LITERACY CAPITAL Q4 2024 | Factsheet

Published on 28 February 2025

→ for the three months to 31 December 2024

Helping to build great businesses

Our purpose is to invest in and support UK companies and help their management teams to achieve long-term success. Our closed-ended, permanent capital structure means we can be a long-term, highly ambitious partner.

We are focused on smaller businesses, where our expertise can greatly enhance the size and value of these companies, contributing to superior returns for BOOK shareholders.

We are also proud to have a charitable mission helping disadvantaged children in the UK learn to read. Donations equivalent to 0.9%[1] of NAV are made each year. Donations since the set up of Literacy Capital in 2017 **now amount to £11.2m.**

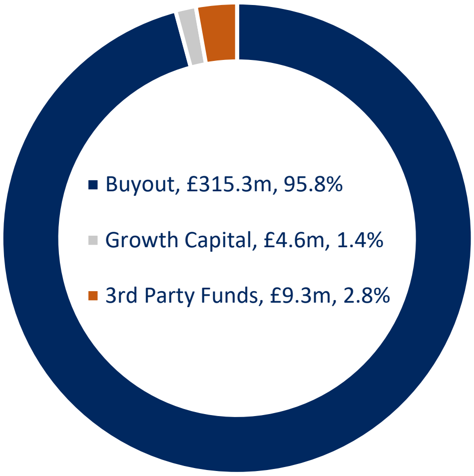
Literacy Capital plc highlights

492.8p NAV per ord. share[2]	**£9.1m** Capital invested
(2.3)% Q4 NAV per share	**£3.0m** Proceeds received
(1.5)% Change in NAV per share in last 12 months	**£641k** Q4 charitable donation provision

Key facts on 31 December 2024

Net assets[2]	£296.6 million
Net assets per ord. share[2]	492.8p
Share price (mid-price)	454.0p
Premium / (discount)	(7.9)%
Management fee[1]	0.9%
Trading on	Specialist Fund Segment (SFS)
Ticker	BOOK
Ordinary shares in issue[3]	60,175,000
ISIN	GB00BMF1L080

Breakdown of gross assets[4] by asset type



[1] From 1 Jan 2025, the management fee & annual donation will be 1.5% & 0.5% respectively. See 8 Oct 2024 RNS announcement for more details.
[2] Net assets per share calculated post dilution from the warrants in issue, which is calculated on a straight-line basis over the vesting period. This allows a single NAV figure to be reported (rather than diluted & undiluted figures). Net assets and NAV per share exclude the uplift from the activity since period end disclosed on page 2. Net assets and NAV per share after this adjustment are **£300.4m** and **499.2p** respectively.
[3] Excludes warrants in issue (612,500 allotted on 31 December 2024).
[4] Gross assets of £329.2m, before borrowings, compared to net assets of £296.6m. All figures and percentages rounded to one decimal place.

Performance to 31 December 2024

% total return	3 months	1 year	3 years	Since Admission[5]	Since inception[6]
BOOK net assets per share	**(2.3)%**	**(1.5)%**	**+77.8%**	**+206.8%**	**+392.8%**
BOOK share price	**(9.2)%**	**(5.4)%**	**+53.9%**	**+183.8%**	**n/a**
FTSE investment company index	+2.2%	+8.7%	(4.8)%	+0.6%	+49.1%
FTSE all-share index	(0.4)%	+9.5%	+18.5%	+24.6%	+37.7%

[5] BOOK was admitted to the London Stock Exchange on 25 June 2021
[6] Inception date treated as 30 April 2018. £54 million of capital raised

The Q1 2025 factsheet and next update to NAV will be published on Monday 28 April, please visit:

www.literacycapital.com/investors

Contact information

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Richard Pindar, CEO of BOOK's Manager:

"BOOK's NAV performance in the latter part of 2024 has not met expectations nor matched the strong performance delivered consistently in earlier periods.

The weaker NAV performance was primarily caused by the adverse movement in carrying value of two larger assets. Both had previously performed and contributed very strongly to NAV growth. This reversed in 2024 reflecting the reduced UK business confidence, which by December 2024 was the lowest since July 2020, according to the BCI. Some patience will be needed to overcome these challenges and to recoup the cost of tax rises or policy changes affecting UK businesses. However, our companies are well-led and able to adapt swiftly. Additionally, when trading conditions are weakest, there tend to be more numerous and better new investment opportunities, which bodes well for future NAV uplifts from new investments.

We note the relative share price weakness during Q4 and early 2025. We believe this is unwarranted and action will be taken to address this discount, following publication of the FY24 results, if this persists."

Summary of Q4 performance

On 31 December 2024, reported net asset value (NAV) was £296.6m, or 492.8p per share. Adjusted for the impact of an acquisition completed by Halsbury in early January 2025, the latest adjusted NAV is enhanced by £3.8m to £300.4m, or 499.2p per share.

The largest detractors during the quarter were Techpoint and Grayce, in aggregate accounting for a £10.6m reduction in NAV during Q4. Both companies' financial performance continued to be affected by tougher trading conditions, however we are not expecting either to continue this trend into 2025.

The strongest contributors in Q4 were Velociti and Live Business, both of which now have well-resourced management teams and are seeing strong growth. Both are benefitting from strong demand and contracts wins from new, overseas customers.

BOOK's share price fell by 9.2% in Q4, primarily due to private individuals realising capital gains in advance of the Budget announcement on 30 October.

New investments and commitments

In October, BOOK acquired a significant minority stake in amplify5, a business process outsourcing company. Capital was also invested into several existing portfolio companies, to buy additional equity or to fund growth, working capital or capex.

