



RMTM plc

Half year results 2023

Wednesday, 09 August 2023

Mark Cook
Chief Executive Officer

Emmanuel Walter
Chief Financial Officer (interim)

©RM plc HY23 Results

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Agenda



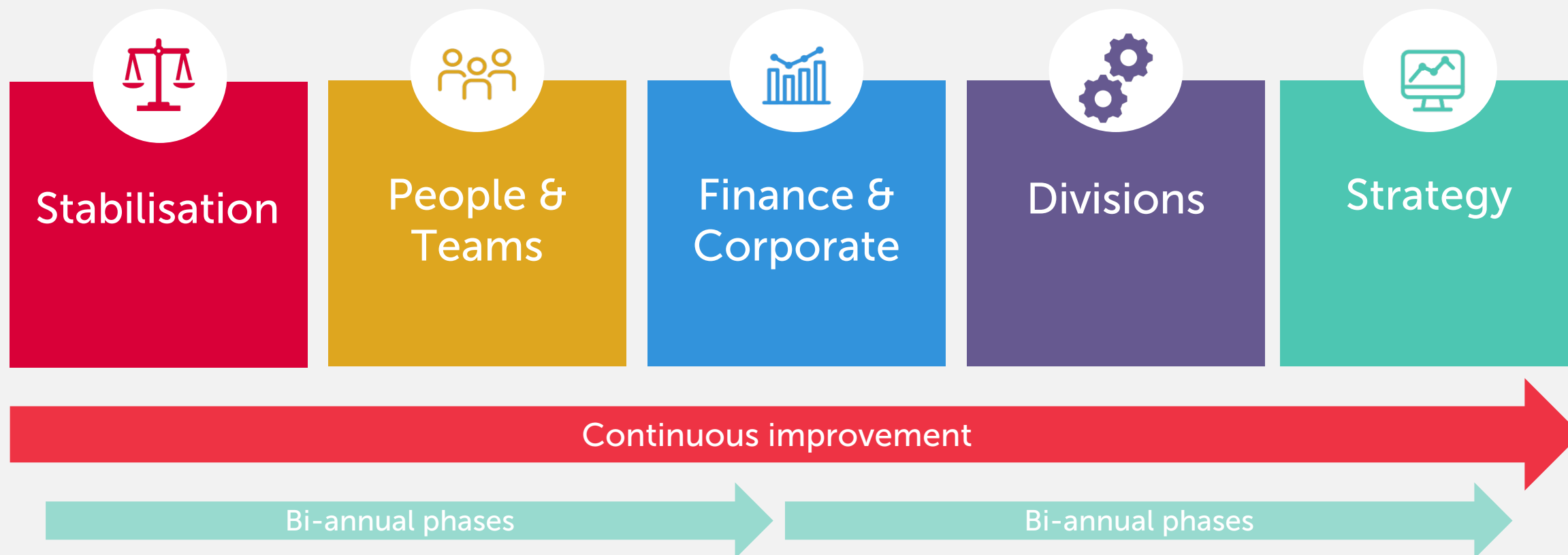


Overview

Mark Cook, CEO

RM plc

Transformation programme to unlock value creation



... "the CEO priorities, for the first 180 days, included a checklist to ensure we had more stable operations, a strong team in place, financing secured and the Consortium IT implementation successfully live..... with a Transformation Programme capable of execution..." Mark Cook, CEO, March 2023

Introduction

Good progress on Transformation, RM strategic direction becoming clear

Financial results impacted by Consortium under-performance

- Revenue of £87.6m, down 11% YoY; strong performance from Assessment, with 8% growth from existing and new contract wins. Consortium remains challenged and more work to be done to restore customer confidence and improve performance
- Significant liquidity covenant headroom, with Net Debt of £52.0m
- Completion of the sale of RM Integris and Finance, and surplus IPv4 assets for net cash proceeds of £17.2m
- £70m banking facility in place and agreement reached with Pension Trustees

Divisional progress: Assessment growing, Technology turnaround near completion

- Technology continues the last stages of its commercial turnaround
- TTS International Resources showing 18% growth
- New contracts wins
 - Education Scotland (Glow) & Brooke Weston Trust (BWT) extended in Technology
 - Two new customers wins in Assessment and delivery progress on six new major service solutions. A 100% customer renewal rate with £9.5m of customer contract extensions.

