



Earnings Supplement

Q1 FY2024

June 6, 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 and adjusted EBITDA), 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
- Q1 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=jhqldZEs>

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

“ Skillsoft delivered a strong start to the fiscal year with near double-digit Bookings growth in our Content & Platform segment on a constant currency basis, highlighting the value of our transformative learning solutions.

The strength in this high margin, SaaS-based segment contributed to expanded profitability on an Adjusted EBITDA basis and sets us up well for the year ahead.

Continued low unemployment and the proliferation of new technologies is driving organizations to invest in enterprise learning as a strategic priority.

Further, we see the rapid rise of Generative AI creating a new imperative for reskilling that will impact nearly every knowledge worker and organization.

We've spent the last two years assembling an unrivaled collection of assets and believe we are well-positioned to seize the opportunity in front of us.

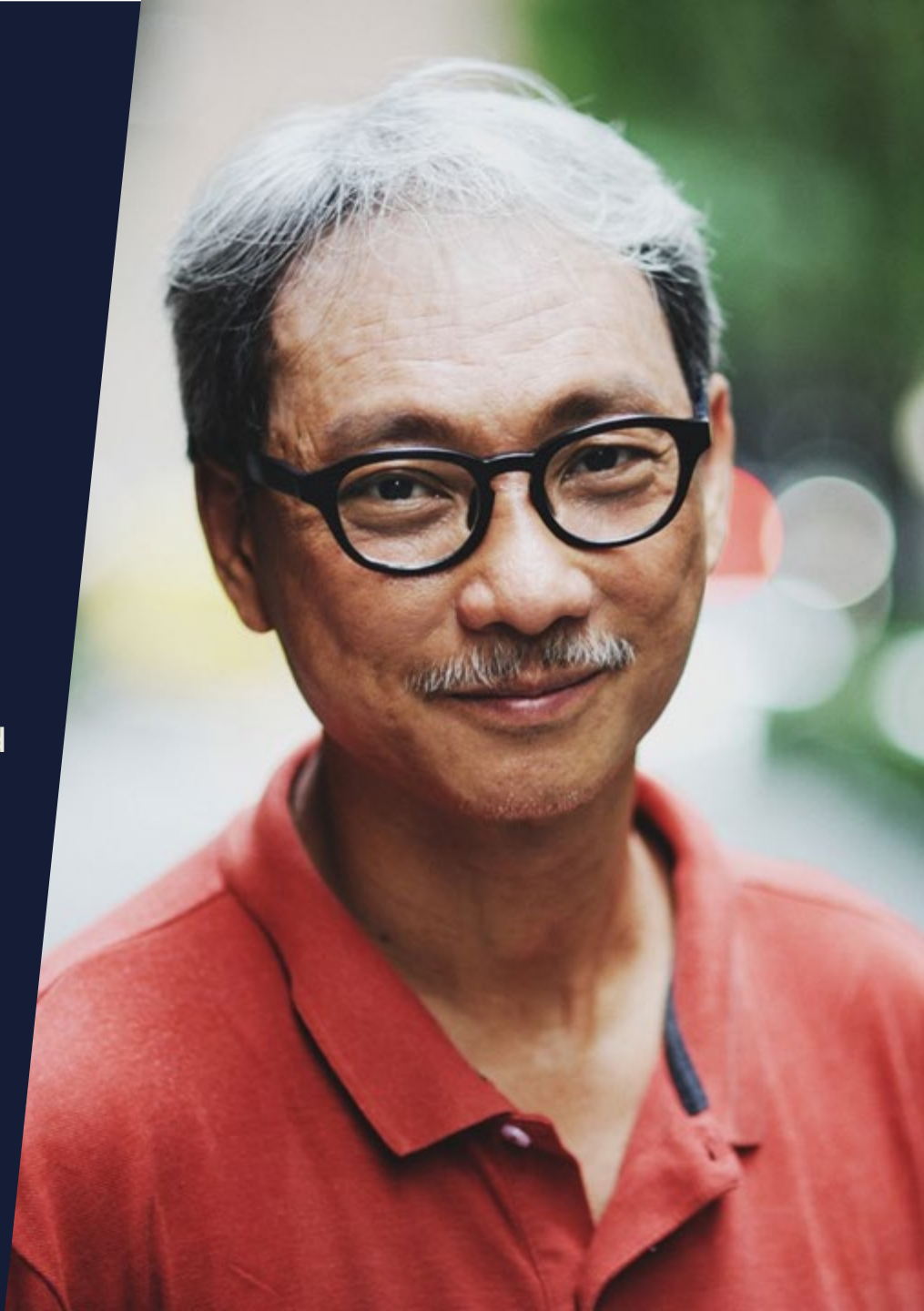
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Jeff Tarr
CEO



