

Digital compliance platform and courseware



Presentation team



Vivek Dodd
CEO

- Co-founded Skillcast in 2001
- Ex-investment banker (JP Morgan)
- MS (MIT), BTech (IIT Delhi), former CFA Charterholder



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Richard Steele
CFO

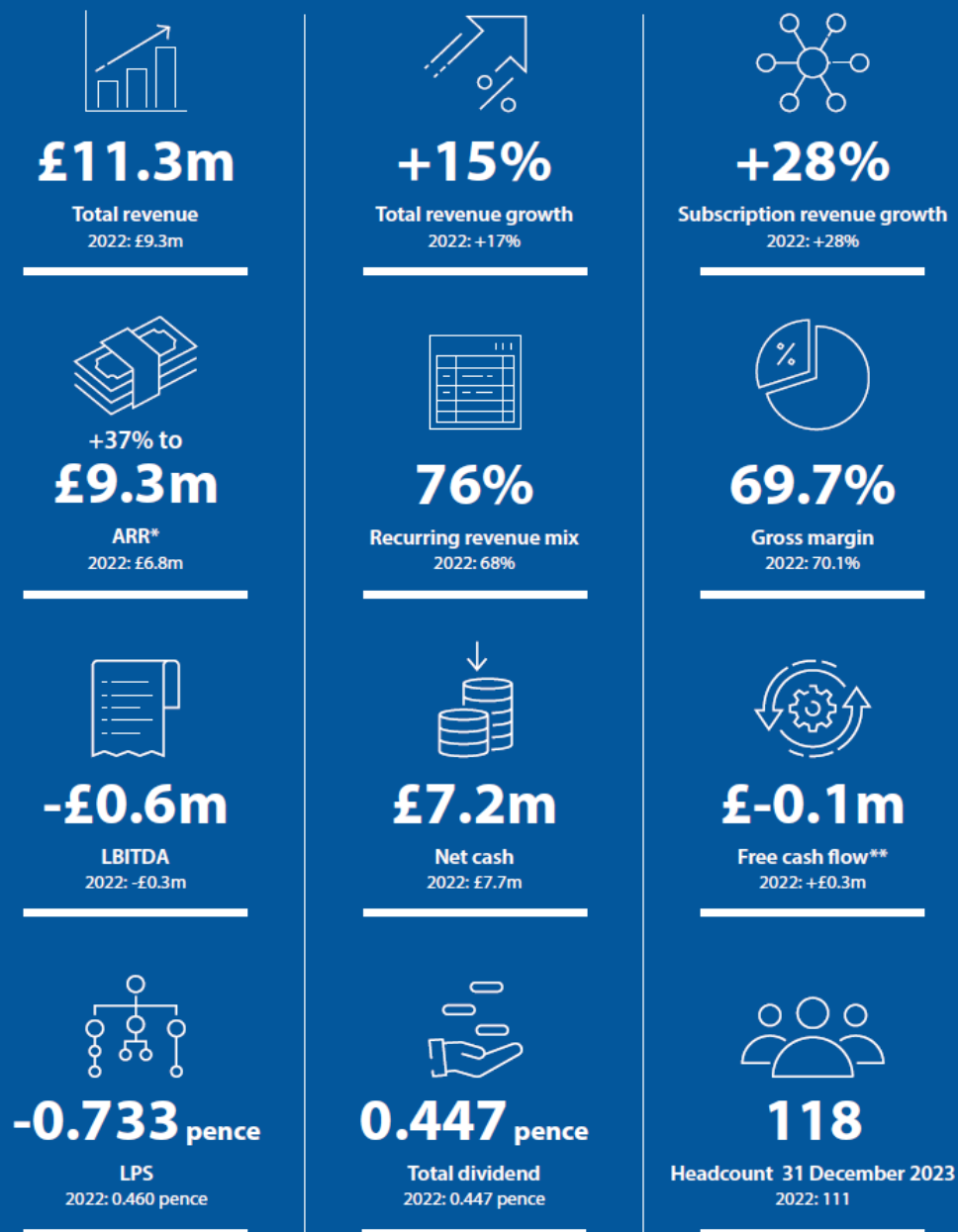
- Joined Skillcast as CFO in May 2022
- 30 years commercial finance background
- Previously CFO at Mind Gym Plc



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2023 Financial Highlights

- Subscription revenues growth +28% (2022: 28%)
- ARR growth accelerated +37% to £9.3m (31 Dec 2022: £6.8m, +16%)
- Overhead growth on prior year slowed to 18% (2022: 49%)



* Annualised Recurring Revenue (ARR) is calculated by annualizing revenue recognised in a given month from all client subscriptions on annual contracts.