Transformation programme in place across 5 workstreams, 1st phase focused on stabilisation and reducing spend

- Clear actions taken in the first half to reduce operating costs - annualised cost savings in excess of £10m in FY24

Actions taken to stabilise, reduce costs & strengthen operations

Key actions taken in first 6 months across a number of operational areas



Reduced dependency on third parties and brought key skills inhouse



Restructuring and rationalisation of internal support functions



Rebuilding finance function and reducing working capital with active inventory management



Restricted 'Evolution' rollout to the Consortium business rather than Group as a whole



New Head of Procurement & Real Estate with internal culture focused on reducing unnecessary spend



Clearing the backlog of customer queries from the Consortium customer orders

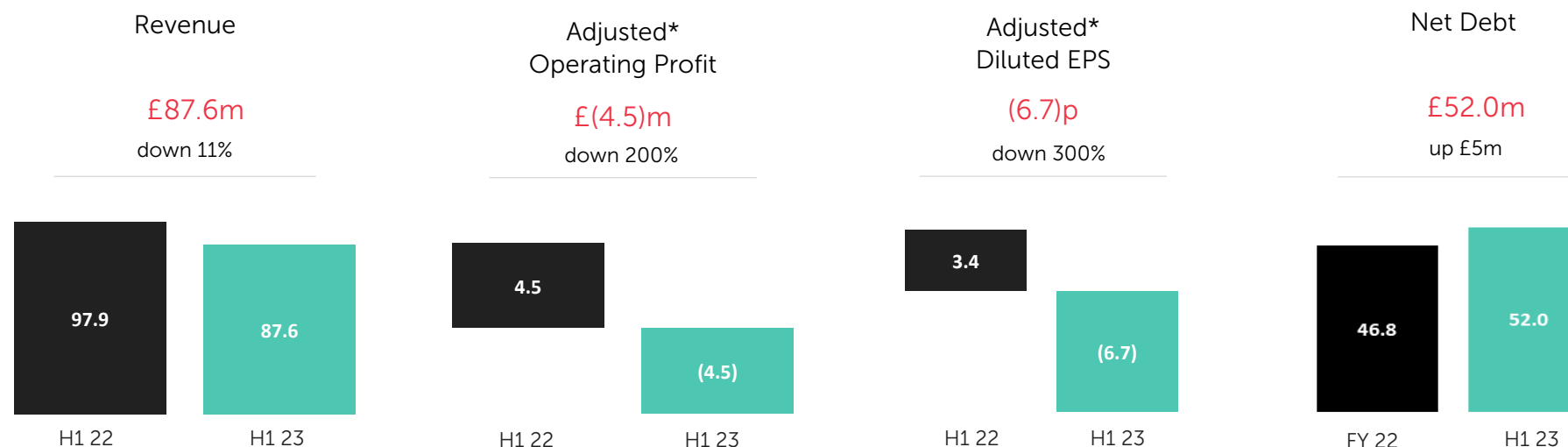


Financial review

Emmanuel Walters, CFO (Interim)

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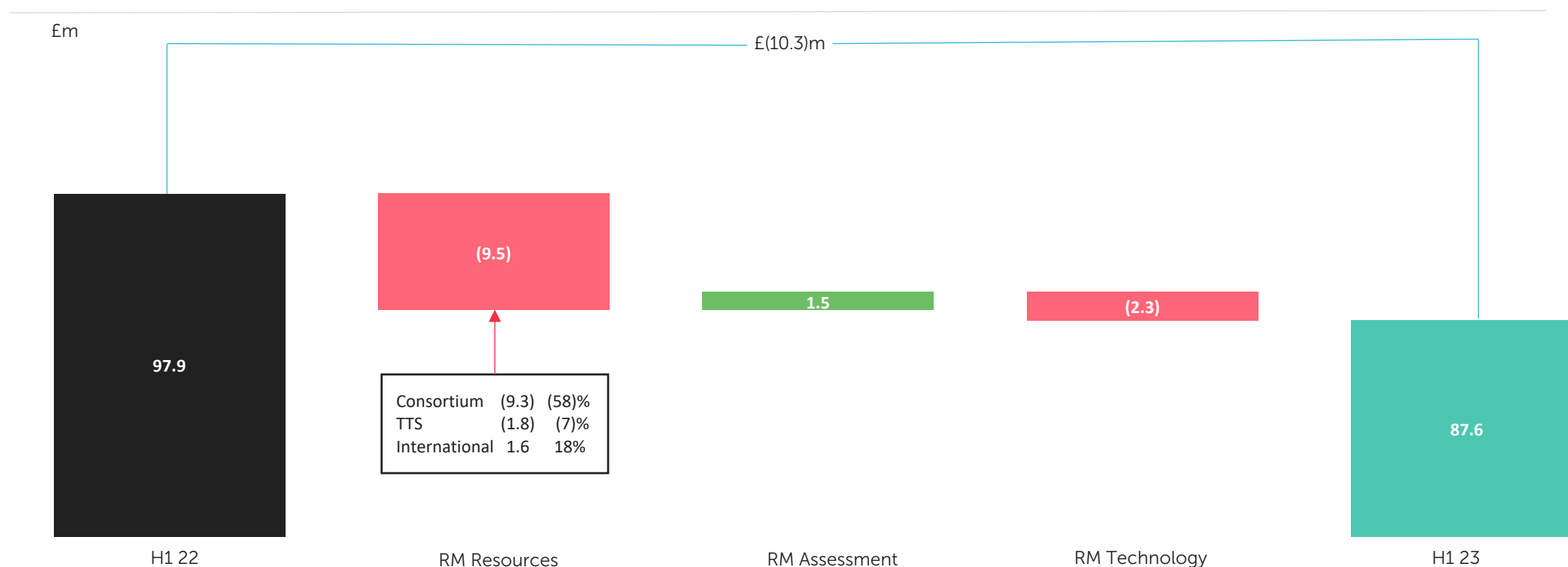
Group Financial Overview



