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27 April 2023

Literacy Capital plc

Quarterly trading update and NAV announcement for Q1 2023

***"Further growth across portfolio companies drives Q1 NAV return of +11.1%
and twelve month return of +46.1%"***

Literacy Capital plc ("Literacy", "BOOK" or the "Company"), a listed investment trust primarily focused on investing directly into private businesses based in the UK, today announces its quarterly trading update and NAV update for the three months ending 31 March 2023.

Q1 Highlights:

- Net asset value ("NAV") per share of 467.3p (Q4'22: 420.6 pence) and NAV of £280.4m (Q4'22: £252.4m)
- Total NAV return (after all fees and charitable donation provisions) of +11.1% in the last three months, a net uplift of £28.0m (46.7p per share)
- Portfolio companies continue to trade well with RCI (+£18.6m) again the most significant contributor in the quarter, driven by strong organic growth. Kernel Global (+£8.4m) also performed strongly as it was marked up in line with the transaction that completed in March
- Literacy Capital received £21.1m of cash in Q1, the largest inflow for BOOK in any quarter. The sale of Kernel at a 48.9% premium to its previous carrying value generated £19.0m, with a dividend from Grayce also contributing
- The discount to NAV that the shares trade on is reducing and is something which The Board of the Company continues to monitor closely

Commenting on the Q1 performance, CEO of BOOK's investment manager, Richard Pindar, said:

"Literacy Capital entered 2023 with the portfolio in excellent condition. We are optimistic that this will continue as the year progresses.

"RCI was again the outstanding performer. It contributed an uplift of £18.6m in Q1, following strong growth in the previous quarter too (+£17.8m in Q4 2022). The sale of Kernel was also pleasing, particularly given the challenging market conditions. This exit generated substantial cash for BOOK (thereby allowing debt to be repaid), released capital for new investments and provided evidence of prudence in BOOK's valuations.

"We have a strong pipeline of opportunities to invest in both new businesses and our existing portfolio. We anticipate that future cash inflows will be healthy as the portfolio matures.

"Share price performance in 2023 has been encouraging thus far and we are pleased that the discount which appeared in H2 2022 is now reducing. We will continue to monitor this on behalf of shareholders."

Net Asset Value

The Company's NAV as at 31 March 2023 is £280.4m (NAV per share of 467.3p). This represents an increase of 11.1% on the NAV as at 31 December 2022.

The Company announces that as at 31 March 2023, the NAV per ordinary share was 467.3 pence. This represents an 11.1%, or 46.7p per share, uplift since 31 December 2022 when NAV per ordinary share was 420.6p.

	At 31 Mar 23	At 31 Dec 22	At 31 Mar 22
Net asset value	£280.4m	£252.4m	£192.0m
NAV per ordinary share	467.3p	420.6p	320.0p

The above NAV calculation is based on the Company's issued ordinary share capital as at 31 March 2023 of 60,000,000 ordinary shares of £0.001 each. This NAV calculation includes the cost to ordinary shareholders of the 550,000 warrants in issue. This cost has been accrued on a straight-line basis over the vesting period of the warrants.

Portfolio company performance

Despite continued macro uncertainty during the quarter, the financial performance and KPIs reported by our portfolio remained consistent and strong in Q1. The majority of the top ten investments contributed positively to our NAV uplift.

Sales momentum across some portfolio companies was more subdued than expected at the start of the year but this improved later in the quarter. Growth in Q2 looks encouraging, which would have a direct and positive impact on NAV growth in the next quarterly report. RCI was the strongest performer in Q1 and now comprises 30.6% of net assets. We have very regular contact (often daily) with the management team and we are confident that this momentum will continue.

We are now also receiving increasingly frequent inbound interest in BOOK's portfolio companies from credible acquirors, as many of them have increased in scale, are well-led and continue to grow strongly. This was the case with Kernel Global, which moves from our fourth largest asset to eighth, following the receipt of £19.0m after BOOK sold most of its stake to a €1bn private equity fund.

Transactions and investments

No new investments were completed in the quarter but a further £4.3m was invested into the portfolio during Q1.

Follow-on funding was provided to Oxygen again to help it refurbish and acquire more sites. Smaller amounts of capital were invested into several other existing portfolio companies. No capital calls from PE funds were funded by BOOK in Q1.

Cash & liquidity

£21.1m of cash was received in Q1, the largest inflow for BOOK in any quarter. The sale of Kernel generated £19.0m, with a dividend from Grayce also contributing. Distributions from third party funds amounted to £0.2m in Q1.

Balances drawn under the RCF were repaid in Q1, resulting in £2.9m being drawn on 31 March 2023 (vs. £15.9m on 31 December 2022).

Post-balance sheet events

No events occurred between the end of Q1 and the publication of this factsheet requiring reported NAV to be revised.

Factsheet

The Company's factsheet for the three months to 31 March 2023 is now available on the Company's website: www.literacycapital.com/investors

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For further information, please contact:

Literacy Capital plc / Literacy Capital Asset Management LLP
Tom Vernon / Richard Pindar

+44 (0) 20 3960 0280

MHP Group

Reg Hoare / Ollie Hoare / Matthew Taylor

book@mhpgroup.com

+44 (0) 20 3128 8404

Singer Capital Markets Securities Limited

Robert Peel

+44 (0) 20 7496 3000

About Literacy Capital plc

Literacy Capital (BOOK.L) is a closed-end investment company that was co-founded by Paul Pindar and Richard Pindar in 2017 with £54m of capital. Literacy listed on the London Stock Exchange's Main Market in June 2021, before gaining Investment Trust status on 1 April 2022. The Company focuses on opportunities to invest for the long-term in growing private businesses where a clear route to creating additional value can be seen with its support.

It also has a unique charitable objective, to donate 0.9% of annual NAV to charities focused on improving UK literacy in children. Almost £6.5 million has been donated or reserved for donation to charities since the trust's creation in 2017, meaning 12% of the capital originally raised from investors has been given away. For more information, please visit our website: www.literacycapital.com.

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

The information contained in this announcement regarding the Company's investments has been provided by the relevant underlying portfolio company and has not been independently verified by the Company. The information contained herein is unaudited.

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