RM™ plc

TECHNOLOGY AND RESOURCES FOR EDUCATION

Six months to 31 May 2019

David Brooks
Chief Executive Officer

Neil Martin
Chief Financial Officer

AGENDA

- **Highlights**
  David Brooks
- **Financial Review**
  Neil Martin
- **2019 Divisional Review**
  Neil Martin
- **2019/2020 Focus & Outlook**
  David Brooks
- **Q&A**

RM RESOURCES

Curriculum and education resources for schools and nurseries in the UK and internationally

2018		
Revenue £121.6m	Operating profit £16.6m	Operating margin 13.7%

- tts — National curriculum resources
- consortium — Regional education supplies generalist
- Full suite provider
- #1
- **50,000** Products
- **4,000** Own designed products
- 20% 5 year CAGR in International sales
- **c.500** FTE Staff
- **8%** Staff based in India
- **c.30,000** Customers

RM RESULTS

Technology experts in global end-to-end digital assessment

2018		
Revenue £31.8m	Operating profit £8.2m	Operating margin 25.6%

- Using AI in digital assessment
- High visibility revenue
- End to end digital assessment
- Digitally >1m exams taken & 13m exams marked
- 60% of customers international
- Global target markets, (Language testing, professional bodies, general exams, higher education)
- **c.500** FTE Staff
- **>50%** Staff based in India
- **c.30** Assessment Customers

RM EDUCATION

Software, services and technology to UK schools and colleges

2018		
Revenue £67.6m	Operating profit £7.8m	Operating margin 11.6%

- Cloud based digital platforms
- Safeguarding pupils online
- #1 National presence and scale
- **>70%** Annuity revenue
- Leading provider of internet services to UK schools
- Full suite of ICT services
- **c.800** FTE Staff
- **>35%** Staff based in India
- **c.8,000** Customers

HIGHLIGHTS OF H1 2019

Trading in line to deliver full year expectations

- **Revenue up 1%** with good growth in RM Results and timing benefits from the adoption of IFRS15 which more than offset a difficult UK schools market
- **International revenues increased 33%** offsetting a 3% decline in the UK
- **Adjusted operating profits increased 17%** supported by the timing benefits of IFRS15 adoption and operating margin improvements in the two technology divisions
- **Acquisition of SoNET in June. SoNET's strong e-testing capability** will augment RM Results software enabling full end-to-end digital assessment
- **Net debt of £21.2m** improved by £2.2m on the same period last year
- **Interim dividend increased by 5%** to 2.00p from 1.90p in 2018

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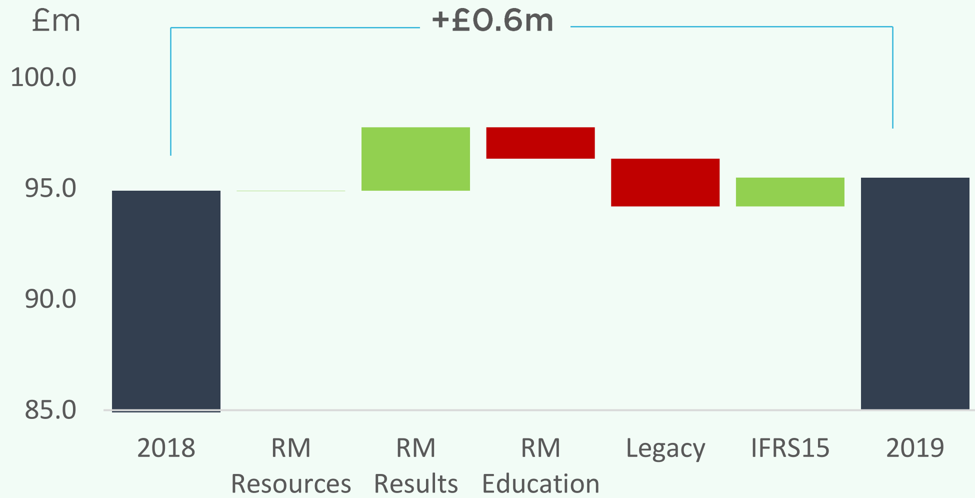
FINANCIAL SUMMARY