- **Revenues** down 11% with solid growth in RM Assessment (+8%) offset by lower hardware sales & services revenues in RM Technology (-8%) and lower volumes in RM Resources (-18%), in particular Consortium, following on from IT implementation last year
- **Adjusted operating profit** decreased to a loss of £4.5m resulting from the impacts of lower revenues, dual run cost of distribution sites and technology stacks for Resources, no IP sales in H2 FY23 AOP, and higher corporate cost mainly due to year-end activities
- **Net debt** increased to £52.0m. H1 losses and working capital outflows following cash protection activities ahead of FY22 year-end were partially offset by proceeds from asset disposals

Revenue

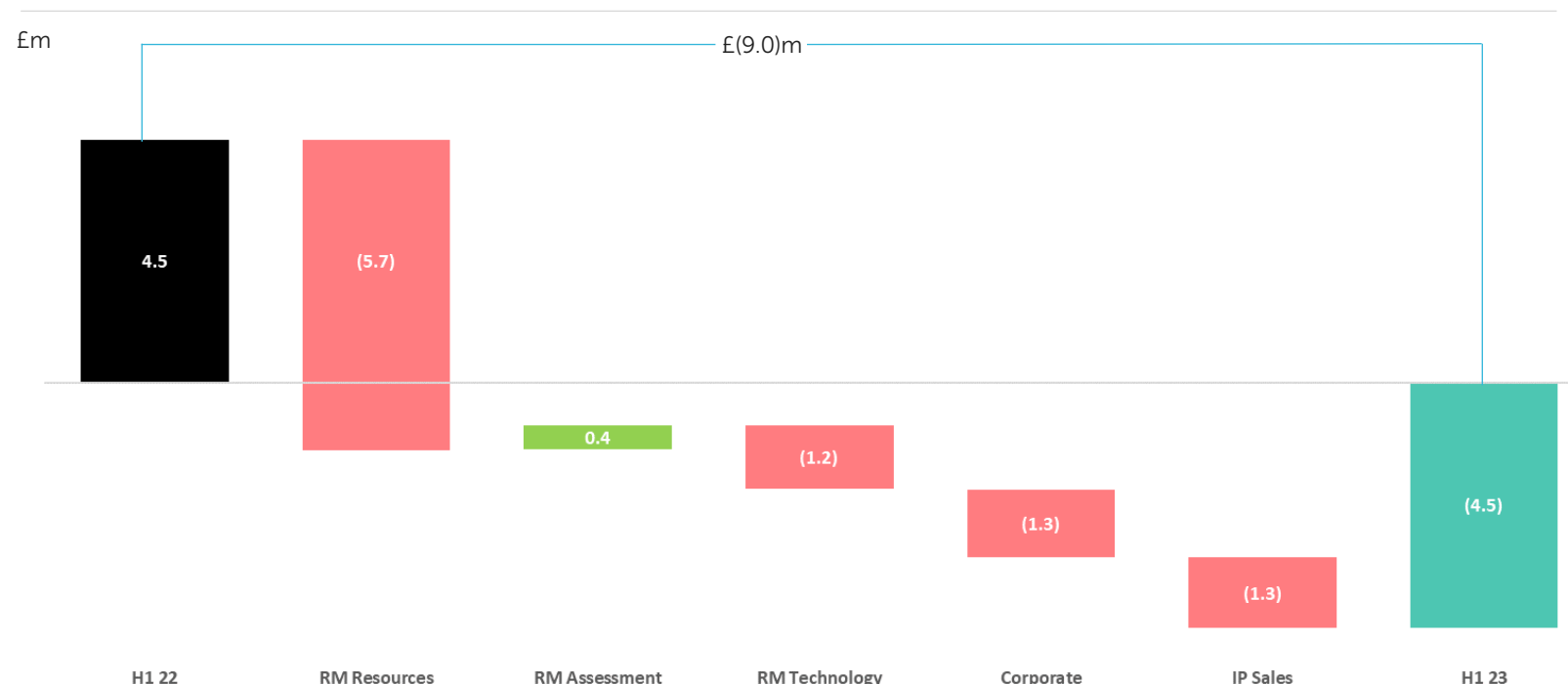
Adjusted* Revenue down 11%



- **RM Resources** down 18% on prior year with strong growth in International (up 18%) offset by lower trading volumes in Consortium following the disruption of IT implementation in 2022 and challenging market conditions impacting TTS UK
- **RM Assessment** up 8% on prior year benefitting from further volume growth with existing customers and additional contract wins
- **RM Technology** down 8% on prior year driven by lower Services revenues following the loss of 3 customers in FY22. FY22 result also included £1.3m relating to sale of IPv4 assets

Adjusted Operating Profit

Adjusted* operating profit down £9m



- **RM Resources** loss of £4.5m, down from a profit of £1.2m, driven by lower revenues in Consortium and increased costs associated with £2.5m dual running of distribution sites and technology stacks across the two brands in adjusted operating cost vs exceptional in FY22
- **RM Assessment** profits were up £0.4m to £3.2m driven by 8% revenue growth and improved operational gearing
- **RM Technology** loss of £0.5m, down £2.5m mainly driven by £1.3m IPv4 sales included in FY22 and lower Services revenues
- **Corporate Costs** increased costs associated with Year-end activities, rebuilding finance function and losses from movement in GBP:AUD FX rates

