

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

**FORM 8-K
CURRENT REPORT**

**Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **June 6, 2023**

Skillsoft Corp.

(Exact name of registrant as specified in its charter)

Delaware
(State or other
jurisdiction of
incorporation)

001-38960
(Commission File
Number)

83-4388331
(I.R.S. Employer
Identification No.)

**7887 E. Belleview Ave, Suite 600
Greenwood Village, Colorado 80111**
(Address of principal executive offices)

(603) 324-3000
Registrant's telephone number, including area code

**300 Innovative Way, Suite 201
Nashua, New Hampshire 03062**
(Former Address of principal executive offices, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| <u>Title of each class</u> | <u>Trading Symbol</u> | <u>Name of each exchange on which registered</u> |
|--|---------------------------|--|
| Class A common stock, \$0.0001 par value per share | SKIL | New York Stock Exchange |
| Warrants | SKIL.WS | New York Stock Exchange |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On June 6, 2023 Skillsoft Corp. issued a press release reporting its financial results for the fiscal quarter ended April 30, 2023. A copy of the press release is furnished as Exhibit 99.1 to this report and is incorporated herein by reference.

The information contained in Item 2.02 of this Current Report, including Exhibit 99.1, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 7.01. Regulation FD Disclosure.

On June 6, 2023, Skillsoft Corp. posted an earnings supplement presentation to its website at <https://investor.skillsoft.com/company-information/presentations>.

Item 9.01. Financial Statement and Exhibits.

(d) Exhibits.

| Exhibit Number | Description |
|-----------------------|--|
| 99.1 | Press Release, dated June 6, 2023. |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document). |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: June 6, 2023

SKILLSOFT CORP.

By: /s/ Richard George Walker

Richard George Walker

Chief Financial Officer

Skillsoft Reports Financial Results for the First Quarter of Fiscal 2024

- Content & Platform Bookings grew 9% in constant currency.
- Content & Platform Dollar Retention Rate increased three percentage points to 101% on an LTM basis.
- Launched pioneering eight-module generative AI course with record-setting initial enrollments.

DENVER – June 6, 2023 – Skillsoft Corp. (NYSE: SKIL) (“Skillsoft” or the “Company”), a leading platform for transformative learning experiences, today announced its financial results for the first quarter of fiscal 2024 ended April 30, 2023.

“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,” said Jeffrey R. Tarr, Skillsoft’s Chief Executive Officer. “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.”

Tarr added, “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.”

Fiscal 2024 First Quarter Select Metrics and Financials from Continuing Operations (1)

- Content & Platform segment Bookings grew 9% on a constant currency basis. Total Bookings were down 4% on a constant currency basis due to an 18% constant currency decline in Instructor-Led Training segment Bookings.
- GAAP Revenue of \$136 million grew 1%, with 10% growth in Content & Platform segment GAAP Revenue to \$99 million, offset by an 18% decline in Instructor-Led Training segment GAAP Revenue to \$37 million.
- On a Pro Forma constant currency basis, Content & Platform segment Revenue grew 2%, while total Revenue was down 3% due to a 14% decline in Instructor-Led Training segment Revenue.
- GAAP Net Loss of \$44 million compared to a loss of \$22 million in the prior year. Adjusted EBITDA from continuing operations of \$22 million, up 13% on a Pro Forma constant currency basis and reflecting a margin of 16% of GAAP Revenue.
- Repurchased 4.4 million shares under the Company’s \$30 million share repurchase program.
- Ended the quarter with \$178 million of cash and cash equivalents.

Fiscal 2024 First Quarter Business Highlights

- LTM Content & Platform Dollar Retention Rate 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, helping learners gain the necessary skills for entry-level technology careers with real-time coding exercises, professional certifications, and career advice.
- Released our annual Lean Into Learning report, which examines the state of digital learning, as well as the most in-demand skills and competencies for the future of work, and published our 2023 Women In Tech Report, which explores the top challenges and areas of opportunity for women working in the technology industry.
- Recognized in commissioned studies by Forrester Consulting for the benefits and Total Economic Impact™ of the Company’s learning solutions, including a 263% ROI, 274% ROI, and 317% ROI for Skillsoft’s Leadership & Business, Technology & Developer, and Compliance solutions, respectively, over a three-year span.

