

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 31, 2024

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the transition period from _____ to _____
Commission File Number: 001-38960**

Skillsoft Corp.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

300 Innovative Way, Suite 2210
Nashua, NH 03062
(Address of principal executive offices) (Zip Code)

Tel: (603) 821-3902
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value \$0.0001 per share	SKIL	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input checked="" type="checkbox"/>
Emerging growth company <input checked="" type="checkbox"/>	

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of registrant's common stock outstanding as of December 5, 2024 was 8,283,555.

SKILLSOFT CORP.
FORM 10-Q
FOR THE QUARTER ENDED OCTOBER 31, 2024
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CAUTIONARY NOTES REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this “Form 10-Q”) 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, are forward-looking statements. These forward-looking statements include but are not limited to, statements that address activities, events or developments that we expect or anticipate may occur in the future, including such things as our outlook, our product development and planning, future capital expenditures, financial results, the impact of regulatory changes, our current and evolving business strategies, including with respect to acquisitions and dispositions, demand for our services, our competitive strengths, the benefits of new initiatives, growth of our business and operations, the effectiveness of our products, the outcome of litigation proceedings and claims, the state and future of skilling in the workplace, 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. Actual results may differ materially from those set forth in the forward-looking statements. 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 Annual Report on Form 10-K (as amended) for the fiscal year ended January 31, 2024 (the “2024 Form 10-K”). These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements included in the Annual Report and in our other periodic filings with the Securities and Exchange Commission. The forward-looking statements contained in this Form 10-Q 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, except as required by law.

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 purposes only, are not forecasts and may not reflect actual results.

INDUSTRY AND MARKET DATA

Within this Form 10-Q, we reference information and statistics regarding market share, industry data and our market position. Certain of this information has been obtained from various independent third-party sources, including independent industry publications, news reports, reports by market research firms and other independent sources. We believe that these external sources and estimates are reliable but have not independently verified them. In addition, certain of this information and statistics are based on our own internal surveys and assessments, which are developed in good faith using reasonable estimates. These data are based on the most current information available to us and our estimates regarding market position or other industry statistics 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.

PART I – FINANCIAL INFORMATION**ITEM 1. UNAUDITED FINANCIAL STATEMENTS.**

SKILLSOFT CORP.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except number of shares and per share amounts)

	October 31, 2024	January 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 97,921	\$ 136,308
Restricted cash	3,881	10,215
Accounts receivable, net of allowance for credit losses of approximately \$558 and \$562 as of October 31, 2024 and January 31, 2024, respectively	102,498	185,638
Prepaid expenses and other current assets	55,834	53,170
Total current assets	260,134	385,331
Property and equipment, net	3,543	6,639
Goodwill	317,071	317,071
Intangible assets, net	456,692	539,293
Right of use assets	5,054	8,044
Other assets	11,037	17,256
Total assets	<u>\$ 1,053,531</u>	<u>\$ 1,273,634</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 6,404	\$ 6,404
Borrowings under accounts receivable facility	10,009	44,980
Accounts payable	21,159	14,512
Accrued compensation	28,325	31,774
Accrued expenses and other current liabilities	22,370	29,939
Lease liabilities	2,088	3,049
Deferred revenue	203,646	282,570
Total current liabilities	294,001	413,228
Long-term debt	574,312	577,487
Deferred tax liabilities	44,099	52,148
Long-term lease liabilities	6,839	9,251
Deferred revenue - non-current	1,823	2,402
Other long-term liabilities	11,977	13,531
Total long-term liabilities	639,050	654,819
Commitments and contingencies		
Shareholders' equity:		
Shareholders' common stock - Class A common shares, \$0.0001 par value: 18,750,000 shares authorized and 8,576,683 shares issued and 8,276,906 shares outstanding at October 31, 2024, and 8,380,436 shares issued and 8,080,659 shares outstanding at January 31, 2024	1	1
Additional paid-in capital	1,559,547	1,551,005
Accumulated equity (deficit)	(1,412,279)	(1,321,478)
Treasury stock, at cost - 299,777 shares as of October 31, 2024 and January 31, 2024	(10,891)	(10,891)
Accumulated other comprehensive income (loss)	(15,898)	(13,050)
Total shareholders' equity	120,480	205,587
Total liabilities and shareholders' equity	<u>\$ 1,053,531</u>	<u>\$ 1,273,634</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

SKILLSOFT CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	<u>Three Months Ended October 31,</u>		<u>Nine Months Ended October 31,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Revenues:				
Total revenues	\$ 137,225	\$ 138,956	\$ 397,241	\$ 415,697
Operating expenses:				
Costs of revenues	34,312	36,407	101,254	114,698
Content and software development	14,937	16,126	45,436	51,024
Selling and marketing	39,615	43,983	122,591	130,321
General and administrative	21,686	22,308	66,390	72,689
Amortization of intangible assets	31,826	38,620	95,197	116,086
Acquisition and integration related costs	931	510	3,349	2,838
Restructuring	3,095	873	15,361	8,592
Total operating expenses	<u>146,402</u>	<u>158,827</u>	<u>449,578</u>	<u>496,248</u>
Operating income (loss)	(9,177)	(19,871)	(52,337)	(80,551)
Other income (expense), net	(538)	19	1,261	(1,290)
Fair value adjustment of warrants	—	1,105	—	4,750
Fair value adjustment of interest rate swaps	(822)	3,981	418	11,186
Interest income	924	1,060	2,897	2,576
Interest expense	(15,845)	(16,492)	(48,538)	(48,683)
Income (loss) before provision for (benefit from) income taxes	(25,458)	(30,198)	(96,299)	(112,012)
Provision for (benefit from) income taxes	(1,859)	(2,462)	(5,498)	(8,735)
Income (loss) from continuing operations	(23,599)	(27,736)	(90,801)	(103,277)
Gain (loss) on sale of business	—	—	—	(682)
Net income (loss)	<u>\$ (23,599)</u>	<u>\$ (27,736)</u>	<u>\$ (90,801)</u>	<u>\$ (103,959)</u>
Net income (loss) per share:				
Basic and diluted - continuing operations	\$ (2.86)	\$ (3.45)	\$ (11.11)	\$ (12.84)
Basic and diluted - discontinued operations	—	—	—	(0.08)
Basic and diluted	<u>\$ (2.86)</u>	<u>\$ (3.45)</u>	<u>\$ (11.11)</u>	<u>\$ (12.92)</u>
Weighted average common shares outstanding:				
Basic and diluted	<u>8,239,564</u>	<u>8,047,497</u>	<u>8,170,344</u>	<u>8,043,712</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

SKILLSOFT CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	<u>Three Months Ended October 31,</u>		<u>Nine Months Ended October 31,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Comprehensive income (loss):				
Net income (loss)	\$ (23,599)	\$ (27,736)	\$ (90,801)	\$ (103,959)
Foreign currency adjustment, net of tax	(25)	(2,650)	(2,848)	(1,279)
Total comprehensive income (loss)	<u>\$ (23,624)</u>	<u>\$ (30,386)</u>	<u>\$ (93,649)</u>	<u>\$ (105,238)</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

SKILLSOFT CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
(in thousands, except number of shares)

	Number of Shares		Common Stock	Additional Paid-in Capital	Accumulated Equity (Deficit)	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity (Deficit)
	Issued	In Treasury						
Balance January 31, 2023	8,264,308	(81,514)	\$ 1	\$ 1,521,587	\$ (972,193)	\$ (2,845)	\$ (14,794)	\$ 531,756
Stock-based compensation	—	—	—	9,128	—	—	—	9,128
Common stock issued	22,538	—	—	—	—	—	—	—
Shares repurchased for tax withholding upon vesting of restricted stock-based awards	(8,131)	—	—	(289)	—	—	—	(289)
Repurchase of common stock	—	(218,263)	—	—	—	(8,046)	—	(8,046)
Translation adjustment	—	—	—	—	—	—	875	875
Net income (loss)	—	—	—	—	(44,224)	—	—	(44,224)
Balance April 30, 2023	8,278,715	(299,777)	1	1,530,426	(1,016,417)	(10,891)	(13,919)	489,200
Stock-based compensation	—	—	—	5,827	—	—	—	5,827
Common stock issued	67,693	—	—	—	—	—	—	—
Shares repurchased for tax withholding upon vesting of restricted stock-based awards	(23,241)	—	—	(592)	—	—	—	(592)
Translation adjustment	—	—	—	—	—	—	496	496
Net income (loss)	—	—	—	—	(31,999)	—	—	(31,999)
Balance July 31, 2023	8,323,167	(299,777)	1	1,535,661	(1,048,416)	(10,891)	(13,423)	462,932
Stock-based compensation	—	—	—	7,962	—	—	—	7,962
Common stock issued	60,878	—	—	—	—	—	—	—
Shares repurchased for tax withholding upon vesting of restricted stock-based awards	(21,271)	—	—	(560)	—	—	—	(560)
Repurchase of common stock	—	—	—	—	—	—	—	—
Translation adjustment	—	—	—	—	—	—	(2,650)	(2,650)
Net income (loss)	—	—	—	—	(27,736)	—	—	(27,736)
Balance October 31, 2023	<u>8,362,774</u>	<u>(299,777)</u>	<u>\$ 1</u>	<u>\$ 1,543,063</u>	<u>\$ (1,076,152)</u>	<u>\$ (10,891)</u>	<u>\$ (16,073)</u>	<u>\$ 439,948</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

SKILLSOFT CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT) - continued
(in thousands, except number of shares)

	Number of Shares		Common Stock	Additional Paid-in Capital	Accumulated Equity (Deficit)	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity (Deficit)
	Issued	In Treasury						
Balance January 31, 2024	8,380,436	(299,777)	\$ 1	\$ 1,551,005	\$ (1,321,478)	\$ (10,891)	\$ (13,050)	\$ 205,587
Stock-based compensation	—	—	—	7,153	—	—	—	7,153
Common stock issued	20,596	—	—	—	—	—	—	—
Shares repurchased for tax withholding upon vesting of restricted stock-based awards	(6,934)	—	—	(82)	—	—	—	(82)
Translation adjustment	—	—	—	—	—	—	(2,887)	(2,887)
Net income (loss)	—	—	—	—	(27,636)	—	—	(27,636)
Balance April 30, 2024	8,394,098	(299,777)	1	1,558,076	(1,349,114)	(10,891)	(15,937)	182,135
Stock-based compensation	—	—	—	(814)	—	—	—	(814)
Common stock issued	158,368	—	—	—	—	—	—	—
Shares repurchased for tax withholding upon vesting of restricted stock-based awards	(47,637)	—	—	(397)	—	—	—	(397)
Translation adjustment	—	—	—	—	—	—	64	64
Net income (loss)	—	—	—	—	(39,566)	—	—	(39,566)
Balance July 31, 2024	8,504,829	(299,777)	1	1,556,865	(1,388,680)	(10,891)	(15,873)	141,422
Stock-based compensation	—	—	—	3,255	—	—	—	3,255
Common stock issued	112,496	—	—	—	—	—	—	—
Shares repurchased for tax withholding upon vesting of restricted stock-based awards	(40,642)	—	—	(573)	—	—	—	(573)
Repurchase of common stock	—	—	—	—	—	—	—	—
Translation adjustment	—	—	—	—	—	—	(25)	(25)
Net income (loss)	—	—	—	—	(23,599)	—	—	(23,599)
Balance October 31, 2024	<u>8,576,683</u>	<u>(299,777)</u>	<u>\$ 1</u>	<u>\$ 1,559,547</u>	<u>\$ (1,412,279)</u>	<u>\$ (10,891)</u>	<u>\$ (15,898)</u>	<u>\$ 120,480</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

