



Earnings Supplement

Q1 FY2025

June 10, 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
- Q1 FY2025 Financial Results
- FY2025 Outlook
- Q&A
- Closing Remarks

Ron Hovsepian
EXECUTIVE CHAIRMAN



Rich Walker
CFO



Chad Lyne
IRO



Webcast Details

Webcast Link: <https://event.choruscall.com/mediaframe/webcast.html?webcastid=0ObSZWWhh>

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

“

Since rejoining Skillsoft in a full-time executive capacity in mid-April, I have gained greater confidence in Skillsoft's market opportunity and our unique ability to deliver transformative talent development outcomes and value to our customers and learners.

We are moving quickly to strengthen our go-to-market execution, enhance our operational foundation, and extend our early lead in generative AI-based solutions and interactive learning experiences.

I am encouraged by the energy of our people – including proven and experienced leaders who have recently joined Skillsoft – and the commitment of the entire team for the journey ahead as we seek to build a profitably growing and more valuable organization.

”

skillsoft

Ron Hovsepian
Executive Chairman



Recent Business Highlights

- Delivered first quarter LTM Content & Platform Dollar Retention Rate¹ of approximately 99%, compared to approximately 101% in the prior year period.
- Achieved Workday Certified Integration Status, connecting Skillsoft's Percipio platform with Workday Human Capital Management (HCM) and Workday Skills Cloud to give joint customers a new skills-based approach to talent development.
- Launched AI-powered Interactive Skill Benchmarks to provide a dynamic, hands-on approach to skill assessments that accelerate learner proficiency through interactive virtual environments, outcome-oriented assessments, and personalized results and feedback.
- Recognized as a customer-centric leader in enterprise learning by industry analyst firms Constellation Research, Aragon Research, and Fosway Group, based on the Company's track record of pioneering innovation, depth and breadth of learning offerings, and customer satisfaction.



¹ Refer to Appendix for definitions.



Q1 FY2025 Financial Highlights

Delivered generally comparable YoY performance in our SaaS-based Content & Platform segment while maintaining mid-teens Adjusted EBITDA profitability

Q1 FY25 Content &
Platform Segment
Revenue

\$98.1M

▼ <1%

vs. Prior Year¹

LTM Dollar
Retention Rate¹

~99%

▼ ~200bps

vs. Prior Year¹

Q1 FY25 Adjusted
EBITDA¹
% of Revenue

\$18.9M
14.8%

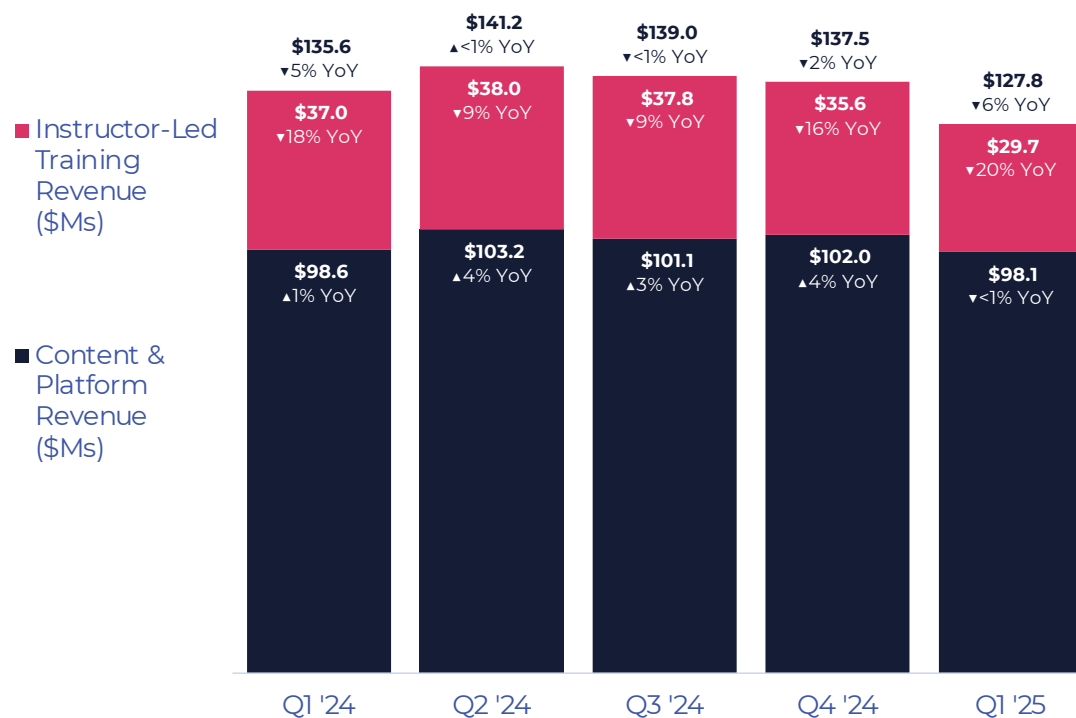
▼ ~120bps

vs. Prior Year¹

Revenue

- Content & Platform segment Revenue was roughly flat YoY, declining less than 1%
- Instructor-Led Training segment Revenue declined 20% YoY, inclusive of a ~2% 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 68% two years ago
- Geographic mix: 66% United States, 25% EMEA, 9% rest of world

Comparably flat Revenue in the Content & Platform segment was offset by declines in the Instructor-Led Training segment

