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, 2022

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 201
Nashua, New Hampshire 03062
(Address of principal executive offices) (Zip Code)

Tel: (603) 324-3000
(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
Warrants, each whole warrant exercisable for one share of Class A common stock	SKIL.WS	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 ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
Emerging growth company ☒	

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

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 6, 2022 was 164,445,401.

SKILLSOFT CORP.

FORM 10-Q
FOR THE QUARTER ENDED October 31, 2022
INDEX

	PAGE NO.
PART I — FINANCIAL INFORMATION - UNAUDITED	
Item 1. Unaudited Financial Statements:	4
Unaudited Condensed Consolidated Balance Sheets as of October 31, 2022 (Successor) and January 31, 2022 (Successor)	4
Unaudited Condensed Consolidated Statements of Operations for the three and nine months ended October 31, 2022 (Successor), the three months ended October 31, 2021 (Successor), the Period from June 12, 2021 through October 31, 2021 (Successor), and the Period from February 1, 2021 through June 11, 2021 (Predecessor (SLH))	5
Unaudited Condensed Consolidated Statements of Comprehensive Loss for the three and nine months ended October 31, 2022 (Successor), the three months ended October 31, 2021 (Successor), the Period from June 12, 2021 through October 31, 2021 (Successor), and the Period from February 1, 2021 through June 11, 2021 (Predecessor (SLH))	7
Unaudited Condensed Consolidated Statements of Stockholders' Equity for the three and nine months ended October 31, 2022 (Successor), the three months ended October 31, 2021 (Successor), the Period from June 12, 2021 through October 31, 2021 (Successor), and the Period from February 1, 2021 through June 11, 2021 (Predecessor (SLH))	8
Unaudited Condensed Consolidated Statements of Cash Flows for the nine months ended October 31, 2022 (Successor), the Period from June 12, 2021 through October 31, 2021 (Successor), and the Period from February 1, 2021 through June 11, 2021 (Predecessor (SLH))	10
Notes to Unaudited Condensed Consolidated Financial Statements	12
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	43
Item 3. Quantitative and Qualitative Disclosures about Market Risk	57
Item 4. Controls and Procedures	57
PART II — OTHER INFORMATION	58
Item 1. Legal Proceedings	58
Item 1A. Risk Factors	58
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	58
Item 3. Defaults Upon Senior Securities	58
Item 4. Mine Safety Disclosures	59
Item 5. Other Information	59
Item 6. Exhibits	60
SIGNATURES	61

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, 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, our pipeline, future capital expenditures, share repurchases, financial results, the impact of regulatory changes, existing and evolving business strategies and acquisitions and dispositions, demand for our services, competitive strengths, goals, the benefits of new initiatives, growth of our business and operations, and our ability to successfully implement our plans, strategies, objectives, expectations and intentions are forward-looking statements. Also, when we use words such as “may,” “will,” “would,” “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “project,” “forecast,” “seek,” “outlook,” “target,” goal,” “probably,” or similar expressions, we are making forward-looking statements. Such statements are based upon the current beliefs and expectations of Skillsoft’s management and are subject to significant risks and uncertainties. All forward-looking disclosure is speculative by its nature.

There are important risks, uncertainties, events and factors that could cause our actual results or performance to differ materially from those in the forward-looking statements contained in this document, including:

- our ability to realize the benefits expected from the business combination between Skillsoft, Churchill Capital Corp. II, and Global Knowledge, and other recent transactions, including our acquisitions of Pluma and Codecademy, and disposition of SumTotal;
- the impact of U.S. and worldwide economic trends, financial market conditions, geopolitical events, natural disasters, climate change, public health crises, the ongoing COVID-19 pandemic (including any variant), political crises, or other catastrophic events on our business, liquidity, financial condition and results of operations;
- our ability to attract and retain key employees and qualified technical and sales personnel;
- our reliance on third parties to provide us with learning content, subject matter expertise and content productions and the impact on our business if our relationships with these third parties are terminated;
- fluctuations in our future operating results;
- our ability to successfully identify, consummate and achieve strategic objectives in connection with our acquisition opportunities and realize the benefits expected from the acquisition;
- the demand for, and acceptance of, our products and for cloud-based technology learning solutions in general;
- our ability to compete successfully in competitive markets and changes in the competitive environment in our industry and the markets in which we operate;
- our ability to market existing products and develop new products;
- a failure of our information technology infrastructure or any significant breach of security, including in relation to the migration of our key platforms from our systems to cloud storage;
- future regulatory, judicial and legislative changes in our industry;
- our ability to comply with laws and regulations applicable to our business, including shifting global privacy, data protection, and cyber and information security laws and regulations, as well as state privacy and data protection laws;
- a failure to achieve and maintain effective internal control over financial reporting;
- fluctuations in foreign currency exchange rates;
- our ability to protect or obtain intellectual property rights;
- our ability to raise additional capital;
- the impact of our indebtedness on our financial position and operating flexibility;
- our ability to meet future liquidity requirements and comply with restrictive covenants related to long-term indebtedness;
- our ability to implement our share repurchase program successfully;
- our ability to successfully defend ourselves in legal proceedings; and
- our ability to continue to meet applicable listing standards.

Additional information regarding factors that could cause results to differ can be found in our Annual Report on Form 10-K for our fiscal year ended January 31, 2022 (filed April 18, 2022) and our other filings with the Securities and Exchange Commission. Actual results and events in future periods may differ materially from those expressed or implied by the forward-looking statements in this Form 10-Q.

Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of these assumptions, and therefore also the forward-looking statements based on these assumptions, could themselves prove to be inaccurate. Given the significant uncertainties inherent in the forward-looking statements included in this document, our inclusion of this information is not a representation or guarantee by us that our objectives and plans will be achieved. Annualized, pro forma, projected and estimated numbers are used for illustrative purpose only, are not forecasts and may not reflect actual results. Additionally, statements as to market share, industry data and our market position are based on the most currently available data available to us and our estimates regarding market position or other industry data included in this document or otherwise discussed by us involve risks and uncertainties and are subject to change based on various factors, including as set forth above.

Our forward-looking statements speak only as of the date made and we do not undertake to update these forward-looking statements unless required by applicable law. With regard to these risks, uncertainties and assumptions, the forward-looking events discussed in this document may not occur, and we caution you against unduly relying on these forward-looking statements.

PART I – FINANCIAL INFORMATION

ITEM 1. UNAUDITED FINANCIAL STATEMENTS.

SKILLSOFT CORP.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT NUMBER OF SHARES)

	Successor October 31, 2022	Successor January 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 174,708	$ 138,176
Restricted cash	7,322	14,015
Accounts receivable, less reserves of approximately $ 393 and $ 125 as of October 31, 2022 and January 31, 2022 respectively	102,440	173,876
Prepaid expenses and other current assets	38,027	37,082
Current assets associated with discontinued operations	—	64,074
Total current assets	322,497	427,223
Property and equipment, net	10,657	11,475
Goodwill	462,080	795,811
Intangible assets, net	769,680	793,859
Right of use assets	14,046	17,988
Fair value of hedge instruments	5,249	—
Other assets	11,192	10,780
Non-current assets associated with discontinued operations	—	164,812
Total assets	$ 1,595,401	$ 2,221,948
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 6,404	$ 4,800
Borrowings under accounts receivable facility	41,461	74,629
Accounts payable	20,950	24,159
Accrued compensation	18,858	40,822
Accrued expenses and other current liabilities	31,578	47,757
Lease liabilities	4,271	6,387
Deferred revenue	197,907	259,701
Current liabilities associated with discontinued operations	8,000	87,467
Total current liabilities	329,429	545,722
Long-term debt	582,870	462,185
Warrant liabilities	2,119	28,199
Deferred tax liabilities	77,055	99,395
Long term lease liabilities	11,976	11,750
Deferred revenue - non-current	667	1,248
Other long-term liabilities	17,410	11,125
Long-term liabilities associated with discontinued operations	—	2,426
	692,097	616,328
Total long-term liabilities		
Commitments and contingencies	—	—
Shareholders’ equity:		
Shareholders’ common stock - Class A common shares, $0.0001 par value: 375,000,000 shares authorized and 164,316,842 shares issued and outstanding at October 31, 2022 and 133,258,027 shares issued and outstanding at January 31, 2022	14	11
Additional paid-in capital	1,511,940	1,306,146
Accumulated deficit	(918,714)	(247,229)
Treasury stock at cost, 645,428 shares at October 31, 2022	(1,433)	—
Accumulated other comprehensive (loss) income	(17,932)	970
Total shareholders’ equity	573,875	1,059,898
Total liabilities and shareholders’ equity	$ 1,595,401	$ 2,221,948

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)

	Successor Three Months Ended October 31, 2022	Successor Three Months Ended October 31, 2021
Revenues:		
Total revenues	$ 139,390	$ 140,153
Operating expenses:		
Costs of revenues	36,655	39,052
Content and software development	17,252	10,462
Selling and marketing	44,680	35,046
General and administrative	28,281	27,452
Amortization of intangible assets	43,438	34,406
Impairment of goodwill and intangible assets	570,887	—
Recapitalization and acquisition-related costs	4,889	3,407
Restructuring	2,010	775
Total operating expenses	748,092	150,600
Operating loss	(608,702)	(10,447)
Other income (expense), net	1,601	(661)
Fair value adjustment of warrants	9,128	(36,838)
Fair value adjustment of hedge instruments	20,314	—
Interest income	69	9
Interest expense	(14,556)	(6,997)
Loss before benefit from income taxes	(592,146)	(54,934)
Benefit from income taxes	(8,832)	(6,168)
Loss from continuing operations	(583,314)	(48,766)
Gain on sale of business	53,756	—
Income from discontinued operations, net of tax	1,215	5,911
Net loss	$ (528,343)	$ (42,855)
Gain (loss) per share:		
Ordinary – Basic and Diluted (Successor) - continuing operations	(3.54)	(0.37)
Ordinary – Basic and Diluted (Successor) - discontinued operations	0.33	0.04
Ordinary – Basic and Diluted (Successor)	(3.21)	(0.32)
Weighted average common share outstanding:		
Ordinary – Basic and Diluted (Successor)	164,368	133,116

*Not applicable

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)

	Year to Date Results		
	Fiscal 2023	Fiscal 2022	
	Successor	Successor	Predecessor (SLH)
	Nine Months Ended October 31, 2022	From June 12, 2021 to October 31, 2021	From February 1, 2021 to June 11, 2021
Revenues:			
Total revenues	$ 414,803	$ 215,620	$ 102,494
Operating expenses:			
Costs of revenues	109,662	61,342	22,043
Content and software development	53,276	16,679	15,012
Selling and marketing	126,089	54,739	34,401
General and administrative	83,994	44,281	16,471
Amortization of intangible assets	128,196	52,899	46,492
Impairment of goodwill and intangible assets	641,362	—	—
Recapitalization and acquisition-related costs	26,653	13,305	6,641
Restructuring	10,289	1,062	(576)
Total operating expenses	1,179,521	244,307	140,484
Operating loss	(764,718)	(28,687)	(37,990)
Other income (expense), net	2,733	(1,653)	(167)
Fair value adjustment of warrants	26,080	(19,723)	900
Fair value adjustment of hedge instruments	5,249	—	—
Interest income	239	18	60
Interest expense	(37,541)	(16,322)	(16,763)
Loss before benefit from income taxes	(767,958)	(66,367)	(53,960)
Benefit from income taxes	(34,234)	(8,165)	(3,521)
Loss from continuing operations	(733,724)	(58,202)	(50,439)
Gain on sale of business	53,756	—	—
Income from discontinued operations, net of tax	8,483	3,494	1,175
Net loss	$ (671,485)	$ (54,708)	$ (49,264)
Income (loss) per share:			
Class A and B – Basic and Diluted (SLH) - Continuing operations	*	*	(12.61)
Class A and B – Basic and Diluted (SLH) - Discontinued operations	*	*	0.29
Class A and B – Basic and Diluted (SLH)	*	*	$ (12.32)
Ordinary – Basic and Diluted (Successor) - Continuing operations	(4.67)	(0.44)	*
Ordinary – Basic and Diluted (Successor) - Discontinued operations	0.40	0.03	*
Ordinary – Basic and Diluted (Successor)	$ (4.27)	$ (0.41)	*
Weighted average common share outstanding:			
Class A and B – Basic and Diluted (SLH)	*	*	4,000
Ordinary – Basic and Diluted (Successor)	157,137	133,116	*

*Not applicable

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

SKILLSOFT CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(IN THOUSANDS)

	Quarter to Date Results	
	Fiscal 2023	Fiscal 2022
	Successor	Successor
	Three Months Ended October 31, 2022	Three Months Ended October 31, 2021
Comprehensive loss:		
Net loss	$ (528,343)	$ (42,855)
Other comprehensive (loss) income — Foreign currency adjustment, net of tax	(17,287)	(772)
Comprehensive loss	$ (545,630)	$ (43,627)

	Year to Date Results		
	Fiscal 2023	Fiscal 2022	
	Successor	Successor	Predecessor (SLH)
	Nine Months Ended October 31, 2022	From June 12, 2021 to October 31, 2021	From February 1, 2021 to June 11, 2021
Comprehensive loss:			
Net loss	$ (671,485)	$ (54,708)	$ (49,264)
Other comprehensive (loss) income — Foreign currency adjustment, net of tax	(21,012)	134	(430)
Comprehensive loss	$ (692,497)	$ (54,574)	$ (49,694)

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

SKILLSOFT CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT NUMBER OF SHARES)

	Ordinary Shares							
	Number of Shares	In Treasury	Par Value	Additional Paid-In Capital	Accumulated Deficit	Treasury Shares	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance January 31, 2021 (Predecessor (SLH))	4,000,000	—	$ 40	$ 674,333	$ (93,722)	—	$ (682)	$ 579,969
Translation adjustment	—	—	—	—	—	—	(228)	(228)
Net loss	—	—	—	—	(37,405)	—	—	(37,405)
Balance April 30, 2021 (Predecessor (SLH))	4,000,000	—	40	674,333	(131,127)	—	(910)	542,336
Translation adjustment	—	—	—	—	—	—	(202)	(202)
Net loss	—	—	—	—	(11,859)	—	—	(11,859)
Balance June 11, 2021 (Predecessor (SLH))	4,000,000	—	40	674,333	(142,986)	—	(1,112)	530,275
Balance June 12, 2021 (Successor)	51,559,021	—	3	305,447	(200,423)	—	—	105,027
Issuance of shares, PIPE Investment	53,000,000	—	5	608,161	—	—	—	608,166
Issuance of shares, Skillsoft Merger consideration	28,500,000	—	3	306,372	—	—	—	306,375
Issuance of shares, Global Knowledge acquisition	—	—	—	14,000	—	—	—	14,000
Reclassify Public Warrants to equity	—	—	—	56,120	—	—	—	56,120
Reclassify Private Placement Warrants - CEO to equity	—	—	—	2,800	—	—	—	2,800
Cash payout for fractional shares	—	—	—	(1)	—	—	—	(1)
Share-based compensation	—	—	—	4,817	—	—	—	4,817
Translation adjustment	—	—	—	—	—	—	906	906
Net loss	—	—	—	—	(11,854)	—	—	(11,854)
Balance July 31, 2021 (Successor)	133,059,021	—	$ 11	$ 1,297,716	$ (212,277)	—	$ 906	$ 1,086,356
Share-based compensation	—	—	—	4,217	—	—	—	4,217
Common Stock Issued	166,667	—	—	—	—	—		—
Shares repurchased for tax withholding upon vesting of restricted stock-based awards	(61,162)	—	—	(614)	—	—		(614)
Translation adjustment	—	—	—	—	—	—	(772)	(772)
Net loss	—	—	—	—	(42,855)	—	—	(42,855)
Balance October 31, 2021 (Successor)	133,164,526	—	$ 11	$ 1,301,319	$ (255,132)	—	$ 134	$ 1,046,332

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

SKILLSOFT CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT NUMBER OF SHARES)