SKILLSOFT CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Nine Months Ended October 31,	
	2024	2023
Cash flows from operating activities:		
Net income (loss)	\$ (90,801)	\$ (103,959)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Amortization of intangible assets	95,197	116,086
Stock-based compensation	9,985	22,917
Depreciation	2,404	2,629
Non-cash interest expense	1,628	1,546
Non-cash property, equipment, software and lease impairment charges	2,495	4,265
Provision for credit loss expense (recovery)	(4)	205
(Gain) loss on sale of business	—	682
Provision for (benefit from) deferred income taxes – non-cash	(8,080)	(10,270)
Fair value adjustment of warrants	—	(4,750)
Fair value adjustment of interest rate swaps	(418)	(11,186)
Change in assets and liabilities:		
Accounts receivable	82,877	70,645
Prepaid expenses and other assets, including long-term	4,258	2,726
Right-of-use assets	1,632	2,184
Accounts payable	6,693	(3,283)
Accrued expenses and other liabilities, including long-term	(12,819)	(20,820)
Lease liabilities	(3,387)	(3,048)
Deferred revenues	(79,446)	(75,250)
Net cash provided by (used in) operating activities	12,214	(8,681)
Cash flows from investing activities:		
Purchase of property and equipment	(820)	(3,753)
Proceeds from sale of property and equipment	10	—
Internally developed software - capitalized costs	(13,018)	(8,055)
Sale of SumTotal, net of cash transferred	—	(5,137)
Net cash provided by (used in) investing activities	(13,828)	(16,945)
Cash flows from financing activities:		
Shares repurchased for tax withholding upon vesting of restricted stock-based awards	(1,052)	(1,441)
Payments to acquire treasury stock	—	(8,046)
Proceeds from (payments on) accounts receivable facility	(34,971)	793
Principal payments on term loans	(4,803)	(4,803)
Net cash provided by (used in) financing activities	(40,826)	(13,497)
Effect of exchange rate changes on cash and cash equivalents	(2,281)	(1,674)
Net increase (decrease) in cash, cash equivalents and restricted cash	(44,721)	(40,797)
Cash, cash equivalents and restricted cash, beginning of period	146,523	177,556
Cash, cash equivalents and restricted cash, end of period	\$ 101,802	\$ 136,759
Supplemental disclosure of cash flow information:		
Cash and cash equivalents	\$ 97,921	\$ 129,806
Restricted cash	3,881	6,953
Cash, cash equivalents and restricted cash, end of period	\$ 101,802	\$ 136,759

The accompanying notes are an integral part of these condensed consolidated financial statements.

SKILLSOFT CORP.
UNAUDITED SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION
(in thousands)

	<u>Nine Months Ended October 31,</u>	
	<u>2024</u>	<u>2023</u>
Supplemental disclosure of cash flow information and non-cash investing and financing activities:		
Cash paid for interest	\$ 48,362	\$ 50,583
Cash paid (received) for income taxes, net of refunds	2,399	6,262

The accompanying notes are an integral part of these condensed consolidated financial statements.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Description of Business and Basis of Presentation

Description of Business

Skillsoft Corp. (together with its consolidated subsidiaries, “Skillsoft”, “we”, “us”, “our” and the “Company”) has been listed on the New York Stock Exchange under the ticker symbol “SKIL” since June 14, 2021. Through a portfolio of high-quality content, an AI-enabled platform that is personalized and connected to customer needs, and a broad ecosystem of partners, Skillsoft drives continuous growth and performance for employees and their organizations by overcoming critical skills gaps, unlocking human potential, and developing the workforce.

With more than 150,000 expert-led skills-building courses in modalities ranging from video and audio to instructor-led training, coaching, practice labs, and a generative Artificial Intelligence (“GenAI”)-powered conversation simulator, Skillsoft offers transformative learning experiences for leaders to frontline workers, readers to hands-on learners.

References in the accompanying footnotes to the Company’s fiscal year refer to the fiscal year ended January 31 of that year (e.g., fiscal 2024 is the fiscal year ended January 31, 2024).

SumTotal

Refer to Note 4 “Discontinued Operations” in our fiscal 2024 Form 10-K for information regarding the SumTotal business and its 2022 sale.

Principles of Consolidation and Basis of Financial Statement Preparation

The accompanying condensed consolidated financial statements include the accounts of Skillsoft Corp. and its wholly owned subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation.

These financial statements are unaudited. However, in the opinion of management, the condensed consolidated financial statements reflect all normal and recurring adjustments necessary for their fair statement. Interim results are not necessarily indicative of results expected for any other interim period or a full year. We prepared the accompanying unaudited condensed consolidated financial statements in accordance with the instructions for Form 10-Q and Article 10 of Regulation S-X and, therefore, include all information and footnotes necessary for a complete presentation of operations, comprehensive income (loss), financial position, changes in shareholders’ equity (deficit) and cash flows in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The financial statements contained in these interim financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the 2024 Form 10-K.

Certain amounts reported in prior years have been reclassified to conform to the presentation in the current year. These reclassifications had no effect on total assets, total liabilities, total shareholders’ equity (deficit), or net income (loss) for the prior years.

The Company is an “emerging growth company,” as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”), and has and may in the future take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We will cease to qualify as an emerging growth company as of January 31, 2025. As a result, beginning with our Form 10-K for fiscal 2025, we will be subject to the provisions of Section 404(b) of the Sarbanes-Oxley Act and our independent registered public accounting firm will formally attest to the effectiveness of our internal controls over financial reporting.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from our estimates.

(2) Summary of Significant Accounting Policies

The Company’s significant accounting policies are discussed in Note 2—Summary of Significant Accounting Policies included in the 2024 Form 10-K and should be read in connection with the reading of these interim unaudited financial statements.

Recently Issued Accounting Guidance

In December 2023, the FASB issued ASU 2023-07, *Improvements to Reportable Segment Disclosures*, which will require disclosure of significant segment expenses and other segment items. The Company will adopt this guidance effective in our Form 10-K for the fiscal year ending January 31, 2025. We are currently evaluating the impact of this amended disclosure guidance.

In December 2023, the FASB also issued ASU 2023-09, *Improvements to Income Tax Disclosures*, which will require additional information in the rate reconciliation table and additional disclosures about income taxes paid. The Company will adopt this guidance effective February 1, 2025. We are currently evaluating the impact of this amended disclosure guidance.

In November 2024, the FASB also issued ASU 2024-03, *Disaggregation of Income Statement Expenses*, which will require the disclosure of additional information about specific expense categories in the notes to the financial statements. The Company will adopt this guidance effective January 31, 2027. We are currently evaluating the impact of this amended disclosure guidance.

(3) Intangible Assets

Intangible assets consisted of the following (dollars in thousands and weighted average remaining life in years):

	October 31, 2024				January 31, 2024			
	Weighted Average Remaining Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed software/courseware	2.0	\$ 363,319	\$ 222,305	\$ 141,014	2.7	\$ 355,247	\$ 172,578	\$ 182,669
Customer contracts/relationships	8.9	268,658	87,686	180,972	9.5	269,300	59,091	210,209
Trademarks and trade names	11.7	52,732	9,206	43,526	12.4	52,863	6,184	46,679
Publishing rights	1.6	41,100	27,834	13,266	2.4	41,100	21,668	19,432
Backlog	1.2	49,700	48,331	1,369	1.9	49,700	45,941	3,759
Skillsoft trademark	Indefinite	76,545	—	76,545	Indefinite	76,545	—	76,545
Total intangible assets		<u>\$ 852,054</u>	<u>\$ 395,362</u>	<u>\$ 456,692</u>		<u>\$ 844,755</u>	<u>\$ 305,462</u>	<u>\$ 539,293</u>

Amortization expense related to the existing finite-lived intangible assets is expected to be as follows (in thousands) for the fiscal years ending January 31:

	Amortization Expense
2025 (three months remaining)	\$ 31,952
2026	124,611
2027	79,084
2028	38,378
2029	28,308
Thereafter	77,814
Total future amortization	<u>\$ 380,147</u>

Amortization expense related to intangible assets in the aggregate was \$31.8 million, \$95.2 million, \$38.6 million and \$116.1 million for the three and nine months ended October 31, 2024 and the three and nine months ended October 31, 2023, respectively.

A roll forward of goodwill is as follows (in thousands):

	Talent Development Solutions	Global Knowledge	Consolidated
Goodwill January 31, 2024	\$ 287,650	\$ 29,421	\$ 317,071
Increase (decrease)	—	—	—
Goodwill October 31, 2024	<u>\$ 287,650</u>	<u>\$ 29,421</u>	<u>\$ 317,071</u>
Accumulated impairment, October 31, 2024	<u>\$ 698,405</u>	<u>\$ 84,694</u>	<u>\$ 783,099</u>

(4) Taxes

For the three and nine months ended October 31, 2024, for continuing operations, the Company recorded a tax benefit of \$1.9 million and \$5.5 million, respectively, on a pretax loss of \$25.5 million and \$96.3 million, respectively. For the three and nine months ended October 31, 2023, for continuing operations, the Company recorded a tax benefit of \$2.5 million and \$8.7 million, respectively, on a pretax loss of \$30.2 million and \$112.0 million, respectively. For each period, the tax benefit reflects the effect of non-deductible items, current period changes in the Company's valuation allowance on its deferred tax assets and the impact of foreign tax rate differential.

(5) Restructuring

During the three and nine months ended October 31, 2024 and October 31, 2023, the Company's management approved and initiated plans to reduce its cost structure and better align operating expenses with existing economic conditions and the Company's operating model. These strategic initiatives included the comprehensive resource reallocation plan the Company announced on July 11, 2024.

The following is a summary of restructuring charges by segment for the three and nine months ended October 31, 2024 and October 31, 2023 (in thousands):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2024	2023	2024	2023
Talent Development Solutions	\$ 1,645	\$ 123	\$ 11,659	\$ 5,563
Global Knowledge	1,450	750	3,702	3,029
Total	<u>\$ 3,095</u>	<u>\$ 873</u>	<u>\$ 15,361</u>	<u>\$ 8,592</u>

These restructuring charges are presented separately in the accompanying condensed consolidated statements of operations. The restructuring charges for the nine months ended October 31, 2024 and October 31, 2023 are substantially all related to severance costs of terminated employees and lease termination and lease impairment charges. As of October 31, 2024 and January 31, 2024, the Company had restructuring charge liabilities of \$3.7 million and \$3.3 million, respectively. Management anticipates further restructuring charges during the remainder of fiscal 2025 as the identified resource reallocation measures initiated in mid-July 2024 are fully implemented.

(6) Commitments and Contingencies

Litigation

On November 21, 2023, the Company was named as a nominal defendant in a shareholder derivative action filed in the Delaware Court of Chancery captioned *Norcross v. Prosus N.V., et al.* The plaintiff, a Company shareholder, alleges that the Company's directors and controlling shareholders breached their fiduciary duties to plaintiffs by causing the Company to acquire Codecademy at an above-market price. Plaintiff seeks monetary damages as compensation for the harm caused by the alleged breaches. We currently cannot estimate any possible loss that may result from this action.

In addition, the Company is, from time to time, party to general legal proceedings and claims, which arise in the ordinary course of business including those relating to commercial and contractual disputes, employment matters, intellectual property, and other business matters. When appropriate, management consults with legal counsel and other appropriate experts to assess claims. If, in management's opinion, we have incurred a probable loss as determined in accordance with GAAP, an estimate is made of the loss and the appropriate accrual is reflected in our condensed consolidated financial statements. Currently, there are no material amounts accrued. While it is not possible to quantify the financial impact or predict the outcome of all pending claims and litigation, management does not anticipate that the outcome of any current proceedings or known claims, either individually or in aggregate, will materially affect the Company's financial position, results of operations or cash flows.