FINANCIAL OVERVIEW

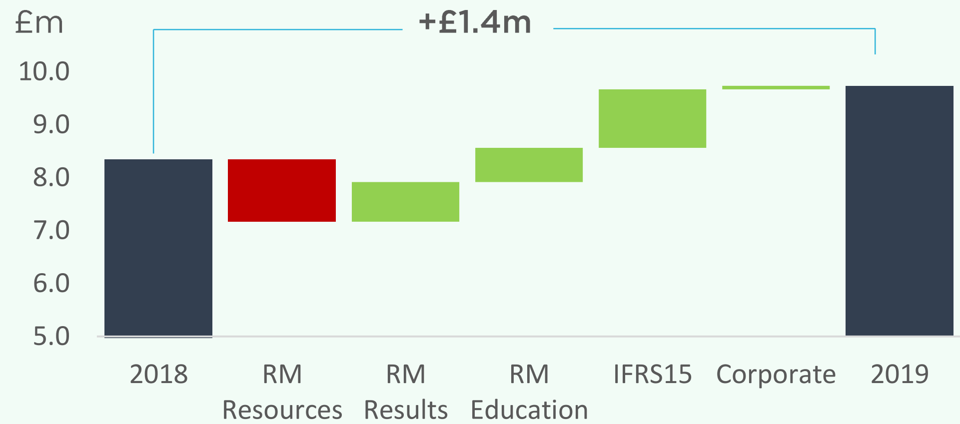
£m	2019	2018	Variance
Revenue	**95.5**	**94.9**	**+1%**
Adjusted Operating Profit	**9.7**	**8.3**	**+17%**
Operating Margin	10.2%	8.8%	+1.4 pp
Interest	(0.4)	(0.8)	+47%
Adjusted Profit before tax	**9.3**	**7.6**	**+23%**
Tax	(1.8)	(1.5)	-21%
Adjusted Profit after Tax	**7.5**	**6.1**	**+24%**
Exceptional items (after tax)	(0.7)	(0.5)	-45%
Profit after tax	**6.8**	**5.6**	**+22%**
Adjusted diluted EPS	9.1p	7.3p	+25%
Interim dividend per share	**2.00p**	**1.90p**	**+5%**

Adjusted figures exclude the amortisation of acquisition related intangible assets; acquisition costs and costs related to exceptional property costs and provision movements

Revenue up 1%



Adjusted operating profit up 17%



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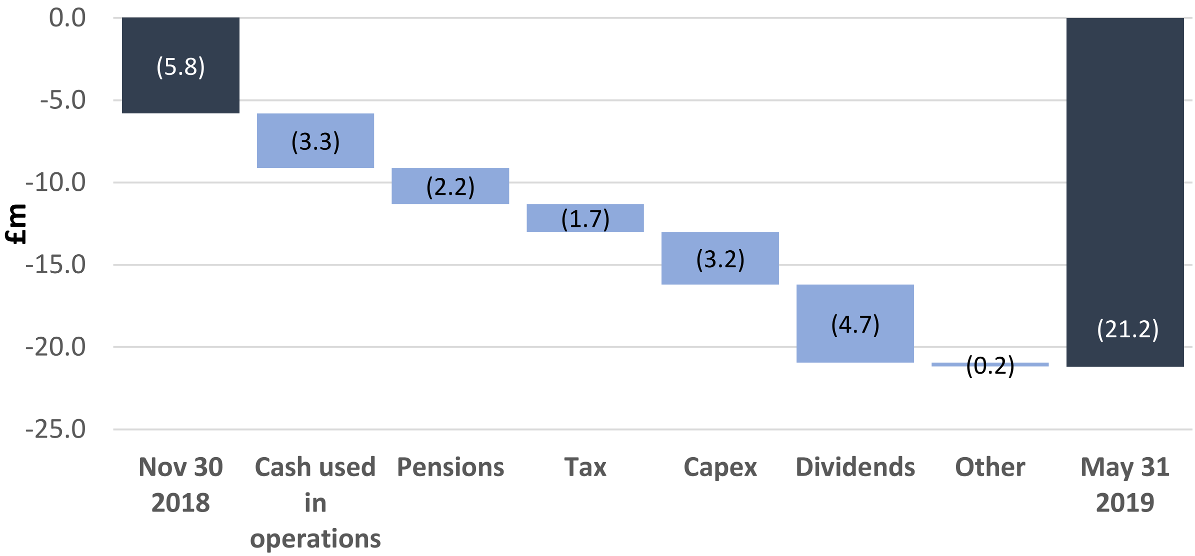
CASH FLOW AND PENSION

