



INTERIM REPORT

FOR 6 MONTHS ENDED

30 NOVEMBER 2018

IndigoCyan HoldCo 3 Limited

QA is one of the UK's leading digital education and skills providers with a growing presence in technical, management and other associated professional skills areas.

We provide the education and training required to help individuals build better careers and make their employers more productive and successful.

Our model is primarily business to business, with long-term revenue visibility resulting from customer satisfaction and learners' contracted future programme lengths.

OVERVIEW

A summary of IndigoCyan Holdco 3 Limited's (herein referred to as "QA" or the "Group") performance for the six months ended 30 November 2018 is set out in the following pages.

The summary results have been prepared under International Financial Reporting Standards (IFRS).

The Group's next full year accounts will be for the year ended 31 May 2019.

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BUSINESS REVIEW

QA is one of the UK's leading digital education and skills providers with services spanning corporate learning to vocational and higher education.

Our model is primarily business to business, with long term revenue visibility resulting from customer satisfaction and learners' contracted future programme lengths.

We offer courses in technical IT, project management, IT service management, business systems development, business applications, leadership, management and business skills training, along with specialist areas such as cyber security.

Training takes place across our learning centres throughout the UK and via digital learning methods, such as video-based learning or virtual classrooms where participants can join live and interactive sessions online.

Beyond training, we offer our clients consulting services where we recruit predominantly university graduates who then undergo a multi-month training programme at our academy to develop their skills in in-demand technologies.

After graduating from the academy, they are deployed to work within the IT teams of public and private sector organisations to support complex projects and provide solutions to business problems.

In vocational education we work with employers throughout the UK to provide apprenticeship programmes leading to technical and business skills qualifications. We specialise in courses aligned to the core skillsets required by technology businesses and IT departments with programmes designed to help apprentices move up the career ladder by advancing their skills.

In higher education we offer, with our university partners, degree courses to domestic and international students at campuses in London, Birmingham, Manchester, Newcastle and Southampton.

We deliver industry-focused IT and business courses, ranging from foundation programmes through to post graduate degrees, that focus on developing key employability skills.

H1 2019 HIGHLIGHTS

- Growth across all of QA's operations led to revenue increasing £13.6m (10.9%) to £138.3m (H1 2018: £124.7m)
- Adjusted EBITDA* increased £2.3m (up 7.6%) to £32.4m (H1 2018: £30.1m)
- Operating profit increased by £1.5m (up 6.0%) to £26.7m (H1 2018: £25.2m)
- The Group has continued to invest in its training and staff facilities with capital expenditure for the six month period at £4.9m compared to £2.1m in the prior year
- Free cash flow** of £10.2m, compared to £14.0m in the prior year due to increased capital expenditure and higher working capital
- During the first half, the Group exercised the call option to acquire the remaining 13.7% in its Consulting business for £12.3m. In the prior year £2.9m had also been invested to acquire 5% in that business

* Adjusted EBITDA is defined as the profit/(loss) for the period before the tax on profits/(losses) on ordinary activities, net interest payable and similar charges, amortisation, depreciation and non-recurring costs.

** Free cash flow is defined as operating cash flows less capital expenditure

BUSINESS UPDATE

The Group had a positive start to 2019 with first half revenues ahead 10.9% to £138.3m (H1 2018: £124.7m), and Adjusted EBITDA increasing 7.6% to £32.4m (H1 2018: £30.1m).

Revenue growth was achieved in each of the Group's four principal trading divisions, with strong growth continuing in Higher Education and Apprenticeships. Investments to support the continued transition to the Apprenticeships levy model contributed to Adjusted EBITDA growth lagged the revenue result due to the investments to support the continued transition to the Apprenticeships levy model and manage the high volume of new apprenticeships, together with an increased investment in the resources in the Consulting division.

The Group remains focussed on providing high quality professional training, education and consultancy services and is committed to achieving the best possible experience for its customers. For learner experience, we measure our learner satisfaction by Net Promoter Score (NPS). This is a globally recognised customer loyalty metric and in the 6 months to November more than 90% of all learners we interacted with across all mechanisms of delivery would give us an NPS of 7 or above (H1 2018: 90%) when considering if they would recommend us to friends or family – ranking us amongst the UK's best brands for customer service.

FUTURE PROSPECTS

The Board are confident that the Group's full year revenue and Adjusted EBITDA will outperform 2018, with growth continuing in the third quarter.

Management is continuing to monitor market developments in light of the outcome of the UK referendum to leave the European Union in March 2019 ("Brexit"). We are not aware of any immediate direct consequences that will impact the Group's performance, given the Group's clients and suppliers are almost entirely outside of the EU.

For our Higher Education students from the EU that are already on, or who will start new undergraduate or postgraduate courses in the academic year ending July 2020, the current funding arrangements have been confirmed as remaining in place for the full duration of their multi-year courses. We have also started investing in new marketing channels to develop non-EU recruitment opportunities that will help mitigate the impact of a Brexit outcome that reduces the UK's attractiveness as a destination for EU students.

ACQUISITIONS

The Group acquired a 100% stake in InfoSec Skills Limited, in December 2018 for £0.3m. The company specialises in information security training and is an important addition to our cyber security training offering.

CURRENT FINANCING POSITION

The current drawn external lending position is unchanged since the year end as follows;

Facility	£	Interest	Repayment
Senior Credit Facility	£320m	3 month LIBOR plus 4.75%	June 2024
Revolving Credit Facility	£10m	3 month LIBOR plus 3.75%	December 2023

The Group has fixed the interest rate on £200m of the Senior Credit Facility at a rate of 6.25%.

In addition, there is a further undrawn balance on the Revolving Credit Facility of £55m. Cash on the balance sheet as at 30 November 2018 was £20.4m (H1 2018: £17.0m).

The Group has complied with all banking covenants.

Nathan Runnicles

Chief Financial Officer
IndigoCyan Holdco 3 Limited

28th February 2019

CAUTIONARY STATEMENT

This document contains various forward-looking statements that reflect management's current views with respect to future events and anticipated financial and operational performance. Forward-looking statements as a general matter are all statements other than statements as to historical facts or present facts or circumstances.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future.

Forward looking statements are not guarantees of future performance and the Group's actual financial condition, results of operations and cash flows, and the development of the industry in which the Group operates, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this document. In addition, even if the Group's financial condition, results of operations, and cash-flows and the development of the industry in which it operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, no assurance can be provided that they will materialise or prove to be correct. Because these forward-looking statements are based on assumptions or estimates and are subject to risks and uncertainties, the actual results or outcome could differ materially from those set out in the forward-looking statements.

These forward-looking statements speak only as at the date of this document. The Group expressly undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law or regulation.

This Interim Report has not been audited or otherwise independently verified.

The information contained in this Interim Report has been prepared on the basis of the knowledge and information available to Directors at the date of its preparation and the Group does not undertake any obligation to update or revise this Interim Report during the financial year ahead.