Guarantees

The Company's software license arrangements and hosting services are typically warranted to perform in a manner consistent with general industry standards that are reasonably applicable and substantially in accordance with the Company's product documentation under normal use and circumstances. The Company's arrangements also include certain provisions for indemnifying customers against liabilities if its products or services infringe a third party's intellectual property right. The Company has entered into service level agreements with some of its hosted application customers warranting certain levels of uptime reliability and such agreements permit those customers to receive credits against monthly hosting fees or terminate their agreements in the event that the Company fails to meet those levels for an agreed upon period of time.

To date, the Company has not incurred any material costs as a result of such indemnifications or commitments and has not accrued any liabilities related to such obligations in the accompanying condensed consolidated financial statements.

(7) Long-Term Debt

Debt consisted of the following (in thousands):

	October 31, 2024	January 31, 2024
Term Loan - current portion	\$ 6,404	\$ 6,404
Current maturities of long-term debt	<u>\$ 6,404</u>	<u>\$ 6,404</u>
Term Loan - long-term portion	\$ 583,394	\$ 588,197
Original issue discount - long-term portion	(5,886)	(6,942)
Deferred financing costs - long-term portion	(3,196)	(3,768)
Long-term debt	<u>\$ 574,312</u>	<u>\$ 577,487</u>

The Company's debt outstanding as of October 31, 2024 matures as shown below (in thousands):

Future principal payments due for fiscal years ending January 31:	
2025 (three months remaining)	\$ 1,601
2026	4,803
2027	6,404
2028	8,005
2029	568,985
Thereafter	—
Total payments	<u>589,798</u>
Current portion	(6,404)
Unamortized original issue discount and issuance costs	(9,082)
Long-term portion	<u>\$ 574,312</u>

Refer to Note 14 "Long-Term Debt" in our 2024 Form 10-K for information regarding the Company's term loan and accounts receivable facility (prior to the amendment discussed below).

We also have access to up to \$75.0 million of borrowings under our accounts receivable facility. In November 2024, the accounts receivable facility was amended to, among other things, extend the maturity to the earlier of (i) November 26, 2029 or (ii) 90 days prior to the maturity of any corporate debt, reduce the fixed component of the interest rate to 2.61% per annum from 3.11% per annum, increase the highest advance rate from 85% to 90%, reduce the minimum outstanding balance requirement from \$10 million to \$1 million, and allow for ad hoc borrowings and repayments. Based on seasonality of billings and the characteristics of accounts receivable, some of which are not eligible for advances, we are not always able to access the full \$75.0 million available capacity. The reserve balance associated with the accounts receivable facility was \$1.5 million on October 31, 2024 and is classified as restricted cash on the condensed consolidated balance sheet. The interest rate on borrowings outstanding under the accounts receivable facility was 7.82% on October 31, 2024. As of October 31, 2024, \$10.0 million was drawn under the accounts receivable facility and is classified as a current liability on the balance sheet.

(8) Shareholders' Equity

Common Stock

As of October 31, 2024, the Company's authorized share capital consisted of 18,750,000 shares of Class A common stock and 10,000,000 shares of preferred stock, with a par value \$0.0001 each, and 8,576,683 shares of Class A common stock were issued, and 8,276,906 shares were outstanding. As of October 31, 2024, the Company had no shares of preferred stock or Class C common stock outstanding. Except as required by law, holders of shares of Class C common stock are not entitled to vote any such shares.

Subject to applicable law, the Company may declare dividends to be paid ratably to holders of Class A common stock out of the Company's assets that are legally available to be distributed as dividends in the discretion of the Company's board of directors. Holders of Class C common stock are generally not entitled to dividends.

Warrants

Refer to Note 16 "Shareholders' Equity" in our 2024 Form 10-K, for information related to the equity and liability-classified warrants.

Share Repurchase Authorization

On July 10, 2024, the Company's board of directors authorized Skillsoft to repurchase up to \$10 million of its Class A common stock, with an objective to manage potential dilution from future vesting of employee equity grants. The share repurchase authorization will terminate on July 11, 2028 and does not obligate the Company to purchase any minimum number of shares of Common Stock, and the authorization may be suspended, modified, or discontinued at any time without prior notice. As of October 31, 2024, no Class A common stock had been repurchased under the share repurchase authorization.

Accumulated Other Comprehensive Income (Loss)

Accumulated Other Comprehensive Income (Loss) associated with foreign currency translation adjustments consisted of the following (in thousands):

	Three Months Ended October 31,					
	2024			2023		
	Before Tax	Income Tax	Net	Before Tax	Income Tax	Net
Balance as of beginning-of-period	\$ (15,873)	\$ —	\$ (15,873)	\$ (13,423)	\$ —	\$ (13,423)
Translation adjustment	(25)	—	(25)	(2,650)	—	(2,650)
Balance as of end-of-period	\$ (15,898)	\$ —	\$ (15,898)	\$ (16,073)	\$ —	\$ (16,073)

	Nine Months Ended October 31,					
	2024			2023		
	Before Tax	Income Tax	Net	Before Tax	Income Tax	Net
Balance as of beginning-of-period	\$ (13,050)	\$ —	\$ (13,050)	\$ (14,794)	\$ —	\$ (14,794)
Translation adjustment	(2,848)	—	(2,848)	(1,279)	—	(1,279)
Balance as of end-of-period	\$ (15,898)	\$ —	\$ (15,898)	\$ (16,073)	\$ —	\$ (16,073)

(9) Stock-Based Compensation

Equity Incentive Plans

In June 2021, Skillsoft adopted the 2020 Omnibus Incentive Plan ("2020 Plan"). The 2020 Plan provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, other equity-based awards, and cash-based incentive awards to employees, directors, and consultants of the Company. Under the 2020 Plan, 655,295 shares were initially made available for issuance. The 2020 Plan includes an annual increase on January 1 each year beginning on January 1, 2022, in an amount equal to 5.0% of the total number of shares of common stock outstanding on December 31 of the preceding calendar year. The Compensation Committee may act prior to January 1 of a given year to provide that there will be no January 1 increase for such year or that the increase for such year will be a lesser number of shares of common stock than provided for in the 2020 Plan. As of October 31, 2024, a total of 948,801 shares of common stock were available for issuance under the 2020 Plan.

In May 2024, Skillsoft adopted the Skillsoft Corp. 2024 Employment Inducement Incentive Award Plan (the "Inducement Plan"). The Inducement Plan provides for the inducement grants of nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, other equity-based awards, and cash-based incentive awards to new hires, or individuals being rehired following a bona fide period of non-employment with the Company, in compliance with Section 303A.08 of the New York Stock Exchange Listed Company Manual. As of October 31, 2024, a total of 110,000 shares of common stock were available for issuance under the Inducement Plan.

Stock Options

Under the 2020 Plan, all employees are eligible to receive incentive share options, and all employees, directors and consultants are eligible to receive non-statutory share options. The options generally vest over four years and have a term of ten years. Vested options under the plan generally expire not later than 90 days following termination of employment or service or twelve months following an optionee's death or disability. The fair value of stock options is determined on the grant date and amortized over the vesting period on a straight-line basis.

The following summarizes the stock option activity for the nine months ended October 31, 2024:

	Shares	Weighted - Average Exercise Price	Weighted - Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding, January 31, 2024	88,850	\$ 215.00	7.4	\$ —
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	(17,649)	215.00	—	—
Expired	(40,451)	215.00	—	—
Outstanding, October 31, 2024	30,750	215.00	6.6	—

Vested and exercisable, October 31, 2024	24,986	215.00	6.6	—
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The total unrecognized equity-based compensation costs related to the stock options was \$0.3 million based on the \$67.23 weighted average grant date fair value of the options, which is expected to be recognized over a weighted-average period of 0.6 years.

Time-Based Restricted Stock Units

Restricted stock units (“RSUs”) represent a right to receive one share of the Company’s common stock that is both non-transferable and forfeitable unless and until certain conditions are satisfied. Other than RSUs granted to our non-employee directors, which vest upon the earlier of the anniversary of the grant date and the Company’s next annual meeting of stockholders, RSUs generally vest ratably over a three or four-year period, subject to continued employment through each anniversary. The fair value of RSUs is determined on the grant date and is amortized over the vesting period on a straight-line basis.

The following summarizes the time-based RSU activity for the nine months ended October 31, 2024:

	Shares	Weighted - Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)
Unvested balance, January 31, 2024	735,998	\$ 64.77	\$ 10,319
Granted	1,094,736	15.07	—
Vested	(291,460)	66.13	—
Forfeited	(158,901)	63.43	—
Unvested balance, October 31, 2024	<u>1,380,373</u>	25.22	21,078

The total unrecognized stock-based compensation costs related to time-based RSUs was \$29.2 million, which is expected to be recognized over a weighted-average period of 2.8 years.

Market-Based Restricted Stock Units

Market-based restricted stock units (“MBRSUs”) vest over a three or four-year performance period, subject to continued employment through each anniversary and achievement of market conditions, specifically the Company’s stock price and an objective relative total shareholder return. The fair value of MBRSUs that include vesting based on market conditions are estimated using the Monte Carlo valuation method. Compensation cost for these awards is recognized based on the grant date fair value which is recognized over the vesting period using the accelerated attribution method.

The following summarizes the MBRSUs activity for the nine months ended October 31, 2024:

	Shares	Weighted - Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)
Unvested balance, January 31, 2024	182,742	\$ 72.60	\$ 2,562
Granted	10,000	12.94	—
Vested	—	—	—
Forfeited	(84,919)	78.79	—
Unvested balance, October 31, 2024	<u>107,823</u>	62.19	1,646

The total unrecognized stock-based compensation costs related to MBRSUs was \$1.0 million, which is expected to be recognized over a weighted-average period of 1.0 years.

Performance-Based Restricted Stock Units

Performance-based restricted stock units (“PBRsUs”) vest over a two-year period, subject to continued employment through each anniversary and achievement of specified corporate goals during a less than one-year performance-period. The expense and shares for our PBRsUs awards depends on achievement of specified results and the ultimate expense and shares can range from 0% to 200% of target.

The following summarizes the PBRsUs activity for the nine months ended October 31, 2024:

	Shares	Weighted - Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)
Unvested balance, January 31, 2024	—	\$ —	\$ —
Granted (1)	10,000	11.25	—
Vested	—	—	—
Forfeited	—	—	—
Unvested balance, October 31, 2024	<u>10,000</u>	11.25	153

(1) Reflects the number of shares that would vest based on achieving the “Target” level of performance.

The total unrecognized stock-based compensation costs related to PBRsUs was \$0.1 million, which is expected to be recognized over a weighted-average period of 0.5 years.

Liability-Classified Market-Based Awards

In the third quarter of fiscal 2025, the Company granted market-based awards, intended to be settled in cash upon vesting. These awards are classified as liabilities and remeasured at fair value using a Monte Carlo simulation, weighted for the service period completed, at each reporting date. The market-based awards potentially vest over two-year to four-year service periods, subject to continued employment and from a market perspective the appreciation of the Company’s share price.

The following summarizes the liability-classified performance award balances as of October 31, 2024 (in thousands):

Estimated liability	\$ 391
Estimated unrecognized compensation cost (1)	3,475

(1) Expected to be recognized over a weighted-average period of 0.7 years.

Stock-Based Compensation Expense

The following summarizes the classification of stock-based compensation expense in the condensed consolidated statements of operations (in thousands):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2024	2023	2024	2023
Cost of revenues	\$ 149	\$ 128	\$ 447	\$ 463
Content and software development	1,268	1,569	3,472	5,325
Selling and marketing	898	1,421	2,951	2,436
General and administrative (1)	1,331	4,845	3,115	14,693
Total	<u>\$ 3,646</u>	<u>\$ 7,963</u>	<u>\$ 9,985</u>	<u>\$ 22,917</u>

(1) Stock-based compensation expense during the nine months ended October 31, 2024 was reduced by \$6.0 million due to forfeitures of share-based payments, including unvested equity-based awards associated with the former Chief Executive Officer whose employment with the Company ended on May 9, 2024.