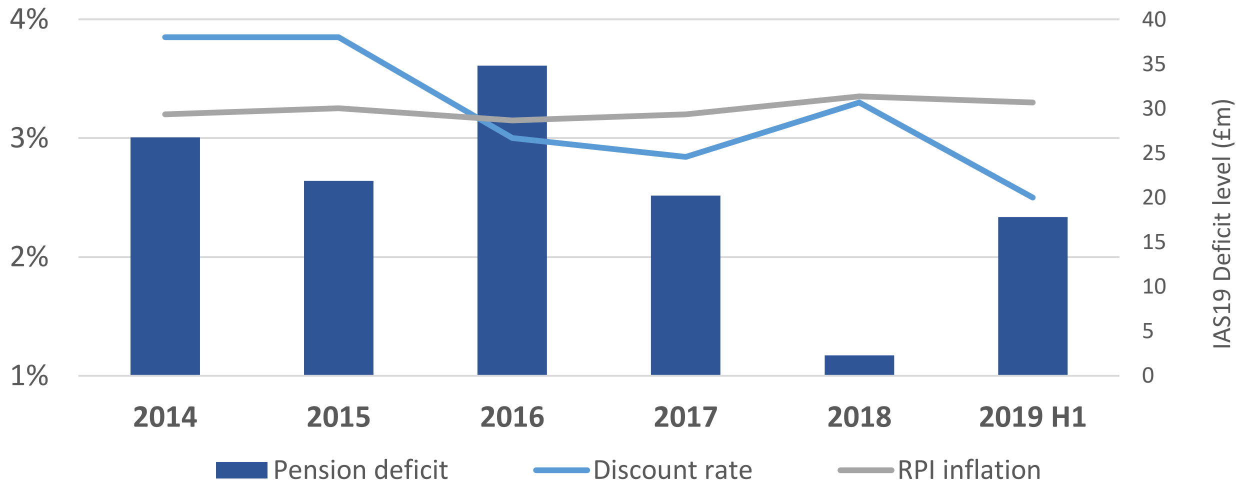


Cash Flow

Net debt of £21.2m is £2.2m lower than at the same point last year (£23.4m)

Capex has increased reflecting investment in Group IT systems and consolidation of the distribution estate

New £70m credit facility signed running to 2022



Pension

IAS19 net pension deficit increased to £17.8m driven by an 80 bps reduction in the discount rate

Annual deficit recovery payments £4.1m p.a.

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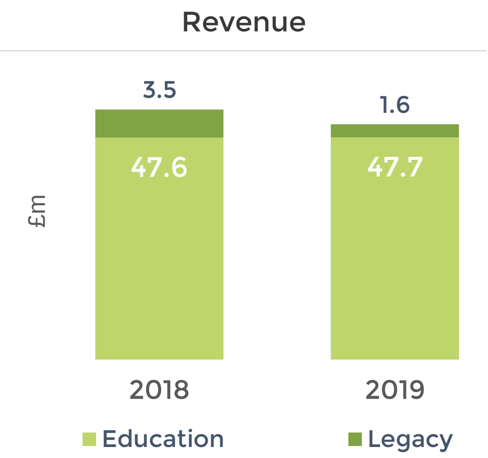
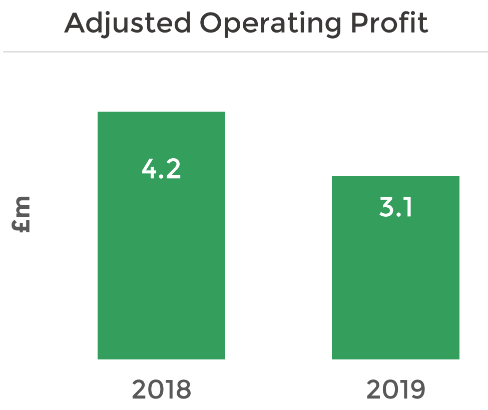
2019 DIVISIONAL REVIEW

