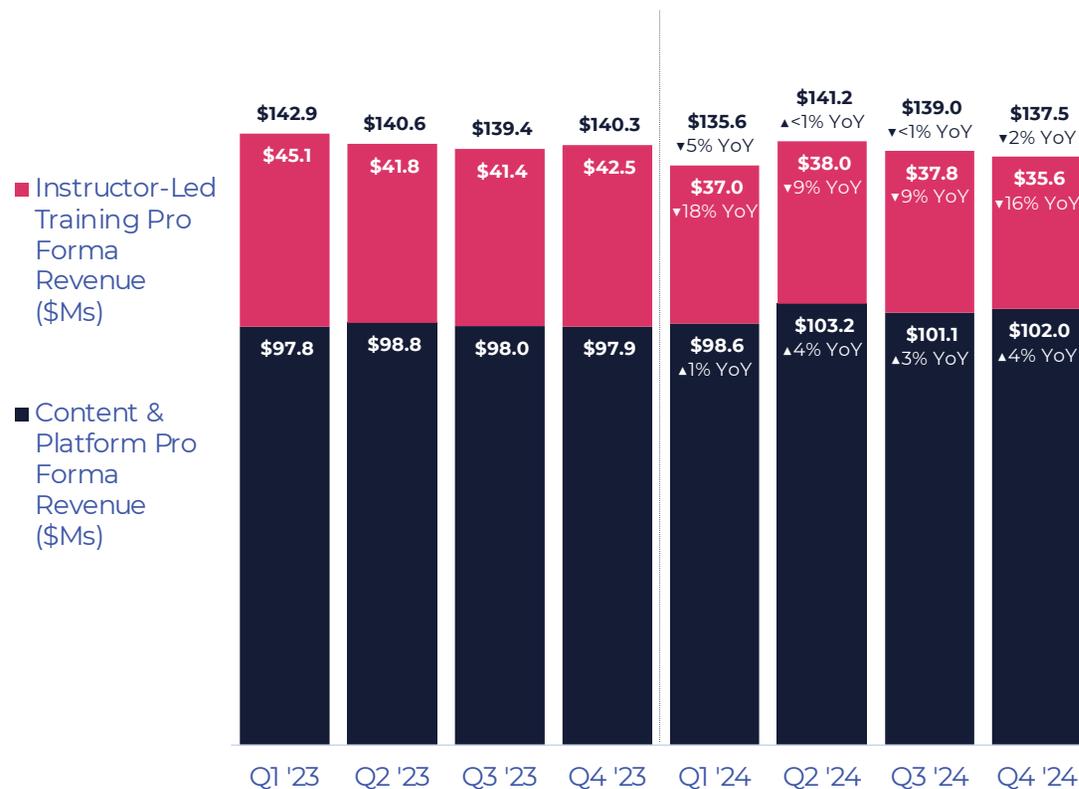


Note: FY23 figures are pro forma to include operating results for Codecademy prior to its acquisition on April 4, 2022. Refer to Appendix for definitions and reconciliation to comparable GAAP measures, as appropriate.

Revenue

- Content & Platform segment Revenue grew 4% in Q4 '24 and 3% for FY '24
- Instructor-Led Training segment Revenue declined 16% in Q4 '24 and 13% for FY '24
- Total Revenue declined 2% in Q4 '24 and 2% for FY '24
- 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

Accelerated Revenue growth in the Content & Platform segment was more than offset by declines in the Instructor-Led Training segment