(10) Revenue

Revenue Components and Performance Obligations

SaaS Subscription Services

The Company offers subscriptions that provide customers access to a broad-based spectrum of learning options including access to cloud-based Software as a Service (“SaaS”) learning content and individualized coaching. The Company’s cloud-based subscription solutions normally do not provide customers with the right to take possession of the software supporting the platform or to download course content without continuing to incur fees for hosting services and, as a result, are accounted for as service arrangements. Access to the platform and course content represents a series of distinct services as the Company continually provides access to, and fulfills its obligation to, the end customer over the subscription term. The series of distinct services represents a single performance obligation that is satisfied over time. Accordingly, the fixed consideration related to subscription revenue is usually recognized on a straight-line basis over the contract term, beginning on the date that the service is made available to the customer. The Company’s subscription contracts typically vary from one year to three years. The Company’s cloud-based solutions arrangements are mostly non-cancellable, non-refundable, and are invoiced in advance of the subscription services being provided.

Virtual, On-Demand and Classroom

The Company’s virtual, on-demand and classroom training provides customers with technical training. Revenue is recognized in the period in which the services are performed. Billing is in advance of the services being provided or immediately after the services have been provided.

Professional Services

The Company also sells professional services related to its cloud solutions which are typically considered distinct performance obligations and are recognized over time as services are performed. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided (proportional performance method). These services usually consist of implementation, integration, and general consulting. Mostly, the Company’s professional service engagements are short in duration. Billing is commonly in advance of the services being provided.

Disaggregated Revenue and Geography Information

The following is a summary of revenues by type for the three and nine months ended October 31, 2024 and October 31, 2023 (in thousands):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2024	2023	2024	2023
SaaS subscription services	\$ 97,123	\$ 96,085	\$ 285,927	\$ 287,936
Virtual, on-demand and classroom	34,227	37,824	94,516	112,804
Professional services	5,875	5,047	16,798	14,957
Total net revenues	<u>\$ 137,225</u>	<u>\$ 138,956</u>	<u>\$ 397,241</u>	<u>\$ 415,697</u>

Generally, SaaS subscription services revenues are recognized over the service period, while virtual, on demand, classroom and professional services revenues are recognized at the point they are delivered.

The following sets forth our revenues by geographic region for the three and nine months ended October 31, 2024 and October 31, 2023 (in thousands):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2024	2023	2024	2023
Revenue:				
United States	\$ 88,960	\$ 92,587	\$ 262,292	\$ 274,610
Europe, Middle East and Africa	35,335	34,475	99,137	104,751
Other Americas	7,234	6,714	19,130	21,041
Asia-Pacific	5,696	5,180	16,682	15,295
Total net revenues	<u>\$ 137,225</u>	<u>\$ 138,956</u>	<u>\$ 397,241</u>	<u>\$ 415,697</u>

Other than the United States, no single country accounted for more than 10% of revenue for all periods presented.

Deferred Revenue

Deferred revenue activity for the nine months ended October 31, 2024 was as follows (in thousands):

Deferred revenue as of January 31, 2024	\$ 284,972
Billings deferred	317,738
Recognition of prior deferred revenue	(397,241)
Deferred revenue as of October 31, 2024	<u>\$ 205,469</u>

Deferred revenue performance obligations relate predominantly to time-based SaaS subscription services that are billed in advance of services being rendered.

Deferred Contract Acquisition Costs

Deferred contract acquisition costs are included within prepaid expenses and other current assets and other assets on the Company's condensed consolidated balance sheets. Amortization of deferred contract acquisition costs is included within sales and marketing expense in the condensed consolidated statements of operations.

Deferred contract acquisition cost activity for the nine months ended October 31, 2024 was as follows (in thousands):

Deferred contract acquisition costs as of January 31, 2024	\$	36,667
Contract acquisition costs		12,733
Recognition of contract acquisition costs		<u>(17,587)</u>
Deferred contract acquisition costs as of October 31, 2024	\$	<u>31,813</u>

(11) Fair Value Measurements

ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820") establishes a fair value hierarchy that prioritizes the inputs used to measure fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are information that reflect the assumptions that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs are variables that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The three levels of the fair value hierarchy established by ASC820 in order of priority are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: Pricing inputs other than quoted prices in active markets included in Level1, which are either directly or indirectly observable as of the reporting date. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect the Company's assumptions about the assumptions that market participants would use in pricing the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available.

The following summarizes the Company's assets and liabilities that are measured at fair value on a recurring basis as of October 31, 2024 and are categorized using the fair value hierarchy (in thousands):

	Level 1 Measurements	Level 2 Measurements	Level 3 Measurements	Total
Cash and cash equivalents	\$ 97,921	\$ —	\$ —	\$ 97,921
Restricted cash	3,881	—	—	3,881
Interest rate swaps - asset (liability)	—	1,620	—	1,620
Market-based award liability	—	391	—	391
Total assets and (liabilities) recorded at fair value	<u>\$ 101,802</u>	<u>\$ 2,011</u>	<u>\$ —</u>	<u>\$ 103,813</u>

Cash, Cash Equivalents and Restricted Cash

The cost of our cash, cash equivalents and restricted cash agreed to the estimated fair value as of October 31, 2024. Refer to Note 2 "Summary of Significant Accounting Policies - Cash, Cash Equivalents, and Restricted Cash" in our 2024 Form 10-K for additional detail.

Interest Rate Swaps

On June 17, 2022, the Company entered into two fixed-rate interest rate swap agreements to change the Secured Overnight Financing Rate ("SOFR")-based component of the interest rate on a portion of the Company's variable rate debt to a fixed rate (the "Interest Rate Swaps"). The Interest Rate Swaps have a combined notional value of \$300.0 million and a maturity date of June 5, 2027. The objective of the Interest Rate Swaps is to eliminate the variability of cash flows in interest payments on \$00.0 million of variable rate debt attributable to changes in benchmark one-month SOFR interest rates. The hedged risk is the exposure to changes in interest payments, attributable to fluctuations in benchmark SOFR interest rates over the interest rate swap term. The changes in cash flows of the interest rate swap are expected to offset changes in cash flows of the variable rate debt. The Interest Rate Swaps are not designated as a cash flow hedge and changes in the fair value of the interest rate swaps are recorded in earnings each period. For the three and nine months ended October 31, 2024, the Company recognized a non-cash gain (loss) of (\$0.8) million and \$0.4 million attributable to the Interest Rate Swaps, respectively. For the three and nine months ended October 31, 2023, the Company recognized a non-cash gain (loss) of \$4.0 million and \$11.2 million attributable to the Interest Rate Swaps, respectively.

The inputs for determining fair value of the Interest Rate Swaps are classified as Level2 inputs. Level 2 fair value is based on estimates using standard pricing models. These standard pricing models use inputs which are derived from or corroborated by observable market data such as interest rate yield curves, index forward curves, discount curves, and volatility surfaces. The counterparties to these derivative contracts are highly rated financial institutions which we believe carry only a minimal risk of nonperformance.

Depending on whether the Interest Rate Swaps are in an asset or liability position as of the end of a reporting period, they are included in either the captions "Other assets" or "Other long-term liabilities" on the Company's condensed consolidated balance sheets.

Liability-Classified Market-Based Awards

The fair value of the liability-classified market-based awards are determined using a Monte Carlo simulation, weighted for the service period completed, at each reporting date. The most significant inputs for determining the fair value either originate from the grant agreement (e.g., stock price hurdles, vesting amounts, and service dates) or are derived from or corroborated by observable market data (e.g., interest rates, stock prices, equity risk, market betas, size premiums, average stock volatility); therefore we have classified the fair value measurement as Level 2. Refer to Note 9 "Stock-Based Compensation" above for additional information related to the liability-classified market-based awards.

Other Fair Value Instruments

The Company currently invests excess cash balances primarily in money market funds invested in United States Treasury securities and United States Treasury securities repurchase agreements, as well as cash deposits held at major banks. The carrying amounts of cash and cash equivalents, trade receivables, trade payables and accrued liabilities, as reported on the condensed consolidated balance sheet as of October 31, 2024, approximate their fair value because of the short maturity of those instruments.

Our long-term debt is a financial instrument, and the fair value of the Company's outstanding principal as of October 31, 2024 was \$480.0 million. This fair value is determined based on inputs that are classified as Level 2 within the fair value hierarchy.

(12) Segment Information

ASC 280, *Segment Reporting*, establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker (“CODM”), in determining how to allocate resources and in assessing performance. The Company’s CODM is its Chief Executive Officer. The Company’s CODM evaluates results using the operating segment structure as the primary basis for which the allocation of resources and financial results are assessed.

The Company has organized its business into two segments: Talent Development Solutions (formerly known as Content & Platform) and Global Knowledge (formerly known as Instructor-Led Training). Both of the Company’s segments market and sell their offerings globally to businesses of many sizes, government agencies, educational institutions and resellers with a worldwide sales force positioned to offer the combinations that best meet customer needs. The CODM primarily uses revenues and operating income as measures to evaluate financial results and allocation of resources. The Company allocates certain operating expenses to the reportable segments, including general and administrative costs based on the usage and relative contribution provided to the segments. There are no intercompany revenue transactions reported between the Company’s reportable segments.

The Talent Development Solutions business engages in the sale, marketing and delivery of its content learning solutions, in areas such as Leadership and Business, Technology and Developer and Compliance. This includes individualized coaching as well as technical skill areas assumed in the Codecademy acquisition. In addition, Talent Development Solutions offers Percipio, an artificial intelligence (“AI”)–driven online learning platform that delivers an immersive learning experience through SaaS solutions. It leverages its highly engaging content, curated into nearly 700 learning paths (channels) that are continuously updated to ensure customers always have access to the latest information.

The Global Knowledge business offers training solutions covering information technology and business skills for corporations and their employees. Global Knowledge guides its customers throughout their lifelong technology learning journey by offering relevant and up-to-date skills training through instructor-led (in-person “classroom” or online “virtual”) and self-paced (“on-demand”), vendor certified, and other proprietary offerings. Global Knowledge offers a wide breadth of training topics and delivery modalities both on a transactional and subscription basis.

The following presents summary results for each of the segments for the three and nine months ended October 31, 2024 and October 31, 2023 (in thousands):

	<u>Three Months Ended October 31,</u>		<u>Nine Months Ended October 31,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Talent Development Solutions				
Revenues	\$ 102,998	\$ 101,132	\$ 302,725	\$ 302,893
Operating expenses	112,344	122,036	353,493	373,637
Operating income (loss)	(9,346)	(20,904)	(50,768)	(70,744)
Global Knowledge				
Revenues	34,227	37,824	94,516	112,804
Operating expenses	34,058	36,791	96,085	122,611
Operating income (loss)	169	1,033	(1,569)	(9,807)
Consolidated				
Revenues	137,225	138,956	397,241	415,697
Operating expenses	146,402	158,827	449,578	496,248
Operating income (loss)	(9,177)	(19,871)	(52,337)	(80,551)
Other income (expense), net	(538)	19	1,261	(1,290)
Interest expense, net	(14,921)	(15,432)	(45,641)	(46,107)
Fair value adjustment of warrants	—	1,105	—	4,750
Fair value adjustment of interest rate swaps	(822)	3,981	418	11,186
Income (loss) before provision for (benefit from) income taxes	(25,458)	(30,198)	(96,299)	(112,012)
Provision for (benefit from) income taxes	(1,859)	(2,462)	(5,498)	(8,735)
Net income (loss) from continuing operations	(23,599)	(27,736)	(90,801)	(103,277)
Gain (loss) on sale of business	—	—	—	(682)
Net income (loss)	\$ (23,599)	\$ (27,736)	\$ (90,801)	\$ (103,959)

Talent Development Solutions’ segment depreciation for the three and nine months ended October 31, 2024 was \$0.7 million and \$1.7 million, respectively. Talent Development Solutions’ segment depreciation for the three and nine months ended October 31, 2023 was \$0.7 million and \$2.1 million, respectively.