Q1 FY24 Business Highlights

- LTM Content & Platform Dollar Retention Rate¹ was approximately 101% in the quarter, up from approximately 98% in the year-ago period. Quarterly Content & Platform Dollar Retention Rate was approximately 108%, up from approximately 101% in the year-ago period.
- Launched a pioneering generative AI course featuring eight modules spanning topics including ChatGPT use cases, practical ethical AI concepts, and ChatGPT prompt engineering, among others.
- Brought to market Codecademy Plus, a new subscription product focused on upskilling and continuous career development, and introduced upgraded features for Codecademy Pro.
- Released our annual Lean Into Learning report and published our 2023 Women In Tech Report.
- Recognized in commissioned studies by Forrester Consulting for the benefits and Total Economic Impact of the Company's learning solutions.



Q1 FY2024 Financial Highlights

A strong start to the year with near double-digit Bookings growth in our Content & Platform segment, record high Dollar Retention Rates, and expanded Adjusted EBITDA margins

**Content &
Platform Segment
Bookings**

\$64.5M

 **9%**

vs. PY¹

**LTM Dollar
Retention Rate**

101%

 **~300bps**

vs. PY¹

Adjusted EBITDA

\$21.6M

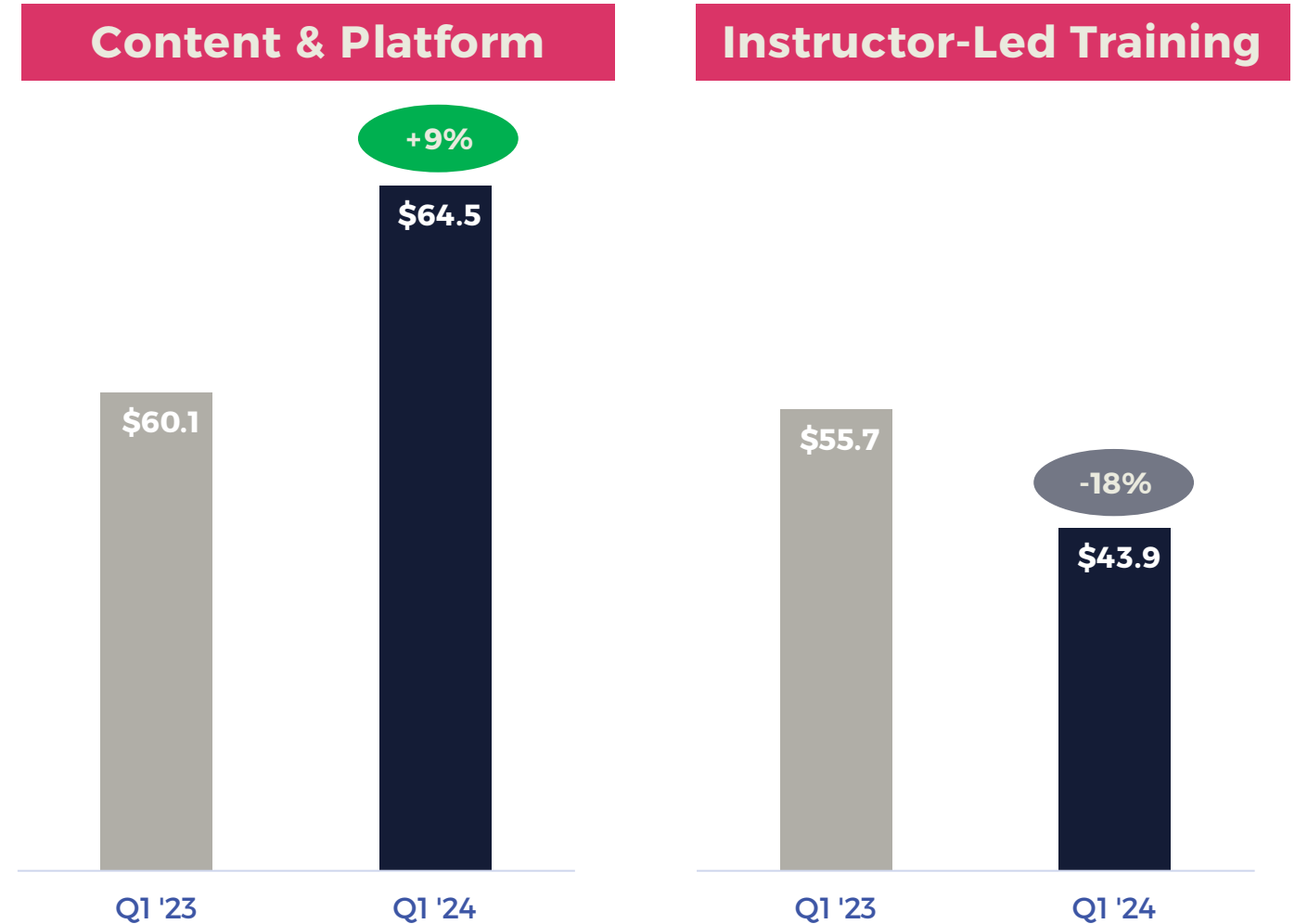
 **13%**

vs. PY¹

Bookings

- Content & Platform segment Bookings of \$65M, reflecting YoY growth of 9% for the quarter and 3% on an LTM basis
- Instructor-Led Training segment Bookings of \$44M, down 18% YoY
- Total Bookings of \$108M, down 4% YoY due to ILT contraction