	Ordinary Shares							
	Number of Shares	In Treasury	Par Value	Additional Paid-In Capital	Accumulated Deficit	Treasury Shares	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance January 31, 2022 (Successor)	133,258,027	—	$ 11	$ 1,306,146	$ (247,229)	—	$ 970	$ 1,059,898
Share-based compensation	—	—	—	6,898	—	—	—	6,898
Common stock issued	179,167	—	—	—	—	—	—	—
Shares repurchased for tax withholding upon vesting of restricted stock-based awards	(51,316)	—	—	(309)	—	—	—	(309)
Common stock issued in conjunction with Codecademy acquisition	30,374,427	—	3	182,547	—	—	—	182,550
Fair value adjustment for equity awards attributed to Codecademy acquisition	—	—	—	538	—	—	—	538
Translation adjustment	—	—	—	—	—	—	(2,248)	(2,248)
Net loss	—	—	—	—	(21,643)	—	—	(21,643)
Balance April 30, 2022 (Successor)	163,760,305	—	14	1,495,820	(268,872)	—	(1,278)	1,225,684
Share-based compensation	—	—	—	10,017	—	—	—	10,017
Common stock issued	828,831	—	—	—	—	—	—	—
Shares repurchased for tax withholding upon vesting of restricted stock-based awards	(281,136)	—	—	(1,409)	—	—	—	(1,409)
Translation adjustment	—	—	—	—	—	—	(1,477)	(1,477)
Net loss	—	—	—	—	(121,499)	—	—	(121,499)
Balance July 31, 2022 (Successor)	164,308,000	—	$ 14	$ 1,504,428	$ (390,371)	—	$ (2,755)	$ 1,111,316
Share-based compensation	—	—	—	8,396	—	—	—	8,396
Common stock issued	1,031,191	—	—	—	—	—	—	—
Shares repurchased for tax withholding upon vesting of restricted stock-based awarded	(376,921)	—	—	(884)	—	—	—	(884)
Repurchase of common stock	—	(645,428)	—	—	—	(1,433)	—	(1,433)
Translation adjustment	—	—	—	—	—	—	(17,287)	(17,287)
Deconsolidation of SumTotal	—	—	—	—	—	—	2,110	2,110
Net loss	—	—	—	—	(528,343)	—	—	(528,343)
Balance October 31, 2022 (Successor)	164,962,270	(645,428)	$ 14	$ 1,511,940	$ (918,714)	(1,433)	$ (17,932)	$ 573,875

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

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

	Fiscal 2023	Fiscal 2022	
	Successor	Successor	Predecessor (SLH)
	Nine Months Ended October 31, 2022	From June 12, 2021 to October 31, 2021	From February 1, 2021 to June 11, 2021
Cash flows from operating activities:			
Net loss	$ (671,485)	$ (54,708)	$ (49,264)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Share-based compensation	25,311	9,034	—
Depreciation and amortization	5,323	4,309	3,572
Amortization of intangible assets	134,541	57,087	50,902
Change in bad debt reserve	275	(668)	(174)
Benefit from income taxes – non-cash	(43,115)	(9,937)	(5,886)
Non-cash interest expense	1,550	913	487
Fair value adjustment to warrants	(26,080)	19,723	(900)
Right-of-use asset	4,302	3,473	748
Impairment of goodwill	641,362	—	—
Unrealized gain on derivative instrument	(5,249)	—	—
Gain on sale of business	(53,756)	—	—
Changes in current assets and liabilities, net of effects from acquisitions:			
Accounts receivable	76,821	(8,446)	88,622
Prepaid expenses and other current assets	(617)	(5,002)	3,379
Accounts payable	(3,052)	(1,636)	(6,417)
Accrued expenses, including long-term	(23,378)	13,962	(18,592)
Lease liability	(2,261)	(4,046)	(1,301)
Deferred revenue	(84,053)	(24,599)	(31,365)
Net cash (used in) provided by operating activities	(23,561)	(541)	33,811
Cash flows from investing activities:			
Purchase of property and equipment	(4,713)	(4,351)	(641)
Internally developed software - capitalized costs	(8,639)	(2,293)	(2,350)
Sale of SumTotal, net of cash transferred	171,995	—	—
Acquisition of Codecademy, net of cash acquired	(198,842)	—	—
Acquisition of Global Knowledge, net of cash received	—	(156,926)	—
Acquisition of Skillsoft, net of cash received	—	(386,035)	—
Acquisition of Pluma, net of cash received	—	(18,646)	—
Net cash used in investing activities	(40,199)	(568,251)	(2,991)
Cash flows from financing activities:			
Shares repurchased for tax withholding upon vesting of restricted stock-based awarded	(2,603)	(614)	—
Purchase of treasury stock	(1,433)	—	—
Proceeds from equity investment (PIPE)	—	530,000	—
Proceeds from issuance of term loans, net of fees	157,088	464,290	—
Principal payments on capital lease obligation	—	(407)	(370)
(Payments on) proceeds from accounts receivable facility, net of borrowings	(33,168)	(23,198)	16,577
Principal payments on term loans	(36,194)	—	—
Repayment of First and Second Out loans	—	(605,591)	(1,300)
Net cash provided by financing activities	83,690	364,480	14,907
Effect of exchange rate changes on cash and cash equivalents	(6,823)	(820)	203
Net increase (decrease) in cash, cash equivalents and restricted cash	13,107	(205,132)	45,930
Cash, cash equivalents and restricted cash, beginning of period	168,923	288,483	74,443
Cash, cash equivalents and restricted cash, end of period	$ 182,030	$ 83,351	$ 120,373
Supplemental disclosure of cash flow information:			
Cash and cash equivalents	$ 174,708	$ 80,671	$ 117,299
Restricted cash	7,322	2,680	3,074
Cash, cash equivalents and restricted cash, end of period	$ 182,030	$ 83,351	$ 120,373

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

SKILLSOFT CORP.
UNAUDITED SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION
(IN THOUSANDS)

	Fiscal 2023	Fiscal 2022	
	Successor	Successor	Predecessor (SLH)
	Nine Months Ended October 31, 2022	From June 12, 2021 to October 31, 2022	From February 1, 2021 to June 11, 2021
Supplemental disclosure of cash flow information and non-cash investing and financing activities:			
Cash paid for interest	$ 33,490	$ 5,030	$ 16,439
Cash paid for income taxes, net of refunds	$ 3,245	$ 1,505	$ 1,161
Unpaid capital expenditures	$ 24	$ 123	$ 39
Fair value of shares issued in connection with Codecademy acquisition	$ 182,550	$ —	$ —
Share issued in connection with business combinations	$ —	$ 306,375	$
PIPE subscription liability and warrants reclassified to equity	$ —	$ 134,286	$ —
Debt issued in connection with business combinations	$ —	$ 90,000	$ —
Warrants issued in connection with business combinations	$ —	$ 14,000	$ —

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

SKILLSOFT CORP.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Organization and Description of Business

The Company

Skillsoft Corp. ("Successor")

On October 12, 2020, Software Luxembourg Holding S.A. ("Software Luxembourg" or "Predecessor (SLH)") and Churchill Capital Corp II, a Delaware corporation ("Churchill"), entered into an Agreement and Plan of Merger (the "Skillsoft Merger Agreement"). Pursuant to the terms of the Skillsoft Merger Agreement, a business combination between Churchill and Software Luxembourg was effected through the merger of Software Luxembourg with and into Churchill (the "Skillsoft Merger"), with Churchill being the surviving company. At the effective time of the Skillsoft Merger (the "Effective Time"), (a) each Class A share of Software Luxembourg ("SLH Class A Shares") outstanding immediately prior to the Effective Time, was automatically canceled and Churchill issued as consideration therefor (i) such number of shares of Churchill's Class A common stock, par value $ 0.0001 per share (the "Churchill Class A common stock") as would be transferred pursuant to the Class A First Lien Exchange Ratio (as defined in the Skillsoft Merger Agreement), and (ii) Churchill's Class C common stock, par value $0.0001 per share (the "Churchill Class C common stock"), as would be transferred pursuant to the Class C Exchange Ratio (as defined in the Skillsoft Merger Agreement), and (b) each Class B share of Software Luxembourg was automatically canceled and Churchill issued as consideration therefor such number of shares of Churchill Class A common stock equal to the Per Class B Share Merger Consideration (as defined in the Skillsoft Merger Agreement). Immediately following the Effective Time, Churchill redeemed all of the shares of Class C common stock issued to the holders of SLH Class A Shares for an aggregate redemption price of (i) $ 505,000,000 in cash and (ii) indebtedness under the Existing Second Out Credit Agreement (as defined in the Skillsoft Merger Agreement), as amended by the Existing Second Out Credit Agreement Amendment (as defined in the Skillsoft Merger Agreement), in the aggregate principal amount equal to $20,000,000.

As part of the closing of the Skillsoft Merger, the Company (as defined below) consummated PIPE investments and issued53,000,000 shares of its Class A common stock and warrants to purchase 16,666,667 shares of its Class A common Stock for aggregate gross proceeds of $530 million. In connection with the consummation of these investments, the Company reclassified amounts recorded for stock subscriptions and warrants which previously had been accounted for as liabilities of $78.2 million as additional paid in capital.

On June 11, 2021 ("acquisition date"), Churchill completed its acquisition of Software Luxembourg, and changed its corporate name from Churchill to Skillsoft Corp. ("Skillsoft"). In addition, the Company changed its fiscal year end from December 31 to January 31. Also on June 11, 2021, the Company completed the acquisition of Albert DE Holdings Inc. ("Global Knowledge" or "GK" and such acquisition, the "Global Knowledge Merger"), a worldwide leader in IT and professional skills development.

Software Luxembourg Holding ("Predecessor (SLH)")

Software Luxembourg, a public limited liability company incorporated and organized under the laws of the Grand Duchy of Luxembourg, was established on August 27, 2020 for the purpose of acquiring the ownership interest in Pointwell Limited ("Pointwell"), an Irish private limited company, through a plan of reorganization under Chapter 11 subsequent to August 27, 2020.

Successor and Predecessor Periods

The Skillsoft Merger was considered a business combination under ASC 805,*Business Combinations* and is accounted for using the acquisition method of accounting, whereby Churchill was determined to be the accounting acquirer and Software Luxembourg Holding was determined to be the predecessor for financial reporting purposes. References to "Successor" or "Successor Company" relate to the condensed consolidated financial position and results of operations of Skillsoft subsequent to June 11, 2021, the date when the acquisitions of Predecessor (SLH) and Global Knowledge were completed. References to "Predecessor (SLH)" relate to the condensed consolidated financial position and results of operations of Software Luxembourg Holding S.A. between August 28, 2020 and June 11, 2021 (its last date of operations prior to the merger). Operating results for the acquired business on June 11, 2021 were credited to the Predecessor (SLH) in the accompanying condensed consolidated statement of operations. The funds received from the PIPE investments and transferred for the business combinations closing on June 11, 2021 were recorded in the Successor period of the condensed consolidated statement of cash flows.

In the accompanying footnotes references to “the Company” relate to Successor and Predecessor (SLH) for the same periods.

Description of Business

The Company provides, through its Skillsoft, Global Knowledge, and Codecademy brands, enterprise learning solutions designed to prepare organizations for the future of work, overcome critical skill gaps, drive demonstrable behavior-change, and unlock the potential in their people. Skillsoft offers a comprehensive suite of premium, original, and authorized partner content, featuring one of the broadest and deepest libraries of leadership & business, technology & developer, and compliance curricula. With access to a broad spectrum of learning options (including video, audio, books, bootcamps, live events, practice labs, coaching and instructor led training), organizations can meaningfully increase learner engagement and retention. Skillsoft’s offerings are delivered primarily through Percipio, the Company’s award-winning, AI-driven, immersive learning platform purpose built to make learning easier, more accessible, and more effective.

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 2022 is the fiscal year ended January 31, 2022).

Basis of Financial Statement Preparation

The accompanying condensed consolidated financial statements include the accounts of Skillsoft (Successor) and Software Luxembourg (Predecessor (SLH)) and their wholly owned subsidiaries. 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 8 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 stockholders’ equity (deficit) and cash flows in conformity with accounting principles generally accepted in the United States of America (“U.S. 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 Company’s Annual Report on Form 10-K for the fiscal year ended January 31, 2022 and the updated financial information and related disclosure to reflect the exclusion of the financial operations for SumTotal for the fiscal year ended January 31, 2022 on Form 8-K filed with SEC on December 5, 2022.

The Company is an “emerging growth company,” as defined in Section 2(a) of the Securities Act of 1933, as amended, as modified by the Jumpstart Our Business Startups Act of 2012 (the “JOBS” Act), and it may 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, not being required to comply with the independent registered public accounting firm attestation requirements of Section 404 of the Sarbanes-Oxley Act, 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.

Principles of Consolidation

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

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. 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 to the financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2022. There have been no changes to these policies during the nine months ended October 31, 2022.

Recently Adopted Accounting Guidance

On October 28, 2021, the Financial Accounting Standards Boards ("FASB") issued ASU 2021-08 – *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* ("ASU 2021-08"). ASU 2021-08 requires an acquirer in a business combination to recognize and measure deferred revenue from acquired contracts using the revenue recognition guidance in Accounting Standards Codification Topic 606, rather than the prior requirement to record deferred revenue at fair value. ASU 2021-08 allows for immediate adoption on a retrospective basis for all business combinations that have occurred since the beginning of the annual period that includes the interim period of adoption. The Company elected to adopt ASU 2021-08 early on a retrospective basis, effective at the beginning of the Successor period on June 11, 2021.

The adoption of ASU 2021-08 also resulted in the increase of goodwill by $123.5 million attributable to the acquisitions of Software Luxembourg, Global Knowledge and Pluma Inc. during the period ended July 31, 2021, as a result of the revised measurement of deferred revenue for acquisitions.

(3) Business Combinations

(a) Software Luxembourg Holdings S.A. ("Predecessor (SLH)")

On June 11, 2021, Software Luxembourg Holding S.A. merged with and into Churchill Capital Corp II which subsequently changed its name to Skillsoft Corp.

The Skillsoft Merger was considered a business combination under ASC 805,*Business Combinations* and was accounted for using the acquisition method of accounting, whereby Churchill was determined to be the accounting acquirer based on its rights to nominate six members of the initial Board of Directors, the size of its voting interest and its rights to appoint the Chief Executive Officer of Skillsoft Corp. and other members of management of the combined company prior to closing.

Under the acquisition method, the acquisition date fair value of the consideration paid by the Company was allocated to the assets acquired and the liabilities assumed based on their estimated fair values.

The following summarizes the purchase consideration (in thousands):

Description		Amount
Class A common stock issued	$	258,000
Class B common stock issued*		48,375
Cash payments		505,000
Second Out Term Loan		20,000
Cash settlement of seller transaction costs		1,308
Total Purchase Price	$	832,683

* Shares of Class B common stock were converted into Successor Class A common stock at the time of the Skillsoft Merger.

The Company recorded the fair value of the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed as follows (in thousands):

Description	Preliminary Purchase Price Allocation	Adjustments (1)(2)	Final Purchase Price Allocation
Cash, cash equivalents and restricted cash	$ 120,273	$ —	$ 120,273
Current assets	118,847	706	119,553
Property and equipment	10,825	1,632	12,457
Intangible assets	769,799	(4,701)	765,098
Long term assets	18,629	—	18,629
Total assets acquired	1,038,373	(2,363)	1,036,010
Current liabilities	(49,056)	(350)	(49,406)
Debt, including accounts receivable facility	(552,977)	—	(552,977)
Deferred revenue	(123,300)	(113,917)	(237,217)
Deferred and other tax liabilities	(99,699)	15,920	(83,779)
Long term liabilities	(18,325)	1	(18,324)
Total liabilities assumed	(843,357)	(98,346)	(941,703)
Net assets acquired	195,016	(100,709)	94,307
Goodwill	637,667	100,709	738,376
Total purchase price	$ 832,683	$ —	$ 832,683

(1) The increase in deferred revenue (and the corresponding increase to Goodwill by the same amount) is the result of the adoption of ASU 2021-08 in the quarter ended October 31, 2021.

(2) All other changes represent measurement period adjustments attributable to the Company's review of inputs and assumptions utilized in valuation models and additional information being obtained on preacquisition liabilities, since the initial purchase price allocation. The measurement period adjustments did not have a significant impact on the Company's results of operations in prior periods.

The values allocated to identifiable intangible assets and their estimated useful lives are as follows (in thousands):

Description	Amount	Life
Trademark/tradename – Skillsoft	$ 84,700	indefinite
Trademark/tradename – SumTotal	5,800	9.6 years
Courseware	186,600	5 years
Proprietary delivery and development software	114,598	2.5-7.6 years
Publishing Rights	41,100	5 years
Customer relationships	271,400	12.6 years
Backlog	60,900	4.6 years
Total	$ 765,098	

Values and useful lives assigned to intangible assets were based on estimated value and use of these assets by a market participant. The customer relationships and backlog were valued using the income approach. The trade names were valued using the relief from royalty method. The content and software were valued using the replacement cost approach.

Goodwill represents the excess of the purchase price over the net identifiable tangible and intangible assets acquired. The Company determined that the acquisition of the Predecessor (SLH) resulted in the recognition of goodwill primarily because the acquisition is expected to help the Company to meet its long-term operating profitability objectives through achievement of synergies. The majority of goodwill is not deductible for tax purposes.

The acquired intangible assets and goodwill are subject to review for impairment if indicators of impairment develop and, in the case of goodwill and indefinite-lived intangible assets, at least annually.

The Company incurred $9.8 million in acquisition-related expenses, which primarily consisted of transaction fees and legal, accounting and other professional services that are included in "Recapitalization and acquisition-related costs" in the audited consolidated statement of operations for the year ended January 31, 2022. Approximately $4.3 million was reported in the period from February 1, 2021 to June 11, 2021 (Predecessor (SLH)) and $5.5 million was reported in the period from June 12, 2021 to January 31, 2022 (Successor).

(b) Albert DE Holdings, Inc. ("Global Knowledge" or "GK")

On June 11, 2021, GK and its subsidiaries were acquired by Skillsoft, in conjunction with, and just subsequent to, its merger with Churchill Capital Corp II (then becoming the merged Company).