** Free cash flow is calculated as net cash flows from operations less capital expenditure and lease costs.

2023 Operational Highlights

- Now serving over 1,200+ clients (2022: 1,000+)
- High net retention of 105% (2022: 92%) and low churn of 7% (2022: 12%)
- Revenue growth supported by product innovation:
 - Global Libraries
 - Fast Track
 - Compliance bites - microlearning format
 - Product repositioning: Basic/Standard/Premium
 - Basic: entry-level e-commerce offering for SMBs
- Maintained excellent customer service records while achieving growth targets (Feefo Platinum Service Award 4.9/5.0)
- Investments in AI to support revenue pipeline and customer service
- Strengthened governance with Objectives and Key Results (OKRs)
- ESG: maintained carbon neutral status



Learning innovation in 2023

Shorter interactive formats that improve employee engagement and knowledge retention.

Compliance Bites Microlearning

- Short 2-3 minute videos on 140+ compliance issues, such as insider trading, data processing, cybersecurity, AML, whistleblowing, etc.
- Bring topics to life in just a few minutes using animation, characters and storylines
- Followed by scenarios to practice the learning



FastTrack E-learning Courses

- Enable experienced and knowledgeable employees to save time on training
- If a learner passes the pre-assessment, they only need to complete a short refresher rather than the full course.



SaaS Subscription Plans

➤ Basic - NEW

- Suitable for small companies and teams of up to 50 users
- E-learning only – includes courseware
- Self-service platform
- E-commerce
- Serves a potentially enormous and underserved market of small businesses
- Enable Skillcast to build bridgeheads with larger clients
- Soft launched end of 2023

➤ Standard - EXISTING

- Suitable for companies of all sizes that want to build their compliance platform flexibly
- Mainstay of our SaaS offering
- Base of managed learning management system with other features: policy hub, surveys, declarations, and registers added as and when needed
- Course libraries purchased separately

➤ Premium - NEW

- Suitable for companies of all sizes that want to go the next step with learning innovation and digitisation of compliance
- Bundles together learning management system and other features: policy hub, surveys, declarations, and registers for staff compliance automation
- Course libraries purchased separately
- Launched early 2024

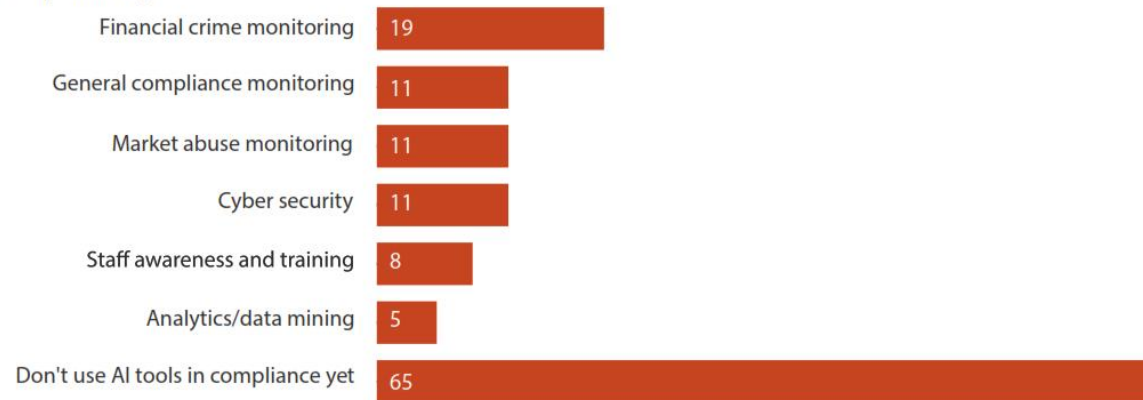
AI in learning innovation

The market

- Significant opportunity and risk
- Misinformation and disinformation from AI #1 risk in World Economic Forum report*
- 65% of compliance leaders are not using AI**