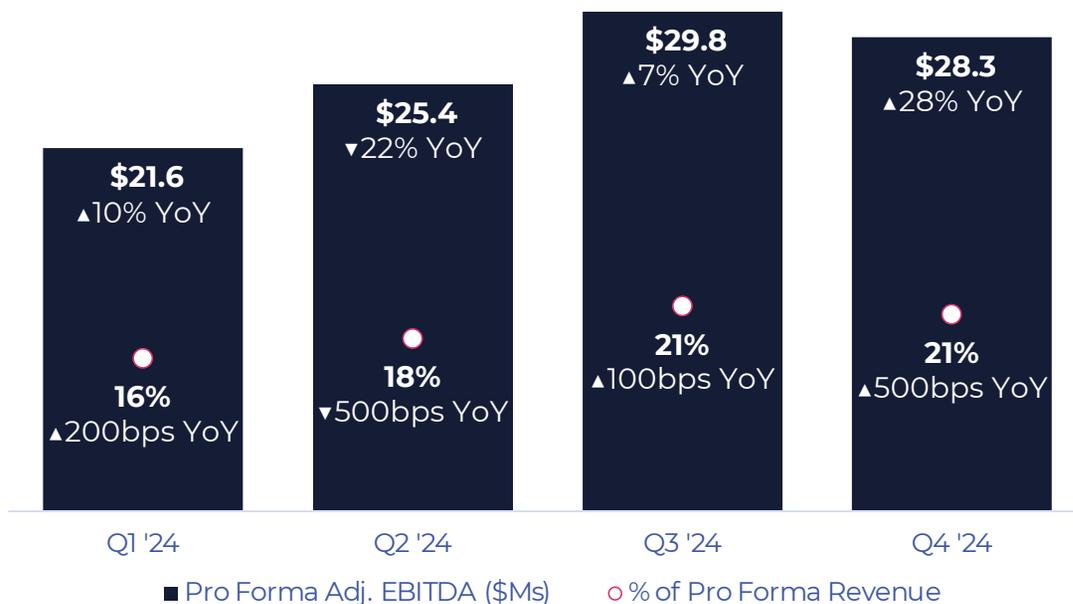


Note: FY23 figures are pro forma to include operating results for Codecademy prior to its acquisition on April 4, 2022. Refer to Appendix for definitions and reconciliation to comparable GAAP measures, as appropriate.

Profitability and Cash Flow

- Q4 '24 Adjusted EBITDA of \$28M was up \$6M, or 28%, YoY
- Q4 '24 Adjusted EBITDA margin of 21% was up 500 basis points YoY
- FY '24 Adjusted EBITDA of \$105M reflected a margin of 19% of Revenue, up \$3M and 100bps YoY
- Q4 '24 Cash Flow from Operations of \$11M was up \$9M YoY; FY '24 Cash Flow from Operations of \$3M was up \$24M YoY
- Q4 '24 Free Cash Flow of \$5M was up \$5M YoY; FY '24 Free Cash Flow of -\$15M was a \$21M YoY improvement
- Ended the year with \$136M of cash & equivalents and \$10M of restricted cash

Expanded profitability YoY with 21% Adjusted EBITDA margin for Q4 '24 and 19% for FY '24



Note: YoY comparisons to FY23 figures are pro forma to include operating results for Codecademy prior to its acquisition on April 4, 2022. Refer to Appendix for definitions and reconciliation to comparable GAAP measures, as appropriate.