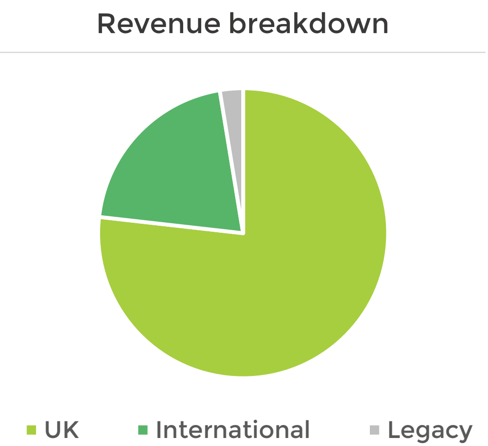
RM RESOURCES

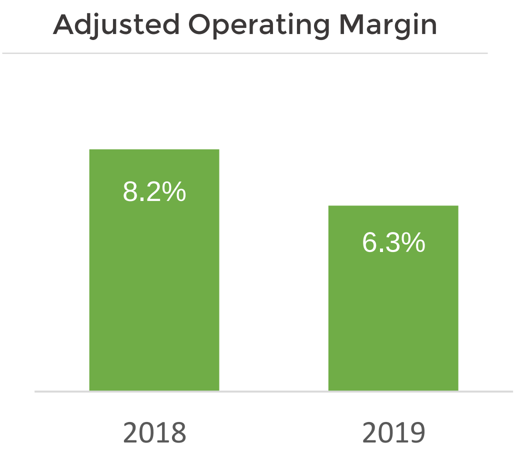
Revenue decline driven by difficult UK market and the unwinding of legacy revenues; strong international growth continues

- International growth of 25% more than offsets a 4% decline in the UK to deliver marginal growth in underlying education revenue
- Reduction in legacy revenues due to closure of the UK trade channel and lower Consortium non-education sales
- Increased costs from international marketing and distribution centre consolidation have reduced operating margins
- Integration continues on track with completion of office staff consolidation and heads of terms signed on new distribution centre