Utilising AI

Q4. In which areas of compliance, if any, do you leverage AI tools to support your control measures? (% of respondents)



* Source: World Economic Forum Global Risks Perception Survey 2023-2024

**Source: Skillcast Future of Compliance 2024 Annual Benchmarking Survey

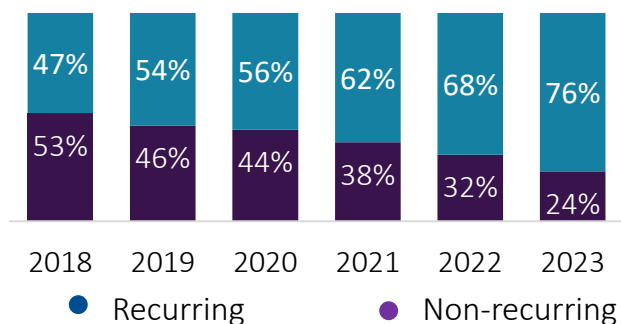
At Skillcast

- Trusted supplier of content
- We have been using third-party AI services for many years to:
 - Create content, improve the productivity of our personnel, reduce errors and improve time to market
 - Create application code and test for errors
- In 2023 initiated developments including:
 - AI-powered course tutor embedded in our e-learning to answer users' questions and clarify their understanding
 - AI-powered compliance assistant that enables users to ask questions and receive answers and links to suggested content based on the policies and training in their compliance portal

Financials - Income statement summary

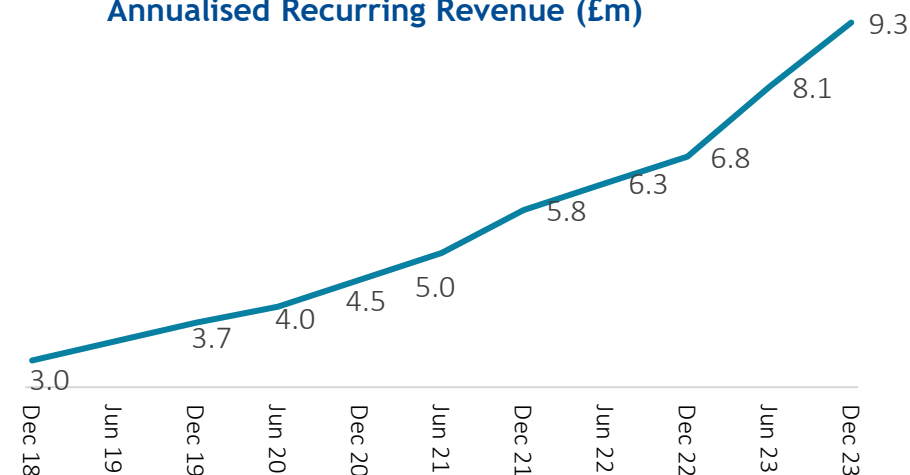
Income Statement (£'000) YEARS ENDED 31.12	2022	Growth rate	2023	Growth rate
Subscriptions	6,690	28%	8,547	28%
Professional Services	3,140	-1%	2,755	-12%
Total Revenue	9,830	17%	11,302	15%
Gross Profit	6,888		7,872	
Gross Profit %	70.1%	-0.4% pts	69.7%	-0.4% pts
Overheads	7,442	+49%*	8,759	+18%
LBITDA	-316		-625	
Loss before Tax	-556		-648	
Dividends declared	400		400	

* Excludes £0.9m of IPO-related costs in 2021)