Global Knowledge’s segment depreciation for the three and nine months ended October 31, 2024 was \$0.3 million and \$0.7 million, respectively. Global Knowledge’s segment depreciation for the three and nine months ended October 31, 2023 was \$0.4 million and \$0.5 million, respectively.

The Company’s segment assets primarily consist of cash and cash equivalents, accounts receivable, prepaid expenses, deferred taxes, property and equipment, goodwill and intangible assets. The following sets forth the Company’s segment assets as of October 31, 2024 and January 31, 2024 (in thousands):

	<u>October 31, 2024</u>	<u>January 31, 2024</u>
Talent Development Solutions	\$ 955,347	\$ 1,168,671
Global Knowledge	98,184	104,963
Total assets	\$ 1,053,531	\$ 1,273,634

The following sets forth the Company’s long-lived tangible assets by geographic region as of October 31, 2024 and January 31, 2024 (in thousands):

	<u>October 31, 2024</u>	<u>January 31, 2024</u>
United States	\$ 1,271	\$ 3,311
Rest of world	2,272	3,328
Total long-lived tangible assets	\$ 3,543	\$ 6,639

(13) Net Loss Per Share

Basic earnings per share is computed by dividing net income for the period by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income for the period by the weighted-average number of common shares outstanding during the period, plus the dilutive effect of outstanding restricted stock-based awards, stock options, and shares issuable under the employee stock purchase plan using the treasury stock method.

The following sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2024	2023	2024	2023
Net income (loss) from continuing operations	\$ (23,599)	\$ (27,736)	\$ (90,801)	\$ (103,277)
Net income (loss) from discontinued operations	—	—	—	(682)
Net income (loss)	<u>\$ (23,599)</u>	<u>\$ (27,736)</u>	<u>\$ (90,801)</u>	<u>\$ (103,959)</u>
Weighted average common shares outstanding:				
Basic and diluted	8,239,564	8,047,497	8,170,344	8,043,712
Net income (loss) per share:				
Basic and diluted - Continuing operations	\$ (2.86)	\$ (3.45)	\$ (11.11)	\$ (12.84)
Basic and diluted - Discontinued operations	—	—	—	(0.08)
Basic and diluted	<u>\$ (2.86)</u>	<u>\$ (3.45)</u>	<u>\$ (11.11)</u>	<u>\$ (12.92)</u>

During the three and nine months ended October 31, 2024 and October 31, 2023, the Company incurred net losses and, therefore, the effect of the Company's potentially dilutive securities was not included in the calculation of diluted loss per share as the effect would be anti-dilutive. The following contains share/unit totals with a potentially dilutive impact, which excludes the effect of the treasury stock method (in thousands):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2024	2023	2024	2023
Common stock underlying warrants	3,098	3,098	3,098	3,098
RSUs	1,310	1,066	1,205	806
Liability-classified performance award (1)	84	-	28	-
Stock options	34	99	60	107
Total	<u>4,526</u>	<u>4,263</u>	<u>4,391</u>	<u>4,011</u>

(1) Intended to be settled in cash upon vesting.

(14) Related Party Transactions

Agreement with Largest Shareholder

On January 31, 2022, Skillsoft entered into a commercial agreement to provide off-the-shelf Skillsoft products to the Company's largest shareholder, MIH Learning B.V., and its affiliates for \$0.7 million over three years.

(15) Subsequent Events

Refer to Note 7 "Long-Term Debt" above for information related to the accounts receivable facility, which was amended in November 2024.

In addition to the above, the Company has completed an evaluation of all subsequent events after the balance sheet date of October 31, 2024 through the date this Quarterly Report on Form 10-Q was filed with the SEC, to ensure that this filing includes appropriate disclosure of events both recognized in the financial statements as of October 31, 2024, and events which occurred subsequently but were not recognized in the financial statements. The Company has concluded that no subsequent events have occurred that require disclosure, except as disclosed within these financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the financial condition of Skillsoft Corp. as of October 31, 2024, compared with January 31, 2024, and the results of operations for the three and nine months ended October 31, 2024, compared with the corresponding periods in 2023. Unless otherwise stated or the context otherwise requires, "Skillsoft", "Company", "we", "our" or "us" refers to Skillsoft Corp. and its consolidated subsidiaries.

The MD&A is provided as a supplement to, and should be read in conjunction with, the condensed consolidated financial statements and the accompanying notes to the condensed consolidated financial statements ("Notes") presented in "Part I – Item 1. Financial Statements"; our Form 10-K (as amended) for the year ended January 31, 2024 ("2024 Form 10-K"); and other reports filed with the Securities and Exchange Commission ("SEC"). For more detailed information on the risks and uncertainties associated with the Company's business activities, see the risks described in "Part I – Item 1A. Risk Factors" in our 2024 Form 10-K.

Unless otherwise noted, amounts referenced in this discussion, other than in reference to share numbers, are in thousands.

General

At Skillsoft, we propel organizations and people to grow together through transformative learning experiences. We drive continuous growth and performance for employees and their organizations by helping them overcome critical skills gaps, unlock human potential, and invigorate the workforce to meet today's challenges and tomorrow's opportunities.

We do this through a holistic, enterprise-wide approach to skills development that delivers measurable outcomes. At Skillsoft, we:

- Offer a framework and methodology to benchmark current skills profiles across the enterprise and track outcomes of new skills initiatives over time;
- Provide transformative learning experiences across knowledge domains, in modalities ranging from video and audio to instructor-led training, coaching, and practice labs; and
- Deliver personalized skill pathways tailored to the unique needs of every learner across the organization — from leaders to frontline workers.

Skillsoft serves as a trusted partner to approximately 60% of the Fortune 1000, supporting the most sought-after competencies: leadership and business skills, technology skills, and essential safety and risk management compliance. We address the full continuum of market needs, from functional and tactical learning initiatives to enterprise-wide strategic skills transformations. We leverage various learning modalities adaptable to different employee preferences, schedules, and learning styles. Our content is continuously updated with the latest expert insights, information, and training methods.

Today's learners want the right learning experience, delivered when, where, and how they want it. That is why our approach is mobile-first, and our expert-curated, cloud-based content is served on an open platform that reaches learners wherever they are.

Additionally, we utilize modern and innovative technologies - including generative Artificial Intelligence ("GenAI") - across our solutions to address new and emerging customer needs and to differentiate ourselves in the market.

We have a community of more than 90 million learners in more than 150 countries that learn in more than 30 languages. As often as they need or want, learners turn to Skillsoft to acquire critical job skills in the flow of work, and grow as leaders, employees, and people. We have helped fuel performance and career growth for more than 25 years.

For more details, refer to "Part I – Item 1. Business" in our 2024 Form 10-K.

Results of Operations

Our results of operations as reported in our condensed consolidated financial statements for these periods are prepared in accordance with GAAP.

The following sets forth certain items from our condensed consolidated statements of operations as a percentage of total revenues for the periods indicated:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2024	2023	2024	2023
Revenues:				
Total revenues	100.0%	100.0%	100.0%	100.0%
Operating expenses:				
Costs of revenues	25.0%	26.2%	25.5%	27.6%
Content and software development	10.9%	11.6%	11.4%	12.3%
Selling and marketing	28.9%	31.7%	30.9%	31.3%
General and administrative	15.8%	16.1%	16.7%	17.4%
Amortization of intangible assets	23.2%	27.8%	24.0%	27.9%
Acquisition and integration related costs	0.7%	0.4%	0.8%	0.7%
Restructuring	2.3%	0.6%	3.9%	2.1%
Total operating expenses	106.8%	114.4%	113.2%	119.3%
Operating income (loss)	(6.8)%	(14.4)%	(13.2)%	(19.3)%
Other income (expense), net	(0.4)%	0.0%	0.3%	(0.3)%
Fair value adjustment of warrants	0.0%	0.8%	0.0%	1.1%
Fair value adjustment of interest rate swaps	(0.6)%	2.9%	0.1%	2.7%
Interest income	0.7%	0.8%	0.7%	0.6%
Interest expense	(11.5)%	(11.9)%	(12.2)%	(11.7)%
Income (loss) before provision for (benefit from) income taxes	(18.6)%	(21.8)%	(24.3)%	(26.9)%
Provision for (benefit from) income taxes	(1.4)%	(1.8)%	(1.4)%	(2.1)%
Income (loss) from continuing operations	(17.2)%	(20.0)%	(22.9)%	(24.8)%
Gain (loss) on sale of business	0.0%	0.0%	0.0%	(0.2)%
Net income (loss)	(17.2)%	(20.0)%	(22.9)%	(25.0)%

Revenues

We provide, through our Talent Development Solutions and Global Knowledge segments, enterprise learning solutions designed to prepare organizations for the future of work, and to overcome critical skills gaps, drive demonstrable behavior-change, and unlock the potential in their people.

Our Talent Development Solutions segment generates revenues from its comprehensive suite of premium, original, and authorized partner content, featuring one of the deepest libraries of leadership and business, technology and development, and compliance curricula. With access to a broad spectrum of learning options (including video, audio, books, bootcamps, live events, and practice labs), organizations can meaningfully increase learner engagement and retention. Talent Development Solutions' offerings are predominantly delivered through Percipio, our award-winning, AI-driven, immersive learning platform purpose built to make learning easier, more accessible, and more effective. In addition, we also have proprietary platforms used for our Codecademy and Skillsoft Coaching offerings. Our learning solutions are typically sold on a subscription basis for a fixed term.

Our Global Knowledge segment generates revenues from virtual, in-classroom, and on-demand training solutions geared at foundational, practitioner and expert information technology professionals. Our offerings include authorized content from various partners aimed at providing professional certifications for individuals that successfully complete all requirements. Global Knowledge's digital and in-classroom learning solutions provide enterprises, government agencies, and educational institutions a broad selection of customizable courses to meet their technology and development needs.

Subscription and Non-Subscription Revenue

Software as a service (“SaaS”) Subscription Revenue. Represents revenue generated from contracts specifying a minimum fixed fee for services delivered over the life of the contract. The initial term of enterprise contracts is generally one to three years and is usually non-cancellable for the term of the subscription. The fixed fee is commonly paid upfront on an annual basis. These contracts typically consist of subscriptions to our various offerings which provide access to our SaaS and coaching platforms, associated content and services, over the contract term.

Non-Subscription Revenue. Primarily comprised of instructor-led training offerings, which consist of both in-person and virtual environments. Instructor-led training, including virtual offerings, are first scheduled, then delivered later, with revenue realized on the delivery date. Non-subscription revenues also include professional services related to implementation of our products and subsequent, ongoing consulting engagements. Our non-subscription services complement our subscription business in creating strong and comprehensive customer relationships.