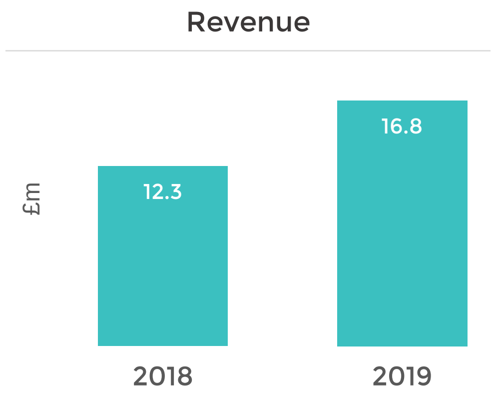


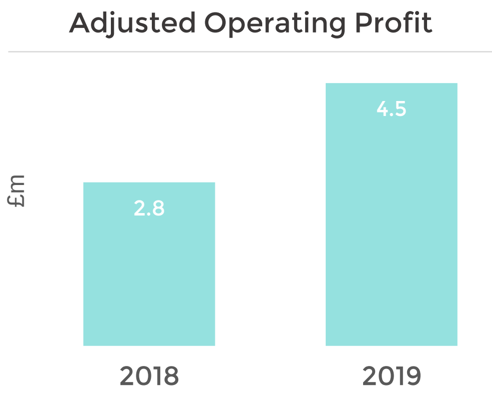


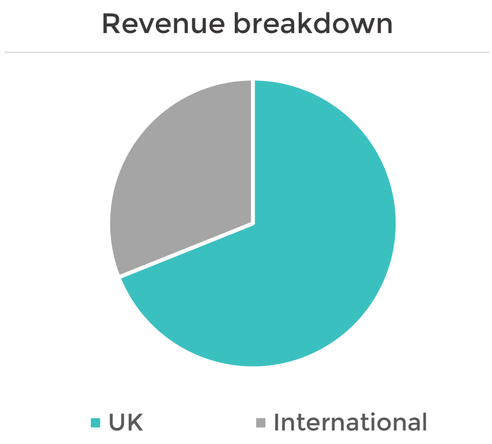
RM RESULTS

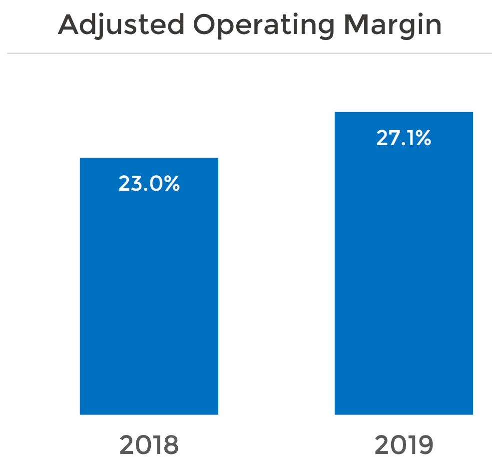
Strong revenue growth and SoNET acquisition to enable end-to-end digital assessment capability

- Revenues increased 37% driven by strong underlying growth and timing benefits from the adoption of the IFRS15 accounting standard
  - IFRS15 effects will unwind in H2
- Sales pipeline remains strong including a national school exam contract win in H1
- Profit growth reflects operating leverage of the division
- Acquisition of SoNET, a company with e-testing capability to enable delivery of end-to-end digital assessment







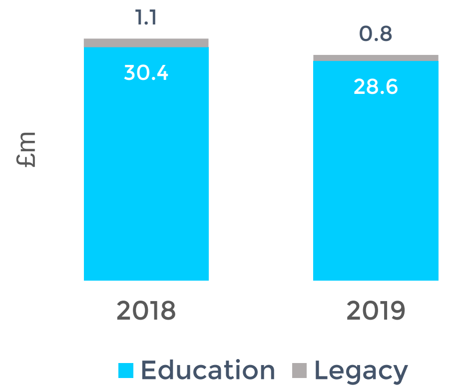


RM EDUCATION

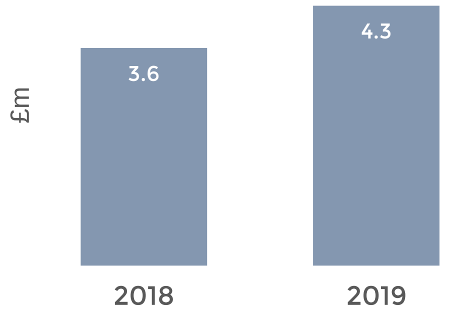
Continued profit growth delivered from improved gross margins and operating efficiencies

- Revenues down 7% reflecting lower hardware sales
- Adjusted operating profits up 19% benefiting from improved gross margins and cost efficiencies
- IT Services contract signed with the UK's largest multi-academy trust

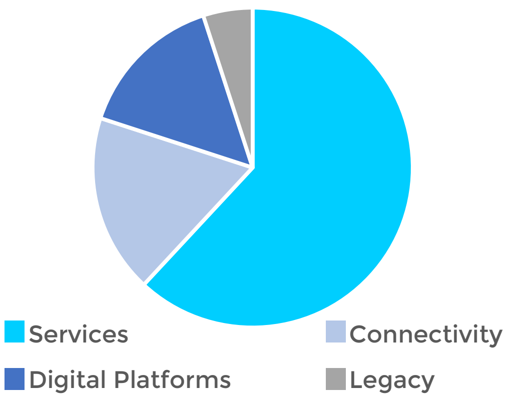
Revenue



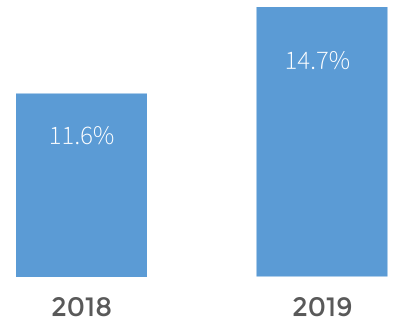
Adjusted Operating Profit



Revenue breakdown



Adjusted Operating Margin



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2019 FOCUS & OUTLOOK

Four strategic themes to deliver profitable growth

1	2	3	4
IP and technology development	International growth	Innovate with our customers	Efficiency and simplicity