The acquisition was accounted for as a business combination under ASC 805, *Business Combinations*, utilizing the acquisition method. Under the acquisition method, the acquisition date fair value of the consideration paid by the Company was allocated to the assets acquired and the liabilities assumed based on their estimated fair values.

The following summarized the purchase consideration (in thousands):

Description		Amount
Cash consideration	$	170,199
Warrants Issued		14,000
Joinder Term Loans		70,000
Cash settlement of seller transaction costs		4,251
Total Purchase Price	$	258,450

The Company recorded the fair value of the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed as follows (in thousands):

Description		Preliminary Purchase Price Allocation		Adjustments (1)(2)		Final Purchase Price Allocation
Cash, cash equivalents	$	17,524	$	157	$	17,681
Current assets		47,849		(2,378)		45,471
Property and equipment		5,531		1,625		7,156
Intangible assets		185,800		200		186,000
Long term assets		12,401		(3,106)		9,295
Total assets acquired		269,105		(3,502)		265,603
Current liabilities		(74,463)		10,952		(63,511)
Deferred revenue		(23,018)		(8,191)		(31,209)
Deferred and other tax liabilities		(16,934)		(8,875)		(25,809)
Long term liabilities		(4,248)		2,177		(2,071)
Total liabilities assumed		(118,663)		(3,937)		(122,600)
Net assets acquired		150,442		(7,439)		143,003
Goodwill		108,008		7,439		115,447
Total Purchase Price	$	258,450	$	—	$	258,450

(1) The increase in deferred revenue (and the corresponding increase to Goodwill by the same amount) is the result of the adoption of ASU 2021-08 in the quarter ended October 31, 2021.

(2) All other changes represent measurement period adjustments attributable to the Company's review of inputs and assumptions utilized in valuation models and additional information being obtained on preacquisition liabilities, since the initial purchase price allocation. The measurement period adjustments did not have a significant impact on the Company's results of operations in prior periods.

The values allocated to identifiable intangible assets and their estimated useful lives are as follows (in thousands):

Description	Amount	Life
Trademark/tradename	$ 25,400	17.6 years
Courseware	1,500	3 years
Proprietary delivery and development software	2,500	0.6 years
Vendor relationships	43,900	2.6 years
Customer relationships	112,700	10.6 years
Total	$ 186,000	

Values and useful lives assigned to intangible assets were based on estimated value and use of these assets by a market participant. The customer relationships and vendor relationships were valued using the income approach. The trade name was valued using the relief from royalty method. The courseware and proprietary delivery software were valued using the replacement cost approach.

Goodwill represents the excess of the purchase price over the net identifiable tangible and intangible assets acquired. The Company determined that the acquisition of GK resulted in the recognition of goodwill. The majority of goodwill is not deductible for tax purposes.

The acquired intangible assets and goodwill are subject to review for impairment if indicators of impairment develop and otherwise at least annually.

The Company incurred $1.0 million in acquisition-related expenses, which primarily consisted of transaction fees and legal, accounting and other professional services that are included in “Recapitalization and acquisition-related costs” in the audited consolidated statement of operations for the year ended January 31, 2022. Approximately $1.0 million was reported in the period from June 12, 2021 to January 31, 2022 (Successor). The Company incurred an additional $1.5 million in GK integration related expenses in the nine months ended October 31, 2022, which is included in “Recapitalization and acquisition-related costs” in the accompanying condensed consolidated statement of operations.

(c) Ryzac, Inc. (“Codecademy”)

On April 4, 2022, the Company acquired Ryzac, Inc (“Codecademy”). Codecademy is a learning platform providing high-demand technical skills to approximately 40 million registered learners in nearly every country worldwide. The platform offers interactive, self-paced courses and hands-on learning in 14 programming languages across multiple domains such as application development, data science, cloud and cybersecurity.

The acquisition was accounted for as a business combination under ASC 805, *Business Combinations*, utilizing the acquisition method. Under the acquisition method, the acquisition date fair value of the consideration paid by the Company was allocated to the assets acquired and the liabilities assumed based on their estimated fair values.

The following summarizes the purchase consideration (in thousands):

Description	Amount
Cash payments	$ 202,119
Class A common stock issued	182,550
Cash settlement of seller transaction costs and other	1,315
Total Purchase Price	$ 385,984

The Company preliminarily recorded the fair value of the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed as follows (in thousands):

Description	Preliminary Purchase Price Allocation	Adjustments	Updated Purchase Price Allocation
Cash, cash equivalents and restricted cash	$ 4,262	(209)	$ 4,053
Current assets	3,671		3,671
Property and equipment	385		385
Intangible assets	112,000		112,000
Total assets acquired	120,318	(209)	120,109
Current liabilities	(4,290)		(4,290)
Deferred revenue	(18,396)		(18,396)
Deferred tax liabilities	(21,615)	1,019	(20,596)
Total liabilities assumed	(44,301)	1,019	(43,282)
Net assets acquired	76,017	810	76,827
Goodwill	309,967	(810)	309,157
Total purchase price	$ 385,984	—	$ 385,984

The preliminary values allocated to identifiable intangible assets and their estimated useful lives are as follows (in thousands):

Description	Amount	Life
Tradename	$ 44,000	13.8 years
Developed Technology	40,000	5 years
Content	18,000	5 years
Customer relationships	10,000	5.8 years
Total	$ 112,000	

Values and useful lives assigned to intangible assets were based on estimated value and use of these assets by a market participant. The customer relationships were valued using the income approach. The trade name was valued using the relief from royalty method. The courseware and proprietary delivery software were valued using the replacement cost approach.

Goodwill represents the excess of the purchase price over the net identifiable tangible and intangible assets acquired. The Company determined that the acquisition of Codecademy resulted in the recognition of goodwill primarily because the acquisition is expected to help the Company to meet its long-term operating profitability objectives through achievement of synergies. The goodwill is not deductible for tax purposes.

The acquired intangible assets and goodwill are subject to review for impairment if indicators of impairment develop and otherwise at least annually.

The Company incurred $10.2 million in acquisition-related expenses, which primarily consisted of transaction fees and legal, accounting and other professional services that are included in “Recapitalization and acquisition-related expenses” in the accompanying condensed consolidated statement of operations. Approximately $2.5 million and $7.7 million was reported in the three and nine months ended October 31, 2022 (Successor), respectively.

Unaudited Pro Forma Financial Information

The following unaudited pro forma financial information summarizes the results of continuing operations for the Company as though the acquisitions of Skillsoft, Global Knowledge and Codecademy had occurred on February 1, 2021 (in thousands):

Unaudited Pro Forma Statement of Operations

	Three months ended October 31, 2022	Three months ended October 31, 2021	Nine months ended October 31, 2022	Nine months ended October 31, 2021
Revenue	$ 139,390	$ 151,266	$ 422,861	$ 440,600
Net loss from continuing operations	(16,134)	(57,878)	(100,472)	(111,805)

The unaudited pro forma financial information does not assume any impacts from revenue, cost or other operating synergies that could be generated as a result of the acquisitions. The unaudited pro forma financial information is for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved had the acquisitions been consummated on February 1, 2021.

Other Acquisitions

On June 30, 2021, the Company acquired Pluma, Inc. The acquisition enhances the Company's leadership development offerings, adds a new modality to its blended learning model, and allows the Company to now offer a premium individualized coaching experience. Cash paid for Pluma in the Successor period was lower than the agreed upon purchase price of Pluma for $22 million due to a contractual holdback and working capital adjustment. The fair value of the net assets acquired included $17.8 million of goodwill and $8.7 million of identified intangible assets, which had a weighted average life of 7.4 years. The goodwill is not deductible for tax purposes. The business is reported as part of the Company's Skillsoft reportable segment. Pro forma information and acquisition expenses have not been presented because such information is not material to the financial statements.

Measurement Period

The preliminary purchase price allocation for the Codecademy acquisition described above are based on initial estimates and provisional amounts. In accordance with ASC 805-10-25-13, if the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. For the Codecademy acquisition, which occurred in the three months ended April 30, 2022, the Company is still evaluating and refining inputs and estimates inherent in (i) the valuation of intangible assets, (ii) deferred income taxes, (iii) valuation of tangible assets and (iv) the accuracy and completeness of liabilities.

(4) Discontinued Operations

On June 12, 2022, Skillsoft entered into a Stock Purchase Agreement (the "Purchase Agreement"), by and among Skillsoft, Skillsoft (US) Corporation ("Seller"), Amber Holding Inc. ("SumTotal"), and Cornerstone OnDemand, Inc. ("Buyer"), pursuant to which, subject to the certain terms and conditions contained therein, Seller agreed to sell, and Buyer agreed to purchase, all of Seller's right, title and interest in and to one hundred percent (100%) of the outstanding shares of capital stock of SumTotal.

The sale was completed on August 15, 2022. Skillsoft received net proceeds of $180.0 million and reserved $8.0 million for working capital contingency which is subject to customary adjustments as set forth in the Purchase Agreement, including adjustments based on the working capital, cash and indebtedness of SumTotal and its direct and indirect subsidiaries as of the closing date.

In accordance with ASC 810, the Company recorded a gain on sale upon completion of the transaction. The gain was calculated by measuring the difference between the fair value of consideration received less the carrying amount of the assets and liabilities sold. The Company calculated a gain of $53.8 million which is reported as Gain on sale of business in the Statement of Operations The gain is preliminary and subject to finalization of post-closing adjustments pursuant to the Purchase Agreement.

In connection with the sale, the parties to the Purchase Agreement entered into certain other agreements, including a transition services agreement pursuant to which each of Seller and Buyer agreed to provide the other party with certain transition services for a limited period following the closing.

The Company determined that the sale of SumTotal met the criteria to be classified as discontinued operations, and its assets and liabilities held for sale, as of June 12, 2022. Accordingly, the Company classified the assets and liabilities of the discontinued operations as held for sale in our consolidated balance sheets at the lower of carrying amount or fair value less cost to sell. Classification for the assets and liabilities in comparative periods retained their previous classification as current or long-term. No losses were recognized upon classification of the discontinued operations assets and liabilities as held for sale. Depreciation and amortization ceased on assets classified as held for sale. The operating results of SumTotal are reported as discontinued operations, for all periods presented, as the disposition reflects a strategic shift that has, or will have, a major effect on our operations and financial results.

The financial results of SumTotal are presented as Income from discontinued operations, net of tax on our condensed consolidated Statement of Operations. The following table presents financial results of SumTotal for all periods presented in our condensed consolidated Statement of Operations (in thousands):

	Quarter to Date Results	
	Fiscal 2023	Fiscal 2022
	Successor	Successor
	Three Months Ended October 31, 2022	Three Months Ended October 31, 2021
Revenues:		
Total revenues	$ 4,178	$ 30,406
Operating expenses:		
Costs of revenues	1,250	9,839
Content and software development	956	5,975
Selling and marketing	800	4,892
General and administrative	67	668
Amortization of intangible assets	—	2,658
Recapitalization and acquisition-related costs	1,056	280
Restructuring	(159)	2
Total operating expenses	3,970	24,314
Operating income from discontinued operations	208	6,092
Other income (expense), net	2,223	50
Interest income	—	9
Interest expense	(101)	(513)
Income from discontinued operations before income taxes	2,330	5,638
Provision for income taxes	1,115	(273)
Net income from discontinued operations	$ 1,215	$ 5,911

	Year to Date Results		
	Fiscal 2023	Fiscal 2022	
	Successor	Successor	Predecessor (SLH)
	Nine Months Ended October 31, 2022	From June 12, 2021 to October 31, 2021	From February 1, 2021 to June 11, 2021
Revenues:			
Total revenues	$ 60,706	$ 45,952	$ 37,142
Operating expenses:			
Costs of revenues	19,027	15,555	13,838
Content and software development	12,246	9,637	9,072
Selling and marketing	11,507	7,432	7,539
General and administrative	730	913	746
Amortization of intangible assets	6,345	4,188	4,410
Recapitalization and acquisition-related costs	1,609	377	297
Restructuring	42	31	(127)
Total operating expenses	51,506	38,133	35,775
Operating income from discontinued operations	9,200	7,819	1,367
Other income (expense), net	2,681	345	(326)
Interest income	12	12	4
Interest expense	(1,443)	(1,044)	(57)
Income from discontinued operations before income taxes	10,450	7,132	988
Provision for (benefit from) income taxes	1,967	3,638	(187)
Net income from discontinued operations	$ 8,483	$ 3,494	$ 1,175

The following table presents the aggregate carrying amounts of the classes of assets and liabilities of discontinued operations of SumTotal (in thousands):

	Successor October 31, 2022	Successor January 31, 2022
Carrying amount of assets included as part of discontinued operations		
Cash and cash equivalents	$ —	$ 16,496
Restricted cash	—	236
Accounts receivable	—	38,587
Prepaid expenses and other current assets	—	8,755
Current assets of discontinued operations	—	64,074
Property and equipment, net	—	6,609
Goodwill	—	75,693
Intangible assets, net	—	75,628
Right of use assets	—	1,937
Other assets	—	4,945
Long-term assets of discontinued operations	—	164,812
Total assets classified as discontinued operations in the condensed consolidated balance sheet	$ —	$ 228,886
Carrying amounts of liabilities included as part of discontinued operations:		
Accounts payable	$ —	$ 1,502
Accrued compensation	—	10,293
Accrued expenses and other current liabilities	—	3,260
Lease liabilities	—	508
Deferred revenue	—	71,904
Current liabilities of discontinued operations	—	87,467
Deferred tax liabilities	—	516
Long term lease liabilities	—	1,605
Other long-term liabilities	—	305
Current liabilities of discontinued operations	—	2,426
Total liabilities classified as discontinued operations in the condensed consolidated balance sheet	$ —	$ 89,893

(5) Intangible Assets

Intangible assets consisted of the following (in thousands):

	October 31, 2022 (Successor)			January 31, 2022 (Successor)		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed software/ courseware	$ 370,252	$ 103,111	$ 267,141	$ 303,171	$ 43,956	$ 259,215
Customer contracts/ relationships	327,686	33,149	294,537	332,300	10,436	321,864
Vendor relationships	38,235	29,645	8,590	43,900	21,219	22,681
Trademarks and trade names	45,500	2,753	42,747	1,500	104	1,396
Publishing rights	41,100	11,394	29,706	41,100	5,229	35,871
Backlog	49,700	25,811	23,889	49,700	4,906	44,794
Skillsoft trademark	84,700	—	84,700	84,700	—	84,700
Global Knowledge trademark	22,113	3,743	18,370	25,400	2,062	23,338
Total	$ 979,286	$ 209,606	$ 769,680	$ 881,771	$ 87,912	$ 793,859

Amortization expense related to the existing finite-lived intangible assets is expected to be as follows (in thousands):

Fiscal Year	Amortization Expense
2023 (remaining 3 months)	$ 41,907
2024	149,210
2025	129,121
2026	124,947
2027	79,912
Thereafter	159,883
Total	$ 684,980

Amortization expense related to intangible assets in the aggregate was $43.4 million and $128.2 million for the three and nine months ended October 31, 2022 (Successor) and $34.4 million, $52.9 million and $46.5 million for the three months ended October 31, 2021, the period from June 12, 2021 through October 31, 2021 (Successor), and February 1, 2021 through June 11, 2021 (Predecessor (SLH)), respectively.

Impairment of Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. Goodwill in fresh-start accounting results when the reorganization value of the emerging entity exceeds what can be attributed to specific tangible or identified intangible assets. The Company tests goodwill for impairment during the fourth quarter every year in accordance with ASC 350, *Intangibles — Goodwill* ("ASC 350"). In connection with the impairment evaluation, the Company may first consider qualitative factors to determine whether the existence of events or circumstances indicates that it is more likely than not (i.e., a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount. Performing a quantitative goodwill impairment test is not necessary if an entity determines based on this assessment that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount. If the Company fails or elects to bypass the qualitative assessment, the goodwill impairment test must be performed. This test requires a comparison of the carrying value of the reporting unit to its estimated fair value. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, an impairment loss equal to the difference is recorded, not to exceed the amount of goodwill allocated to the reporting unit. In determining reporting units, the Company first identifies its operating segments, and then assesses whether any components of these segments constitute a business for which discrete financial information is available and where segment management regularly reviews the operating results of that component.

Intangible assets arising from business combinations are generally recorded based upon estimates of the future performance and cash flows from the acquired business. The Company uses an income approach to determine the estimated fair value of certain identifiable intangible assets including customer relationships and trade names and uses a cost approach for other identifiable intangible assets, including developed software/courseware. The income approach determines fair value by estimating the after-tax cash flows attributable to an identified asset over its useful life (Level 3 inputs) and then discounting these after-tax cash flows back to a present value. The cost approach determines fair value by estimating the cost to replace or reproduce an asset at current prices and is reduced for functional and economic obsolescence. Developed technology represents patented and unpatented technology and know-how. Customer contracts and relationships represents established relationships with customers, which provide a ready channel for the sale of additional content and services. Trademarks and tradenames represent acquired product names and marks that the Company intends to continue to utilize.