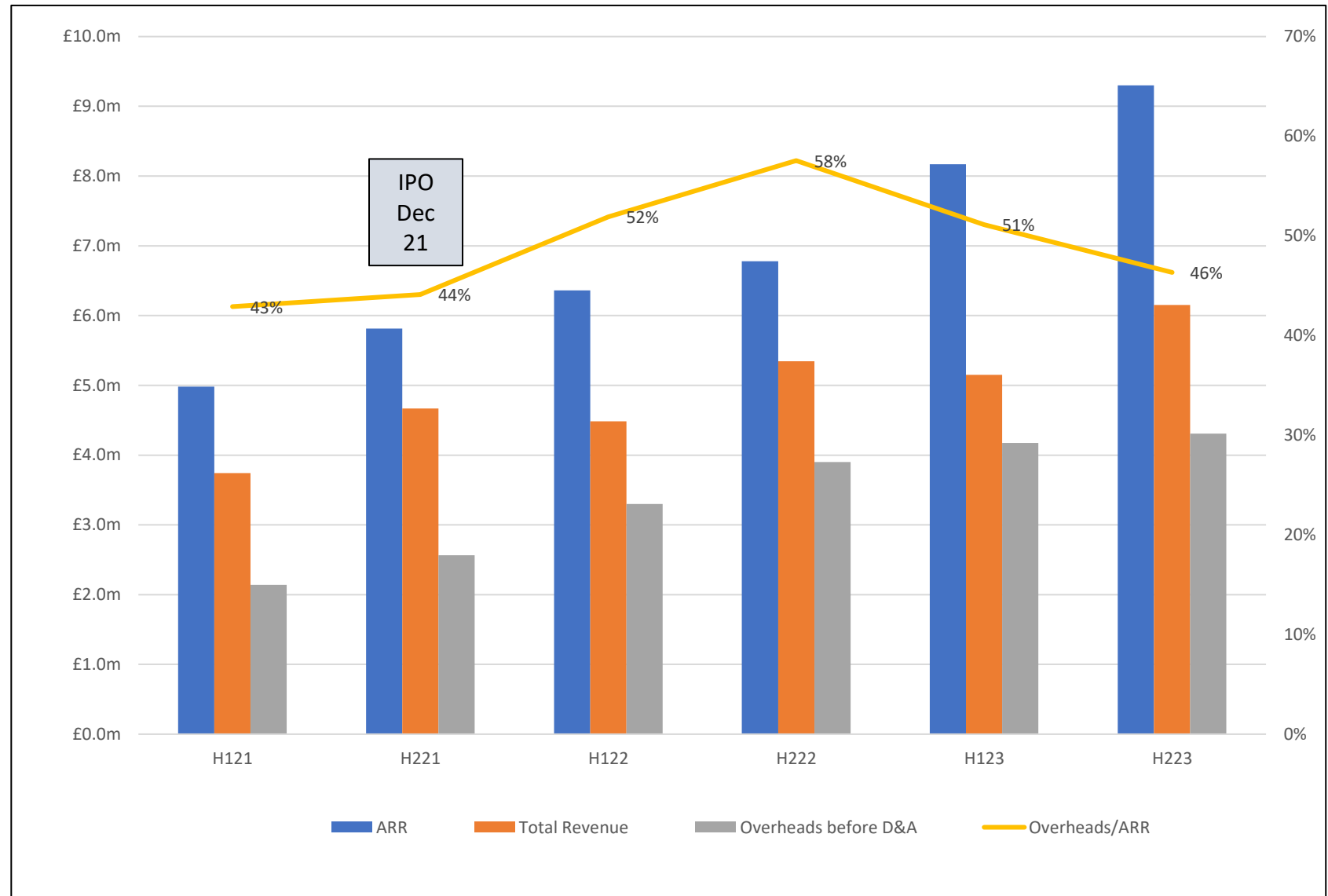
- › All revenue growth came from subscription revenues
- › Non-strategic professional services revenues impacted by clients more hesitant to commit to bespoke projects
- › GP margin dropped 0.4% due to transitional costs from the client hosting migration in H1
- › Overheads of £8.8m in 2023 increased £1.3m (+18% on 2022) primarily through headcount increase. Prior year increased by £2.5m (+ 49%* on 2021).
- › Loss of £625k impacted by lower professional services revenues.
- › The average headcount increased by 15% to 115 (2021: 100), with the largest increase in sales and marketing