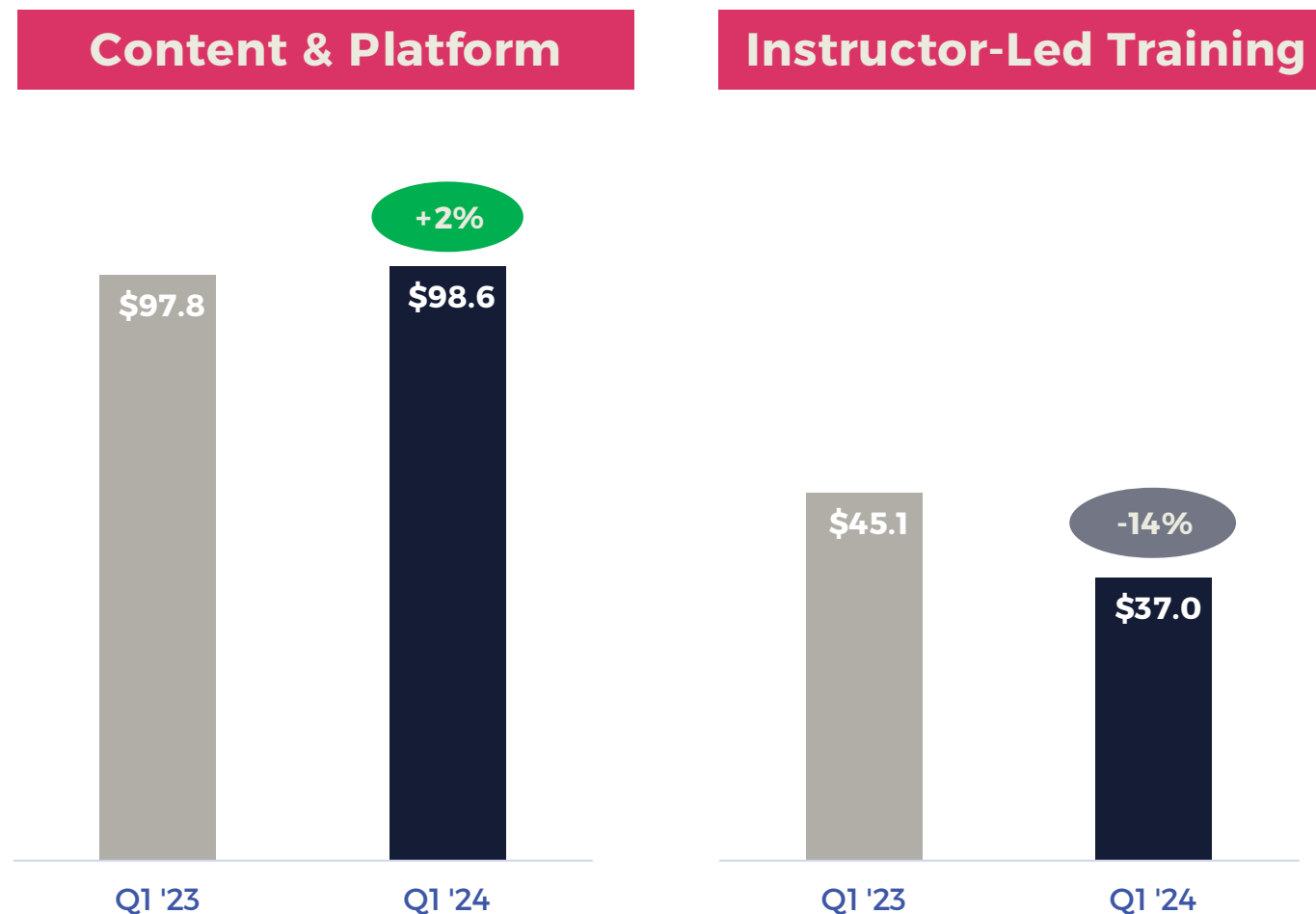
Accelerating Bookings growth in our SaaS-based Content & Platform segment



Revenue

- Content & Platform segment Revenue of \$99M, reflecting YoY growth of 2%
- Instructor-Led Training segment Revenue of \$37M, down 14% YoY
- Total Revenue of \$136M, down 3% YoY due to ILT contraction
- 73% of Revenue now from the Content & Platform segment, up from 66% two years ago
- Geographic mix: 66% United States, 25% EMEA, 9% rest of world

Leading a shift to a higher recurring revenue mix with growth in our Content & Platform segment



