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This announcement contains inside information.

14 March 2023

Literacy Capital plc ("Literacy" or the "Company")

Portfolio disposal at significant premium

Disposal highlights

- Sale of Kernel Global at a 48.9% premium to carrying value
- Literacy's interest valued at £28.6m, resulting in a £9.4m (3.7%) uplift to Literacy's NAV
- Literacy receives £19m in cash as part of the transaction, whilst it also retains a residual stake in the business
- The sale delivers a 9.8x return, with no carried interest payable by Literacy
- Cash proceeds shall be used to repay the RCF and recycled into new investments

Portfolio update

Literacy is pleased to announce a transaction involving its portfolio company, Kernel Global ("Kernel"), funded by Three Hills Capital Partners. Kernel is a high quality recruitment group, comprised of two trading brands, that Literacy invested into in June 2018.

On 31 December 2022 (the date of Literacy's most recent quarterly factsheet and NAV update), Kernel was Literacy's fourth largest investment (equating to 7.6% of NAV).

The transaction values Literacy's stake in Kernel at £28.6 million, a 48.9% premium to the carrying value on 31 December 2022 of £19.2 million.

Had Kernel been valued on 31 December 2022 in line with the valuation in this announcement, the Company's estimated net asset value per share would have been 15.7p per share, or 3.7%, higher at 436.2p (31 December 2022: 420.6p as announced on 26 January 2023).

Of the £28.6 million of value at completion to Literacy, £19.0 million is payable in cash, with the balance remaining invested in the business. Literacy's total (gross and net) return from this investment is 9.8x cost, before any future uplifts.

In addition to the £19.0 million of cash received from this transaction, Literacy previously received £0.7 million from an earlier refinancing of the business. Therefore, cash proceeds received by Literacy in aggregate from its investment in Kernel amount to £19.7 million, or 6.7x cost.

Literacy intends to use the cash proceeds to repay the amounts drawn under its Revolving Credit Facility, before recycling these proceeds into new investments. This represents a highly profitable and successful investment for Literacy, demonstrating the team's commitment to actively managing the portfolio and recycling proceeds to fund new investments in the pipeline.

The transaction has exchanged, with completion and the receipt of cash expected before the end of March.

Richard Pindar, CEO of the Investment Manager and Director of Literacy Capital plc, commented:

"This transaction sees Literacy realising the majority of its investment in Kernel, which delivers a significant return for the fund and its shareholders, whilst also providing a substantial amount of capital to fund new investment opportunities."

"We are very proud of the strong performance of the business led by Logan Naidu since Literacy's investment in 2018, which has grown substantially with our support. The business has grown from approximately 50 employees to almost 300 in a little over four and a half years and now operates in five countries across three continents. We wish Logan, Darren and the rest of the team the best as they seek to continue this success in the future."

"We are happy to have been able to support the wishes of Kernel's management team to sell the business and we are pleased to retain a small stake, allowing Literacy to continue benefiting from growth of the business in the future."

"Generating cash inflows from the portfolio is important to ensure Literacy has capital available to fund new investments in our pipeline, and we expect cash proceeds received by the Company in 2023 to be substantially higher than in previous years. We are very pleased that we have been able to generate a strong return for Literacy's shareholders and we plan to achieve similar upside and returns for our investors from the remaining portfolio companies and new investments. The premium achieved to carrying value also provides further evidence of consistent prudence in the approach to valuing Literacy's assets."

Notes

This announcement does not constitute or describe an updated NAV for the Company. Shareholders should take note that the calculation of the NAV per share as at 31 March 2023 will take account of the latest valuations of all the Company's investments as at this date.

Enquiries

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About Literacy Capital:

Literacy Capital (BOOK.L) is an investment trust that was launched in 2017 by Paul Pindar and Richard Pindar, before it listed on the London Stock Exchange's main market in June 2021. The Company focuses on opportunities to invest for the long-term in growing private UK businesses where a clear route to creating additional value can be seen. It also has a unique charitable objective to donate 0.9% of annual NAV to charities focused on improving literacy in UK children. £5.8 million has been donated or reserved for donation to charities since the trust's creation in 2017 up until the end of 2022. For more information, please visit our website: www.literacycapital.com.

Website:

www.literacycapital.com

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A copy of this announcement will be available on the Company's website at www.literacycapital.com.

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