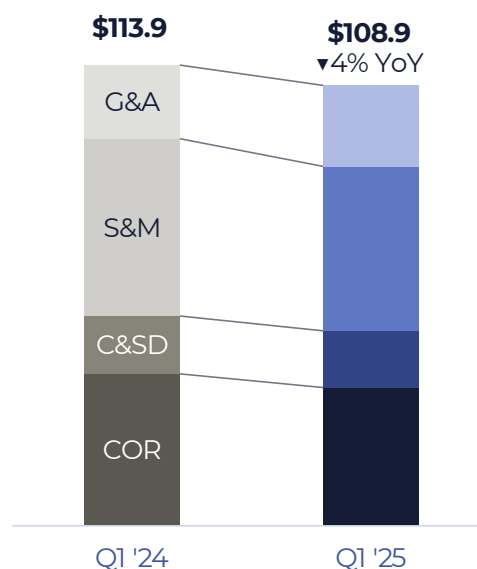


Profitability and Cash Flow

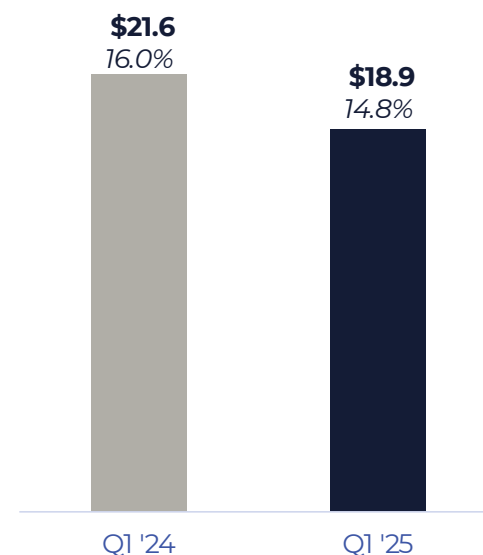
- Non-GAAP Operating Expenses of \$109M, favorably down 4% YoY
- Adjusted EBITDA of \$19M reflected a margin of 14.8% of Revenue, down \$3M and 120bps YoY
- Cash Flow from Operations of \$15M
- Free Cash Flow of \$10M
- Ended the quarter with \$142M of cash & cash equivalents and \$8M of restricted cash

Demonstrated prudent expense management to maintain mid-teens Adjusted EBITDA margins and positive Free Cash Flow

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 April	
	30, 2024	2023
Revenues:		
Content & Platform segment revenues	\$ 98,075	\$ 98,573
Instructor-Led Training segment revenues	29,718	36,981
Total revenues, as reported	\$ 127,793	\$ 135,554
Net income (loss), as reported	\$ (27,636)	\$ (44,224)
Gain (loss) on sale of business	—	682
Acquisition and integration related costs	1,497	1,391
Restructuring	967	5,218
Foreign currency impact	(2,220)	469
Fair value adjustment of warrants	—	(2,852)
Fair value adjustment of interest rate swaps	(7,746)	(270)
Stock-based compensation expense	7,148	9,124
Transformation costs	660	1,127
System migration costs	118	667
Tax impact of non-GAAP adjustments	(41)	(1,385)
Adjusted net income (loss) from continuing operations	(27,253)	(30,053)
Interest expense, net	15,350	15,291
Expense (benefit from) income taxes, excluding tax impacts above	(1,542)	(2,999)
Depreciation	760	1,144
Amortization of intangible assets	31,583	38,245
Adjusted EBITDA from continuing operations	\$ 18,898	\$ 21,628
Weighted average common shares outstanding:		
Ordinary – Basic and diluted	8,089	8,158
Ordinary basic and diluted per share information:		
Net income (loss), as reported	\$ (3.42)	\$ (5.42)
Adjusted net income (loss) from continuing operations	\$ (3.37)	\$ (3.68)
Adjusted net income (loss) margin %	(21.3)%	(22.2)%
Interest expense, net	12.0%	11.3%
Expense (benefit from) income taxes, excluding tax impacts above	(1.2)%	(2.1)%
Depreciation	0.6%	0.8%
Amortization of intangible assets	24.7%	28.2%
Adjusted EBITDA margin %	14.8%	16.0%

Reconciliation of Non-GAAP Financial Measures

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

	Three Months Ended April 30,	
	2024	2023
Operating expenses:		
GAAP costs of revenues	\$ 34,471	\$ 37,824
Depreciation	(117)	(151)
Stock-based compensation	(166)	(97)
Non-GAAP costs of revenues	34,188	37,576
GAAP content and software development	15,506	17,035
Depreciation	(74)	(50)
Stock-based compensation	(1,290)	(2,012)
System migration	(118)	(667)
Non-GAAP content and software development	14,025	14,306
GAAP selling and marketing	42,292	45,927
Depreciation	(208)	(267)
Stock-based compensation	(1,256)	(1,681)
Transformation	(177)	(136)
Non-GAAP selling and marketing	40,651	43,843
GAAP general and administrative	25,309	25,296
Depreciation	(362)	(677)
Stock-based compensation	(4,436)	(5,333)
Transformation	(480)	(1,085)
Non-GAAP general and administrative	20,031	18,201
Total GAAP operating expenses	117,578	126,082
Depreciation	(760)	(1,145)
Stock-based compensation	(7,148)	(9,123)
System migration	(118)	(667)
Transformation (1)	(657)	(1,221)
Total Non-GAAP operating expenses	\$ 108,894	\$ 113,926

(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 April 30,	
	2024	2023
Free cash flow reconciliation		
Net cash provided by (used in) operating activities	\$ 14,937	\$ 21,464
Purchase of property and equipment	(153)	(1,636)
Internally developed software - capitalized costs	(4,364)	(2,683)
Total free cash flow	\$ 10,420	\$ 17,145