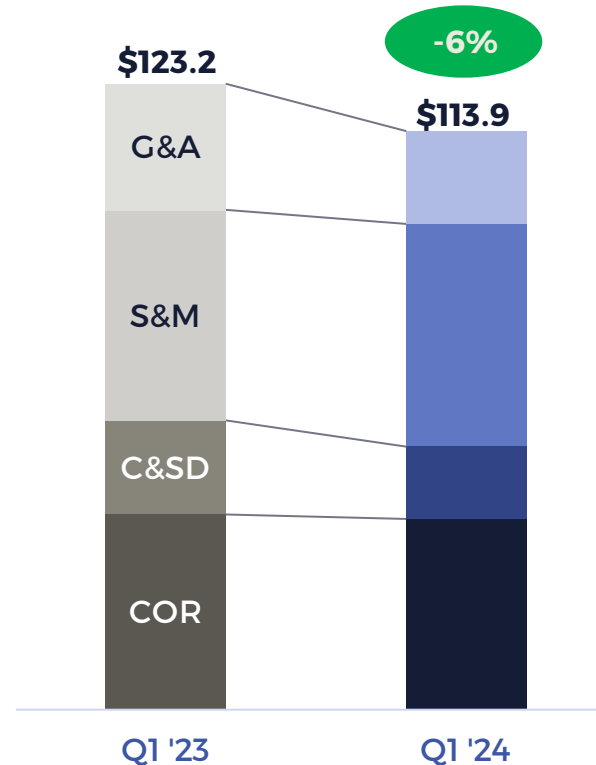
Growth rates are on a pro forma, constant currency basis. Refer to Appendix for definitions and reconciliation to comparable GAAP measures, as appropriate.

Profitability and Cash Flow

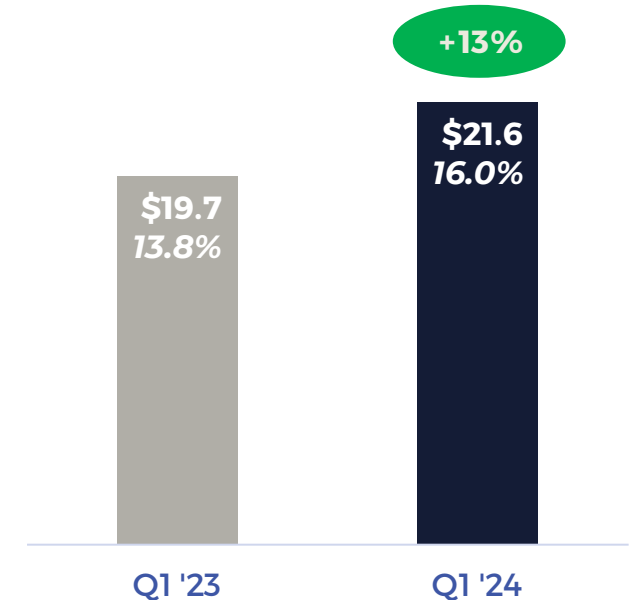
- Non-GAAP Operating Expenses of \$114M, favorably down 6% YoY
- Adjusted EBITDA of \$22M, up 13% YoY
- Adjusted EBITDA margin of 16% of Revenue, up 200+ basis points YoY
- Cash Flow from Operations of \$21M
- Free Cash Flow of \$17M
- \$178M of cash & equivalents as of 4/30/23

Demonstrating effective stewardship of our capital and resources to drive higher profitability and cash flow