The Company reviews 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. The Company reviews indefinite-lived intangible assets, including goodwill and certain trademarks, during the fourth quarter of each 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.

During the three months ended July 31, 2022, the Company's Global Knowledge instructor led training ("ILT") business experienced a significant decline in bookings and GAAP revenue compared to the corresponding period in the prior year. Management believed the poor performance was due to a variety of factors, including (i) reduced corporate spending as customers brace for the potential of a recessionary environment, (ii) difficulty maintaining adequate sales capacity in a challenging labor market for employers and (iii) evolving customer preferences with respect to training and ILT in a post COVID environment.

In light of the circumstances and indicators of impairment described above, management first considered whether any impairment was present for the Global Knowledge long-lived assets group, concluding that no such impairments were present after conducting an undiscounted cash flow recoverability test.

In accordance with ASC 350, management next considered whether there were any indicators of impairment for Global Knowledge goodwill, concluding that triggering events had occurred, necessitating an interim goodwill impairment test as of July 31, 2022. In comparing the estimated fair value of the Global Knowledge reporting unit to its carrying value, the Company considered the results of both a discounted cash flow ("DCF") analysis and a market multiples approach. The results of the impairment test performed indicated that the carrying value of the Global Knowledge reporting unit exceeded its estimated fair value. Based on the results of the goodwill impairment testing procedures, the Company recorded a $70.5 million goodwill impairment for the three and six months ended July 31, 2022. The Company believes that its procedures for estimating gross future cash flows for each intangible asset are reasonable and consistent with current market conditions for each of the dates when impairment testing was performed.

During the three months ended October 31, 2022, the Company experienced a substantial decline in its stock price resulting in the total market value of its shares of stock outstanding ("market capitalization") being less than the carrying value of its reporting units. Management considered the impact of current macroeconomic conditions on the Company's projected operating results and assumptions used in the income approach or discounted cash flow method and market approach models that impact the fair value of the Company's reporting units. The macroeconomic conditions considered include deterioration in the equity markets evidenced by sustained declines in the Company's stock price, those of its peers, and major market indices, which reduced the market multiples, along with an increase in the weighted-average cost of capital primarily driven by an increase in interest rates. In addition, the Company lowered its projected operating results primarily due to the foreign exchange impact, underperformance of Global Knowledge business, and macroeconomic uncertainty. After considering all available evidence in the evaluation of goodwill impairment indicators, management determined it appropriate to perform an interim quantitative assessment of the Skillsoft content and Global Knowledge reporting units as of October 31, 2022.

In comparing the estimated fair value of the Skillsoft content and Global Knowledge reporting units to the carrying value, management considered the results of both a DCF analysis and a market multiples approach. The results of the impairment test performed indicated that the carrying value of the Skillsoft content and Global Knowledge reporting units exceeded the estimated fair value. Based on the results of the goodwill impairment testing procedures, the Company recorded a $569.3 million goodwill impairment for Skillsoft content segment and additional goodwill impairment for Global Knowledge segment, totalling $570.9 million, during the three months ended October 31, 2022.

In light of the circumstances and indicators of impairment described above, management considered whether any impairment was present for the Skillsoft content and Global Knowledge long-lived assets group, concluding that no such impairments were present after conducting an undiscounted cash flow recoverability test. The Company believes that its procedures for estimating gross future cash flows for each intangible asset are reasonable and consistent with current market conditions for each of the dates when impairment testing was performed.

A roll forward of goodwill is as follows:

Description		Skillsoft		GK		Consolidated
Goodwill, net January 31, 2022 (Successor)	$	680,500	$	115,311	$	795,811
Foreign currency translation adjustment		(102)		(730)		(832)
Acquisition of Codecademy		309,967		—		309,967
Measurement period adjustments		—		(614)		(614)
Goodwill, net April 30, 2022 (Successor)	$	990,365	$	113,967	$	1,104,332
Foreign currency translation adjustment		(36)		(422)		(458)
Impairment of goodwill		—		(70,475)		(70,475)
Measurement period adjustments		(819)		126		(693)
Goodwill, net July 31, 2022 (Successor)	$	989,510	$	43,196	$	1,032,706
Foreign currency translation adjustment		(46)		99		53
Impairment of goodwill		(569,256)		(1,631)		(570,887)
Measurement period adjustments		208		—		208
Goodwill, net October 31, 2022 (Successor)	$	420,416	$	41,664	$	462,080

As of October 31, 2022 and January 31, 2022, there were $72.1 million and $0.0 million, respectively, of accumulated impairment losses for the Global Knowledge segment.

As of October 31, 2022 and January 31, 2022, there were $569.3 million, and $0.0 million, respective of accumulated impairment losses for the Skillsoft segment.

(6) Taxes

For the three months and nine months ended October 31, 2022 (Successor), the Company recorded a tax benefit on continuing operations of $8.8 million and $34.2 million, respectively on pretax loss of $592.1 million and $768.0 million, respectively. The tax benefit reflects the impact of non-deductible items, current period changes in the Company's valuation allowance on its deferred tax assets, changes in uncertain tax positions and the impact of foreign rate differential.

For the three months ended October 31, 2021 (Successor) the Company recorded a tax benefit on continuing operations of $6.2 million on pretax loss of $54.9 million. For the successor period from June 12, 2021 through October 31, 2021, the Company recorded a tax benefit on continuing operations of $8.2 million on pretax loss of $66.4 million. The tax benefit reflects the impact of non-deductible items, current period changes in the Company's valuation allowance on its deferred tax assets and the impact of foreign rate differential.

For the predecessor period from February 1, 2021 through June 11, 2021, the Company recorded a tax benefit of $3.5 million on pretax loss of $54.0 million. The tax benefit for these periods reflected the impact of non-deductible items, current period changes in the Company's valuation allowance on its deferred tax assets and the impact of foreign rate differential.

(7) Restructuring

In connection with the Company's acquisition integration process and workplace flexibility policy, it has continued its initiatives and commitment to reduce its costs and better align operating expenses with existing economic conditions and its operating model. During the three and nine months ended October 31, 2022 (Successor), the Company recorded restructuring charges of $2.0 million and $10.3 million, respectively, for the severance costs and the abandonment of right-of-use assets.

In January 2021, the Company committed to a restructuring plan that encompassed a series of measures intended to improve its operating efficiency, competitiveness and business profitability. These included workforce reductions and consolidation of facilities as it is adopting new work arrangements for certain locations. The Company recorded restructuring charges of $0.8 million and $1.1 million during the three months ended October 31, 2021 (Successor) and the period of June 12, 2021 to October 31, 2021 (Successor), respectively, and recoveries of $0.6 million during the period of February 1, 2021 to June 11, 2021 (Predecessor (SLH)), as a result of severance cost estimate changes.

(8) Leases, Commitments and Contingencies

Leases

The Company measured Skillsoft and Global Knowledge's legacy lease agreements as if the leases were new at the acquisition date and applied the provisions of Topic 842. This resulted in the recognition of right-of-use (ROU) assets and lease liabilities of $14.0 million and $16.2 million, respectively, as of October 31, 2022. All leases are classified as operating leases.

The Company's lease portfolio includes office space, training centers, and vehicles to support its research and development activities, sales operations and other corporate and administrative functions in North America, Europe and Asia. The Company's leases have remaining terms of one year to eleven years. Some of the Company's leases include options to extend or terminate the lease prior to the end of the agreed upon lease term. For purposes of calculating lease liabilities, lease terms include options to extend or terminate the lease when it is reasonably certain that the Company will exercise such options.

Operating lease ROU assets and liabilities are recognized based on the present value of the future minimum lease payments over the expected lease term. As the Company's operating leases generally do not provide an implicit rate, the Company uses an estimated incremental borrowing rate in determining the present value of future payments. The Company elected the package of practical expedients permitted under the transition guidance which were applied consistently to all of the Company's leases that commenced before the acquisition date. The Company also elected the short-term lease recognition exemption for all qualifying leases, where ROU assets and lease liabilities are not recognized for leases with the remaining terms of less than one year.

The operating leases are included in the caption "Right of use assets", "Lease Liabilities", and "Long-term lease liabilities" on the Company's condensed consolidated balance sheets as of October 31, 2022. The weighted-average remaining lease term of the Company's operating leases is 6.0 years as of October 31, 2022. Lease costs for minimum lease payments are recognized on a straight-line basis over the lease term. The lease costs were $1.1 million and related cash payments were $2.3 million for the period from February 1, 2021 to June 11, 2021 (Predecessor (SLH)). The lease costs were $3.7 million and related cash payments were $4.4 million for the period from June 12, 2021 to October 31, 2021 (Successor). The lease costs were $5.0 million and related cash payments were $5.9 million for the nine months ended October 31, 2022 (Successor). Lease costs are included within content and software development, selling and marketing, and general and administrative lines on the condensed consolidated statements of operations, and the operating leases related cash payments were included in the operating cash flows on the condensed consolidated statements of cash flows. Short-term lease costs and variable lease costs are not material.

The table below reconciles the undiscounted future minimum lease payments under non-cancellable leases to the total lease liabilities recognized on the condensed consolidated balance sheets as of October 31, 2022 (Successor):

Fiscal Year Ended January 31 (in thousands):	**Operating Leases**
2023 (excluding nine months ended October 31, 2022)	$ 1,297
2024	4,486
2025	3,061
2026	1,952
2027	2,152
Thereafter	4,774
Total future minimum lease payments	17,722
Less effects of discounting	(1,488)
Total lease liabilities	$ 16,234
Reported as of October 31, 2022	
Lease liabilities	$ 4,271
Long-term lease liabilities	11,976
Total lease liabilities	$ 16,247

Litigation

From time to time, the Company is a party to or may be threatened with litigation in the ordinary course of its business. The Company regularly analyzes current information, including, as applicable, the Company's defense and insurance coverage and, as necessary, provides accruals for probable and estimable liabilities for the eventual disposition of these matters.

On March 14, 2022, a putative Company stockholder filed a complaint in the United States District Court for the Eastern District of New York, captioned Newton v. Skillsoft Corp., et al., No. 1:22-cv-01383 (E.D.N.Y.), against the Company and the members of its Board of Directors. On May 29, 2022, this case was dismissed. The complaint generally alleged that the definitive proxy statement filed by the Company with the SEC in connection with the Codecademy acquisition contained misstatements and omissions in violation of Section 14(a) of the Securities Exchange Act of 1934 and Rule 14a-9 promulgated thereunder by the SEC.

The items noted above, and any potential liability, do not currently meet the accounting criteria of probable and estimable. Therefore the Company has not accrued any related liability as of October 31, 2022.

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.

(9) Long-Term Debt

Debt consisted of the following (in thousands):

	October 31, 2022	January 31, 2022
Term Loan - current portion	$ 6,404	$ 4,800
Current maturities of long-term debt	$ 6,404	$ 4,800
Term Loan - long-term portion	596,202	474,000
Less: Original Issue Discount - long-term portion	(8,640)	(6,724)
Less: Deferred Financing Costs - long-term portion	(4,691)	(5,091)
Long-term debt	$ 582,871	$ 462,185

Term Loan (Successor)

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”) to Skillsoft Finance II, the proceeds of which, together with cash on hand, were used to refinance existing debt. 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 parties thereto as Term B-1 Lenders, which amended the Credit Agreement (as amended by the First Amendment, the “Amended Credit Agreement”).

The First Amendment provides 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) provides for early opt-in to Secured Overnight Financing Rate (SOFR)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) provides for the applicable margin for the Initial Term Loans at 4.25% with respect to base rate borrowings and5.25% with respect to SOFR borrowings.

The Company received $153.2 million of net proceeds (net of $4.0 million of financing costs and $2.8 million of original issuance discounts) from the Term Loan Facility on April 4, 2022. The Company used the net proceeds and cash on hand for the closing of the Codecademy acquisition on April 4, 2022.

The refinancing was accounted for as a modification for certain lenders and an extinguishment for other lenders and debt issuance costs and lender fees were accounted for in proportion to whether the related principal balance was considered modified or extinguishments. Accordingly, both newly incurred and deferred financing costs and original issuance discounts of $0.1 million and $2.8 million, respectively, will be amortized as additional interest expense over the term of the Term Loan. Furthermore, $3.9 million of third-party costs incurred were recognized as interest expenses in the accompanying statement of operations for the nine months ended October 31, 2022.

Prior to the maturity thereof, the Initial Term Loans will be subject to quarterly amortization payments of0.25% of the principal amount. The Amended Credit Agreement requires that any prepayment of the Initial Term Loans in connection with a Repricing Transaction (as defined in the Amended Credit Agreement) shall be subject to (i) a 2.00% premium on the amount of Initial Term Loans prepaid if such prepayment occurs prior to July 16, 2022 and (ii) a 1.00% premium on the amount of Initial Term Loans prepaid in connection with a Repricing Transaction if such prepayment occurs on or after July 16, 2022 but on or prior to January 16, 2023.

On August 15, 2022, pursuant to the Purchase Agreement entered on June 12, 2022 by and among Skillsoft, Skillsoft (US) Corporation (“Seller”), Amber Holding Inc. (“SumTotal”), and Cornerstone OnDemand, Inc. (“Buyer”), Seller completed the sale of one hundred percent (100%) of the outstanding shares of capital stock of SumTotal to Buyer. As a result of the asset sale, the Company made a mandatory prepayment of $ 31.4 million to the lenders in August 2022.

All obligations under the Amended Credit Agreement, and the guarantees of those obligations (as well as certain cash management obligations and interest rate hedging or other swap agreements), are secured by substantially all of Skillsoft Finance II's personal property as well as those assets of each subsidiary guarantor.

Loan parties are subject to various affirmative and negative covenants and reporting obligations under the Term Loan Facility. These include, among others, limitations on indebtedness, liens, sale and leaseback transactions, investments, fundamental changes, assets sales, restricted payments, affiliate transactions, and restricted debt payments. Events of default under the Term Loan Facility include non-payment of amounts due to the lenders, violation of covenants, materially incorrect representations, defaults under other material indebtedness, judgments and specified insolvency-related events, certain ERISA events, and invalidity of loan or collateral documents, subject to, in certain instances, specified thresholds, cure periods and exceptions. As of October 31, 2022, the Company is in compliance with all covenants.

The Company's debt outstanding as of October 31, 2022 matures as shown below (in thousands):

Fiscal year ended January 31:		
2023 (exclude nine months ended October 31, 2022)	$	1,601
2024		6,404
2025		6,404
2026		6,404
2027		6,404
Thereafter		575,389
Total payments		602,606
Less: Current portion		(6,404)
Less: Unamortized original issue discount and issuance costs		(13,331)
Long-term portion	$	582,871

Accounts Receivable Facility (Predecessor and Successor)

On December 20, 2018, the Company entered into a $75.0 million receivables credit agreement, with a termination date of the earliest of 5 years from closing or 45 days before the revolving credit facility maturity or 180 days before the maturity of any term indebtedness greater than $75 million. There are four classes of available receivables for sale with advance rates between 50.0% and 85.0%. The lenders require the Company to deposit receipts from sold receivables to a restricted concentration account. Receivables that have been sold to the lenders must be transferred to the restricted concentration account within two business days of being collected by the Company. The Company accounts for these transactions as borrowings, as the assets being transferred contain the rights to future revenues. Under these agreements, the Company receives the net present value of the accounts receivable balances being transferred. The interest rate on borrowings outstanding under these agreements was 6.11% at October 31, 2022. Borrowings and repayments under these agreements are presented as cash flows from financing activities in the accompanying condensed consolidated statements of cash flows.

On September 19, 2019, the Company amended the receivables credit agreement to include Class "B" lending. This increased the facility borrowing capacity to up to $90.0 million. In conjunction with this, it increased the advance rate to95% across the four classes of available receivables. All other terms and conditions remained materially the same.

On August 27, 2020, the Company amended its accounts receivable facility. In connection with the amendment, additional capacity under the previous accounts receivable facility which had been extended by the private equity sponsor of the Company's prior owner was eliminated, reducing the maximum capacity of the facility from $90 million to $75 million. The maturity date for the remaining $75 million facility was extended to the earlier of (i) December 2024 or (ii) 90 days prior to the maturity of any corporate debt. The Company submits a monthly reconciliation on each month's settlement date detailing what was collected from the prior months borrowing base and what receivables are being sold during the new borrowing base period to replenish them. If additional receivables are sold to replenish receipts, the funds from the concentration account will be returned to the Company from the restricted concentration account by the administration agent. The reserve balances were $6.3 million at October 31, 2022 and are classified as restricted cash on the balance sheet.

(10) Shareholders' Equity

Skillsoft Corp. (Successor)

Capitalization

As of October 31, 2022, the Company's authorized share capital consisted of375,000,000 shares of Class A common stock, 3,840,000 shares of Class C common stock and 10,000,000 shares of preferred stock, with a par value of $0.0001 each. As of October 31, 2022, 164,316,842 shares of Class A common stock were issued and outstanding.

