



SKILLCAST GROUP PLC

Digital Compliance Success



Presentation team



Vivek Dodd
CEO

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



vdodd@skillcast.com



Richard Steele
CFO

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



rsteele@skillcast.com

H1 24 Financial Highlights

- Total revenues increased 24% to £6.4m (H1 23: £5.2m)
- Subscription revenues growth +35% to £5.2m (H1 23: £3.8m)
- ARR growth +27% YOY to £10.3m
- Gross profit increased 5.2 pts to 71.7% (H1 23: 66.5%)
- Overhead growth on prior year slowed to 9% (H1 23: 26%)
- Returned to profitability EBITDA £31k (H1 23: -£749k)
- Cash in bank £8.3m (June 23: £7.2m)
- Free cash flow of £1.1m (H1 23:-£0.1m)
- Interim dividend in line with last year £150k/0.168p per share

H1 24 Operational Highlights

Marketing and new ARR

- › New Head of Marketing appointed, conducted audit and overhauled plan
- › Cyber Essentials Plus and SOC 2 Type 1 Audit completed
- › Trust center launched ([trust.Skillcast.com](https://trust.skillcast.com))
- › Sandbox trial environment launched

Net retention and customer success

- › New Premium offer launched in January 2024 now 3% of ARR
- › New customer support platform implemented April 2024
- › New standardised, auto-renewal SaaS terms launched March 2024 being accepted by c. 95% of clients coming up for renewal

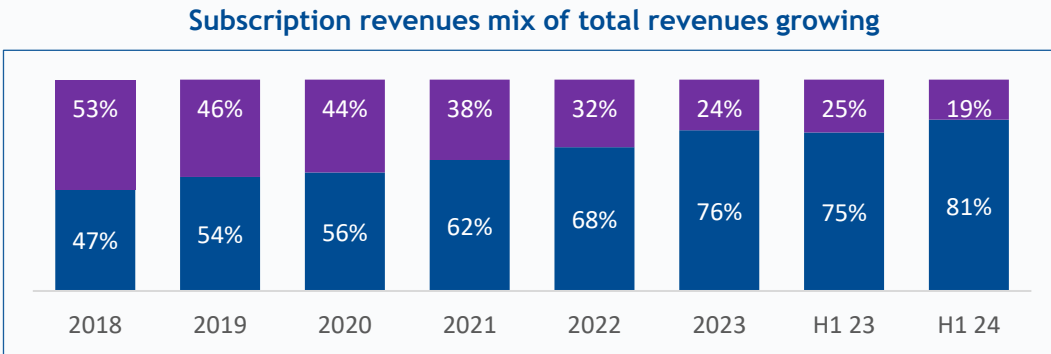
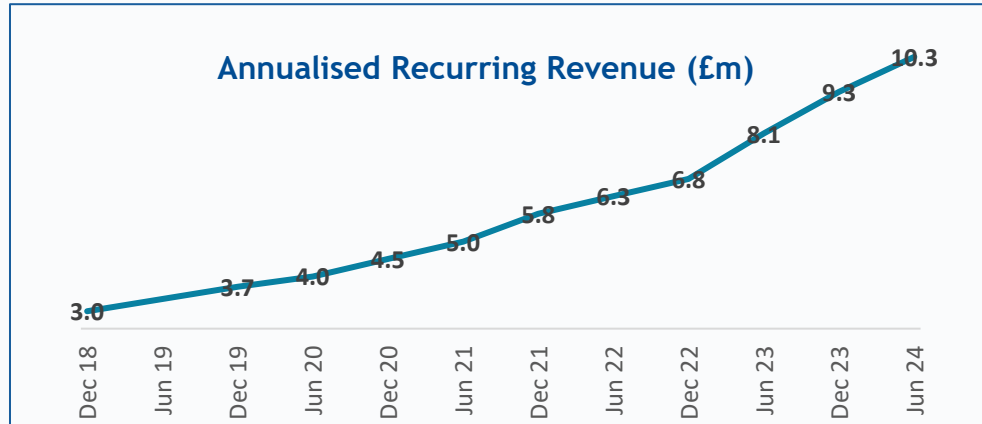
Developing additional revenue streams

- › Self-serve e-commerce launched
- › AI in-course tutor developed, currently in testing

Infrastructure and people

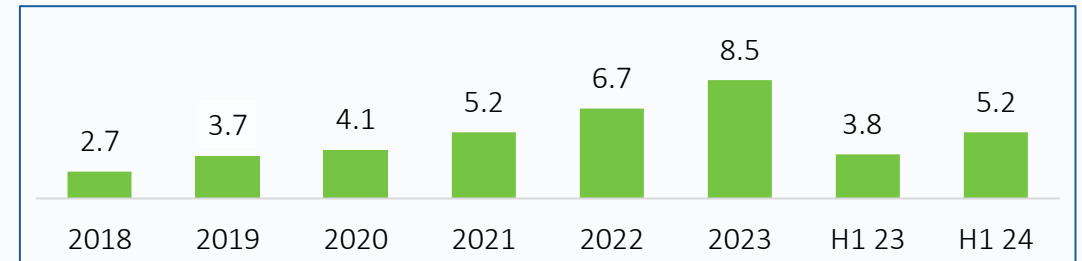
- › Employee benefits enhanced to maintain Skillcast as an employer of choice
- › PS team reduced or redeployed to reflect lower demand
- › SaaS team strengthened to focus on learning innovations: nudge learning, diagnostics and analytics
- › Continued to build resilience to reduce cyber risks and meet regulations such as DORA