Potential to accelerate strategy through M&A where appropriate

PROGRESS IN H1

1
IP and technology development

Acquisition of digital assessment technologies including e-testing company enabling full end-to-end digital assessment capability

2
International growth

Acquisition brings new customers in Asia Pac and Europe and a regional presence in Australia

3
Innovate with our customers

New IT services contract with England's largest multi academy trust to take their c.60 schools to the Cloud

4
Efficiency and simplicity

Completion of office space consolidation and signing of heads of terms on new distribution centre

ACQUISITION

1 IP and technology development

2 International growth

End-to-end Digital Assessment

E-Testing		E-Marking	
Test creation	Test delivery	Marking	Results & Analytics
SoNET Assessment Master		RM Assessor[3]	
RM Results			

ACQUISITION SoNET SYSTEMS

1 IP and technology development

2 International growth

Acquisition Highlights

- Addition of SoNET's e-testing software to current e-marking capability enables delivery of a full end-to-end digital assessment service to new and existing customers
- Existing working relationship between companies prior to acquisition
- Enhanced capability will accelerate mid term growth of the Division
- Brings several new customers to the Group in Asia Pacific and Europe.
- Other software platform acquired outside of Assessment will be reviewed

Acquisition Financials

- Acquisition completed June 2019 for a consideration of £7.3m
- SoNET delivered revenues of £3m and a small profit in the year to 30 April 2019
- SoNET is headquartered in Melbourne, Australia and has 35 staff
- The acquisition was financed through the existing debt facility which has been subsequently increased and extended

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OUTLOOK

OUTLOOK

- **Trading in line** to deliver full year expectations
- **New acquisition** strengthens RM Results strategic position
- **Continued focus on international markets**
- **UK market remains subdued** – efficiency gains remain key
- **Strong free cash flow** supports investment plans

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Q & A

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APPENDIX

DIVISIONAL SUMMARY

Revenue £M

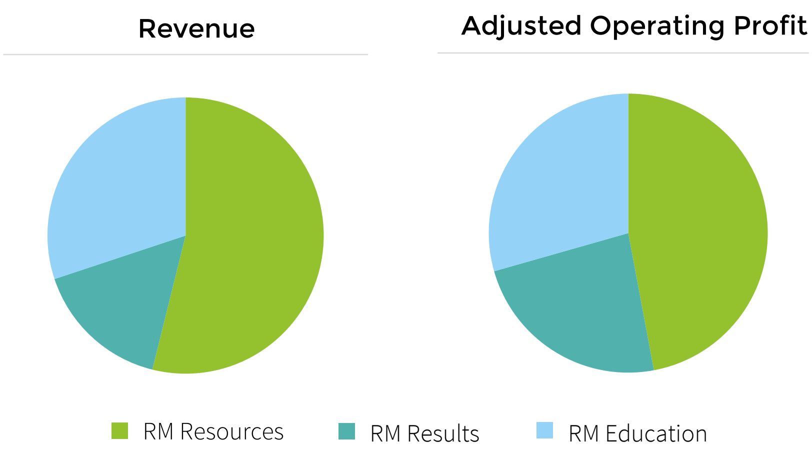
	HY19	HY18	Variance
RM Resources	49.2	51.1	-4%
RM Results	16.8	12.3	+37%
RM Education	29.5	31.5	-7%
Group	95.5	94.9	+1%

Adjusted Operating Margin

	HY19	HY18	Variance
RM Resources	6.3%	8.2%	-1.9pp
RM Results	27.1%	23.0%	+4.1pp
RM Education	14.7%	11.6%	+3.2pp
Group	10.2%	8.8%	+1.3pp