The number of authorized shares of Class A common stock or preferred stock authorized for issuance may be increased by the affirmative vote of the holders of a majority in voting power of the Company's capital stock entitled to vote thereon. Except as required by law, holders of share 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

In connection with the formation of the Company and subsequent acquisitions of Software Luxembourg and Global Knowledge, warrants to purchase common stock were issued to investors, sellers of Global Knowledge and an executive of the Company. Warrants that are not subject to ASC 718, Stock Compensation and (i) contained features that could cause the warrant to be puttable to the Company for cash or (ii) had terms that prevented the conversion of the warrant from being fixed in all circumstances, are classified as a liability on the Company's balance sheet and measured at fair value, with changes in fair value being recorded in the income statement, whereas all other warrants meet the equity scope exception and are classified as equity and not remeasured.

A summary of liability classified warrants is as follows (in thousands, except per share amounts):

Type	Underlying Common Shares	Strike Price	Redemption Price	Expiration Date	Fair Value at October 31, 2022
Private Placement Warrants – Sponsor	16,300	$ 11.50	None	6/11/26	$ 2,119

A summary of equity classified warrants is as follows (in thousands, except per share amounts):

Type	Underlying Common Shares	Strike Price	Redemption Price	Expiration Date
Public Warrants	23,000	$ 11.50	$ 18.00	6/11/26
Private Placement Warrants (PIPE)	16,667	$ 11.50	$ 18.00	6/11/26
Private Placement Warrants (Global Knowledge)	5,000	$ 11.50	None	10/12/25
Private Placement Warrants (CEO)	1,000	$ 11.50	None	6/11/26
Total	45,667			

Software Luxembourg Holding S.A. (Predecessor (SLH))

Reorganization

On August 27, 2020 Pointwell (which had been a direct wholly owned subsidiary of Evergreen Skills Lux S.à r.l.), and certain of its subsidiaries, completed a reorganization. As a result of the reorganization, ownership of Pointwell was transferred to the Company's lenders and no consideration or right to future consideration was provided to the former equity holders of Pointwell. In addition, the shared-based compensation plans of Pointwell were cancelled with no consideration provided.

In settlement of Predecessor's first and second lien debt obligations, the holders of the Predecessor's first lien received a total of3,840,000 Class A common shares. The Predecessor's second lien holders received a total of 160,000 Class B common shares and a total of705,882 warrants to purchase additional common shares. The Predecessor warrants were valued using a probability-based approach that considered management's estimate of the probability of (i) a sale of the company that met certain conditions that caused the warrants to be cancelled for no consideration, (ii) a sale of the company that did not meet certain conditions that caused the warrants to be cancelled for no consideration and (iii) warrants being held to maturity, with the last two scenarios utilizing a Black-Scholes model to estimate fair value.

The warrants included a provision whereby, in the event of a sale of the Predecessor meeting certain conditions ("Favored Sale"), the warrants would be cancelled for no consideration, however, in such an event, the holders of Class B shares would receive a higher share of any consideration paid in the form of common stock by the acquiring company. The conditions of the Favored Sale were established in anticipation of a Churchill merger and mirror the ultimate agreement executed on October 12, 2020. The Board of Directors and required level of warrant holders amended the warrants such that the deadline for a Favored Sale to occur was extended to October 12, 2020. An amendment to extend the date by which a Favored Sale could occur represented a modification to both the warrants and the participation right held by the Class B holders. Management measured the impact of the modification to both the freestanding warrants and the participation right held by the Class B holders by comparing their fair values immediately before and after the modification. The net impact of the increase in the value of the participation right held by Class B stockholders, of $13.3 million, and the decrease in the value of the warrants, of $7.4 million, is reflected as a decrease of $5.9 million in earnings attributable to Class A common stockholders and an increase to $5.9 million earnings attributable to Class B common stockholders for earnings per share purposes. The $7.4 million decrease in the value of warrants is reflected as a capital contribution and is reflected as an increase to additional-paid-in-capital in the period from August 28, 2020 through October 31, 2020 (Predecessor SLH).

As a result of the Skillsoft Merger, the warrants were terminated for no consideration on June 11, 2021.

Share Capital

As of January 31, 2021 the Predecessor's authorized share capital consisted of1,000,000,000 common shares with a par value $0.01 each. This consists of 800,000,000 Class A shares and 200,000,000 Class B shares. As of January 31, 2021, 4,000,000 common shares were issued andoutstanding. This consists of 3,840,000 Class A shares and 160,000 Class B shares.

Share Repurchase Authorization

On September 7, 2022, the Board of Directors authorized Skillsoft to repurchase up to $30 million of its Class A common stock, which authorization will expire September 7, 2023 unless extended. Under the program, the Company may purchase shares in the open market, in private negotiated transactions, or by other means from time to time. The timing and amount of any shares purchased will be based upon a variety of factors, including the share price of Class A common stock, general market conditions, alternative uses for capital such as reducing debt, the Company's financial performance, and other considerations. The share repurchase program does not obligate the Company to purchase any minimum number of shares, and the program may be suspended, modified, or discontinued at any time without prior notice. The Company repurchased 645,428 of its shares for $1.4 million during the three months ended October 31, 2022.

(11) Stock-based compensation

Equity Incentive Plans

In June 2021, Skillsoft Corp adopted the 2020 Omnibus Incentive Plan ("2020 Plan") and issued Stock Options, RSUs and PSUs to employees. 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 Award and Cash-Based Incentive Awards to employees, directors, and consultants of the Company. Under the 2020 Plan, 13,105,902 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 5.0% of the total number of shares of common stock outstanding on December 31 of the preceding calendar year. As of October 31, 2022 a total of 2,187,544 shares of common stock were available for issuance under the 2020 Plan.

Stock Options

Under the 2020 Plan all employees, directors and consultants are eligible to receive incentive share options or 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 than90 days following termination of employment or service or twelve months following an optionees' 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 table summarizes the stock option activity for the nine months ended October 31, 2022:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In thousands)
Outstanding, January 31, 2022	2,825,752	$ 10.76	9.4	
Granted	—	—	—	
Exercised	—	—	—	
Forfeited	(173,271)	—	—	
Expired	—	—	—	
Outstanding, October 31, 2022	2,652,481	$ 10.76	8.7	$ —
Vested and Exercisable, October 31, 2022	843,811	$ 10.76		$ —

The total unrecognized equity-based compensation costs related to the stock options was $5.7 million, which is expected to be recognized over a weighted-average period of 2.7 years.

The grant date fair value of the stock options was determined using the Black Scholes model with the following assumptions:

	As of June 11, 2021
Risk-free interest rates	1.0 %
Expected dividend yield	—
Volatility factor	30 - 31 %
Expected lives (years)	6.1
Weighted average fair value of options granted	$ 3.36

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. Restricted stock units vest over a two, three or four-year period, subject to continued employment through each anniversary. In addition, RSUs granted to the board of directors vest on the earlier of the anniversary of the date of grant or the date of the Company's next annual stockholders meeting following the grant date, subject to continued service with the Company. The fair value of restricted stock units is determined on the grant date and is amortized over the vesting period on a straight-line basis.

The following table summarizes the RSU activity for the nine months ended October 31, 2022:

	Shares	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)
Unvested balance, January 31, 2022	5,091,852	$ 10.26	
Granted	12,008,055	5.26	
Vested	(2,079,069)	8.65	
Forfeited	(2,035,018)	6.98	
Unvested balance, October 31, 2022	12,985,820	$ 6.40	$ 23,245

The total unrecognized stock-based compensation costs related to RSUs was $76.4 million, which is expected to be recognized over a weighted-average period of 2.9 years.

Market-based Restricted Stock Units

Market-based restricted stock units ("MBRSUs") vest over a three-year 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 table summarizes the MBRSU activity for the nine months ended October 31, 2022:

	Shares	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)
Unvested balance, January 31, 2022	1,095,978	$ 8.43	
Granted	1,882,463	5.57	
Vested	—	—	
Forfeited or canceled	(734,284)	6.42	
Unvested balance, October 31, 2022	2,244,157	$ 7.47	$ 4,017

The total unrecognized stock-based compensation costs related to MBRSUs was $10.6 million, which is expected to be recognized over a weighted-average period of 1.3 years.

Performance-based Restricted Stock Units

The Company issued 49,876 performance-based restricted stock units that have a grant-date fair value of $0.5 million during the period from June 12, 2021 to January 31, 2022. Of the 49,876 performance-based restricted stock units, 12,500 shares were vested and 12,500 shares were canceled on January 31, 2022. The remaining 24,876 shares were vested when the specified corporate goals were achieved in June 2022. The stock-based compensation expenses for the 24,876 shares were recognized in the nine months ended October 31, 2022.

Stock-based Compensation Expense

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

	Quarter to Date Results		Year to Date Results		
	Fiscal 2023	Fiscal 2022	Fiscal 2023	Fiscal 2022	
	Successor	Successor	Successor	Successor	Predecessor (SLH)
	Three Months Ended October 31, 2022	Three Months Ended October 31, 2021	Nine Months Ended October 31, 2022	From June 12, 2021 to October 31, 2021	From February 1, 2021 to June 11, 2021
Cost of revenues	$ 82	$ —	$ 132	$ —	$ —
Content and software development	1,782	276	6,207	530	—
Selling and marketing	1,915	621	4,933	947	—
General and administrative	4,617	3,320	15,634	7,557	—
Total	$ 8,396	$ 4,217	$ 26,906	$ 9,034	$ —

The stock-based compensation for the nine months ended October 31, 2022 includes $1.6 million of fair value adjustment for the cash consideration exceeded the fair value of the legacy Codecademy options, which is classified as a post-combination expense.

(12) Revenue

Disaggregated Revenue and Geography Information

The following is a summary of revenues by type for the three and nine months ended October 31, 2022 (Successor) and for the three months ended October 31, 2021 (Successor), the period from June 12, 2021 through October 31, 2021 (Successor) and the period from February 1, 2021 through June 11, 2021 (Predecessor (SLH)) (in thousands):

	Quarter to Date Results		Year to Date Results		
	Fiscal 2023	Fiscal 2022	Fiscal 2023	Fiscal 2022	
	Successor	Successor	Successor	Successor	Predecessor (SLH)
	Three Months Ended October 31, 2022	Three Months Ended October 31, 2021	Nine Months Ended October 31, 2022	From June 12, 2021 to October 31, 2021	From February 1, 2021 to June 11, 2021
SaaS subscription services	$ 93,127	$ 82,593	$ 272,443	$ 126,833	$ 97,406
Professional services	4,617	4,354	13,429	6,339	5,088
Software licenses and other	224	—	635	—	—
Instructor led training	41,422	53,206	128,296	82,448	—
Total net revenues	$ 139,390	$ 140,153	$ 414,803	$ 215,620	$ 102,494

The following table sets forth our revenues by geographic region for the three and nine months ended October 31, 2022 (Successor) and for the three months ended October 31, 2021 (Successor), the period from June 12, 2021 through October 31, 2021 (Successor) and the period from February 1, 2021 through June 11, 2021 (Predecessor (SLH)) (in thousands):

	Quarter to Date Results		Year to Date Results		
	Fiscal 2023	Fiscal 2022	Fiscal 2023	Fiscal 2022	
	Successor	Successor	Successor	Successor	Predecessor (SLH)
	Three Months Ended October 31, 2022	Three Months Ended October 31, 2021	Nine Months Ended October 31, 2022	From June 12, 2021 to October 31, 2021	From February 1, 2021 to June 11, 2021
Revenue:					
United States	$ 92,177	$ 85,421	$ 268,096	$ 132,785	$ 77,489
Other Americas	7,099	9,554	23,075	15,076	5,197
Europe, Middle East and Africa	35,230	40,485	109,031	60,563	14,283
Asia-Pacific	4,884	4,693	14,601	7,196	5,525
Total net revenues	$ 139,390	$ 140,153	$ 414,803	$ 215,620	$ 102,494

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 three and nine months ended October 31, 2022 was as follows (in thousands):

Deferred revenue at January 31, 2022 (Successor)	$	260,949
Billings deferred		92,106
Recognition of prior deferred revenue		(134,839)
Acquisition of Codecademy		18,396
Deferred revenue at April 30, 2022 (Successor)	$	236,612
Billings deferred		119,724
Recognition of prior deferred revenue		(140,574)
Deferred revenue at July 31, 2022 (Successor)		215,762
Billings deferred		122,202
Recognition of prior deferred revenue		(139,390)
Deferred revenue at October 31, 2022 (Successor)	$	198,574

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

Deferred Contract Acquisition Costs

Deferred contract acquisition cost activity for the three and nine months ended October 31, 2022 was as follows (in thousands):

Deferred contract acquisition costs at January 31, 2022 (Successor)	$	13,248
Contract acquisition costs		4,265
Recognition of contract acquisition costs		(3,733)
Deferred contract acquisition costs at April 30, 2022 (Successor)	$	13,780
Contract acquisition costs		3,964
Recognition of contract acquisition costs		(3,742)
Deferred contract acquisition costs at July 31, 2022 (Successor)		14,002
Contract acquisition costs		5,213
Recognition of contract acquisition costs		(6,317)
Deferred contract acquisition costs at October 31, 2022 (Successor)	$	12,898

(13) Fair Value Measurements

FASB 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 inputs that reflect the assumptions that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's estimates of assumptions that market participants would use in pricing the asset or liability.

The three levels of the fair value hierarchy established by ASC 820 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 Level 1, 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 reflect the Company's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques, including option pricing models and discounted cash flow models.

The following table summarizes the Company's assets and liabilities that are measured at fair value on a recurring basis as of October 31, 2022 and are categorized using the fair value hierarchy (in thousands):

Description	Level 2 Measurements	Level 3 Measurements	Total
Asset classified interest rate swaps	$ 5,249	$ —	$ 5,249
Liability classified warrants	—	2,119	2,119
Total assets and liabilities recorded at fair value	$ 5,249	$ 2,119	$ 7,368

Successor Company Warrants

In connection with the formation of the Company and subsequent acquisitions of Software Luxembourg and Global Knowledge, warrants to purchase common stock were issued to investors, sellers of Global Knowledge and an executive of the Company. Warrants that are not subject to ASC 718, Stock Compensation and (i) contained features that could cause the warrant to be puttable to the Company for cash or (ii) had terms that prevented the conversion of the warrant from being fixed in all circumstances, are classified as a liability on the Company's balance sheet and measured at fair value, with changes in fair value being recorded in the income statement, whereas all other warrants meet the equity scope exception and are classified as equity and not remeasured.

A summary of liability classified warrants is as follows (in thousands, except per share amounts):

Type	Underlying Common Shares	Strike Price	Redemption Price	Expiration Date	Fair Value at October 31, 2022
Private Placement Warrants – Sponsor	16,300	$ 11.50	None	6/11/26	$ 2,119

The Company classifies certain Private Placement Warrants as liabilities in accordance with ASC Topic 815. The Company estimates the fair value of the Private Placement Warrants using a Black-Scholes option pricing model. The fair value of the Private Placement Warrants utilized Level 3 inputs as it is based on significant inputs not observable in the market. The fair value of the Private Placement Warrants classified as liabilities were estimated at October 31, 2022 using a Black-Scholes options pricing model and the following assumptions:

	October 31, 2022
Risk-free interest rates	4.35 %
Expected dividend yield	—
Volatility factor	60.0 %
Expected lives (years)	3.6
Value per unit	$ 0.13

Predecessor Company (SLH) Warrants

At each relevant measurement date, the Predecessor warrants were valued using a probability-based approach that considered management's estimate of the probability of (i) a sale of the company that met certain conditions that caused the warrants to be cancelled for no consideration, (ii) a sale of the company that did not meet certain conditions that caused the warrants to be cancelled for no consideration and (iii) warrants being held to maturity, with the last two scenarios utilizing a Black-Scholes model to estimate fair value. As a result of the Skillsoft Merger, the Predecessor warrants were terminated for no consideration on June 11, 2021.

	Total	(Level 3)
Private Placement Warrants – Sponsor	$ 2,119	2,119
Total liabilities recorded at fair value	$ 2,119	2,119

The following tables reconcile Level 3 instruments for which significant unobservable inputs were used to determine fair value:

	For the Three Months Ended October 31, 2022
Balance as of July 31, 2022 (Successor)	$ 11,247
Unrealized gains recognized as other income	(9,128)
Balance as of October 31, 2022 (Successor)	$ 2,119

	For the Nine Months Ended October 31, 2022
Balance as of January 31, 2022 (Successor)	$ 28,199
Unrealized losses recognized as other income	(26,080)
Balance as of October 31, 2022 (Successor)	$ 2,119

Interest Rate Swap

On June 17, 2022, the Company entered into two fixed-rate interest rate swap agreements to change the 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 notional amount 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 the first $300.0 million of variable rate debt attributable to changes in benchmark one-month SOFR interest rates. The hedged risk is the interest rate risk exposure to changes in interest payments, attributable to changes 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, 2022, the Company recognized a gain of $20.3 million and $5.2 million, respectively, attributable to the Interest Rate Swaps.

The inputs for determining fair value of the Interest Rate Swaps are classified as Level 2 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. Counterparty to this derivative contract is a highly rated financial institution which we believe carries only a minimal risk of nonperformance.