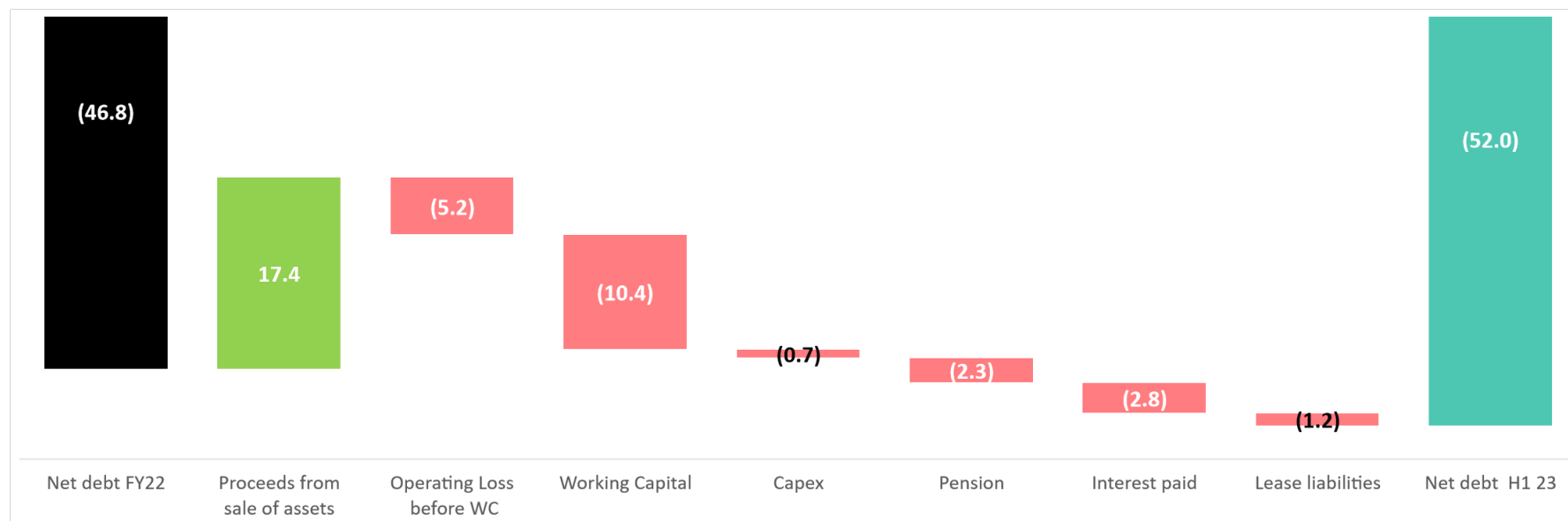
Income Statement

£m	H1 2023			H1 2022			Variance Total
	Continuing	Discontinued	Total	Continuing	Discontinued	Total	
Revenue	87.6	2.4	90.0	97.9	2.4	100.3	(10.3)
Adjusted Operating Profit	(4.5)	0.8	(3.8)	4.5	0.5	5.0	(8.8)
Adjusted Operating Margin	-5%	31%	-4%	5%	21%	5%	-9%
Interest	(2.2)	-	(2.2)	(0.8)	-	(0.8)	(1.4)
Adjusted Profit before tax	(6.7)	0.8	(6.0)	3.7	0.5	4.2	(10.2)
Tax	1.1	-	1.1	(0.8)	-	(0.8)	2.0
Adjusted Profit after Tax	(5.6)	0.8	(4.8)	2.9	0.5	3.4	(8.2)
Adjustments (after tax)	2.1	9.5	11.7	(9.3)		(9.3)	21.0
Profit / (Loss) after tax	(3.5)	10.3	6.8	(6.4)	0.5	(5.9)	12.7
Adjusted diluted EPS	(6.7)p	0.9p	(5.8)p	3.4p	0.6p	4.0p	(9.8)p
Diluted EPS (total)			8.1p			(7.1)p	15.2p

- Discontinuing operations reflect the income statement for RM Integris and Finance prior to sale
- Interest costs reflect debt facility charges and finance costs related to the defined benefit pension schemes
- Adjusted effective tax rate of (17)% (H1 2022: 23%)
- Adjustments (after tax) comprise:
 - £9.5m gain on disposal of RM Integris & RM Finance
 - £8.5m benefit of sales of IPv4 addresses
 - £(3.5)m configuration of SaaS licences
 - £(1.8)m new bank facility related costs
 - £(0.9)m amortization of acquisition Intangibles
 - £(0.3)m restructuring costs

Cashflow

Elevated net debt underpinned by new banking facility to July 2025



- Net Debt £52.0m (FY22: £46.8m)
- Proceeds from sale of RM Integris & Finance (£8.7m), IPv4 addresses (£8.5m) and iCASE product (£0.2m)
- IP sales relates to surplus IPv4 addresses from the Connectivity business in RM Technology that were sold during the year
- Working capital outflow primarily linked to bringing supplier payments up to date following cash protection activities ahead of FY'22 year-end
- The £70m banking facility was amended and extended until July 2025

Financial outlook & guidance

- **Cost actions being taken in FY23** expected to deliver in excess of **£10m** annualised full-year benefit in FY24:
- **H1'23 Actioned £2.3m**
 - Technology headcount reduction £1.5m
 - Procurement £0.2m
 - Property related £0.6m
- **H2'23 Actioned £6.3m**
 - Resources restructuring £3m
 - Technology restructuring £2.5m
 - Procurement £0.2m
 - Property related £0.6m
- **Future Identified Actions £1.4m-2.9m**
- Restructuring cost to reach £1.6m in FY23 evenly split between Technology and Resources
- Assessment and Technology are expected to grow YoY but Resources will be slower to recover
- **FY23 adjusted operating profit** on or around breakeven
- Net debt £44m-53m at year end
- Resources Inventory to reduce by over £5m by the end of the year