The following is a summary of our revenues by product and service type for the periods indicated (in thousands, except percentages):

	Dollar				Dollar			
	Three Months Ended		Increase (Decrease)	Percent Change	Nine Months Ended		Increase (Decrease)	Percent Change
	October 31,				October 31,			
	2024	2023			2024	2023		
SaaS subscription revenues:								
Talent Development Solutions	\$ 97,123	\$ 96,085	\$ 1,038	1.1%	\$ 285,927	\$ 287,936	\$ (2,009)	(0.7)%
Total subscription revenues	97,123	96,085	1,038	1.1%	285,927	287,936	(2,009)	(0.7)%
Non-subscription revenues:								
Global Knowledge	34,227	37,824	(3,597)	(9.5)%	94,516	112,804	(18,288)	(16.2)%
Talent Development Solutions	5,875	5,047	828	16.4%	16,798	14,957	1,841	12.3%
Total non-subscription revenues	40,102	42,871	(2,769)	(6.5)%	111,314	127,761	(16,447)	(12.9)%
Total revenues	\$ 137,225	\$ 138,956	\$ (1,731)	(1.2)%	\$ 397,241	\$ 415,697	\$ (18,456)	(4.4)%

The total decline in revenues, when comparing the three and nine months ended October 31, 2024 and 2023, in our Global Knowledge segment was primarily due to weaker market demand, as well as a higher mix of reseller business, which is recorded in revenue net of fees. For Talent Development Solutions, when comparing the three months ended October 31, 2024 and 2023, revenues increased due to our efforts to capitalize on the market shift from learning and skills to talent development, which we discussed at the Company's July 11, 2024 Investor Day. When comparing the nine months ended October 31, 2024 and 2023, the slight reduction in our Talent Development Solutions segment total revenues was primarily the result of actions taken by us to focus on the more profitable parts of this market, mostly offset by capitalizing on the aforementioned market shift to achieve revenue growth.

Operating Expenses

For the corporate level operating expenses that we can directly attribute to our two segments, such costs are allocated accordingly between Talent Development Solutions and Global Knowledge. However, in other cases, these corporate level operating expenses are reported in the Talent Development Solutions segment.

On July 11, 2024, the Company announced a comprehensive resource reallocation plan expected to result in more than \$45 million of annualized cost savings, of which we intend to reinvest up to half in strategic growth initiatives.

Summary of operating expenses

The following provides select operating expenses (in thousands, except percentages), which are discussed in the associated captions that immediately follow:

	Dollar				Dollar			
	Three Months Ended		Increase (Decrease)	Percent Change	Nine Months Ended		Increase (Decrease)	Percent Change
	October 31,				October 31,			
	2024	2023			2024	2023		
Cost of revenues	\$ 34,312	\$ 36,407	\$ (2,095)	(5.8)%	\$ 101,254	\$ 114,698	\$ (13,444)	(11.7)%
Content and software development expenses	14,937	16,126	(1,189)	(7.4)%	45,436	51,024	(5,588)	(11.0)%
Selling and marketing expenses	39,615	43,983	(4,368)	(9.9)%	122,591	130,321	(7,730)	(5.9)%
General and administrative expenses	21,686	22,308	(622)	(2.8)%	66,390	72,689	(6,299)	(8.7)%
Amortization of intangible assets	31,826	38,620	(6,794)	(17.6)%	95,197	116,086	(20,889)	(18.0)%
Acquisition and integration related costs	931	510	421	82.5%	3,349	2,838	511	18.0%
Restructuring	3,095	873	2,222	254.5%	15,361	8,592	6,769	78.8%
Total operating expenses	\$ 146,402	\$ 158,827	\$ (12,425)	(7.8)%	\$ 449,578	\$ 496,248	\$ (46,670)	(9.4)%

Cost of revenues

Cost of revenues consists primarily of employee salaries and benefits for hosting operations, professional service and customer support personnel; royalties; hosting and software maintenance services; facilities and utilities costs; consulting services; and instructor fees, course materials, logistics costs and overhead costs associated with virtual, in-classroom, and on-demand training solutions. The following provides details regarding the changes in components of cost of revenues (in thousands, except percentages):

	Dollar				Dollar			
	Three Months Ended		Increase (Decrease)	Percent Change	Nine Months Ended		Increase (Decrease)	Percent Change
	October 31,				October 31,			
	2024	2023			2024	2023		
Courseware, instructor fees and outside services	\$ 17,913	\$ 18,215	\$ (302)	(1.7)%	\$ 50,087	\$ 61,343	\$ (11,256)	(18.3)%
Compensation and benefits	12,407	14,145	(1,738)	(12.3)%	39,426	41,684	(2,258)	(5.4)%
Hosting and software maintenance	2,989	2,742	247	9.0%	8,867	8,527	340	4.0%
Facilities, utilities and other	1,003	1,305	(302)	(23.1)%	2,874	3,144	(270)	(8.6)%
Total cost of revenues	\$ 34,312	\$ 36,407	\$ (2,095)	(5.8)%	\$ 101,254	\$ 114,698	\$ (13,444)	(11.7)%

The decreases in courseware, instructor fees and outside services and compensation and benefits, when comparing the three and nine months ended October 31, 2024 to the same periods in 2023, were primarily attributable to the comprehensive resource reallocation plan discussed above and the decline in our Global Knowledge segment revenues as discussed in *Subscription and Non-Subscription Revenue* above. The decrease in facilities and utilities expenses, when comparing the three and nine months ended October 31, 2024 to the same period in 2023, was primarily attributable to cost savings from consolidation of our facilities. These decreases were partially offset by the increase in hosting and software maintenance, which were primarily due to investments in technology.

Content and software development

Content and software development expenses include costs associated with the development of new products and the enhancement of existing products, consisting primarily of employee salaries and benefits; development-related professional services; facilities costs; depreciation; and software maintenance costs. The following provides details regarding the changes in components of content and software development expenses (in thousands, except percentages):

	Dollar				Dollar			
	Three Months Ended		Increase (Decrease)	Percent Change	Nine Months Ended		Increase (Decrease)	Percent Change
	October 31,				October 31,			
	2024	2023			2024	2023		
Compensation and benefits	\$ 11,856	\$ 11,690	\$ 166	1.4%	\$ 34,818	\$ 37,694	\$ (2,876)	(7.6)%
Consulting and outside services	2,048	3,147	(1,099)	(34.9)%	7,449	8,424	(975)	(11.6)%
Facilities, utilities and other	200	627	(427)	(68.1)%	761	2,717	(1,956)	(72.0)%
Software maintenance	833	662	171	25.8%	2,408	2,189	219	10.0%
Total content and software development expenses	\$ 14,937	\$ 16,126	\$ (1,189)	(7.4)%	\$ 45,436	\$ 51,024	\$ (5,588)	(11.0)%

The decreases in compensation and benefits and consulting and outside services, when comparing the nine months ended October 31, 2024 to the same periods in 2023, were primarily attributable to the comprehensive resource reallocation plan discussed above and lower stock-compensation expense due to forfeitures and lower grants of share-based payment awards. The decrease in facilities and utilities expenses, when comparing these same periods, was primarily attributable to cost savings from consolidation of our facilities. These decreases were partially offset by the increase in software maintenance, which were primarily due to investments in technology.

Selling and marketing

Selling and marketing ("S&M") expenses consist primarily of employee salaries and benefits for selling, marketing and pre-sales support personnel; commissions; travel expenses; advertising and promotional expenses; consulting and outside services; facilities costs; depreciation; and software maintenance costs. The following provides details regarding the changes in components of S&M expenses (in thousands, except percentages):

	Dollar				Dollar			
	Three Months Ended		Increase (Decrease)	Percent Change	Nine Months Ended		Increase (Decrease)	Percent Change
	October 31,				October 31,			
	2024	2023			2024	2023		
Compensation and benefits	\$ 29,059	\$ 30,483	\$ (1,424)	(4.7)%	\$ 90,216	\$ 91,353	\$ (1,137)	(1.2)%
Advertising and promotions	5,307	7,581	(2,274)	(30.0)%	17,040	21,886	(4,846)	(22.1)%
Software maintenance	3,869	3,357	512	15.3%	11,205	9,576	1,629	17.0%
Consulting and outside services	833	1,198	(365)	(30.5)%	2,265	3,640	(1,375)	(37.8)%
Facilities, utilities and other	547	1,364	(817)	(59.9)%	1,865	3,866	(2,001)	(51.8)%
Total S&M expenses	\$ 39,615	\$ 43,983	\$ (4,368)	(9.9)%	\$ 122,591	\$ 130,321	\$ (7,730)	(5.9)%

The decreases in compensation and benefits, when comparing the three and nine months ended October 31, 2024 to the same periods in 2023, were primarily attributable to the comprehensive resource reallocation plan discussed above, partially offset by the result of an S&M executive's forfeiture of a share-based payment award that lowered stock-compensation expense during the nine months ended October 31, 2023. The decreases in advertising and promotions and consulting and outside services, when comparing the three and nine months ended October 31, 2024 to the same periods in 2023, were primarily attributable to proactive reductions in branding initiatives and paid media spend. The decrease in facilities and utilities expenses, when comparing the three and nine months ended October 31, 2024 to the same periods in 2023, were primarily attributable to cost savings from consolidation of our facilities. These decreases were partially offset by the increase in software maintenance, which was primarily the result of investments in our go-to-market transformation activities and enablement programs.

General and administrative

General and administrative (“G&A”) expenses consist primarily of employee salaries and benefits for executive, finance, administrative, and legal personnel; audit, legal and consulting fees; insurance; franchise, sales and property taxes; facilities costs; and depreciation. The following provides details regarding the changes in components of G&A expenses (in thousands, except percentages):

	Dollar				Dollar			
	Three Months Ended		Increase (Decrease)	Percent Change	Nine Months Ended		Increase (Decrease)	Percent Change
	October 31,				October 31,			
	2024	2023			2024	2023		
Compensation and benefits	\$ 14,622	\$ 16,359	\$ (1,737)	(10.6)%	\$ 43,656	\$ 47,894	\$ (4,238)	(8.8)%
Consulting and outside services	3,703	3,254	449	13.8%	13,442	14,972	(1,530)	(10.2)%
Insurance	632	730	(98)	(13.4)%	2,075	2,977	(902)	(30.3)%
Facilities, utilities and other	863	671	192	28.6%	2,014	2,848	(834)	(29.3)%
Software maintenance	1,397	1,053	344	32.7%	3,995	3,033	962	31.7%
Franchise, sales, and property tax	469	241	228	94.6%	1,208	965	243	25.2%
Total G&A expenses	\$ 21,686	\$ 22,308	\$ (622)	(2.8)%	\$ 66,390	\$ 72,689	\$ (6,299)	(8.7)%

The decreases in compensation and benefits, when comparing the three and nine months ended October 31, 2024 to the same periods in 2023, were primarily attributable to the comprehensive resource reallocation plan discussed above and lower stock-compensation expense due to forfeitures and lower grants of share-based payment awards. These decreases, when comparing the nine months ended October 31, 2024 to the same period in 2023, was partially offset by severance costs for the former Chief Executive Officer whose employment with the Company ended on May 9, 2024. The Company’s integration and restructuring activities, including cost savings from consolidation of our facilities and lower insurance, also contributed to the overall decline in G&A expenses. When comparing the nine months ended October 31, 2024 to the same period in 2023, the reduction in consulting and outside services was partially captured by an increase to compensation and benefits expense, even though compensation and benefits expense declined in total as discussed above. Further, the increases in software maintenance, when comparing the three and nine months ended October 31, 2024 to the same periods in 2023, primarily reflect investments in technology.

Amortization of intangible assets

Intangible assets arising from business combinations are developed technology, customer-related intangibles, trade names and other identifiable intangible assets with finite lives. These intangible assets are amortized over the estimated useful lives of such assets. We also capitalize certain internal use software development costs related to our SaaS platform incurred during the application development stage. The internal use software is amortized on a straight-line basis over its estimated useful life.

The decrease in amortization of intangible assets, when comparing the three and nine months ended October 31, 2024 to the same periods in 2023, was primarily due to certain intangible assets becoming fully amortized or written down as a result of impairment during the fourth quarter of fiscal 2024.

Acquisition and integration related costs

Acquisition and integration related costs consist of professional fees for legal, investment banking and other advisor costs incurred in connection with the business combinations completed in April 2022 and June 2021 and the subsequent integration related activities. The changes in acquisition and integration related costs were primarily due to the timing of these aforementioned activities.