Other Fair Value Instruments

The Company currently invests excess cash balances primarily in cash deposits held at major banks. The carrying amounts of cash deposits, trade receivables, trade payables and accrued liabilities, as reported on the condensed consolidated balance sheet as of October 31, 2022, approximate their fair value because of the short maturity of those instruments.

The Company considered the fair value of its external borrowings and believes their carrying values approximate fair value at October 31, 2022 based on the recent issuance of additional term loans on April 4, 2022 near par and the fact that the borrowing have variable rates.

(14) 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, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker (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.

On June 12, 2022, Skillsoft entered into a Purchase Agreement with Cornerstone OnDemand, Inc. to sell SumTotal. The Company determined that the transaction met the criteria to be classified as discontinued operations, and its assets and liabilities held for sale. As a result, the financial operations of SumTotal are excluded from the segment disclosure. The sale was completed on August 15, 2022

The Company has organized its business into two segments: Skillsoft content and Global Knowledge. All of the Company's businesses 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 used 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 Skillsoft 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 technical skill areas assumed in the Codecademy acquisition. In addition, Skillsoft offers Percipio, an intelligent online learning experience platform that delivers an immersive learning experience. 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 (classroom, virtual, on-demand) both on a transactional and subscription basis.

The following table presents summary results for each of the businesses for the three months and nine months ended October 31, 2022 (Successor) and the three months ended October 31, 2021 (Successor), the period from June 12, 2021 through October 31, 2021 (Successor) and the period from February 1, 2021 through June 11, 2021 (Predecessor (SLH)), (in thousands):

	Quarter to Date Results		Year to Date Results		
	Fiscal 2023	Fiscal 2022	Fiscal 2023	Fiscal 2022	
	Successor	Successor	Successor	Successor	Predecessor (SLH)
	Three Months Ended October 31, 2022	Three Months Ended October 31, 2021	Nine Months Ended October 31, 2022	From June 12, 2021 to October 31, 2021	From February 1, 2021 to June 11, 2021
Skillsoft Content					
Revenues	$ 97,968	$ 86,947	$ 286,507	$ 133,160	$ 102,494
Operating expenses	702,867	92,595	967,888	154,047	140,484
Operating income (loss)	(604,899)	(5,648)	(681,381)	(20,887)	(37,990)
Global Knowledge					
Revenues	41,422	53,206	128,296	82,460	—
Operating expenses	45,226	58,005	211,633	90,260	—
Operating income (loss)	(3,804)	(4,799)	(83,337)	(7,800)	—
Consolidated					
Revenues	139,390	140,153	414,803	215,620	102,494
Operating expenses	748,093	150,600	1,179,521	244,307	140,484
Operating income (loss)	(608,703)	(10,447)	(764,718)	(28,687)	(37,990)
Non-operating (expense) income	1,602	(661)	2,733	(1,653)	(167)
Fair value adjustment of warrants	9,128	(36,838)	26,080	(19,723)	900
Fair value adjustment of hedge instruments	20,314	—	5,249	—	—
Interest expense, net	(14,487)	(6,988)	(37,302)	(16,304)	(16,703)
Benefits from (provision for) income taxes	8,832	6,168	34,234	8,165	3,521
Net loss from continuing operations	(583,314)	(48,766)	(733,724)	(58,202)	(50,439)
Gain on sale of business	53,756	—	53,756	—	—
Income from discontinued operations, net of tax	1,215	5,911	8,483	3,494	1,175
Net (loss) income	$ (528,343)	$ (42,855)	$ (671,485)	$ (54,708)	$ (49,264)

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 table sets forth the Company’s segment assets as of October 31, 2022 and January 31, 2022 (in thousands):

	October 31, 2022	January 31, 2022
Skillsoft	$ 1,371,061	$ 1,648,160
Global Knowledge	224,340	344,902
Total assets classified as discontinued operations	—	228,886
Consolidated	$ 1,595,401	$ 2,221,948

Skillsoft content segment depreciation for the three months and nine months ended October 31, 2022 (Successor) was $0.8 million and $2.3 million, respectively.

Skillsoft content segment depreciation for the three months ended October 31, 2021 (Successor), the period from June 12, 2021 through October 31, 2021 (Successor) and the period from February 1, 2021 through June 11, 2021 (Predecessor (SLH)) was $0.8 million, $1.4 million, and $1.8 million, respectively.

Global Knowledge segment depreciation for the three and nine months ended October 31, 2022 (Successor) was $0.5 million and $1.4 million, respectively.

Global Knowledge segment depreciation for the three months ended October 31, 2021 and the period from June 12, 2021 through October 31, 2021 (Successor) was $0.7 million and $1.1 million, respectively.

The following table sets forth the Company's long-lived tangible assets by geographic region as of October 31, 2022 and January 31, 2022 (in thousands):

	October 31, 2022	January 31, 2022
United States	$ 8,750	$ 9,482
Ireland	205	313
Rest of world	1,702	1,680
Total	$ 10,657	$ 11,475

(15) 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 tables set forth the computation of basic and diluted earnings per share (in thousands, except number of shares and per share data):

	Quarter to Date Results	
	Fiscal 2023	Fiscal 2022
	Successor	Successor
	Three Months Ended October 31, 2022	Three Months Ended October 31, 2021
Net loss from continuing operations	$ (583,314)	$ (48,766)
Net income from discontinued operations	54,971	5,911
Net loss	(528,343)	(42,855)
Weighted average common shares outstanding:		
Basic and diluted:		
Class A and B – (Predecessor (SLH))	*	*
Ordinary - (Successor)	164,368	133,059
Net loss per share:		
Basic and diluted:		
Class A and B – (Predecessor (SLH)) - Continuing operations	*	*
Class A and B – (Predecessor (SLH)) - Discontinued operations	*	*
Class A and B – (Predecessor (SLH))	*	*
Ordinary – (Successor) - Continuing operations	(3.54)	(0.37)
Ordinary – (Successor) - Discontinued operations	0.33	0.04
Ordinary – (Successor)	$ (3.21)	$ (0.33)

	Year to Date Results		
	Fiscal 2023	Fiscal 2022	
	Successor	Successor	Predecessor (SLH)
	Nine Months Ended October 31, 2022	From June 12, 2021 to October 31, 2021	From February 1, 2021 to June 11, 2021
Net loss from continuing operations	$ (733,724)	$ (58,202)	$ (50,439)
Net income from discontinued operations	62,239	3,494	1,175
Net loss	(671,485)	(54,708)	(49,264)
Weighted average common shares outstanding:			
Basic and diluted:			
Class A and B – (Predecessor (SLH))	*	*	4,000
Ordinary - (Successor)	157,137	133,059	*
Net loss per share:			
Basic and diluted:			
Class A and B – (Predecessor (SLH)) - Continuing operations	*	*	(12.61)
Class A and B – (Predecessor (SLH)) - Discontinued operations	*	*	0.29
Class A and B – (Predecessor (SLH))	*	*	$ (12.32)
Ordinary – (Successor) - Continuing operations	(4.67)	(0.44)	*
Ordinary – (Successor) - Discontinued operations	0.40	0.03	*
Ordinary – (Successor)	$ (4.27)	$ (0.41)	*

* Not Applicable

Warrants to purchase 705,882 common shares have been excluded from the Predecessor (SLH) period since, for periods of losses, the impact would be anti-dilutive and, for periods of income, no shares would be added to diluted earnings per share under the treasury stock method as the strike price of these awards are above the fair market value of underlying shares for all periods presented.

During the nine months ended October 31, 2022 (Successor), the period from June 12, 2021 through October 31, 2021 (Successor) and the period from February 1, 2021 through June 11, 2021 (Predecessor (SLH)), 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 table contains share/unit totals with a potentially dilutive impact (in thousands):

	Successor	Successor	Predecessor (SLH)
	Nine Months Ended October 31, 2022	From June 12, 2021 to October 31, 2021	From February 1, 2021 to June 11, 2021
Warrants to purchase common shares	61,967	61,967	706
Stock Options	2,652	2,198	—
RSUs	15,230	3,465	—
Total	79,849	67,630	706

(16) Related Party Transactions

Predecessor (SLH) Related Party Transactions

Upon emergence from Chapter 11 on August 27, 2020, the Company's exit credit facility consisting of $110 million of First Out Term Loans and $410 million of Second Out Term Loans was financed in whole by the Company's Class A shareholders. Class A shareholders had the ability to trade their debt positions independently from their equity positions; however, the substantial majority of First Out and Second Out term loans were held by Class A shareholders. In connection with the Company's refinancing on July 16, 2021, the First and Second Out terms loans were repaid in full.

Successor Related Party Transactions

Strategic Support Agreement

In connection with the closing of the Skillsoft Merger on June 11, 2021, the Company entered into a strategic support agreement with its largest shareholder, pursuant to which the shareholder agreed to provide certain business development and investor relations support to the Company for one year after closing of the transaction. The strategic support agreement terminated on June 11, 2022 and will not be renewed.

Agreements with Affiliated Entities

Our largest shareholder has a broad portfolio of investments, within and outside of Ed-tech, where it controls or exerts influence over such investments through ownership and in some cases board seats.

On December 10, 2021, Skillsoft entered into a distribution and resale agreement with a company that is majority-owned by our largest shareholder and its affiliates. On February 18, 2022, SumTotal (now divested) entered into a reseller agreement with a portfolio company of our largest shareholder that also had a common board member. No consideration was due to either party for the fiscal year ended January 31, 2022 and the nine months ended October 31, 2022.

The Company also entered into an agreement for a technical partnership with a portfolio company of our largest shareholder that also had a common board member that includes a collaboration for an interface between Percipio and its products. Neither party is due any consideration under this agreement.

Agreements with Largest Shareholder

In December 2021, Skillsoft entered into a commercial agreement to provide off-the-shelf Skillsoft products to the Company's largest shareholder and its affiliates for $0.7 million over three years.

Codecademy Transaction

Our largest shareholder also owned an interest in Codecademy which we acquired on April 4, 2022, as discussed in Note 3 and elsewhere.

Consulting Services

In December 2021, Skillsoft engaged The Klein Group, LLC (the "Klein Group") to act as a consultant to advise the Company in connection with the transaction with Codecademy, to assist management in its evaluation of the business opportunity and structuring and negotiation of a potential transaction. Pursuant to this engagement, Skillsoft paid the Klein Group a transaction fee equal to $2.0 million in connection with the Codecademy acquisition. Michael Klein, a member of our Board, is the Chief Executive Officer of the Klein Group and the Klein Group is closely affiliated with our second largest shareholder.

(17) Subsequent Events

The Company has completed an evaluation of all subsequent events after the balance sheet date of October 31, 2022 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, 2022, 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 discussion of the financial condition and results of operations of Skillsoft (as defined below) is a supplement to and should be read in conjunction with Skillsoft's condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report and with Skillsoft's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on April 18, 2022. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Skillsoft's actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" in Part II, Item 1A of this report. Unless otherwise noted, amounts referenced in this discussion, other than in reference to share numbers, are in thousands.

Completion of the Business Combinations

On June 11, 2021, Churchill Capital Corp II and Software Luxembourg Holding S.A., a global leader in digital learning and talent management solutions, completed a business combination and subsequent acquisition of Albert DE Holdings Inc. ("Global Knowledge" and such acquisition, the "Global Knowledge Merger"), a worldwide leader in IT and professional skills development. The combined company operates as Skillsoft Corp. ("Skillsoft", "we", "us", "our" and the "Company") and is listed on the New York Stock Exchange under the ticker symbol "SKIL" beginning on June 14, 2021.

On December 22, 2021, the Company announced a definitive agreement to acquire Codecademy, a leading online learning platform for technical skills. Codecademy is an innovative and popular learning platform providing high-demand technical skills to approximately 40 million registered learners in nearly every country worldwide. The platform offers interactive, self-paced courses and hands-on learning in 14 programming languages across multiple domains such as application development, data science, cloud and cybersecurity. The Codecademy acquisition closed on April 4, 2022 for total consideration of approximately $386.0 million, consisting of the issuance of 30,374,427 common shares and a net cash payment of $198.6 million.

Company's Business following the Business Combinations

Skillsoft is a global leader in corporate digital learning, serving approximately 70% of the Fortune 1000, customers in over 160 countries, and a community of learners of more than 80 million globally. Skillsoft's primary learning solutions include: (i) Percipio, an intelligent and immersive digital learning platform; (ii) Global Knowledge, a global provider of authorized information technology & development training and professional skills; (iii) Codecademy, an online learning platform for technical skills that uses an innovative, scalable approach to online coding education; and (iv) Pluma, a digital platform that provides individualized executive-quality coaching that is personal yet scalable.

The Company provides enterprise learning solutions designed to prepare organizations for the future of work, enable them to overcome critical skill gaps, drive demonstrable behavior-change, and unlock the potential in one of their most important assets: their people. The Company's award-winning, AI-driven, immersive learning platform, Percipio, is purpose built to make learning easier, more accessible, and more effective. Percipio is an open, modern and extensible platform designed to meet the needs of the enterprise customer. Skillsoft offers a comprehensive suite of premium, original, and authorized partner content, including one of the broadest and deepest libraries of leadership & business, technology & developer, and compliance curricula. With access to a broad spectrum of learning options (including video, audio, books, bootcamps, live events, practice labs and individualized coaching), organizations can meaningfully increase learner engagement and retention. In addition, we believe our recent acquisition of Codecademy will further strengthen our content library, enhance the Percipio platform, broaden our customer reach and create significant cross selling opportunities, positioning us for faster growth.

The corporate digital learning industry is rapidly growing, driven by significant tailwinds as organizations focus on upskilling, reskilling, and future-proofing their workforces and the accelerated shift from in-person training to digital training due, in part, to the significant and likely permanent shift to largely remote and distributed workforces triggered by the COVID-19 pandemic and increased emphasis on talent driven by the "great resignation." The war for talent, labor shortages, wage inflation, hybrid work, early retirements, and burnout among those who stay behind all contribute to this growing demand. According to a January 2021 report by McKinsey, 87% of companies worldwide either currently have skills gaps or believe they will within the next few years, and core skills are changing at an unprecedented pace. In a recent survey conducted by Deloitte, the vast majority of CEO's cited labor and skills shortages as the number one threat to their business in the coming year – ahead of the pandemic, supply chain disruption, inflation and market instability, cybersecurity, and political instability. According to the Organization for Economic Co-operation and Development, technology will radically transform 1.1 billion jobs by 2030. CEOs, Chief People Officers, and the companies they and their teams lead need to transform their current workforce into one adapted for tomorrow's demands. We believe these factors present a significant market opportunity for our solutions.

Discontinued Operations

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 as set forth in the Purchase Agreement. The sale was completed on August 15, 2022. We received net proceeds of $180.0 million and reserved $8.0 million for working capital contingency which is subject to customary adjustments as set forth in the Purchase Agreement. The disposal of SumTotal assets met the criteria to be reported as held for sale and discontinued operations as of July 31, 2022. As a result, SumTotal's assets and liabilities are reported as held for sale and the results of operations are presented, net of tax, separate from the results of continuing operations for all periods presented.

The sale of SumTotal business will enable us to sharpen our focus on accelerating growth in our core business, providing customers with transformative learning experiences that propel organizations and people to grow together.

Results of Operations

Our financial results for the three and nine months ended October 31, 2022, three months ended October 31, 2021 andthe period of June 12, 2021 to October 31, 2021 are referred to as those of the "Successor" periods. Our financial results for theperiod of February 1, 2021 to June 11, 2021are referred to as those of the "Predecessor (SLH)" period. Our results of operations as reported in our Condensed Consolidated Financial Statements for these periods are prepared in accordance with GAAP.

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

	Quarter to Date Results		Year to Date Results		
	Fiscal 2023	Fiscal 2022	Fiscal 2023	Fiscal 2022	
	Successor	Successor	Successor	Successor	Predecessor (SLH)
	Three Months Ended October 31, 2022	Three Months Ended October 31, 2021	Nine Months Ended October 31, 2022	From June 12, 2021 to October 31, 2021	From February 1, 2021 to June 11, 2021
Revenues:					
Total revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Operating expenses:					
Costs of revenues	26.3%	27.9%	26.4%	28.4%	21.5%
Content and software development	12.4%	7.5%	12.8%	7.7%	14.6%
Selling and marketing	32.1%	25.0%	30.4%	25.4%	33.6%
General and administrative	20.3%	19.6%	20.2%	20.5%	16.1%
Amortization of intangible assets	31.2%	24.5%	30.9%	24.5%	45.4%
Impairment of goodwill and intangible assets	409.6%	0.0%	154.6%	0.0%	0.0%
Recapitalization and acquisition-related costs	3.5%	2.4%	6.4%	6.2%	6.5%
Restructuring	1.4%	0.6%	2.5%	0.5%	(0.6)%
Total operating expenses	536.7%	107.5%	284.4%	113.3%	137.1%
Operating loss	(436.7)%	(7.5)%	(184.4)%	(13.3)%	(37.1)%
Other income (expense), net	1.1%	(0.5)%	0.7%	(0.8)%	(0.2)%
Fair value adjustment of warrants	6.5%	(26.3)%	6.3%	(9.1)%	0.9%
Fair value adjustment of hedge instruments	14.6%	0.0%	1.3%	0.0%	0.0%
Interest income	0.0%	0.0%	0.1%	0.0%	0.1%
Interest expense	(10.4)%	(5.0)%	(9.1)%	(7.6)%	(16.4)%
Loss before benefit from income taxes	(424.8)%	(39.2)%	(185.1)%	(30.8)%	(52.6)%
Benefit from income taxes	(6.3)%	(4.4)%	(8.3)%	(3.8)%	(3.4)%
Loss from continuing operations	(418.5)%	(34.8)%	(176.9)%	(27.0)%	(49.2)%
Gain on sale of business	38.6%	0.0%	13.0%	0.0%	0.0%
Income from discontinued operations, net of tax	0.9%	4.2%	2.0%	1.6%	1.1%
Net loss	(379.0)%	(30.6)%	(161.9)%	(25.4)%	(48.1)%

Revenues

We provide, through our Skillsoft, Global Knowledge, and Codecademy brands, enterprise learning solutions designed to prepare organizations for the future of work, overcome critical skill gaps, drive demonstrable behavior-change, and unlock the potential in their people.