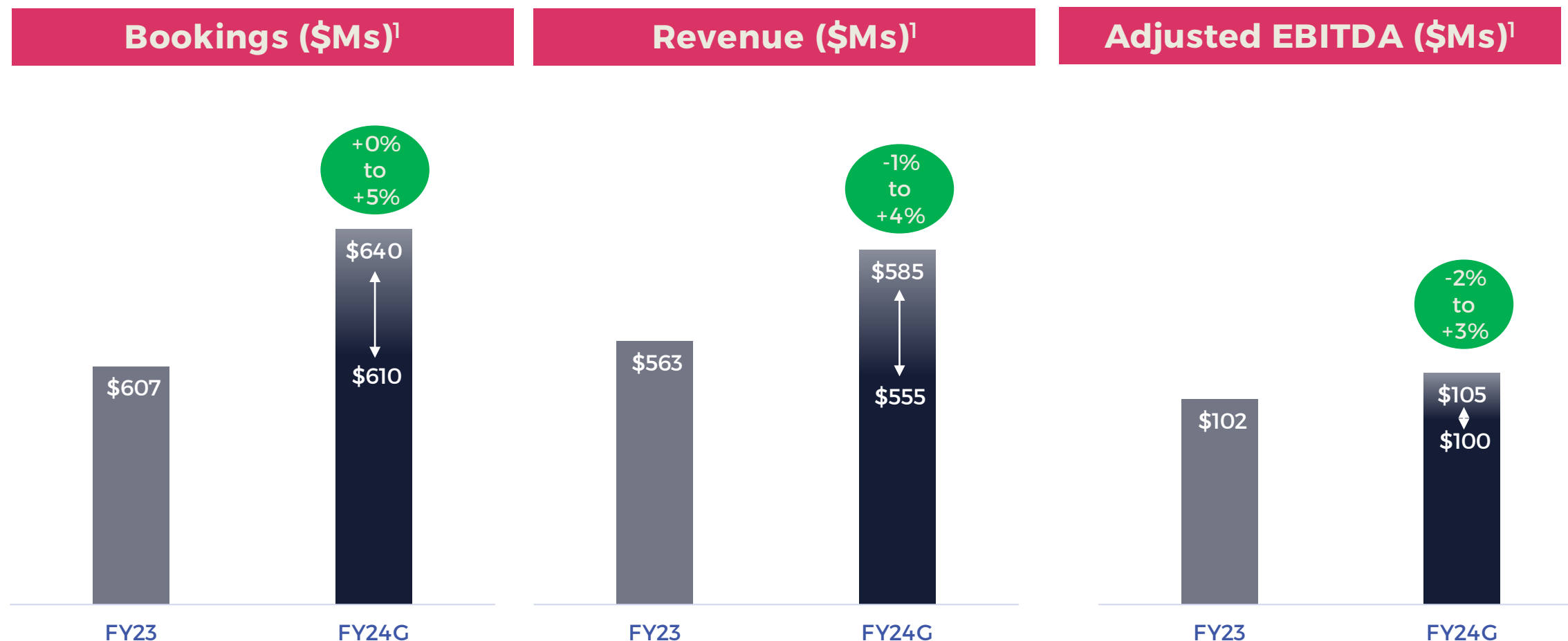
Non-GAAP OpEx



Adjusted EBITDA



Reaffirming FY2024 Financial Outlook Metrics



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 in the appendix 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 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 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 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.

Reconciliation of Non-GAAP Financial Measures

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

	Three Months Ended April 30, 2023	Three Months Ended April 30, 2022
Revenues:		
Revenues, as reported	\$ 135,554	\$ 134,838
Net income (loss), as reported	\$ (44,224)	\$ (21,643)
Income from discontinued operations, net of tax	-	(1,475)
Loss on sale of business	682	-
Acquisition and integration related costs	1,391	13,312
Restructuring	5,218	3,956
Foreign currency impact	469	(952)
Warrant fair value adjustment	(2,852)	(10,106)
Fair value adjustment of hedge instruments	(270)	-
Stock-based compensation expense	9,124	8,493
Transformation costs	1,127	851
System migration costs	667	1,612
Tax impact of non-GAAP adjustments	(1,385)	(1,392)
Adjusted net income (loss) from continuing operations	(30,053)	(7,343)
Interest expense, net	15,291	11,377
Expense from income taxes, excluding tax impacts above	(2,999)	(20,945)
Depreciation	1,144	1,418
Amortization of intangible assets	38,245	39,558
Adjusted EBITDA from continuing operations	\$ 21,628	\$ 24,065
GAAP Operating Margin %	-26.1%	-33.5%
Amortization of intangible assets	28.4%	29.2%
Acquisition-related costs	1.0%	9.9%
Restructuring	3.8%	2.9%
Stock-based compensation expense	6.7%	6.3%
Transformation costs	0.8%	0.6%
System migration costs	0.5%	1.2%
Depreciation	0.8%	1.1%
Other	0.1%	0.1%
Adjusted EBITDA Margin %	16.0%	17.8%