Restructuring

As discussed above, on July 11, 2024, the Company announced a comprehensive resource reallocation plan. In connection with this plan and the acquisition integration process and our workplace flexibility policy, we continued our initiatives and commitment to reduce our costs and better align operating expenses with existing economic conditions and our operating model to improve operating efficiency, competitiveness and business profitability. These included workforce reductions and consolidation of facilities as we adopted new work arrangements for certain locations. The restructuring charges for the three and nine months ended October 31, 2024 totaling \$3.1 million and \$15.4 million, respectively, are substantially all related to severance costs of terminated employees and lease termination and lease impairment charges. The restructuring charges for the three and nine months ended October 31, 2023 totaling \$0.9 million and \$8.6 million, respectively, were substantially all related to severance costs of terminated employees and lease termination and lease impairment charges.

Interest and other

Interest and other, net, consists of gain or loss on derivative instruments, interest income, interest expense, and other expense and income (in thousands, except percentages):

	Dollar				Dollar			
	Three Months Ended		Increase (Decrease)	Percent Change	Nine Months Ended		Increase (Decrease)	Percent Change
	October 31,				October 31,			
	2024	2023			2024	2023		
Other income (expense), net	\$ (538)	\$ 19	\$ (557)	(2931.6)%	\$ 1,261	\$ (1,290)	\$ 2,551	(197.8)%
Interest income	924	1,060	(136)	(12.8)%	2,897	2,576	321	12.5%
Interest expense	(15,845)	(16,492)	647	(3.9)%	(48,538)	(48,683)	145	(0.3)%

The other income (expense), net was primarily the foreign exchange gains and losses (specifically, resulting from foreign currency denominated transactions and the revaluation of foreign currency denominated assets and liabilities), which fluctuates as the U.S. dollar appreciates or depreciates against other currencies. Interest income for the nine months ended October 31, 2024 compared to the corresponding prior year period, increased primarily due to the use of money market investments to realize increased returns on cash balances. The decrease in interest expense, when comparing the three and nine months ended October 31, 2024 to the corresponding periods in 2023, was primarily due to the decision to reduce the borrowings under the accounts receivable facility during the three months ended October 31, 2024. As a result of the interest rate swaps we executed on June 17, 2022, we have a fixed cash interest rate of 8.94% on \$300 million of our outstanding term loans.

Fair value adjustment of warrants

The gains attributable to warrants are primarily a result of the Company’s underlying common stock performance during the three and nine months ended October 31, 2023. As of January 31, 2024, the fair value of our liability-classified warrants was insignificant, however prior to then they were marked-to-market at each balance sheet date, with gains and losses being recorded in current period earnings.

[Table of Contents](#)Fair value adjustment of interest rate swaps

We entered into two fixed-rate interest rate swap agreements on June 17, 2022 for a combined notional amount of \$300 million and a maturity date of June 5, 2027. The objective of the interest rate swaps is to eliminate fluctuations in cash flows for interest payments on \$300 million of variable rate debt attributable to changes in benchmark one-month Secured Overnight Financing Rate (“SOFR”) interest rates. The interest rate swaps are not designated for hedge accounting and are carried on the statement of financial position at their fair value. Unrealized gains and losses from changes in fair value of the interest rate swaps, which arise from variations in the forward-looking yield curve, are included in the income statement as they occur.

The gains (losses) reflected for the change in value of the interest rate swaps are primarily attributable to increases (decreases) in the expectation for one-month SOFR interest rates through June 5, 2027, during the nine months ended October 31, 2024 and 2023.

Gain on sale of business

On June 12, 2022, we entered into the Purchase Agreement to sell our SumTotal business to a third party for \$200 million in cash, subject to adjustments set forth in the Purchase Agreement. The sale was completed on August 15, 2022. Net proceeds from the sale were \$174.9 million, after final working capital adjustments in April 2023. In accordance with ASC 810, Consolidation (“ASC 810”), we recorded a gain on sale upon completion of the transaction. The \$55.9 million gain, including a loss of \$0.7 million recognized in the first quarter of fiscal 2024, was calculated by measuring the difference between the fair value of consideration received less the carrying amount of assets and liabilities sold.

Provision for (benefit from) income taxes

The following provides select provision for (benefit from) income taxes information (in thousands, except percentages):

	Three Months Ended		Dollar		Nine Months Ended		Dollar	
	October 31,		Increase (Decrease)	Percent Change	October 31,		Increase (Decrease)	Percent Change
	2024	2023			2024	2023		
Provision for (benefit from) income taxes	\$ (1,859)	\$ (2,462)	\$ 603	(24.5)%	\$ (5,498)	\$ (8,735)	\$ 3,237	(37.1)%
Effective income tax rate	7.3%	8.2%			5.7%	7.8%		

The effective income tax rate for the three and nine months ended October 31, 2024 and 2023 differed from the United States federal statutory rate of 21.0% due primarily to the impact of non-deductible items, foreign rate differential, changes in uncertain tax positions, and changes in the valuation allowance on the Company’s deferred tax assets.

Liquidity and Capital ResourcesLiquidity and sources of cash

As of October 31, 2024, we had \$97.9 million of cash and cash equivalents on hand. Our investment policy is approved by the Board of Directors and reviewed annually by the Audit Committee. Our current investment policy’s primary objectives when investing excess cash are, in order of importance: (1) preservation of capital and protection of principal; (2) maintenance of liquidity that is sufficient to meet cash flow needs; and (3) maximize rate of return. Pursuant to this policy, as of October 31, 2024, most of our cash and cash equivalents were held at large financial institutions with high rating agency designations and our exposure to regional banks was not significant. We have funded operations primarily through the use of cash collected from our customers and the proceeds received from the Term Loan Facility, supplemented with borrowings under our accounts receivable facility. Our cash requirements vary depending on factors such as the growth of the business, changes in working capital and capital expenditures. We expect to operate the business and execute our strategic initiatives principally with funds generated from operations and supplemented by borrowings up to a maximum of \$75.0 million under our accounts receivable facility. We anticipate that we will have sufficient internal and external sources of liquidity to fund operations and anticipated working capital and other expected cash needs for at least the next twelve months, as well as for the foreseeable future with capital sources currently available.

Term Loan

On July 16, 2021, Skillsoft Finance II, Inc. (“Skillsoft Finance II”), a subsidiary of Skillsoft Corp., entered into a Credit Agreement (the “Credit Agreement”), by and among Skillsoft Finance II, as borrower, Skillsoft Finance I, Inc. (“Holdings”), the lenders party thereto and Citibank, N.A., as administrative agent and collateral agent, pursuant to which the lenders provided a \$480 million term loan facility (the “Term Loan Facility”). The Term Loan Facility is scheduled to mature on July 16, 2028.

In connection with the closing of the Codecademy acquisition, Skillsoft Finance II entered into Amendment No. 1 to the Credit Agreement, dated as of April 4, 2022 (the “First Amendment”), among Skillsoft Finance II, Holdings, certain subsidiaries of Skillsoft Finance II, as guarantors, Citibank N.A., as administrative agent, and the financial institutions party thereto as Term B-1 Lenders, which amended the Credit Agreement (as amended by the First Amendment, the “Amended Credit Agreement”).

The First Amendment provided for the incurrence of up to \$160 million of Term B-1 Loans (the “Term B-1 Loans”) under the Amended Credit Agreement. In addition, the First Amendment, among other things, (a) provided for early opt-in to SOFR subject to a 0.75% floor, for the existing term loans under the Credit Agreement (such existing term loans together with the Term B-1 Loans, the “Initial Term Loans”) and (b) provided for the applicable margin for the Initial Term Loans at 4.25% with respect to base rate borrowings and 5.25% with respect to SOFR borrowings.

Prior to the maturity thereof, the Initial Term Loans are subject to quarterly amortization payments of \$1.6 million.

Accounts Receivable Facility

We also have access to up to \$75.0 million of borrowings under our accounts receivable facility. In November 2024, the accounts receivable facility was amended to, among other things, extend the maturity to the earlier of (i) November 26, 2029 or (ii) 90 days prior to the maturity of any corporate debt, reduce the fixed component of the interest rate to 2.61% per annum from 3.11% per annum, increase the highest advance rate from 85% to 90%, reduce the minimum outstanding balance requirement from \$10 million to \$1 million, and allow for ad hoc borrowings and repayments. Based on seasonality of billings and the characteristics of accounts receivable, some of which are not eligible for advances, we are not always able to access the full \$75.0 million available capacity. As of October 31, 2024, \$10.0 million was drawn under our accounts receivable facility.

Share Repurchase Authorization

On July 10, 2024, the Board of Directors authorized and approved a share repurchase authorization for up to \$10 million of the Company’s outstanding shares of Class A common stock. The share repurchase authorization commenced on July 11, 2024, and will terminate on the fourth anniversary of such date. Under the share repurchase authorization, we may purchase shares of Class A common stock in the open market, in private negotiated transactions, or by other means from time to time. We cannot predict when or if we will repurchase any shares of Class A common stock. The timing and number of shares of Class A common stock that may be purchased will depend on a variety of factors, including the share price of the Class A common stock, general market conditions, alternative uses for capital, our financial performance, and other

considerations. This authorization does not obligate us to purchase any minimum number of shares of Class A common stock, and the authorization may be suspended, modified, or discontinued at any time without prior notice. As of October 31, 2024, no Class A common stock had been repurchased under the share repurchase authorization.

Cash Flows

The following summarizes our cash flows for the periods presented (in thousands):

	Nine Months Ended October 31,	
	2024	2023
Net cash provided by (used in) operating activities	\$ 12,214	\$ (8,681)
Net cash provided by (used in) investing activities	(13,828)	(16,945)
Net cash provided by (used in) financing activities	(40,826)	(13,497)
Effect of foreign currency exchange rates on cash and cash equivalents	(2,281)	(1,674)
Net increase (decrease) in cash and cash equivalents and restricted cash	<u>\$ (44,721)</u>	<u>\$ (40,797)</u>

Cash flows from operating activities

The increase in cash flows from operating activities in the nine months ended October 31, 2024 compared to the same period in 2023, was primarily attributable to the comprehensive resource reallocation plan discussed above and the result of the timing of working capital settlements.

Cash flows from investing activities

Cash flows from investing activities in the nine months ended October 31, 2024 include \$13.0 million of cash payments for internally developed software.

Cash flows from investing activities for the nine months ended October 31, 2023 include \$8.1 million of cash payments for internally developed software and net cash transferred of \$5.1 million related to the completion of the SumTotal sale.

Our purchases of property and equipment largely consist of computer hardware and software, as well as capitalized software development costs, to support content and software development activities.

The decrease in cash flows used in investing activities was primarily due to the purchase of property and equipment and the sale of our former SumTotal business during the nine months ended October 31, 2023, partially offset by our increased investment in internally developed software during the nine months ended October 31, 2024.

Cash flows from financing activities

Cash flows from financing activities consist primarily of borrowings and repayments under our debt facilities and our accounts receivable facility, and payments for share repurchases.

The increase in cash flows used in financing activities was primarily due to payments on our accounts receivable facility during the nine months ended October 31, 2024, partially offset by the acquisition of treasury stock during the nine months ended October 31, 2023.