Full-Year Fiscal 2024 Financial Outlook (2)

The following table reflects Skillsoft’s reaffirmed financial outlook for the full-year fiscal 2024 ended January 31, 2024, based on current market conditions, expectations, and assumptions:

| | |
|-----------------|--------------------------------|
| Bookings | \$610 million to \$640 million |
| GAAP Revenue | \$555 million to \$585 million |
| Adjusted EBITDA | \$100 million to \$105 million |

(1) Growth calculated relative to the comparable prior year period. Pro Forma results are presented as if Codecademy had merged on February 1, 2022. Constant currency results represent current year period local currency amounts translated at prior year foreign exchange rates. Continuing operations excludes SumTotal results for all periods presented as a result of the sale on August 15, 2022.

(2) See “Non-GAAP Financial Measures and Key Performance Metrics” below for the definitions of our key operational and non-GAAP metrics and how they are calculated and more information regarding the fact that the Company is unable to reconcile forward-looking non-GAAP measures without unreasonable efforts. We have provided at the back of this release reconciliations of our historical non-GAAP financial measures to the comparable GAAP measures.

Key Operational Metrics and Non-GAAP Financial Measures(3)

| | Three Months Ended April 30, | | Change | | Change Constant Currency |
|---|---------------------------------|--------------------|--------------------|--------------|--------------------------------|
| | 2023 | 2022 | \$ | % | % |
| Bookings (4) | | | | | |
| Continuing Operations: | | | | | |
| Content & Platform | \$ 64,533 | \$ 60,146 | \$ 4,387 | 7% | 9% |
| Instructor-Led Training | 43,936 | 55,665 | (11,729) | -21% | -18% |
| Total Bookings | \$ 108,469 | \$ 115,811 | \$ (7,342) | -6% | -4% |
| GAAP Revenue | | | | | |
| Continuing Operations: | | | | | |
| Content & Platform | \$ 98,573 | \$ 89,785 | \$ 8,788 | 10% | 11% |
| Instructor-Led Training | 36,981 | 45,053 | (8,072) | -18% | -14% |
| Total | \$ 135,554 | \$ 134,838 | \$ 716 | 1% | 3% |
| Pro Forma Revenue (4) | | | | | |
| Continuing Operations: | | | | | |
| Content & Platform | \$ 98,573 | \$ 97,843 | \$ 730 | 1% | 2% |
| Instructor-Led Training | 36,981 | 45,053 | (8,072) | -18% | -14% |
| Total Pro Forma Revenue | \$ 135,554 | \$ 142,896 | \$ (7,342) | -5% | -3% |
| GAAP Net Income (Loss) | \$ (44,224) | \$ (21,643) | \$ (22,581) | -104% | |
| Pro Forma Non-GAAP Operating Expenses (4) | | | | | |
| Pro Forma Non-GAAP costs of revenues | \$ 37,576 | \$ 38,465 | \$ (889) | -2% | 1% |
| Pro Forma Non-GAAP content and software development expenses | 14,306 | 18,465 | (4,159) | -23% | -21% |
| Pro Forma Non-GAAP selling and marketing expenses | 43,843 | 41,477 | 2,366 | 6% | 7% |
| Pro Forma Non-GAAP general and administrative expenses | 18,201 | 24,811 | (6,610) | -27% | -26% |
| Total Pro Forma Non-GAAP Operating Expenses | \$ 113,926 | \$ 123,218 | \$ (9,292) | -8% | -6% |
| Pro Forma Adjusted Net Income (Loss) & Adjusted EBITDA (4) | | | | | |
| Continuing Operations: | | | | | |
| Pro Forma Adjusted Net Income (Loss) | \$ (30,053) | \$ (11,499) | \$ (18,554) | -161% | |
| Pro Forma Adjusted EBITDA | \$ 21,628 | \$ 19,680 | \$ 1,948 | 10% | 13% |

(3) See "Non-GAAP Financial Measures and Key Performance Metrics" below for the definitions of our key operational and non-GAAP metrics and how they are calculated.

(4) 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.

Webcast and Conference Call Information

Skillssoft will host a conference call and webcast today at 5:00 p.m. Eastern Time to discuss its financial results. To access the call, dial (877) 413-9278 from the United States and Canada or (215) 268-9914 from international locations. The live event can be accessed from the Investor Relations section of Skillssoft's website at investor.skillssoft.com. A replay will be available for six months.