Skillsoft generates revenues from its comprehensive suite of premium, original, and authorized partner content, featuring one of the deepest libraries of leadership & business, technology & 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. Skillsoft's content offerings are predominately 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 Pluma offerings. Our learning solutions are typically sold on a subscription basis for a fixed term.

Global Knowledge generates revenues from virtual, in-classroom, and on-demand training solutions in information technology geared at foundational, practitioner and expert information technology professionals. Global Knowledge's digital and in-classroom learning solutions provide enterprises, government agencies, educational institutions, and individual customers a broad selection of customizable courses to meet their technology and development needs.

The following table sets forth the percentage of our revenues from continuing operations attributable to geographic regions for the periods indicated:

	Quarter to Date Results		Year to Date Results		
	Fiscal 2023	Fiscal 2022	Fiscal 2023	Fiscal 2022	
	Successor	Successor	Successor	Successor	Predecessor (SLH)
	Three Months Ended October 31, 2022	Three Months Ended October 31, 2021	Nine Months Ended October 31, 2022	From June 12, 2021 to October 31, 2021	From February 1, 2021 to June 11, 2021
Revenues:					
United States	66.1%	60.9%	64.6%	61.6%	75.6%
Other Americas	5.1%	6.8%	5.6%	7.0%	5.1%
Europe, Middle East and Africa	25.3%	28.9%	26.3%	28.1%	13.9%
Asia-Pacific	3.5%	3.3%	3.5%	3.3%	5.4%
Total revenues	100.0%	100.0%	100.0%	100.0%	100.0%

Subscription and Non-Subscription Revenue

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 five years and is generally non-cancellable for the term of the subscription. The fixed fee is generally paid upfront. These contracts typically consist of subscriptions to our various offerings which provide continuous access to our SaaS platforms and associated content over the contract term. Subscription revenue is usually recognized ratably over the contract term.

Non-Subscription Revenue. Primarily represents the sale of Global Knowledge 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 revenue also includes professional services related to implementation of our offerings 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)	Successor Three Months Ended October 31, 2022	Successor Three Months Ended October 31, 2021	Dollar Increase/ (Decrease)	Percent Change
SaaS subscription revenues:				
Content	$ 93,127	$ 82,593	$ 10,534	12.8%
Total subscription revenues	93,127	82,593	10,534	12.8%
Non-subscription revenues:				
Content	4,617	4,354	263	6.0%
Global Knowledge	41,422	53,206	(11,784)	(22.1)%
Total non-subscription revenues	224	—	224	100.0%
Total revenues	$ 139,390	$ 140,153	$ (763)	(0.5)%

(In thousands)	Fiscal 2023 Successor Nine Months Ended October 31, 2022	Fiscal 2022 Successor From June 12, 2021 to October 31, 2021	Fiscal 2022 Predecessor (SLH) From February 1, 2021 to June 11, 2021
SaaS subscription revenues:			
Content	$ 272,443	$ 126,833	$ 97,406
Total subscription revenues	272,443	126,833	97,406
Non-subscription revenues:			
Content	13,429	6,339	5,088
Global Knowledge	128,296	82,448	—
Total non-subscription revenues	635	—	—
Total revenues	$ 414,803	$ 215,620	$ 102,494

Revenues decreased $0.8 million, or 0.5%, for the three months ended October 31, 2022, compared to the same period in 2021The primary reason for the decrease in revenues is due to the decline in Global Knowledge's revenue. Revenues for the period from February 1, 2021 to June 11, 2021 and the period from June 12, 2021 to October 31, 2021 were also low due to the application of fresh-start reporting in August 2020, which required deferred revenue as of August 28, 2020 to be reduced to its estimated fair value, which is derived from the estimated costs to fulfill contractual obligations at the time of a change in control rather than the value of contractual billings to customers. The application of fresh-start reporting resulted in a decrease in GAAP revenue of approximately $19.3 million in the period from February 1, 2021 to June 11, 2021. We adopted ASU 2021-08 – *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* ("ASU 2021-08"), effective at the beginning of the Successor period on June 11, 2021. ASU 2021-08 requires an acquirer in a business combination to recognize and measure deferred revenue from acquired contracts using the revenue recognition guidance in Topic 606, rather than the prior requirement to record deferred revenue at a lower fair value. As a result of the adoption of ASU 2021-08, we did not experience a decline in revenue subsequent to June 11, 2021 attributable to a fair value adjustment as we did with the application of fresh-start reporting in the prior year.

After accounting for the impact of the acquisition of Global Knowledge and fresh-start reporting, the changes in total revenues are due to (i) the inclusion of Pluma revenue and Codecademy revenue subsequent to their acquisitions on June 30, 2021 and April 3, 2022, respectively, and (ii) organic growth due to higher bookings in the prior year, as revenue from our subscription offerings is typically recognized over the twelve months that follow a booking.

Operating expenses

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 table below provides details regarding the changes in components of cost of revenues.

(In thousands, except percentages)	Successor Three Months Ended October 31, 2022	Successor Three Months Ended October 31, 2021	Dollar Increase/ (Decrease)	Percent Change
Compensation and benefits	$ 13,141	$ 13,738	$ (597)	(4.3)%
Courseware, instructor fees and outside services	18,512	20,478	(1,966)	(9.6)%
Hosting and software maintenance	2,554	1,795	759	42.3%
Facilities and utilities	1,926	2,668	(742)	(27.8)%
Other	522	373	149	39.9%
Total cost of revenues	$ 36,655	$ 39,052	$ (2,397)	(6.1)%

(In thousands, except percentages)	Fiscal 2023 Successor Nine Months Ended October 31, 2022	Fiscal 2022 Successor From June 12, 2021 to October 31, 2021	Fiscal 2022 Predecessor (SLH) From February 1, 2021 to June 11, 2021
Compensation and benefits	$ 40,199	$ 20,869	$ 10,451
Courseware, instructor fees and outside services	55,349	33,203	7,463
Hosting and software maintenance	7,090	2,673	2,508
Facilities and utilities	6,821	4,086	1,570
Other	203	511	51
Total cost of revenues	$ 109,662	61,342	22,043

The decrease in courseware, instructor fees and outside services costs for the three months ended October 31, 2022, compared to the same period in 2021, was primarily a result of the decline in revenues generated from Global Knowledge business segment. The decreases in compensation and benefits and facilities and utilities expenses were attributable to the cost savings from the integration and consolidation of Global Knowledge business operations and facilities. The increase in hosting and software maintenance expenses for the three months ended October 31, 2022, compared to the same period in 2021, was due to the inclusion of Codecademy's hosting expenses incurred subsequent to its acquisition on April 4, 2022. The increases in all components of cost of revenues for the nine months ended October 31, 2022, compared to the Successor and Predecessor periods in 2021, were primarily the result of the inclusion of Global Knowledge's expenses incurred subsequent to its acquisition on June 11, 2021.

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 table below provides details regarding the changes in components of content and software development expenses.

(In thousands, except percentages)	Successor Three Months Ended October 31, 2022	Successor Three Months Ended October 31, 2021	Dollar Increase/ (Decrease)	Percent Change
Compensation and benefits	$ 13,660	$ 6,743	$ 6,917	102.6%
Consulting and outside services	2,310	2,664	(354)	(13.3)%
Facilities and utilities	440	591	(151)	(25.5)%
Software Maintenance	797	413	384	93.0%
Other	45	51	(6)	(11.8)%
Total content and software development expenses	$ 17,252	$ 10,462	$ 6,790	64.9%

(In thousands, except percentages)	Fiscal 2023 Successor Nine Months Ended October 31, 2022	Fiscal 2022 Successor From June 12, 2021 to October 31, 2021	Fiscal 2022 Predecessor (SLH) From February 1, 2021 to June 11, 2021
Compensation and benefits	$ 39,183	$ 11,023	$ 8,704
Consulting and outside services	10,459	4,067	4,680
Facilities and utilities	1,370	874	911
Software Maintenance	2,087	623	621
Other	177	92	96
Total content and software development expenses	$ 53,276	$ 16,679	$ 15,012

The increases in compensation and benefits and software maintenance expenses for the three months ended October 31, 2022, compared to the same period in 2021, were primarily due to the inclusion of Codecademy's expenses incurred subsequent to its acquisition on April 4, 2022. Also contributing to the increases in compensation and benefits expenses for the three and nine months ended October

31, 2022 was the stock-based compensation related to the restricted stock units granted to key employees in 2022.The increases in compensation and benefits, consulting and outside services, and software maintenance expenses for the nine months ended October 31, 2022, compared to the Successor and Predecessor periods in 2021, were primarily the result of the inclusion of Global Knowledge's expenses incurred subsequent to its acquisition on June 11, 2021. The decreases in facilities and utilities expenses for the three and nine months ended October 31, 2022, compared to the Successor and Predecessor periods in 2021, were attributable to the cost savings from the consolidation of our facilities in 2022.

Selling and marketing

Selling and marketing, or 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 table below provides details regarding the changes in components of S&M expenses.

(In thousands, except percentages)	Successor Three Months Ended October 31, 2022	Successor Three Months Ended October 31, 2021	Dollar Increase/ (Decrease)	Percent Change
Compensation and benefits	$ 30,818	$ 25,749	$ 5,069	19.7%
Advertising and promotions	8,087	5,201	2,886	55.5%
Facilities and utilities	731	1,096	(365)	(33.3)%
Consulting and outside services	2,379	1,694	685	40.4%
Software Maintenance	2,596	1,263	1,333	105.5%
Other	69	43	26	60.5%
Total S&M expenses	$ 44,680	35,046	$ 9,634	27.5%

(In thousands, except percentages)	Fiscal 2023 Successor Nine Months Ended October 31, 2022	Fiscal 2022 Successor From June 12, 2021 to October 31, 2021	Fiscal 2022 Predecessor (SLH) From February 1, 2021 to June 11, 2021
Compensation and benefits	$ 87,776	$ 40,323	$ 24,987
Advertising and promotions	23,606	8,306	4,695
Facilities and utilities	2,318	1,670	1,427
Consulting and outside services	6,215	2,417	1,379
Software Maintenance	6,002	1,951	1,850
Other	172	72	63
Total S&M expenses	$ 126,089	$ 54,739	$ 34,401

The increases in compensation and benefits, advertising and promotion, consulting and outside services, and software maintenance expenses for the three months ended October 31, 2022, compared to the same period in 2021, were primarily the result of the inclusion of Codecademy's expenses incurred subsequent to its acquisition on April 4, 2022. Also contributing to the increase in compensation and benefits expenses for the three months ended October 31, 2022 was the stock-based compensation related to the restricted stock units granted to key employees and higher commission expenses in 2022. The increases in all components of S&M expenses, except facilities and utilities, for the nine months ended October 31, 2022, compared to the Successor and Predecessor periods in 2021, were primarily the result of the inclusion of Global Knowledge's expenses incurred subsequent to its acquisition on June 11, 2021. The decreases in facilities and utilities expenses for the three and nine months ended October 31, 2022, compared to the Successor and Predecessor periods in 2021, were attributable to the cost savings from the consolidation of our facilities in 2022.

General and administrative

General and administrative, or 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 table below provides details regarding the changes in components of G&A expenses.

(In thousands, except percentages)	Successor Three Months Ended October 31, 2022	Successor Three Months Ended October 31, 2021	Dollar Increase/ (Decrease)	Percent Change
Compensation and benefits	$ 13,560	$ 15,018	$ (1,458)	(9.7)%
Consulting and outside services	10,352	7,314	3,038	41.5%
Facilities and utilities	1,682	1,724	(42)	(2.4)%
Franchise, sales, and property tax	556	263	293	111.4%
Insurance	1,166	2,007	(841)	(41.9)%
Software Maintenance	785	942	(157)	(16.7)%
Other	180	184	(4)	(2.2)%
Total G&A expenses	$ 28,281	$ 27,452	$ 829	3.0%

	Fiscal 2023	Fiscal 2022	
	Successor	Successor	Predecessor (SLH)
(In thousands, except percentages)	Nine Months Ended October 31, 2022	From June 12, 2021 to October 31, 2021	From February 1, 2021 to June 11, 2021
Compensation and benefits	$ 46,398	$ 26,581	$ 10,732
Consulting and outside services	24,037	9,987	3,391
Facilities and utilities	4,410	2,601	680
Franchise, sales, and property tax	1,684	102	643
Insurance	4,573	3,410	518
Software Maintenance	2,308	1,251	419
Other	584	349	88
Total G&A expenses	$ 83,994	$ 44,281	$ 16,471

The decrease in compensation and benefits expenses for the three months ended October 31, 2022, compared to the same period in 2021, was attributable to the cost savings from the integration and consolidation of Global Knowledge business operations and lower incentive-based compensation accrual. The increase in consulting and outside services expenses for the three months ended October 31, 2022, compared to the same period in 2021, was primarily due to increased professional services expenses in connection with the transformational initiatives we implemented after the completion of the acquisitions. The decrease in insurance expenses for the three months ended October 31, 2022, compared to the same period in 2021, was mainly due to the excess directors and officers liability insurance policies being fully amortized from June 2021 to June 2022. The increases in all components of G&A expenses for the nine months ended October 31, 2022, compared to the Successor and Predecessor periods in 2021, were primarily the result of the inclusion of Global Knowledge's expenses incurred subsequent to its acquisition on June 11, 2021.

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 increases in amortization of intangible assets were primarily due to the intangible assets that arose from the business combinations completed in June 2021 and April 2022.

Impairment of goodwill and intangible assets

During the three months ended July 31, 2022, our Global Knowledge instructor led training ("ILT") business experienced a significant decline in bookings and GAAP revenue compared to the corresponding period in the prior year. In accordance with ASC 350, we considered whether there were any indicators of impairment for Global Knowledge goodwill, concluding that triggering events had occurred, necessitating an interim goodwill impairment test as of July 31, 2022. In comparing the estimated fair value of the Global Knowledge reporting unit to its carrying value, we considered the results of both a discounted cash flow analysis and a market multiples approach. The results of the impairment test performed indicated that the carrying value of the Global Knowledge reporting unit exceeded its estimated fair value. Based on the results of the goodwill impairment testing procedures, we recorded a $70.5 million goodwill impairment for the three and six months ended July 31, 2022.

During the three months ended October 31, 2022, we experienced a substantial decline in our stock price resulting in the total market value of our shares of stock outstanding ("market capitalization") being less than the carrying value of our reporting units. We considered the impact of current macroeconomic conditions on our projected operating results and assumptions used in the income approach or discounted cash flow method and market approach models that impact the fair value of our reporting units. The macroeconomic conditions considered include deterioration in the equity markets evidenced by sustained declines in our stock price, those of our peers, and major market indices, which reduced the market multiples, along with an increase in the weighted-average cost of capital primarily driven by an increase in interest rates. In addition, we lowered our projected operating results primarily due to the foreign exchange impact, underperformance of Global Knowledge business, and macroeconomic uncertainty. After considering all available evidence in the evaluation of goodwill impairment indicators, we determined it appropriate to perform an interim quantitative assessment of the Skillsoft content and Global Knowledge reporting units as of October 31, 2022. The results of the impairment test performed indicated that the carrying value of the Skillsoft content and Global Knowledge reporting units exceeded the estimated fair value. Based on the results of the goodwill impairment testing procedures, we recorded a $569.3 million goodwill impairment for Skillsoft content segment and additional goodwill impairment for Global Knowledge segment, totalling $570.9 million, during the three months ended October 31, 2022.

Recapitalization and acquisition-related costs

Recapitalization and acquisition-related costs consist of professional fees for legal, investment banking and other advisor costs incurred in connection with our business combination completed in June 2021, and subsequent acquisition related activities driven by the Codecademy acquisition and related debt issuance. The changes in recapitalization and acquisition-related costs were primarily due to the timing of the acquisitions related activities.

Restructuring

In connection with 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. During the three and nine months ended October 31, 2022, we recorded restructuring charges of $2.0 million and $10.3 million, respectively, for the severance costs and the abandonment of right-of-use assets.