Annualised Recurring Revenue (£m)



On track for return to profitability

- Overheads as % of ARR, our leading indicator of future subscription revenues, fell to 46% in H2 23, similar to pre-IPO levels.
- Post-IPO increase in overheads to support future growth as intended
- On track to return to profitability H2 24
- Non-core professional services revenues continue to have poor visibility



Cash flow statement

- Free cash flow of £0.1m despite LBT of - £0.6m
- £0.3m of interest received from cash on deposit
- £1.4m increase in payables includes £1.1m from increased deferred revenue and £0.3m from increase in accruals
- £0.9m increase in receivables includes a 42% increase in trade debtors from higher sales and £0.2m of Maltese withholding tax credit received
- The Group's policy is to maintain dividends of £400k per annum at least
 - Final 2022 dividend of £250k paid in July 23
 - A 2023 £150k interim dividend was paid in October 2023
 - A final dividend of £250k is proposed for 2023, payable in July 2024

Cash flow statement (£'000)		2022	2023
YEARS ENDED 31.12			
	PBT	(556)	(648)
	Depreciation/amortisation	237	262
	Share Option Reserve	207	132
	Finance income	(16)	(259)
	Movement in trade and other payables	160	1,434
	Movement in trade and other receivables	468	(909)
	Finance expense	21	20
	Cash generated from operations	521	32
	Income tax paid	(23)	0
	Net cash flow from operating activities	498	498
	Shares Issued	0	0
	Capital expenditure, principal and interest paid on lease liabilities	(266)	(373)
	Interest received	16	259
	Dividends paid - Final	(250)	(250)
	Dividends paid - Interim	(150)	(150)
	Movement in cash	(152)	(482)
	Cash at beginning of year	7,856	7,704
	Cash at end of year	7,704	7,222

Financials - Balance sheet summary

Statement of Financial Position (£'000)	31.12.22	31.12.23
Non-current assets	882	795
Current assets		
Receivables	3,331	4,240
Cash & cash equivalents	7,704	7,222
TOTAL ASSETS	11,917	12,257
Equity and Reserves	6,616	5,692
Non-current liabilities	459	350
Current liabilities		
Trade creditors & other payables	1,199	1,570
Current lease liabilities	189	119
Deferred income	3,438	4,501
Corporate tax liability	16	24
TOTAL EQUITY & LIABILITIES	11,917	12,257

- › Non-current assets related to office F&F, IT equipment and the right-of-use assets of the 2 office leases
- › All product and tech development is expensed
- › Receivables include net trade debtors of £3.0m at 31.12.23, 42% higher than at 31.12.22
- › £0.6m relates to Maltese withholding tax rebate expected to be received in 2024
- › Net cash at 31.12.23 £7.2m, -£0.5m on 31.12.22 representing 8 pence per share
- › The Group has no bank debt.
- › Deferred income up 31%, driven by higher annual SaaS subscriptions

Our strategy

➤ Organic remains the prime driver of growth

- Focus on resilient and growing staff compliance market
- Focus new business sales efforts on mid-size/regulated market (Standard and Premium)
- Minimise churn through continued excellent customer service
- Maximise upsells of "sticky" Regtech tools and Premium
- Target smaller clients with e-commerce self-serve "Basic" offering

➤ Product innovation

- Continually embrace market and technological trends e.g. micro-learning, AI and embedded compliance
- Use AI to gain competitive advantage and upsells

➤ Additional revenue streams

- Partnerships
- M&A: assess opportunities in adjacent vertical



Current Trading & Outlook

- Continue to trade in line with expectations
 - Started the year well, ARR at 31 March £10.0m, +36% YOY
 - 7% price rise and auto-renewal terms well accepted by clients
 - Professional services slower start, though this is volatile and has poor visibility
- Head of marketing joined in Q1 2024
- Product enhancements
 - Compliance Bites expansion
 - Question of the day
 - AI-powered in-course tutor
 - Embedded compliance
- On track to return to profitability in H2

Thank you



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