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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 press release 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 accompanying 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 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 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 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, 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		Year Ended January	
	January 31, 2024	2023	2024	2023
Revenues, as reported	\$ 137,540	\$140,321	\$ 553,237	\$ 555,124
Net income (loss), as reported	\$(245,326)	\$(53,479)	\$(349,285)	\$(724,964)
Income from discontinued operations, net of tax	—	—	—	(8,483)
Gain (loss) on sale of business	—	(2,863)	682	(56,619)
Impairment of goodwill and intangible assets	202,233	—	202,233	641,362
Acquisition and integration related costs	2,225	4,010	5,063	30,663
Restructuring	5,386	2,005	13,978	12,294
Foreign currency impact	479	(1,458)	1,992	(3,681)
Fair value adjustment of warrants	(4)	2,922	(4,754)	(23,158)
Fair value adjustment of interest rate swaps	8,430	6,803	(2,756)	1,554
Stock-based compensation expense	8,150	9,716	31,067	36,622
Transformation costs	823	1,091	3,326	8,355
System migration costs	594	1,175	2,174	5,524
Tax impact of non-GAAP adjustments	(7,957)	(4,124)	(10,878)	(34,583)
Adjusted net income (loss) from continuing operations	(24,966)	(34,202)	(107,157)	(115,114)
Interest expense, net	15,671	15,660	61,778	52,962
Expense (benefit from) income taxes, excluding tax impacts above	427	(2,615)	(5,387)	(6,390)
Depreciation	701	1,142	3,330	4,832
Amortization of intangible assets	36,425	42,064	152,511	170,260
Adjusted EBITDA from continuing operations	\$ 28,258	\$ 22,049	\$ 105,075	\$ 106,550
GAAP operating margin %	(165.9)%	(27.9)%	(55.9)%	(144.7)%
Amortization of intangible assets	26.5%	30.0%	27.7%	30.7%
Impairment of goodwill and intangible assets	147.0%	0.0%	36.6%	115.5%
Acquisition and integration related costs	1.6%	2.9%	0.9%	5.5%
Restructuring	3.9%	1.4%	2.5%	2.2%
Stock-based compensation expense	5.9%	6.9%	5.6%	6.6%
Transformation costs	0.6%	0.8%	0.6%	1.5%
System migration costs	0.4%	0.8%	0.4%	1.0%
Depreciation	0.5%	0.8%	0.6%	0.9%
Adjusted EBITDA margin %	20.5%	15.7%	19.0%	19.2%

Reconciliation of Non-GAAP Financial Measures

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

	Three Months Ended January 31,		Year Ended January 31,	
	2024	2023	2024	2023
Operating expenses:				
GAAP costs of revenues	\$ 38,459	\$ 42,353	\$ 153,157	\$ 152,015
Depreciation	(140)	(150)	(553)	(1,110)
Stock-based compensation	(299)	(99)	(762)	(210)
Codecademy pro forma ⁽¹⁾	—	—	—	943
Non-GAAP costs of revenues	<u>38,020</u>	<u>42,104</u>	<u>151,842</u>	<u>151,638</u>
GAAP content and software development	17,007	16,520	68,031	69,796
Depreciation	(67)	(43)	(236)	(330)
Stock-based compensation	(968)	(2,643)	(6,318)	(7,859)
System migration	(594)	(1,175)	(2,174)	(5,524)
Codecademy pro forma ⁽¹⁾	—	—	—	5,441
Non-GAAP content and software development	<u>15,378</u>	<u>12,659</u>	<u>59,303</u>	<u>61,524</u>
GAAP selling and marketing	40,661	47,192	170,982	173,281
Depreciation	(83)	(304)	(922)	(959)
Stock-based compensation	(1,358)	(2,403)	(3,793)	(7,537)
Transformation	—	—	(251)	(35)
Codecademy pro forma ⁽¹⁾	—	—	—	3,665
Non-GAAP selling and marketing	<u>39,220</u>	<u>44,485</u>	<u>166,016</u>	<u>168,415</u>
GAAP general and administrative	23,207	25,578	95,896	109,572
Depreciation	(411)	(645)	(1,619)	(2,433)
Stock-based compensation	(5,525)	(4,571)	(20,194)	(21,016)
Transformation	(607)	(1,338)	(3,082)	(9,078)
Codecademy pro forma ⁽¹⁾	—	—	—	2,395
Non-GAAP general and administrative	<u>16,664</u>	<u>19,024</u>	<u>71,001</u>	<u>79,440</u>
Total GAAP operating expenses	119,334	131,643	488,066	504,664
Depreciation	(701)	(1,142)	(3,330)	(4,832)
Stock-based compensation	(8,150)	(9,716)	(31,067)	(36,622)
System migration	(594)	(1,175)	(2,174)	(5,524)
Transformation ⁽²⁾	(607)	(1,338)	(3,333)	(9,113)
Codecademy pro forma ⁽¹⁾	—	—	—	12,444
Total Non-GAAP operating expenses	<u>\$ 109,282</u>	<u>\$ 118,272</u>	<u>\$ 448,162</u>	<u>\$ 461,017</u>