In January 2021, we committed to a restructuring plan that encompassed a series of measures intended to improve our operating efficiency, competitiveness and business profitability. These included workforce reductions and consolidation of facilities as we are adopting new work arrangements for certain locations. During the period from February 1, 2021 to June 11, 2021 and the period from June 12, 2021 to October 31, 2021, we recorded restructuring recoveries of $0.6 million and additional charges of $1.1 million, respectively, as a result of severance cost estimate changes.

Table of Contents

Interest and other expense

Interest and other expense, net, consists of interest income, interest expense, and other expense and income.

(In thousands, except percentages)	Successor Three Months Ended October 31, 2022	Successor Three Months Ended October 31, 2021	Dollar (Increase)/ Decrease	Percent Change
Other income (expense), net	$ 1,601	$ (661)	$ (2,262)	(342.2)%
Interest income	69	9	(60)	(666.7)%
Interest expense, net	(14,556)	(6,997)	(7,559)	(108.0)%

	Fiscal 2023	Fiscal 2022	
	Successor	Successor	Predecessor (SLH)
(In thousands, except percentages)	Nine Months Ended October 31, 2022	From June 12, 2021 to October 31, 2021	From February 1, 2021 to June 11, 2021
Other income (expense), net	$ 2,733	$ (1,653)	$ (167)
Interest income	239	18	60
Interest expense, net	(37,541)	(16,322)	(16,763)

The net other income (expense) 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 fluctuate as the U.S. dollar appreciates or depreciates against other currencies. The increase in interest expense for the three months ended October 31, 2022, compared to the same period in 2021, was due to the additional $160 million of term loan in connection with the closing of the Codecademy acquisition on April 4, 2022, and higher interest rates. The interest expense for the period from February 1, 2021 to June 11, 2021 was slightly higher due to a higher interest rate under the exit credit facility of the Predecessor prior to the refinancing in July of 2021. As a result of the interest rate swaps we executed on June 17, 2022, we have fixed the cash interest rate on $300 million of our outstanding term loans at 8.94% going forward.

Fair value adjustments to warrants

The gains attributable to warrants for the three and nine months ended October 31, 2022are due to a decline in the value of our common stock during the periods, which decreased the fair value of our liability classified warrants that are marked to market at each balance sheet date, with gains and losses being recorded in current period earnings.

Fair value adjustments of hedge instruments

We entered into two fixed-rate interest rate swap agreements on June 17, 2022 for a notional amount of $300 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 the first $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 are included in the income statement as they occur.

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 as set forth in the Purchase Agreement. The sale was completed on August 15, 2022. We received net proceeds of $180.0 million and reserved $8.0 million for working capital contingency which is subject to customary adjustments as set forth in the Purchase Agreement.

In accordance with ASC 810, we recorded a gain on sale upon completion of the transaction. The gain was calculated by measuring the difference between the fair value of consideration received less the carrying amount of the assets and liabilities sold. We recognized a gain of $53.8 million in the three and nine months ended October 31, 2022. The gain is preliminary and subject to finalization of post-closing adjustments pursuant to the Purchase Agreement.

Benefit from income taxes

(In thousands, except percentages)	Successor Three Months Ended October 31, 2022	Successor Three Months Ended October 31, 2021	Dollar Increase/ (Decrease)	Percent Change
Benefit from income taxes	$ (8,832)	$ (6,168)	$ (2,664)	(43.2)%
Effective income tax rate	1.5%	11.2%		

	Fiscal 2023	Fiscal 2022	
(In thousands, except percentages)	Successor Nine Months Ended October 31, 2022	Successor From June 12, 2021 to October 31, 2021	Predecessor (SLH) From February 1, 2021 to June 11, 2021
Benefit from income taxes	$ (34,234)	$ (8,165)	$ (3,521)
Effective income tax rate	4.5%	12.3%	6.5%

The effective income tax rate for thethree and nine months ended October 31, 2022 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. Due to the acquisition of Codecademy on April 4, 2022 the Company analyzed the realizability of its existing deferred tax assets with the addition of the Codecademy assets and liabilities. Based on this analysis the Company determined that a valuation allowance release of $20.7 million was required and recorded in full as a discrete income tax benefit for the nine months ended October 31, 2022.

The effective income tax rate for the three and nine months ended October 31, 2021, differed from the United States federal statutory rate of 21.0% due primarily to the impact of non-deductible items, current period changes in the Company's valuation allowance on its deferred tax assets and the impact of foreign rate differential.

Liquidity and Capital Resources

Liquidity and Sources of Cash

As of October 31, 2022, we had $174.7 million of cash and cash equivalents on hand. We have funded operations primarily through the use of cash collected from our customers and the proceeds received from the Term Loan Facility (described below), supplemented from time to time with borrowings under our accounts receivable facility (described below). 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 from 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 12 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") to Skillsoft Finance II, the proceeds of which, together with cash on hand, were used to refinance existing debt. 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 parties thereto as Term B-1 Lenders, which amended the Credit Agreement (as amended by the First Amendment, the “Amended Credit Agreement”).

The First Amendment provides 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) provides for early opt-in to the Secured Overnight Financing Rate (SOFR) 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) provides 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 will be subject to quarterly amortization payments of 0.25% of the principal amount. The Amended Credit Agreement requires that any prepayment of the Initial Term Loans in connection with a Repricing Transaction (as defined in the Amended Credit Agreement) shall be subject to (i) a 2.00% premium on the amount of Initial Term Loans prepaid if such prepayment occurs prior to July 16, 2022 and (ii) a 1.00% premium on the amount of Initial Term Loans prepaid in connection with a Repricing Transaction, if such prepayment occurs on or after July 16, 2022 but on or prior to January 16, 2023. The proceeds of the Term B-1 Loans were used by the Company to finance, in part, the Codecademy acquisition, and to pay costs, fees, and expenses related thereto.

SumTotal Proceeds

On August 15, 2022, we completed the previously announced sale of our SumTotal business to a third party. We received net proceeds of $180.0 million and reserved $8.0 million for working capital contingency which is subject to customary adjustments as set forth in the Purchase Agreement. Under the terms of our Amended Credit Agreement, the net proceeds attributable to the sale of SumTotal required a mandatory prepayment of $31.4 million. The remaining net cash proceeds of $140.6 million are subject to reinvestment provisions and may not be used for general corporate purposes. In the event any of the remaining net cash proceeds have not been designated for eligible investments (such as permitted acquisitions, capital expenditures and other such eligible uses as defined in the Amended Credit Agreement) on or before August 15, 2023, such remaining net cash proceeds will be used to prepay outstanding indebtedness under our Amended Credit Agreement. We expect to have sufficient qualifying expenditures under the Amended Credit Agreement such that no additional mandatory prepayment with remaining SumTotal proceeds will be necessary.

Accounts Receivable Facility

We also have access to up to $75.0 million of borrowings under our accounts receivables facility, where borrowing can be made against eligible accounts receivable, with advance rates between 50.0% and 85.0%. Borrowings under the facility bear interest at 3.00% per annum plus the greater of (i) the prime rate or (ii) the sum of 0.5% per annum plus the federal funds rate. The maturity date of the accounts receivable facility is the earlier of (i) December 2024 or (ii) 90 days prior to the maturity of any corporate debt. The accounts receivable facility requires a minimum outstanding balance of $10 million at all times. 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 million of capacity.

Share Repurchase Program

On September 7, 2022, our Board of Directors authorized the Company to repurchase up to $30 million of our common stock, which authorization will expire September 7, 2023 unless extended. Although our Board of Directors has authorized the share repurchase program, we are not obligated to repurchase any specific dollar amount or to acquire any specific number of shares under the program. In addition, the share repurchase program may be suspended, modified, or terminated at any time without prior notice. The amount, timing, and execution of our share repurchase program may fluctuate based on our priorities for the use of cash for other purposes such as reducing debt, and because of changes in cash flows, tax laws, and the market price of our common stock. We repurchased 645,428 of our shares for $1.4 million during the three months ended October 31, 2022.

Cash Flows

The following table summarizes our cash flows for the periods presented:

	Fiscal 2023	Fiscal 2022	
	Successor	Successor	Predecessor (SLH)
(In thousands)	Nine Months Ended October 31, 2022	From June 12, 2021 to October 31, 2021	From February 1, 2021 to June 11, 2021
Net cash (used in) provided by operating activities	$ (23,561)	$ (541)	$ 33,811
Net cash used in investing activities	(40,199)	(568,251)	(2,991)
Net cash provided by financing activities	83,690	364,480	14,907
Effect of foreign currency exchange rates on cash and cash equivalents	(6,823)	(820)	203
Net increase (decrease) in cash and cash equivalents	$ 13,107	$ (205,132)	$ 45,930

Cash Flows from Operating Activities

The decrease in cash provided by operating activities for the nine months ended October 31, 2022 compared to the Successor and Predecessor periods in fiscal 2022 was primarily due to (i) the inclusion of Global Knowledge's expenses incurred subsequent to its acquisition on June 11, 2021, (ii)a significant decline in Global Knowledge's revenue, (iii) higher recapitalization and acquisition-related costs, driven by the Codecademy acquisition and related debt issuance, (iv) higher restructuring and integration-related costs related to the combination of Skillsoft and Global Knowledge, and (v) higher annual incentive compensation payments.

Cash flows from operating activities directly attributable to SumTotal, which was sold on August 15, 2022, were not significant for the periods presented herein.

Cash Flows from Investing Activities

Cash flows from investing activities include $172.0 million of net cash proceeds from the sale of SumTotal business, and $198.8 million of cash payments related to the acquisition of Codecademy. See Note 3 "Business Combinations" and Note 4 "Discontinued Operations" of the Notes to Unaudited Condensed Consolidated Financial Statements for more details. 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.

Cash Flows from Financing Activities

Cash flows from financing activities consist of borrowings and repayments under our Predecessor and Successor debt facilities and our accounts receivable facility. We received $157.1 million of net proceeds from the Amended Credit Agreement and used most of the proceeds for the acquisition ofCodecademy on April 4, 2022. We made a mandatory prepayment of $31.4 million to the lenders in August 2022 as a result of the sale of SumTotal business. See Note 9 "Long-Term Debt" of the Notes to Unaudited Condensed Consolidated Financial Statements for more details.

Contractual and Commercial Obligations

The scheduled maturities of our debt and future minimum rental commitments under non-cancelable lease agreements as of October 31, 2022 were as set forth in the table below.

	Payments due by Fiscal Year				
(In thousands)	Total	2023 (1)	2024-2025	2026-2027	Thereafter
Term Loan Facility	$ 602,606	$ 1,601	$ 12,808	$ 12,808	$ 575,389
Operating leases	17,722	1,297	7,547	4,104	4,774
Total	$ 620,328	$ 2,898	$ 20,355	$ 16,912	$ 580,163

(1) Excluding payments made during the nine months ended October 31, 2022.

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. We are presently not a party to any material legal proceedings.

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, stock-based compensation, accounting for warrants, 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, 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.

Impairment of Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. Goodwill in fresh-start accounting results when the reorganization value of the emerging entity exceeds what can be attributed to specific tangible or identified intangible assets. We test goodwill for impairment during the fourth quarter every year in accordance with ASC 350, Intangibles — Goodwill ("ASC 350"). In connection with the impairment evaluation, the Company may first consider qualitative factors to determine whether the existence of events or circumstances indicates that it is more likely than not (i.e., a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount. Performing a quantitative goodwill impairment test is not necessary if an entity determines based on this assessment that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount. If the Company fails or elects to bypass the qualitative assessment, the goodwill impairment test must be performed. This test requires a comparison of the carrying value of the reporting unit to its estimated fair value. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, an impairment loss equal to the difference is recorded, not to exceed the amount of goodwill allocated to the reporting unit. In determining reporting units, the Company first identifies its operating segments, and then assesses whether any components of these segments constitute a business for which discrete financial information is available and where segment management regularly reviews the operating results of that component.

Intangible assets arising from business combinations are generally recorded based upon estimates of the future performance and cash flows from the acquired business. We use an income approach to determine the estimated fair value of certain identifiable intangible assets including customer relationships and trade names and use a cost approach for other identifiable intangible assets, including developed software/courseware. The income approach determines fair value by estimating the after-tax cash flows attributable to an identified asset over its useful life (Level 3 inputs) and then discounting these after-tax cash flows back to a present value. The cost approach determines fair value by estimating the cost to replace or reproduce an asset at current prices and is reduced for functional and economic obsolescence. Developed technology represents patented and unpatented technology and know-how. Customer contracts and relationships represents established relationships with customers, which provide a ready channel for the sale of additional content and services. Trademarks and tradenames represent acquired product names and marks that we intend to continue to utilize.

We review 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.

We review indefinite-lived intangible assets, including goodwill and certain trademarks, during the fourth quarter of each 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.

Stock-based Compensation

We recognize compensation expense for stock options and time-based restricted stock units granted to employees on a straight-line basis over the service period that awards are expected to vest, based on the estimated fair value of the awards on the date of the grant. For restricted stock units that have market conditions, we recognize compensation expense using an accelerated attribution method. We recognize forfeitures as they occur. We estimate the fair value of options utilizing the Black-Scholes model, which is dependent on several subjective variables, such as the expected option term and expected volatility over the expected option term. We determine the expected term using the simplified method. The simplified method sets the term to the average of the time to vesting and the contractual life of the options. The expected volatility is estimated by considering (i) the average historical stock volatilities of Skillsoft and a peer group of public companies within our industry over a period equivalent to the expected term of the stock option grants and (ii) the implied volatility of warrants to purchase our common stock that are actively traded in public markets. The fair value of restricted stock units that vest based on market conditions are estimated using the Monte Carlo valuation method. These fair value estimates of stock related awards and assumptions inherent therein are estimates and, as a result, may not be reflective of future results or amounts ultimately realized by recipients of the grants.

Recent Accounting Pronouncements

Our recently adopted and to be adopted accounting pronouncements are set forth in Note 2 of the Notes to Unaudited Condensed Consolidated Financial Statements for the quarterly period ended October 31, 2022.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable as a smaller reporting company.

ITEM 4. CONTROLS AND PROCEDURES

Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, we conducted an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on the evaluation of these disclosure controls and procedures, our Chief Executive Officer and Chief Financial Officer concluded that, as of October 31, 2022, our disclosure controls and procedures were effective to ensure that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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 8 – "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 below and in Part I, Item 1A Risk Factors in our Annual Report on Form 10-K for our fiscal year ended January 31, 2022. The risks discussed below and in our Annual Report on Form 10-K could materially affect our business, financial condition and future results. The risks described below and in our Annual Report on Form 10-K are not the only risks facing us. 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.

We cannot guarantee that our share repurchase program will be fully consummated or that it will enhance long-term shareholder value.

On September 7, 2022, our Board of Directors authorized the Company to repurchase up to $30 million of our common stock, which authorization will expire September 7, 2023 unless extended. Although our Board of Directors has authorized the share repurchase program, we are not obligated to repurchase any specific dollar amount or to acquire any specific number of shares under the program. In addition, the share repurchase program may be suspended, modified, or terminated at any time without prior notice, which may result in a decrease in the price of our common stock. The amount, timing, and execution of our share repurchase program may fluctuate based on our priorities for the use of cash for other purposes such as reducing debt, and because of changes in cash flows, tax laws, and the market price of our common stock. Even if the share repurchase program is fully implemented, it may not enhance long-term shareholder value, and the program could affect the price of our common stock, increase volatility, and diminish our cash reserves.

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

The following table presents information with respect to the Company's repurchases of common stock during the quarter ended October 31, 2022.

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs (in millions)
August 1-31	—	$—	—	$—
September 1-30	645,248	$2.2205	645,248	$28.6
October 1-31	—	$—	—	$28.6
Total	645,248	$2.2205	645,248	$28.6

On September 7, 2022, our Board of Directors authorized the Company to repurchase up to $30 million of our common stock, which authorization will expire September 7, 2023 unless extended. The Company's remaining authorization for repurchases was $28.6 million as of October 31, 2022.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

Exhibit Number	Description
10.1	Letter Agreement by and between Skillsoft Corp. and Gary W. Ferrera, dated October 10, 2022 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 11, 2022).
10.2**	Offer Letter by and between Skillsoft Corp. and Richard Walker, dated October 10, 2022 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on October 11, 2022).
31.1*	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15(d)-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15(d)-14(a) under the Securities Exchange Act of 1934, as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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 or furnished herewith.
** Certain exhibits to this agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K, and the Company agrees to furnish supplementally to the Securities and Exchange Commission a copy of any omitted 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.

SKILLSOFT CORP.

Dated: December 8, 2022

By: /s/ Richard Walker
Richard Walker
Chief Financial Officer

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey R. Tarr, 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 8, 2022

/s/ Jeffrey R. Tarr
Jeffrey R. Tarr
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Richard 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 8, 2022

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

EXHIBIT 32.1

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, 2022, 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 8, 2022

/s/ Jeffrey R. Tarr
Jeffrey R. Tarr
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.

EXHIBIT 32.2

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, 2022, 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 8, 2022

/s/ Richard Walker
Richard 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.