ARR and recurring subscription revenues



● Recurring ● Non-recurring

Subscription Revenues (£m)



H1 24 saw 35 % subscription revenue growth to £5.2m:

- ARR grew to £10.3m or £2.2m/27% from June 2023 and by £1.0m/11% from December 2023
- Average ARR per new account increased 14% to £7,692 (H1 23: £6,740)
- Net retention in H1 24 100% (H1 23: 105%), and churn of 6% (H1 23: 3%)
- Subscription revenues now represent 81% of total revenues (H1 23: 75%)

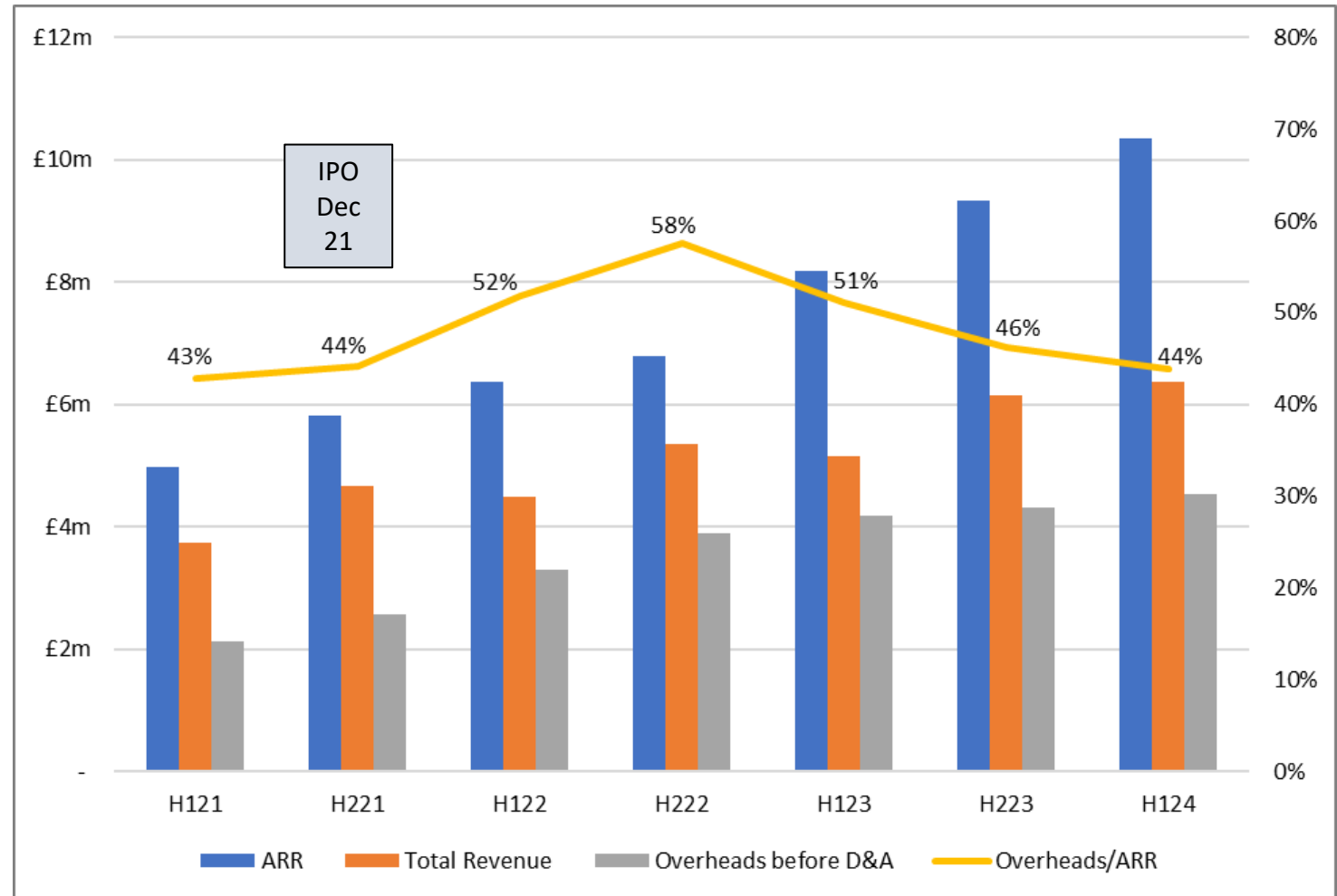
Financials - Income statement summary

Income Statement (£'000) SIX MONTHS ENDED 30.6	2024	Growth rate	2023	Growth rate
Subscriptions	5,197	35%	3,847	23%
Professional Services	1,181	-9%	1,303	-3%
Total Revenue	6,378	24%	5,150	15%
Gross Profit	4,571	33%	3,427	9%
Gross Profit %	71.7%	+5.2% pts	66.5%	-0.4% pts
Overheads (incl depn @amort)	4,665	+9%	4,294	+26%
Operating profit/(loss)	(94)	n/a	(867)	n/a
EBITDA/(LBITDA)	31	n/a	(749)	n/a
Interest received	154	+45%	106	+2669%
Profit before Tax	41	n/a	-772	n/a
Dividends declared	150	0%	150	0%
Tax charge	49	n/a	-	n/a
Profit/(loss after tax)	(8)	n/a	(771)	n/a
Average headcount	120	+5%	114	+20%
Total people costs	4,584	+5%	4,384	+29%

- › All revenue growth came from subscription revenues
- › Non-strategic professional services revenues impacted by clients more hesitant to commit to bespoke projects
- › GP margin increase 5.2 % pts enhanced productivity and one-off transitional cloud costs in H1 23
- › Overheads of £4.7m in H1 24 increased £0.4m (+9% on H1 23) primarily through headcount increase
- › Average headcount increased 5% as did total people costs
- › Non-people overheads increased by 31% to £1.2m (H1 23 £0.9m), half of the increase due to marketing activity
- › Positive EBITDA of £31k as revenues grew 24% and costs 9%
- › Tax charge relating to prior years
- › Interim dividend 0.168p as per last year

On track for return to profitability

- Overheads as % of ARR, our leading indicator of future subscription revenues, fell to 44% in H1 24, in line with pre-IPO levels.
- Post-IPO increase in overheads to support future growth as intended
- On track to return to profitability in FY 24
- Non-core professional services revenues continue to have poor visibility



Cash flow statement

- Free cash flow of £1.1m driven by upfront payments on increased annual subscriptions.
- £0.2m of interest received from cash on deposit
- £1.0m increase in payables includes £0.9m from increased deferred revenue
- The Group's policy is to maintain dividends of £400k per annum at least
 - Final 2023 dividend of £250k paid in July 24
 - A 2023 £150k interim dividend was paid in October 2023
 - An interim dividend of £150k is declared for 2024, payable 25 October 2024

