



# INTERIM REPORT

**FOR 6 MONTHS ENDED  
30 NOVEMBER 2019**

IndigoCyan HoldCo 3 Limited



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

QA helps learners to excel and businesses to grow. We are experts in emerging technologies, leadership and management, business methods and people skills.

We believe that everything starts with our learners. Transforming their careers and their lives is what motivates and inspires us. We power the success of tomorrow by training the next generation of technologists, leaders and innovators.

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

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## 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 2019 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 2020.

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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.

Cloud Academy, is QA's leading enterprise digital skills development platform that provides guided learning paths, hands-on labs, and skills assessments to deliver role-specific training on leading clouds (AWS, Azure, Google Cloud Platform), essential methodologies needed to operate on and between clouds (DevOps, security), and capabilities that are unlocked by the cloud (big data, machine learning, IoT).

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 2020 HIGHLIGHTS

- Growth in revenue of £4.6m (+3.3%) to £142.9m (H1 2019: £138.7m) led by Higher Education's performance
- Adjusted EBITDA\* decreased £4.3m to £28.4m (H1 2019: £32.4m) as the business invested in sales and marketing teams and its digital activities to drive future growth
- Underlying operating profit decreased by £6.0m (23%) to £20.7m (H1 2019 (£26.7m)
- The Group has continued to invest in its digital products, training and staff facilities with capital expenditure for the six month period at £6.8m compared to £4.9m in the prior year
- Free cash flow\*\* of £(0.1)m, compared to £10.2m in the prior year due to increased capital expenditure, higher working capital and increased tax payments

\* 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 has continued to see revenue growth with first half revenues ahead 3.3% to £142.9m (H1 2019: £138.7m). Higher Education's strong performance through international student growth offset results in the Apprenticeships division, where a strategic decision to focus on technology programmes reduced the new learner intakes versus the prior year, together with Consulting where the average number of deployed consultants declined. Learning revenues were flat on prior year as market uncertainty triggered by Brexit and then the UK election impacted first half trading. Adjusted EBITDA decreased to £28.4m (H1 2019: £32.4m).

On 7 June 2019, we acquired 100% of Cloud Academy Inc a US-headquartered leading enterprise technology training platform specializing in Amazon Web Services, Microsoft Azure and Google Cloud Platform online learning.

The business has grown strongly since acquisition in the US, and is gaining positive traction with QA's UK clients. We are investing in the expansion of Cloud Academy's content into new technology disciplines including data and cyber, and also in the development of a blended learning proposition that leverages Cloud Academy's digital platform and QA's instructor-led training capabilities.

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. We measure learner satisfaction by Net Promoter Score (NPS), the globally recognised customer loyalty metric, and in the first half more than 93% of all learners we interacted with across our divisions gave us an NPS of 7 or above (H1 2019: 90%) when considering if they would recommend us to friends or family – ranking us amongst the UK's best brands for customer service.

In September 2019, Paul Geddes, most recently CEO of the Direct Line Group, became CEO of the business following the retirement of William Macpherson after 11 years in the role. William remained with QA as a Non-executive Director until June 2020.

## FUTURE PROSPECTS

Since late March 2020, the Group's trading has been impacted by the outbreak of the Covid-19 pandemic which has resulted in lower demand for our Learning and Apprenticeships' services, as our clients themselves respond to the impact of the pandemic on their own operations. The lockdown has led to the closure of our training centres and we have successfully migrated almost all of our courses to virtual delivery and have managed to retain NPS scores close to previous levels. The Group is taking cost reduction measures to help mitigate the effects of this lockdown, together with working capital actions to preserve cash.

In addition to Covid-19, the UK's future exit from the European Union in January 2021 could also negatively impact the UK economy. Although the Group benefits from committed revenues in a number of its activities, it would not be immune to the potential economic impacts of Brexit and could therefore experience a decrease in demand for its services.

The Board are confident in the Group's prospects and that it can successfully navigate the economic environment triggered by the Covid-19 pandemic and the future impact of Brexit.

The Directors believe that trading will remain robust and have a reasonable expectation that the Group has adequate resources to continue as a going concern for the foreseeable future, being a period of at least 12 months from May 2020.

## CURRENT FINANCING POSITION

The Group has funding arrangements with its banks, which include drawn term loans and a £65m revolving credit facility that was drawn in full in March 2020 to maximize the available liquidity, in light of the Covid-19 pandemic. As a precaution the Group obtained a waiver to 31 May 2021 on its financial leverage covenant (the ratio of third party bank debt to EBITDA) and has agreed to a minimum liquidity covenant of £20m in its place.

The current drawn external lending position is as follows:

FACILITY	£	INTEREST	REPAYMENT
Senior Credit Facility	£320m	3 month LIBOR plus 5.00%	June 2024
Revolving Credit Facility	£65m	3 month LIBOR plus 4.00%	June 2024

The Group has fixed the interest rate on £200m of the Senior Credit Facility at a rate of 6.25%. The interest cost on the Revolving Credit Facility is LIBOR plus 4.00%. Cash on the balance sheet as at 30 November 2019 was £14.3m (H1 2019: £20.4m). The Group's most recent reported cash position at 30 April 2020 was £96.8m.

## Nathan Runnicles

Chief Financial Officer  
IndigoCyan Holdco 3 Limited



1 June 2020

## **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.