Adjusted Operating Profit £M

	HY19	HY18	Variance
RM Resources	3.1	4.2	-26%
RM Results	4.5	2.8	+61%
RM Education	4.3	3.6	+19%
Corporate	(2.2)	(2.3)	+3%
Group	9.7	8.3	+17%



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INCOME STATEMENT

	6 MONTHS TO 31 MAY					
	2019			2018		
£M	ADJUSTED	ADJUSTMENTS	TOTAL	ADJUSTED	ADJUSTMENTS	TOTAL
Revenue	**95.5**	**-**	**95.5**	**94.9**	**-**	**94.9**
Cost of sales	(54.7)	-	(54.7)	(56.2)	-	(56.2)
Gross profit	**40.7**	**-**	**40.7**	**38.6**	**-**	**38.6**
Gross profit %	42.7%	-	42.7%	40.7%	-	40.7%
Operating expenses	**(31.0)**	**-**	**(31.0)**	**(30.3)**	**-**	**(30.3)**
Amortisation of acquisition related intangibles		(0.6)	(0.6)		(0.6)	(0.6)
Acquisition related costs		(0.2)	(0.2)		-	-
Property related costs		(0.1)	(0.1)		-	-
	(31.0)	(0.9)	(31.9)	(30.3)	(0.6)	(30.9)
Operating profit	**9.7**	**(0.9)**	**8.8**	**8.3**	**(0.6)**	**7.7**
Operating profit %	*10.2%*	-	*9.3%*	*8.8%*	-	*8.2%*
Net investment income and finance costs	(0.4)	(0.0)	(0.4)	(0.8)	(0.0)	(0.8)
Profit before tax	**9.3**	**(0.9)**	**8.4**	**7.6**	**(0.6)**	**6.9**
Tax	(1.8)	0.2	(1.6)	(1.5)	0.1	(1.3)
Profit after tax	**7.5**	**(0.7)**	**6.8**	**6.1**	**(0.5)**	**5.6**
Diluted adjusted earnings per share	9.1p		8.2p	7.3p		6.7p
Dividend per share			2.00p			1.90p