Cash flow statement (£'000) 6 MONTHS ENDED 30.6	2024	2023
PBT	41	(772)
Depreciation/amortisation	125	118
Share Option Reserve	32	68
Finance income	(154)	(95)
Movement in trade and other payables	979	1,025
Movement in trade and other receivables	45	(404)
Finance expense	19	-
Cash generated from operations	1,087	(60)
Income tax paid	(4)	-
Net cash flow from operating activities	1,083	(60)
Capital expenditure and principal paid on lease liabilities	(91)	(117)
Interest received	154	106
Dividends paid	-	-
Interest paid on lease liabilities	(19)	(10)
Movement in cash	1,127	(81)
Cash at beginning of year	7,222	7,704
Cash at end of year	8,349	7,623

Financials - Balance sheet summary

Statement of Financial Position (£'000)	30.6.24	30.6.23	31.12.23
Non-current assets	714	793	795
Current assets			
Receivables	4,195	3,734	4,240
Cash & cash equivalents	8,349	7,623	7,222
TOTAL ASSETS	13,258	12,150	12,257
Equity and Reserves	5,716	5,912	5,692
Non-current liabilities	263	406	350
Current liabilities			
Trade creditors & other payables	1,935	1,434	1,571
Current lease liabilities	140	153	119
Deferred income	5,116	4,229	4,501
Corporate tax liability	88	16	24
TOTAL EQUITY & LIABILITIES	13,258	12,150	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 at 30 June 2024 of £4.2m includes trade debtors of £2.8m 23% higher than at 30 June 2023, increasing in line with revenue growth
- › Receivable also includes £0.6m relates to Maltese withholding tax rebate expected to be received in 2024
- › Net cash at 30.06.24 of £8.3m, representing 9.3 pence per share
- › The Group has no bank debt
- › Deferred income up 21%, 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
- Minimise churn through continued excellent customer service
- Maximise upsells of "sticky" Regtech tools and Premium
- Target smaller clients with e-commerce self-serve offering (CoreCompliance)

› 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

- Build partnerships to extend the market for products
- M&A: assess opportunities in adjacent vertical



Current Trading & Outlook

- Continue to trade in line with expectations
 - ARR continues to grow in the second half
 - Non-strategic Professional services continue to be slower than last year
 - Actions taken to reduce or redeploy headcount
 - We continue to control costs and remain on track to grow profits in line with expectations.
- Marketing initiatives including new website in development to support future organic growth
- Partnership manager should help bring additional revenues in 2025
- Product enhancements developing further in H2
 - Diagnostics Assignments and enhanced analytics
 - AI-powered Tutor in courses

Thank you



80 Leadenhall St
London
EC3A 3DH

[skillcast.com](https://www.skillcast.com)