About Skillssoft

Skillssoft delivers transformative learning experiences that propel organizations and people to grow together. The Company partners with enterprise organizations and serves a global community of learners to prepare today's employees for tomorrow's economy. With Skillssoft, customers gain access to blended, multimodal learning experiences that do more than build skills, they grow a more capable, adaptive, and engaged workforce. Through a portfolio of best-in-class content, a platform that is personalized and connected to customer needs, world-class tech, and a broad ecosystem of partners, Skillssoft drives continuous growth and performance for employees and their organizations by overcoming critical skill gaps and unlocking human potential. Learn more at www.skillssoft.com.

NON-GAAP FINANCIAL MEASURES AND KEY PERFORMANCE METRICS

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 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.

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.

Investors and Media

Chad W. Lyne
SVP, Strategic Finance & Investor Relations Officer
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SKILLSOFT CORP.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT NUMBER OF SHARES)

| | <u>April 30, 2023</u> | <u>January 31, 2023</u> |
|--|-----------------------|-------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 178,049 | \$ 170,359 |
| Restricted cash | 9,051 | 7,197 |
| Accounts receivable, net of allowance for credit losses of approximately \$291 and \$221 as of April 30, 2023 and January 31, 2023, respectively | 109,981 | 183,592 |
| Prepaid expenses and other current assets | 48,037 | 44,596 |
| Total current assets | 345,118 | 405,744 |
| Property and equipment, net | 6,920 | 10,150 |
| Goodwill | 458,227 | 457,744 |
| Intangible assets, net | 703,369 | 738,066 |
| Right of use assets | 10,153 | 14,633 |
| Other assets | 16,574 | 16,350 |
| Total assets | <u>\$ 1,540,361</u> | <u>\$ 1,642,687</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current maturities of long-term debt | \$ 8,015 | \$ 6,404 |
| Borrowings under accounts receivable facility | 45,237 | 39,693 |
| Accounts payable | 14,194 | 18,338 |
| Accrued compensation | 21,397 | 34,325 |
| Accrued expenses and other current liabilities | 35,793 | 41,474 |
| Lease liabilities | 4,177 | 4,198 |
| Deferred revenue | 245,539 | 280,676 |
| Total current liabilities | 374,352 | 425,108 |
| Long-term debt | 580,715 | 581,817 |
| Warrant liabilities | 1,902 | 4,754 |
| Deferred tax liabilities | 69,224 | 73,976 |
| Long term lease liabilities | 11,812 | 11,947 |
| Deferred revenue - non-current | 1,689 | 1,778 |
| Other long-term liabilities | 11,467 | 11,551 |
| Total long-term liabilities | 676,809 | 685,823 |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Shareholders' common stock - Class A common shares, \$0.0001 par value: 375,000,000 shares authorized and 159,578,765 shares issued and outstanding at April 30, 2023, and 163,655,881 shares issued and outstanding at January 31, 2023 | 14 | 14 |
| Additional paid-in capital | 1,530,413 | 1,521,574 |
| Accumulated deficit | (1,016,417) | (972,193) |
| Treasury stock | (10,891) | (2,845) |
| Accumulated other comprehensive income (loss) | (13,919) | (14,794) |
| Total shareholders' equity | 489,200 | 531,756 |
| Total liabilities and shareholders' equity | <u>\$ 1,540,361</u> | <u>\$ 1,642,687</u> |