Reconciliation of Non-GAAP Financial Measures

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

	Three Months Ended April 30,	
	2023	2022
Operating expenses:		
GAAP costs of revenues	\$ 37,824	\$ 38,009
Depreciation	(151)	(474)
Stock-based compensation	(97)	(13)
Codecademy Pro Forma ⁽¹⁾	-	943
Non-GAAP costs of revenues	37,576	38,465
GAAP content and software development	17,035	16,331
Depreciation	(50)	(120)
Stock-based compensation	(2,012)	(1,575)
System migration	(667)	(1,612)
Codecademy Pro Forma ⁽¹⁾	-	5,441
Non-GAAP content and software development	14,306	18,465
GAAP selling and marketing	45,927	39,561
Depreciation	(267)	(272)
Stock-based compensation	(1,681)	(1,477)
Transformation	(136)	-
Codecademy Pro Forma ⁽¹⁾	-	3,665
Non-GAAP selling and marketing	43,843	41,477
GAAP general and administrative	25,296	29,346
Depreciation	(677)	(552)
Stock-based compensation	(5,333)	(5,427)
Transformation	(1,085)	(951)
Codecademy Pro Forma ⁽¹⁾	-	2,395
Non-GAAP general and administrative	18,201	24,811
Total GAAP operating expenses	126,082	123,247
Depreciation	(1,145)	(1,418)
Stock-based compensation	(9,123)	(8,492)
System migration	(667)	(1,612)
Transformation	(1,221)	(951)
Codecademy Pro Forma ⁽¹⁾	-	12,444
Total Non-GAAP operating expenses	\$ 113,926	\$ 123,218

(1) For the three months ended April 30, 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.

Reconciliation of Non-GAAP Financial Measures

**SKILLSOFT CORP.
PRO FORMA REVENUE
(IN THOUSANDS)**

	Three Months Ended April 30,	
	2023	2022
Revenue, as reported:	\$ 135,554	\$ 134,838
Pro Forma adjustments:		
Revenue from acquisitions ⁽¹⁾	-	8,058
Pro Forma Revenue ⁽²⁾	\$ 135,554	\$ 142,896

- (1) Revenue from acquisitions for the three months ended April 30, 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 April 30, 2023 in accordance with Regulation S-X, Article 11.

Reconciliation of Non-GAAP Financial Measures

SKILLSOFT CORP.
PRO FORMA ADJUSTED NET INCOME (LOSS)
(IN THOUSANDS)

	Three Months Ended April 30,	
	2023	2022
Adjusted net income (loss) from continuing operations ⁽¹⁾	\$ (30,053)	\$ (7,343)
Pro Forma adjustments:		
Adjusted net income (loss) from acquisitions ⁽²⁾	-	(4,156)
Pro Forma Adjusted Net Income (Loss)	\$ (30,053)	\$ (11,499)

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

(2) Adjusted net income (loss) from acquisitions for the three months ended April 30, 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.

Reconciliation of Non-GAAP Financial Measures

SKILLSOFT CORP.
PRO FORMA ADJUSTED EBITDA AND FREE CASH FLOW
(IN THOUSANDS)

	Three Months Ended April 30,	
	2023	2022
Pro Forma Adjusted EBITDA		
Adjusted EBITDA from continuing operations ⁽¹⁾	\$ 21,628	\$ 24,065
Pro Forma adjustments:		
Adjusted EBITDA from acquisitions ⁽²⁾	-	(4,385)
Pro Forma adjusted EBITDA	\$ 21,628	\$ 19,680
Free Cash Flow Reconciliation		
Net cash provided by (used in) operating activities	\$ 21,464	\$ 7,882
Purchase of property and equipment	(1,636)	(1,613)
Internally developed software - capitalized costs	(2,683)	(2,286)
Total free cash flow	\$ 17,145	\$ 3,983

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

(2) Adjusted EBITDA from acquisitions for the three months ended April 30, 2022 only 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.