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28 October 2024

Literacy Capital plc

Quarterly trading update and NAV announcement for Q3 2024

BOOK continues to recycle capital and focus on investments with strong growth potential

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 and NAV update for the three months ending 30 September 2024.

Q3 Highlights:

- Total return in the quarter of -3.4%, a fall of £9.9m (17.9p per share), resulting in net asset value ("NAV") per share of 504.7p (Q2'24: 522.6p), and NAV of £303.7m (Q2'24: £313.6m).
- The majority of BOOK's largest holdings continue to perform in line or ahead of plan despite UK business confidence and growth remaining subdued.
- £14.2m was invested in the quarter, which included one new investment. This involved BOOK taking a minority stake in Campfire, an influencer marketing agency.
- Literacy announced the extension and refinancing of its Revolving Credit Facility ("RCF") with a new lender on improved terms. This will provide additional support and flexibility to BOOK's activities until September 2027.
- A focus on actively managing and recycling capital from the portfolio remains, as demonstrated by a successful sale of a fund interest at a premium, with an expectation of strong cash receipts by BOOK in the next six months.

Commenting on the Q3 performance, CEO of BOOK's investment manager, Richard Pindar, said:

"Whilst, the modest decline in NAV in Q3 was disappointing, it is worth noting that this is the first adverse movement in any quarter since Q1 2020, which was heavily impacted by Covid-19.

The majority of BOOK's largest holdings continue to perform in line or ahead of plan, despite business confidence and macroeconomic growth across many sectors in the UK remaining noticeably subdued.

The NAV decline was primarily due to a reduction in the carrying value of two assets, which were relatively large holdings at the end of the previous quarter (21.1% of NAV on 30 June). Both remain highly profitable investments, which have traded very strongly historically and retain significant potential.

Prior to the UK general election in July, many expected that sentiment and confidence amongst businesses would improve. Despite the hope for greater certainty, many corporates have evidently chosen to defer decision making or spending until they digest the Budget statement on 30 October."

Net Asset Value

The Company announces that, as at 30 September 2024, the NAV per ordinary share was 504.7 pence. This represents a 3.4%, or 17.9p per share, reduction since 30 June 2024, when NAV per ordinary share was 522.6p.

	At 30 Sep 24	At 30 Jun 24	At 30 Sep 23
Net asset value (£m)	303.7	313.6	295.7
NAV per ordinary share (pence)	504.7	522.6	492.8

The above NAV calculation is based on the Company's issued ordinary share capital as at 30 September 2024 of 60,175,000 ordinary shares of £0.001 each. This NAV calculation includes the cost to ordinary shareholders of the 450,000 warrants in issue. This cost is accrued on a straight-line basis over the vesting period of the warrants.

Portfolio company performance

Double digit revenue and earnings growth across BOOK's top ten holdings was achieved in the quarter, remaining consistent with three months earlier. Most of BOOK's largest holdings traded in line or ahead of budget. The two businesses that saw their valuations decline in Q3 were relatively large holdings (21.1% of NAV on 30 June 2024), which resulted in the overall decline in NAV. Otherwise, the performance of BOOK's largest portfolio companies remained on track.

Velociti and Cubo Work were the two strongest contributors in Q3 and were marked up as a result of positive trading. Both continue to demonstrate progress and have strong prospects for Q4 and 2025.

BOOK's modest exposure to private equity fund interests continue to mature and reduce as a proportion of NAV, as the funds sell their underlying portfolio companies and return cash to their investors. During the quarter, BOOK agreed to sell one of its remaining fund interests for an 8.2% premium to its Q2 2024 carrying value. This sale generated £2.8m and the cash proceeds were received in full in early October. This demonstrates BOOK's ability to realise favourable exit prices and rebalance the portfolio into newer, direct investments that are expected to deliver greater upside.

Transactions and investments

£14.2m was invested by BOOK in aggregate during Q3. One new platform investment was completed in the quarter, with Literacy taking a minority stake in Campfire, a tech-enabled influencer marketing agency. The rest of the capital was injected into the existing portfolio. The largest recipients of additional capital were Techpoint, Cubo Work and Oxygen; three of BOOK's top five investments with respect to carrying value.

Cash & liquidity

Cash inflows amounted to £2.1m in Q3. These receipts related to a distribution (£1.5m) from an existing portfolio company, with the balance (£0.6m) received courtesy of distributions from third-party fund investments.

Literacy's RCF was £19.9m drawn as at 30 September 2024 (£6.4m drawn on 30 June 2024). During the quarter, the fund refinanced its facility with OakNorth Bank plc, on a new three-year term.

The combination of good growth rates and low leverage at a portfolio company level mean that several assets are likely to be refinanced or sold in the next six months, which would generate healthy cash inflows for BOOK.

Post-balance sheet events

No events occurred between the end of Q3 and the publication of the factsheet requiring reported NAV to be revised.

Factsheet

The Company's factsheet for the three months to 30 September 2024 is now available on the Company's website: www.literacycapital.com/investors.

BOOK's FY24 year-end and Q4 reporting date are 31 December 2024. As a result, the next factsheet is expected to be published slightly later, with an expectation that this would occur before the end of February 2025.

-ENDS-

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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. £10.6 million has been donated or reserved for donation to charities since the trust's creation in 2017. 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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