Contractual and Commercial Obligations

The scheduled maturities of our debt and future minimum rental commitments under non-cancelable lease agreements as of October 31, 2024 were as set forth below (in thousands):

	Payments due by Fiscal Year				
	Total	Remainder of 2025	2026-2027	2028-2029	Thereafter
Term Loan Facility	\$ 589,798	\$ 1,601	\$ 11,207	\$ 576,990	\$ —
Operating leases	10,541	801	3,726	2,844	3,170
Total	<u>\$ 600,339</u>	<u>\$ 2,402</u>	<u>\$ 14,933</u>	<u>\$ 579,834</u>	<u>\$ 3,170</u>

Contingencies

From time to time, we are a party to or may be threatened with litigation in the ordinary course of our business. We regularly analyze then current information, including, as applicable, our defense and insurance coverage and, as necessary, provide accruals for probable and estimable liabilities for the eventual disposition of these matters. For information regarding legal proceedings see Note 6 - "Leases, Commitments and Contingencies".

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements and the related notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the condensed consolidated financial statements, and the reported amounts of assets, liabilities, revenues and expenses during the reporting period. We regularly reevaluate our estimates and judgments, including those related to the following: business combinations, revenue recognition, impairment of goodwill and intangible assets, income tax assets and liabilities, and restructuring charges and accruals. We base our estimates and judgments on historical experience and various other factors we believe to be reasonable under the circumstances, the results of which form the basis for judgments about the carrying values of assets and liabilities and the amounts of revenues and expenses that are not readily apparent from other sources. To the extent that there are material differences between these estimates and actual results, our future financial statement presentation, financial condition, or results of operations could be impacted.

We believe the following critical accounting estimates most significantly affect the portrayal of our financial condition and involve our most difficult and subjective estimates and judgments.

Revenue recognition

The Company enters into contracts that provide customers access to a broad spectrum of learning options including cloud-based learning content, talent management solutions, virtual, on-demand and classroom training, and individualized coaching. The Company recognizes revenue that reflects the consideration that we expect to be entitled to receive in exchange for these services. We apply judgment in determining our customer's ability and intent to pay, which is based on a variety of factors, including the customer's historical payment experience, credit, or financial information. The Company is not required to exercise significant judgment in determining the timing for the satisfaction of performance obligations or the transaction price.

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The Company's cloud-based solutions generally do not provide customers with the right to take possession of the software supporting the platform or to download course content without continuing to incur fees for hosting services and, as a result, are accounted for as service arrangements. Access to the platform and course content represents a series of distinct services as the Company continually provides access to, and fulfills its obligation to, the end customer over the subscription term. The series of distinct services represents a single performance obligation that is satisfied over time. Accordingly, the fixed consideration related to subscription revenue is generally recognized on a straight-line basis over the contract term, beginning on the date the service is made available to the customer. The Company's subscription contracts typically vary from one year to three years. The Company's cloud-based solutions arrangements are generally non-cancellable and non-refundable.

Revenue from virtual, on-demand and classroom training, and individualized coaching is recognized in the period in which the services are rendered. The Company also sells professional services related to its cloud solutions which are typically considered distinct performance obligations and are recognized over time as services are performed. For fixed-price contracts, revenue is recognized over time based on a measure of progress that reasonably reflects our advancement toward satisfying the performance obligation.

While the majority of the Company's revenue relates to SaaS subscription services where the entire arrangement fee is recognized on a ratable basis over the contractual term, the Company sometimes enters into contractual arrangements that have multiple distinct performance obligations, one or more of which have different periods over which the services or products are delivered. These arrangements may include a combination of subscriptions and non-subscription products such as professional services. The Company allocates the transaction price of the arrangement based on the relative estimated standalone selling price of each distinct performance obligation.

Reimbursements received from customers for out-of-pocket expenses are recorded as revenues, with related costs recorded as cost of revenues. The Company presents revenues net of any taxes collected from customers and remitted to government authorities.

As the Company's contractual agreements predominantly call for advanced billing, contract assets are rarely generated.

Intangible assets, including goodwill

We recognize the excess of the purchase price, plus the fair value of any noncontrolling interest in an acquiree, over the fair value of identifiable net assets acquired, which includes the fair value of specifically identifiable intangible assets, as goodwill.

The Company amortizes its finite-lived intangible assets, including customer contracts and internally developed software, over their estimated useful life. The Company reviews the carrying values of intangible assets subject to amortization at least annually to determine if any adverse conditions exist or a change in circumstances has occurred that would indicate impairment or a change in remaining useful life. Conditions that would indicate impairment and trigger a more frequent impairment assessment include, but are not limited to, a significant adverse change in legal factors or business climate that could affect the value of an asset, or an adverse action or assessment by a regulator.

In addition, the Company reviews the carrying values of its indefinite-lived intangible assets, including goodwill and certain trademarks, during the fourth quarter of each fiscal year for impairment, or more frequently if certain indicators are present or changes in circumstances suggest that impairment may exist and reassesses their classification as indefinite-lived assets.

If current discount rates rise or if relevant market-based inputs for our impairment assessment worsen, subsequent reviews of goodwill and intangibles could result in impairment. Factors that could result in an impairment include, but are not limited to, the following:

- Prolonged period of our estimated fair value of our reporting units exceeding our market capitalization;
- Lower expectations for future profitability of bookings or EBITDA, which in part, could be impacted by legislative, regulatory or tax changes that affect the cost of, or demand for, products and services as well as the loss of key personnel;
- Deterioration in key assumptions used in our income approach estimates of fair value, such as higher discount rates from higher stock market volatility; and
- Valuations of significant mergers or acquisitions of companies that provide relevant market-based inputs for our impairment assessment that could support less favorable conclusions regarding the estimated fair value of our reporting units.

Income taxes

We provide for deferred income taxes resulting from temporary differences between the basis of assets and liabilities for financial reporting purposes as compared to tax purposes, using rates expected to be in effect when such differences reverse. We record valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized.

We follow the authoritative guidance on accounting for and disclosure of uncertainty in tax positions which requires us to determine whether a tax position of the Company is more likely than not to be sustained upon examination, including resolution of any related appeals of litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements is reduced to the largest benefit that has a greater than fifty percent likelihood of being realized upon the ultimate settlement with the relevant taxing authority. Interest and penalties related to uncertain tax positions are included in the provision for income taxes in the condensed consolidated statements of operations.

Recently Issued Accounting Pronouncements

Our recently issued accounting pronouncements are set forth in Note 2 to our condensed consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have exposures to market risks in the ordinary course of our business, including the effects of interest rate changes and foreign currency fluctuations. Information relating to quantitative and qualitative disclosures about these market risks is described below.

Interest Rate Risk

Interest rate risk is the risk of financial loss due to adverse changes in the value of assets and liabilities due to movements in interest rates. We are exposed to interest rate risk arising from our interest sensitive long-term debt and accounts receivable facility and to a lesser extent our cash and cash equivalents.

Based on the balance of our long-term debt and accounts receivable facility and taking into account the two interest rate swap agreements discussed below, a hypothetical 100 basis point increase or decrease in interest rates would result in approximately \$3.0 million additional or lower pre-tax interest expense on an annualized basis, respectively. To manage our exposure to interest rate risk on our long-term debt, we entered into two fixed-rate interest rate swap agreements to change the SOFR-based component of the interest rate on \$300.0 million of variable rate debt to a fixed rate. For further information regarding our long-term debt and interest rate swap agreements, see Note 7 and Note 11, respectively, to our condensed consolidated financial statements.

Based on the balance of our cash and cash equivalents, a hypothetical 100 basis point increase or decrease in interest rates would result in an approximately \$0.5 million increase or decrease, respectively, on our interest income on an annualized basis.

Our interest rate swaps are not designated for hedge accounting and are carried on the statement of financial position at their fair value. Unrealized gains and losses from changes in fair value of the interest rate swaps are included in the statement of operations as they occur. A hypothetical 100 basis point increase or decrease in interest rates would result in an approximately \$7.0 million increase or decrease, respectively, on our fair value adjustment of interest rate swaps at a point in time.

Foreign Currency Risk

Our reporting currency and the functional currency of our wholly owned foreign subsidiaries is the U.S. dollar. Fluctuations in foreign currency exchange rates may cause us to recognize transaction gains and losses in the caption “Other income (expense), net” in our condensed consolidated statement of operations. The Company is exposed to foreign currency fluctuations, including the Euro, pound sterling, Canadian dollar, Australian dollar, Indian rupee, Singapore dollar and related currencies. To date, we have not entered into any hedging arrangements with respect to foreign currency risk or other derivative financial instruments, although we may choose to do so in the future. A hypothetical 10% increase or decrease in current exchange rates would have resulted in an impact of approximately \$3.0 million on our pre-tax income (loss) on an annualized basis.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Management performed an evaluation of the effectiveness of our disclosure controls and procedures as of October 31, 2024. The evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

Based on this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of October 31, 2024.

Changes in Internal Control over Financial Reporting

As of January 31, 2025, the Company will no longer qualify as an emerging growth company and will be subject to the provisions of Section 404(b) of the Sarbanes-Oxley Act for our fiscal year ending January 31, 2025. In connection with our Form 10-K for the fiscal year ending January 31, 2025, our independent registered public accounting firm will formally attest to the effectiveness of our internal controls over financial reporting. During fiscal 2025 we will continue to execute the enhanced review and testing across all key controls.

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three and nine months ended October 31, 2024 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Because of the inherent limitations in a cost-effective control system, any control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will prevent or detect all misstatements, due to error or fraud, from occurring in the condensed consolidated financial statements. Additionally, management is required to use judgment in evaluating controls and procedures.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Incorporated by reference herein is information regarding legal proceedings as set forth under “Litigation” contained in Note 6 – “Leases, Commitments and Contingencies” in the Notes to the Unaudited Condensed Consolidated Financial Statements in Item 1 of Part I of this Form 10-Q.

ITEM 1A. RISK FACTORS.

In addition to the other information set forth in this Quarterly Report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K (as amended) for our fiscal year ended January 31, 2024. Such risks and uncertainties are not the only ones facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be insignificant also may materially and adversely affect our business, financial condition or operating results in the future.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

10b5-1 Trading Plans

During the three and nine months ended October 31, 2024, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS.

The following list includes exhibits submitted with this Quarterly Report on Form 10-Q as filed with the SEC and those incorporated by reference to other filings.

Exhibit No.	Description	Form	File No.	Exhibit	Filing Date
10.1#^	Letter Agreement to Serve as Chair and CEO dated September 4, 2024, between Ronald W. Hovsepian and Skillsoft Corp	10-Q	001-38960	10.4	09/09/2024
31.1*	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934				
31.2*	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934				
32.1‡	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
32.2‡	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101.INS*	Inline XBRL Instance Document				
101.SCH*	Inline XBRL Taxonomy Extension Schema Document				
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB*	Inline XBRL Taxonomy Extension Labels Linkbase Document				
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (formatted in Inline XBRL and included as Exhibit 101)				

* Filed herewith.

‡ Furnished herewith.

Represents management compensation plan, contract or arrangement.

^ Certain schedules and exhibits to this agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K and the Registrant agrees to furnish supplementally to the SEC a copy of any omitted schedule and/or exhibit upon request.

SIGNATURES

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 thereunto duly authorized.

Dated: December 10, 2024

SKILLSOFT CORP.

(Registrant)

By: /s/ Richard George Walker

Richard George Walker

Chief Financial Officer

(Principal Financial Officer)

I, Ronald W. Hovsepian, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Skillsoft Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 10, 2024

/s/ Ronald W. Hovsepian

Ronald W. Hovsepian
Chief Executive Officer
(Principal Executive Officer)

I, Richard George Walker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Skillsoft Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 10, 2024

/s/ Richard George Walker
Richard George Walker
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Skillsoft Corp. (the "Company") on Form 10-Q for the period ended October 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 10, 2024

/s/ Ronald W. Hovsepian

Ronald W. Hovsepian
Chief Executive Officer
(Principal Executive Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Skillsoft Corp. (the "Company") on Form 10-Q for the period ended October 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 10, 2024

/s/ Richard George Walker

Richard George Walker
Chief Financial Officer
(Principal Financial Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.