(1) For the twelve months ended January 31, 2023, 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 January 31,		Year Ended January 31,	
	2024	2023	2024	2023
Revenue, as reported	\$ 137,540	\$ 140,321	\$ 553,237	\$ 555,124
Pro forma adjustments				
Revenue from acquisitions ⁽¹⁾	—	—	—	8,058
Pro forma revenue ⁽²⁾	\$ 137,540	\$ 140,321	\$ 553,237	\$ 563,182

(1) Revenue from acquisitions for the twelve months ended January 31, 2023 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 Consolidated Financial Statements included in our Form 10-K to be filed with the SEC for the year ended January 31, 2024 in accordance with Regulation S-X, Article 11.

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

	Three Months Ended January 31,		Year Ended January 31,	
	2024	2023	2024	2023
Adjusted net income (loss) from continuing operations ⁽¹⁾	\$ (24,966)	\$ (34,203)	\$ (107,157)	\$ (115,114)
Pro forma adjustments				
Interest adjustment for debt prepayment ⁽²⁾	—	(38)	—	887
Tax impact of adjustments above	—	(3)	—	(44)
Adjusted net income (loss) from acquisitions ⁽³⁾	—	—	—	(4,156)
Pro forma adjusted net income (loss)	\$ (24,966)	\$ (34,244)	\$ (107,157)	\$ (118,427)
Pro forma adjusted net income (loss) per share	\$ (3.09)	\$ (4.17)	\$ (13.31)	\$ (14.91)

(1) See RECONCILIATION OF NON-GAAP FINANCIAL MEASURES within the earnings press release for more details.

(2) Under the terms of our Amended Credit Agreement, the net proceeds attributable to the sale of SunTotal required a mandatory prepayment of \$31.4 million. Interest expense under the Amended Credit Agreement is adjusted for the prepayment.

(3) Adjusted net income (loss) from acquisitions for the twelve months ended January 31, 2023 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.

Reconciliation of Non-GAAP Financial Measures

SKILLSOFT CORP. PRO FORMA ADJUSTED EBITDA (in thousands)

	Three Months Ended January 31,		Year Ended January 31,	
	2024	2023	2024	2023
Pro forma adjusted EBITDA				
Adjusted EBITDA from continuing operations ⁽¹⁾	\$ 28,258	\$ 22,049	\$ 105,075	\$ 106,550
Pro forma adjustments:				
Adjusted EBITDA from acquisitions ⁽²⁾	—	—	—	(4,385)
Pro forma adjusted EBITDA	\$ 28,258	\$ 22,049	\$ 105,075	\$ 102,165
Pro forma adjusted EBITDA % of pro forma revenue	21%	16%	19%	18%

SKILLSOFT CORP. FREE CASH FLOW RECONCILIATION (in thousands)

	Three Months Ended January 31, 2024		Year Ended January 31,	
	2024	2023	2024	2023
Free cash flow reconciliation				
Net cash provided by (used in) operating activities	\$ 11,499	\$ 2,628	\$ 2,818	\$ (20,933)
Purchase of property and equipment	(428)	(200)	(4,181)	(4,913)
Internally developed software - capitalized costs	(5,667)	(1,713)	(13,722)	(10,352)
Total free cash flow	\$ 5,404	\$ 715	\$ (15,085)	\$ (36,198)

(1) See RECONCILIATION OF NON-GAAP FINANCIAL MEASURES within the earnings press release for more details.

(2) Adjusted EBITDA from acquisitions for the twelve months ended January 31, 2023 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.