SKILLSOFT CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

| | Three Months Ended April 30, 2023 | Three Months Ended April 30, 2022 |
|--|--|--|
| Revenues: | | |
| Total revenues | \$ 135,554 | \$ 134,838 |
| Operating expenses: | | |
| Costs of revenues | 37,824 | 38,009 |
| Content and software development | 17,035 | 16,331 |
| Selling and marketing | 45,927 | 39,561 |
| General and administrative | 25,296 | 29,346 |
| Amortization of intangible assets | 38,245 | 39,558 |
| Acquisition-related costs | 1,391 | 13,312 |
| Restructuring | 5,218 | 3,956 |
| Total operating expenses | <u>170,936</u> | <u>180,073</u> |
| Operating income (loss) | (35,382) | (45,235) |
| Other income (expense), net | (375) | 1,052 |
| Fair value adjustment of warrants | 2,852 | 10,106 |
| Fair value adjustment of hedge instruments | 270 | — |
| Interest income | 645 | 160 |
| Interest expense | (15,936) | (11,514) |
| Income (loss) before benefit from income taxes | (47,926) | (45,431) |
| Benefit from for income taxes | (4,384) | (22,337) |
| Income (loss) from continuing operations | (43,542) | (23,094) |
| Gain (loss) on sale of business | (682) | — |
| Income (loss) from discontinued operations, net of tax | — | 1,451 |
| Net income (loss) | <u>\$ (44,224)</u> | <u>\$ (21,643)</u> |
| Net Income (loss) per share: | | |
| Ordinary – Basic and diluted - continuing operations | \$ (0.27) | \$ (0.16) |
| Ordinary – Basic and diluted - discontinued operations | - | 0.01 |
| Ordinary – Basic and diluted | <u>\$ (0.27)</u> | <u>\$ (0.15)</u> |
| Weighted average common shares outstanding: | | |
| Ordinary – Basic and diluted | <u>163,154</u> | <u>142,209</u> |

SKILLSOFT CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

| | Three Months Ended April 30, 2023 | Three Months Ended April 30, 2022 |
|--|--|--|
| Cash flows from operating activities: | | |
| Net income (loss) | \$ (44,224) | \$ (21,643) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Share-based compensation | 9,128 | 6,898 |
| Depreciation and amortization | 1,144 | 2,533 |
| Amortization of intangible assets | 38,245 | 43,854 |
| Provision for (recovery of) doubtful accounts | 70 | (320) |
| Provision for (benefit from) income taxes – non-cash | (4,934) | (26,434) |
| Non-cash interest expense | 664 | 415 |
| Non-cash lease and property and equipment impairment charges | 4,819 | — |
| Gain (loss) on sale of business | 682 | — |
| Fair value adjustment to warrants | (2,852) | (10,106) |
| Unrealized loss on derivative instrument | (270) | — |
| Changes in assets and liabilities, net of effects from acquisitions: | | |
| Right-of-use asset | 43 | 2,836 |
| Accounts receivable | 73,624 | 84,107 |
| Prepaid expenses and other current assets | 297 | (367) |
| Accounts payable | (4,340) | 2,042 |
| Accrued expenses, including long-term | (16,367) | (22,768) |
| Lease liability | (156) | (3,053) |
| Deferred revenue | (34,109) | (50,112) |
| Net cash provided by (used in) operating activities | 21,464 | 7,882 |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (1,636) | (1,613) |
| Internally developed software - capitalized costs | (2,683) | (2,286) |
| Sale of SumTotal, net of cash transferred | (5,137) | — |
| Acquisition of Codecademy, net of cash received | — | (198,633) |
| Net cash used in investing activities | (9,456) | (202,532) |
| Cash flows from financing activities: | | |
| Shares repurchased for tax withholding upon vesting of restricted stock-based awarded | (296) | (309) |
| Payments to acquire treasury stock | (7,155) | — |
| Proceeds from issuance of term loans, net of fees | — | 157,088 |
| Proceeds from accounts receivable facility, net of borrowings | 5,544 | (46,639) |
| Principal payments on Term loans | — | (1,601) |
| Net cash provided by (used in) financing activities | (1,907) | 108,539 |
| Effect of exchange rate changes on cash and cash equivalents | (557) | (2,157) |
| Net increase (decrease) in cash, cash equivalents and restricted cash | 9,544 | (88,268) |
| Cash, cash equivalents and restricted cash, beginning of period | 177,556 | 168,923 |
| Cash, cash equivalents and restricted cash, end of period | <u>\$ 187,100</u> | <u>\$ 80,655</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash and cash equivalents | \$ 178,049 | \$ 69,517 |
| Restricted cash | 9,051 | 4,848 |
| Cash attributable to discontinued operations | — | 6,290 |
| Cash, cash equivalents and restricted cash, end of period | <u>\$ 187,100</u> | <u>\$ 80,655</u> |

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% |

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.

SKILLSOFT CORP.
PRO FORMA REVENUE
(IN THOUSANDS)

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

- (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.

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

| | <u>Three Months Ended April 30,</u> | |
|--|-------------------------------------|--------------------|
| | <u>2023</u> | <u>2022</u> |
| 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) | <u>\$ (30,053)</u> | <u>\$ (11,499)</u> |

(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.

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 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.