Cash generation and liquidity

£3.0m was received during Q4, all of which was from PE fund interests. The vast majority of this related to the previously announced sale of a 2018-vintage fund interest. In January 2025, BOOK generated cash proceeds of £2.2m from the refinancing of one portfolio company, with further inflows expected soon.

During Q4, the fully committed element of the RCF was extended to £35m (of the £40m total limit). £30.1m was drawn at the end of Q4, with £2.3m of cash held.

Activity since the period end

Halsbury completed a bolt-on acquisition in January. This purchase was made from an entity in administration, resulting in an adjusted net asset figure of £300.4m, or 499.2p per share. This should be considered BOOK's latest NAV figure.

"The books you have sent are absolutely delightful and will make a real difference to our children. Without charities such as yours our children would have a lot less resources available to them, so I just wanted you to know how much we appreciate it!" Teacher, from a Bookmark Partner school

Currently, 1 in 7 state primary schools do not have a dedicated reading space; this rises to 1 in 6 in disadvantaged areas. Literacy Capital's partnership with Bookmark is crucial to scale literacy provision in schools across the country, particularly in areas of high deprivation that have limited access to necessary reading interventions.

In Q4, Bookmark expanded its Your Story Corner project to Derbyshire. 16,000 brand-new books were distributed to 80 schools benefitting more than 20,000 children. 1 in 8 children aged 5-8 do not have a book of their own, so each school will also receive 200 termly copies of The Story Corner magazine for children to enjoy at home and to prevent learning loss during school holidays.

In the first term of the 24/25 academic year, Bookmark volunteers delivered 6,272 hours of one-to-one support. Bookmark also received the results of a year-long independent evaluation by ImpactEd. This showed that pupils receiving Bookmark's one-to-one support, particularly those eligible for pupil premium, made accelerated progress in their reading scores, compared to their peers, closing the attainment gap.

Visit bookmarkreading.com to learn more.

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Portfolio overview

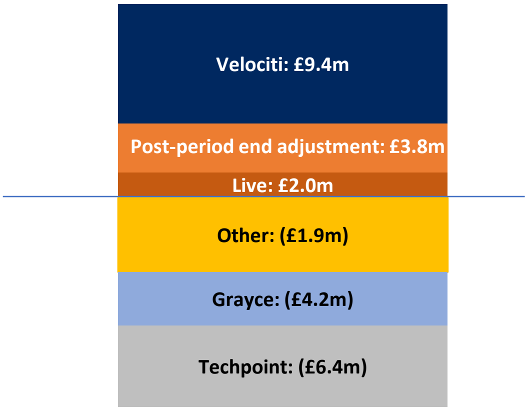
Companies / assets	Date of investment	Carrying value	*Value as % of NAV*[1]
RCI Group	Sep 18	£100.7m	*33.5%*
Grayce	Jul 18	£33.3m	*11.1%*
Velociti Solutions	Feb 20	£25.8m	*8.6%*
Cubo Work	May 23	£24.4m	*8.1%*
Oxygen Activeplay	Jul 21	£23.6m	*7.9%*
Top 5 investments		**£207.8m**	***69.2%***
Wifinity	Dec 17	£17.4m	*5.8%*
Techpoint	Jun 20	£14.9m	*5.0%*
Antler Homes	Jun 18	£13.8m	*4.6%*
Hanmere	Dec 17	£10.3m	*3.4%*
Live Business	Mar 24	£9.6m	*3.2%*
Top 10 investments		**£273.8m**	***91.2%***
Other direct investments		£46.1m	*15.3%*
Private equity fund interests		£9.2m	*3.1%*
Borrowings (incl. donation provision & impact of warrants)		(£32.6)m	*(10.9)%*
Post-period end adjustment		£3.8m	*1.3%*
Total net asset value		**£300.4m**	***100.0%***

Top 10 investments[#]

+18% YoY sales growth	**+24%** YoY EBITDA growth
8.8x EV / Earnings[2]	**2.3x** Net debt / EBITDA[2]
22.2% EBITDA margins	**3,938** Total headcount

[#] Data calculated on a weighted average basis (excl. headcount)
[1] Net asset value includes the uplift from the activity since period end disclosed on page 2.
[2] Excludes Antler Homes

Breakdown of Q4 uplift by asset (before costs)



Portfolio highlights

Year-on-year revenue growth reduced slightly at the end of Q4. This was an unfortunate byproduct of the weak trading conditions and fragile business confidence during H2 2024. Despite the overall UK business confidence and economic data being as poor as it has been, the overall revenue and EBITDA growth rates remain relatively encouraging.

EBITDA growth and margins increased compared to the previous two quarterly factsheets. Given recent economic data across the UK has been weak and changes announced in government policy, action to reduce costs has had to be taken to preserve profitability. Evidence of the strong management across our portfolio companies and swift impact of these initiatives can be seen in these figures, which is encouraging.

Net debt within the portfolio

Net debt (on a weighted average basis) reduced slightly to 2.3x EBITDA at the end of Q4 (2.4x at the end of Q3). No further debt at a portfolio company was raised in Q4, with this reduction reflecting cash generation and EBITDA growth across the portfolio.

The level of leverage is expected to increase in Q1 2025, due to the refinancing of two portfolio companies during the quarter. However, these two companies are both trading very strongly, so their earnings growth in the quarter should mitigate some of this increased debt.

Proceeds from these refinancings will generate cash to fund new investment activity and reduce RCF debt.

Portfolio valuation

The weighted average EV / EBITDA multiple was 8.8x on 31 December 2024 (compared to 9.5x at the end of Q3), reflecting the modest reduction in carrying multiples for certain portfolio companies, reflecting the current economic outlook. Had multiples remained flat in Q4, NAV would have increased.

The EBITDA multiple used for each portfolio company is applied to an earnings figure for the business that is deemed to be 'maintainable', in line with IPEV Valuation Guidelines.

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