CASH FLOW

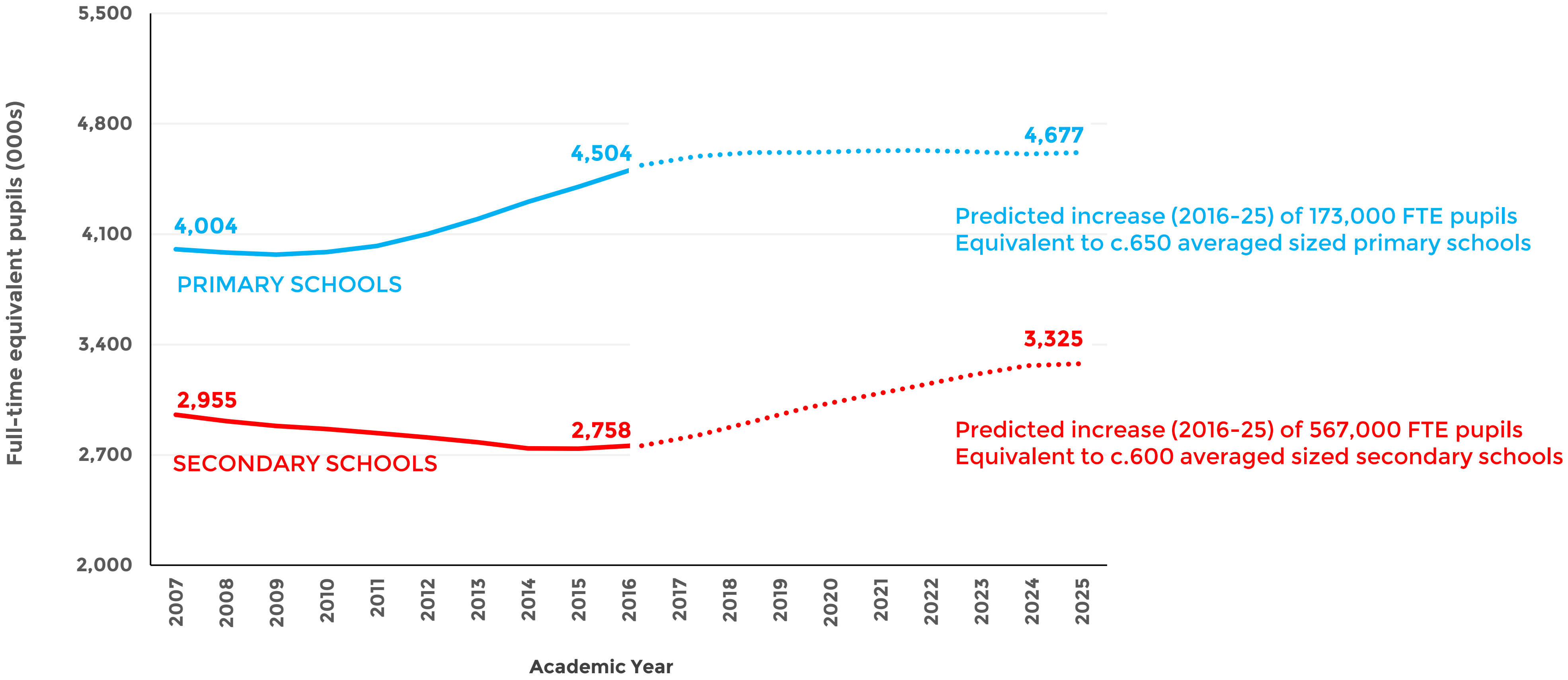
OPERATING CASH FLOWS - £M	2019	2018
Profit from operations	8.8	**7.7**
Amortisation & impairment of intangibles	1.1	1.1
Depreciation & impairment of PPE	0.9	0.9
Share-based payments	0.2	0.6
Provisions	(1.2)	0.5
Other adjustments	0.2	0.6
Operating cash flows before movements in working capital	10.0	**11.4**
(Increase)/decrease in inventories	(6.9)	(2.7)
(Increase)/decrease in receivables	(0.6)	(1.3)
Decrease in payables & other liabilities	(5.8)	(8.7)
Cash used in operations	**(3.3)**	**(1.3)**
NON-OPERATING CASH FLOWS – £M		
Defined benefit pension contribution	(2.2)	(2.3)
Tax paid	(1.7)	(1.0)
Net capital expenditure less proceeds on disposal	(3.2)	(0.9)
Dividends paid	(4.7)	(4.0)
(Repayment)/drawdown of borrowings	14.0	9.0
Other	(0.2)	(0.3)
Net decrease in cash and cash equivalents	(1.2)	**(0.8)**

BALANCE SHEET

£M	31 MAY 2019	31 MAY 2018
Goodwill	45.2	45.2
Intangible assets	18.6	19.5
Property, plant & equipment	10.3	9.8
Defined benefit pension surplus	0.7	0.6
Other receivables	0.9	1.0
Contract fulfilment asset	1.5	-
Deferred tax assets	5.7	4.8
Total non-current assets	**82.9**	**80.8**
Inventories	25.0	22.1
Trade & other receivables	38.6	31.0
Tax assets	0.4	-
Contract fulfilment assets	0.7	-
Cash & short-term deposits	1.7	1.2
Total current assets	**66.4**	**54.3**
Total assets	**149.3**	**135.1**
Current liabilities, including tax liabilities	(62.5)	(56.4)
Borrowings	(20.7)	(22.3)
Retirement benefit obligation	(18.5)	(9.7)
Other non-current liabilities	(5.9)	(6.3)
Total liabilities	**(107.5)**	**(94.8)**
Net assets / total equity	**41.8**	**40.3**

PUPIL PROJECTIONS

Full time equivalent pupil projections for state schools in England 2007 to 2025



Sources: School Census, School Level Annual School Census and Pupil Referral Unit Census (actuals); DfE Pupil Projection
Primary includes maintained nursery (2016 = 25,010 FTE pupils in maintained nurseries)
Secondary excludes pupils aged 16 and over. Solid line = census; dotted line = projection