LITERACY CAPITAL Q3 2024 | Factsheet

Published on 28 October 2024

→ for the three months to 30 September 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% of NAV are made each year. Donations since the set up of Literacy Capital in 2017 **now exceed £10.6m.**

Literacy Capital plc highlights

504.7p NAV per ord. share[1]	**£14.2m** Capital invested
(3.4)% Q3 NAV per share	**£2.1m** Proceeds received
+2.4% Change in NAV per share in last 12 months	**£652k** Q3 charitable donation provision

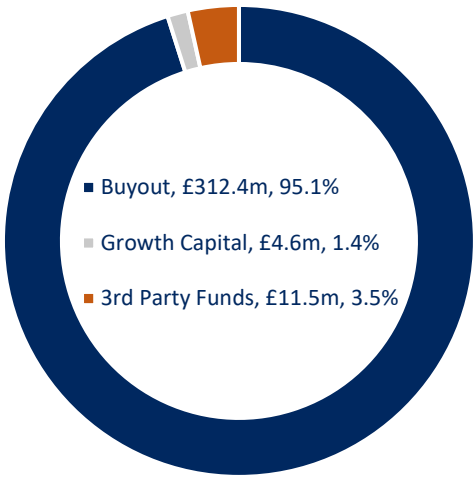
Key facts on 30 September 2024

Net assets	£303.7 million
Net assets per ord. share[1]	504.7p
Share price (mid-price)	500.0p
Premium / (discount)	(0.9)%
Management fee	0.9%
Trading on	Specialist Fund Segment (SFS)
Ticker	BOOK
Ordinary shares in issue[2]	60,175,000
ISIN	GB00BMF1L080

[1] 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)

[2] Excludes warrants in issue (450,000 allotted on 30 September 2024)

Breakdown of gross assets[3] by asset type



[3] Gross assets of £328.5m, before borrowings, compared to net assets of £303.7m. All figures and percentages rounded to one decimal place

Performance to 30 September 2024

% total return	3 months	1 year	3 years	Since Admission[4]	Since inception[5]
BOOK net assets per share[6]	**(3.4)%**	**+2.4%**	**+105.7%**	**+214.2%**	**+404.7%**
BOOK share price	**(5.2)%**	**(1.5)%**	**+72.4%**	**+212.5%**	**n/a**
FTSE investment company index	+0.5%	+15.2%	(3.5)%	(1.5)%	+45.9%
FTSE all-share index	+2.3%	+13.4%	+23.9%	+25.0%	+38.2%

[4] BOOK was admitted to the London Stock Exchange on 25 June 2021

[5] Inception date treated as 30 April 2018. £54 million of capital raised

[6] Change compared to Q2 2024 factsheet (from NAV to NAV per share) to reflect additional shares in issue following conversion of warrants in Q3

BOOK's FY24 year-end and Q4 reporting date are 31 December. As a result, the next factsheet is expected to be published before the end of February 2025

www.literacycapital.com/investors

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Richard Pindar, CEO of BOOK's Manager:

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

The Q3 NAV return (3.4% decline) was disappointing, but it is worth noting that this is the first adverse movement in any quarter since Q1 2020, which was heavily impacted by Covid-19 and was over a year before BOOK's listing in June 2021.

This 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, with significant potential.

Despite hope of a swift improvement in sentiment and greater certainty following the general election in July, many corporates have evidently chosen to defer decision making or spending until they digest the Budget statement on 30 October."

Summary of Q3 performance

On 30 September 2024, net asset value (NAV) was £303.7m, or 504.7 pence per share. This is a net decrease of 3.4% to NAV in Q3, equating to a reduction of £9.9m (17.9p per share).

The primary reason for this decrease in NAV was weaker activity levels from corporate customers in two of BOOK's largest portfolio companies, Techpoint and Grayce. These businesses remain highly profitable investments for BOOK but market conditions have been more challenging in recent months due to the macroeconomic climate, which has reduced their carrying values.

The two strongest performers in Q3 were Velociti and Cubo Work, both of which continue to show excellent progress in Q4.

BOOK's share price declined 5.2% in Q3. This was primarily driven by a small number of private individuals seeking to sell shares and realise capital gains ahead of the Budget on 30 October. This has continued post the quarter-end.

New investments and commitments

One new investment was completed in Q3. This was the minority investment in Campfire, a digital marketing agency based in Manchester. Capital was also invested into several existing portfolio companies, including Techpoint, Cubo and Oxygen, to support their growth or capex plans.

Cash generation and liquidity

£2.1m was received from portfolio companies and PE fund interests in Q3 (split 75:25). During Q3, BOOK agreed to sell one of its four fund interests. This sale of a 2018-vintage fund interest was at an 8.2% premium to its previous carrying value, generating cash proceeds of £2.8m, received in early October.

In September, a new RCF with a three-year term was announced. At the end of Q3, this facility was £19.9m drawn.

Activity since the period end

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

"The children have become hooked into books and look forward to reading with the adults. They have become more engaged in reading sessions in class and their confidence has soared.". Teacher, from a Bookmark Partner school



Approximately seven million adults in the UK are unable to read well, and low literacy costs the UK economy £81 billion each year. Literacy Capital's partnership with Bookmark is crucial in ensuring that disadvantaged children receive the support they need to overcome barriers to literacy and have a fair chance in life.

In the 23/24 academic year, Bookmark scaled its one-to-one reading programme, with volunteers delivering 43,779 sessions to 2,056 children. Bookmark also expanded its resource-based initiatives, gifting over 50,000 books to schools and 447,600 copies of The Story Corner magazine to children across the country to mitigate learning loss during school holidays.

Bookmark has recently launched its ambitious three-year strategy, outlining plans to scale its reach and deepen its impact to benefit 500,000 children by 2027. Alongside optimising and embedding the current programmes into schools, Bookmark is rolling out new initiatives to ensure that it is meeting the needs of children who face the greatest barriers and for whom reading can be the most transformative.

Visit bookmarkreading.com to learn more.

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Portfolio overview

Companies / assets	Date of investment	Carrying value	*Value as % of NAV*
RCI Group	Sep 18	£99.5m	*32.8%*
Grayce	Jul 18	£37.3m	*12.3%*
Cubo Work	May 23	£24.5m	*8.1%*
Oxygen Activeplay	Jul 21	£24.3m	*8.0%*
Techpoint	Jun 20	£21.3m	*7.0%*
Top 5 investments		**£206.9m**	***68.1%***
Wifinity	Dec 17	£17.4m	*5.7%*
Antler Homes	Jun 18	£16.8m	*5.5%*
Velociti	Feb 20	£16.2m	*5.3%*
Hanmere	Dec 17	£10.1m	*3.3%*
Tyrefix	Nov 20	£9.3m	*3.1%*
Top 10 investments		**£276.7m**	***91.1%***
Other direct investments		£40.3m	*13.3%*
Private equity fund interests		£11.5m	*3.8%*
Borrowings (incl. donation provision & impact of warrants)		£(24.8)m	*(8.2)%*
Total net asset value		**£303.7m**	***100%***

Top 10 investments[#]

+21%
YoY sales growth

+15%
YoY EBITDA growth

9.5x
EV / Earnings[1]

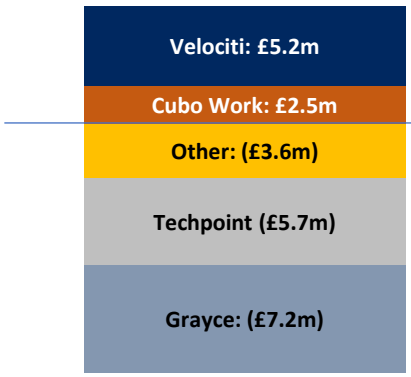
2.4x
Net debt / EBITDA[1]

20.9%
EBITDA margins

4,069
Total headcount

[#] Data calculated on a weighted average basis (excl. headcount)
[1] Excludes Antler Homes

Breakdown of Q3 uplift by asset (before costs)



Portfolio highlights

Revenue and earnings growth remained relatively consistent compared to the previous quarter, both registering double digit growth, with most of BOOK's largest ten holdings trading in line or ahead of budget. The two businesses that saw their valuations decline in Q3 were relatively large holdings (2nd & 4th largest assets at the end of Q2), which contributed to the overall decline in NAV. Otherwise, the performance of BOOK's largest portfolio companies remained on track.

PE fund interests continued to mature and reduce as a proportion of NAV, due to receiving distributions. The sale of BOOK's smallest residual fund interest (mentioned on page 2), reduces the number of fund interests to three. The sold interest generated an overall return of 2.5x (IRR: 24.0%). The sale means fund interests will likely be <3% of NAV by the end of 2024. It is unusual for secondary fund interests to be sold at a premium and demonstrates BOOK's ability to achieve favourable prices at exit and to rebalance the portfolio into newer opportunities expected to deliver greater upside.

Net debt within the portfolio

Net debt reduced slightly to 2.4x EBITDA (on a weighted average basis) at the end of Q3. This was little changed compared to 30 June, as no further debt at a portfolio company was raised in Q3.

This level of leverage at portfolio company level remains extremely modest compared to the standards of typical PE-backed businesses. An increase in refinancing activity is expected within BOOK's portfolio companies in the next six months, which would generate meaningful cash for the fund during this period.

Portfolio valuation

The weighted average EV / EBITDA multiple was 9.5x on 30 September 2024 (compared to 9.2x and 9.5x at the end of Q2 and Q1 respectively), primarily affected by the weighting or mix impact of portfolio companies.

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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