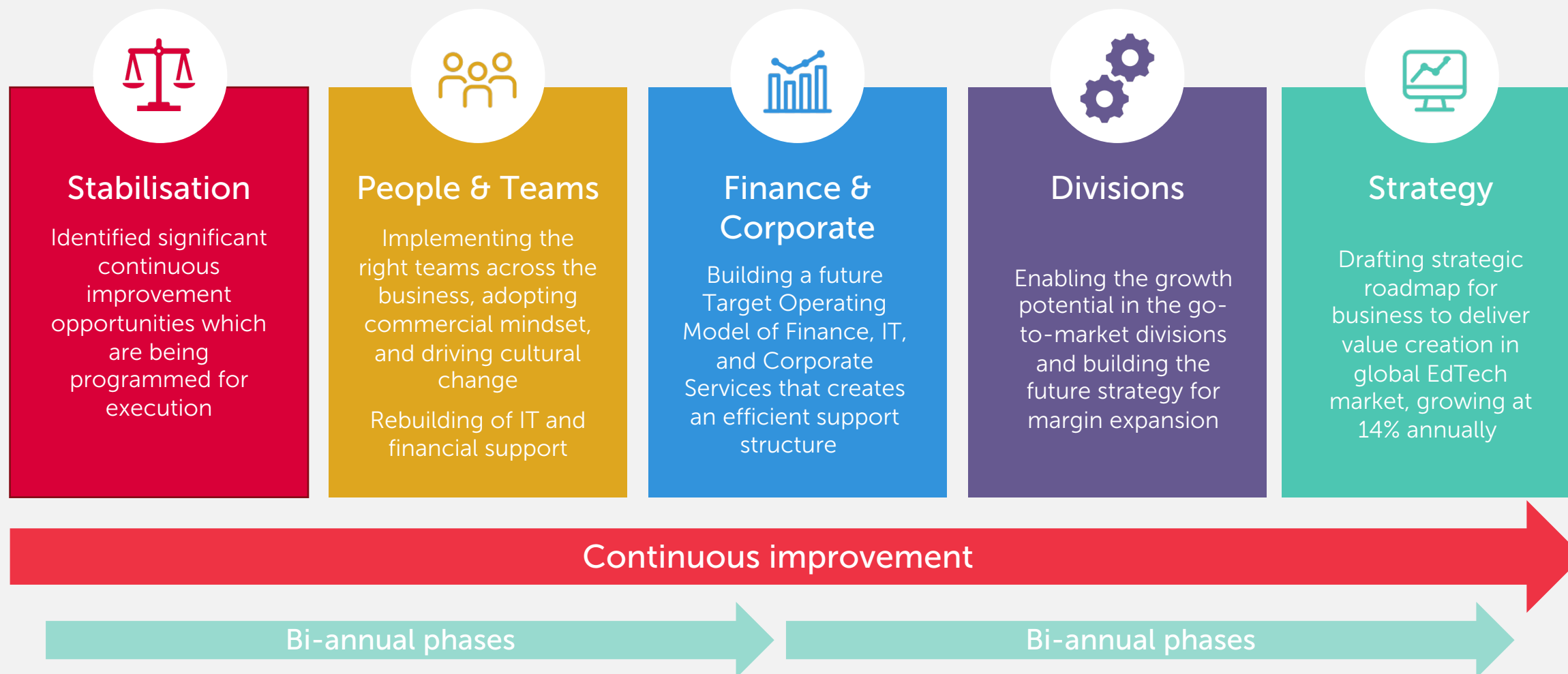


Strategy & Operations

Mark Cook, CEO

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Transformation programme to unlock value creation





People & Teams

Implementing the right teams across the business, adopting commercial mindset, and driving cultural change

- **New hires to strengthen Executive Leadership** and support Transformation – Chief Financial Officer, Chief Digital Officer, Head of Real Estate and Head of Procurement
- **FTE Committee** established to approve all new hires
- Rationalisation and restructure of teams with **reduction of c325 FTE from the business** and further planned in Technology and Resources
- Central Finance team rebuilt
- Reliance on third party consulting parties removed and IP brought in house
- Reduction of interims and contractor across the business



Finance & Corporate

Improving Business Processes, IT & Working Capital

- Embedding an internal control framework & culture into RM Plc including mapping financial and business processes to address control deficiencies
- Chief Digital Officer – initial focus on improving internal processes within IS and enterprise architecture evolution
- Consortium e-commerce go live remediation – aged debt, supplier hold, customer queries
- Working capital – inventory reduction programme to reset inventory levels in Resources to align with sales levels



Finance & Corporate

Rigour, controls and cost savings in Procurement, Real Estate & Workplace

- Introducing more rigour and controls across **procurement** and reducing overspend
 - Annualised savings achieved via tender activity, rebate reviews and contract negotiations
 - Key supplier review, rationalising services and reduction in operating costs
- Number of initiatives in progress across our **real estate & workplace**
 - Global Real Estate Strategy to support space optimisation, utilisation and cost reduction
 - End to end energy review delivered with annualised savings
 - Key supplier review, rationalising services and reduction in operating costs
 - Further real estate reviews for H2
 - Initial review have produced £2m annualised savings expected from FY24



Evolving our Divisions

Enabling the growth potential in the go-to-market divisions and building the future strategy for margin expansion

RM Resources

Global market leader in bespoke designed curriculum and education resources



- TTS brand key differentiator - our own IP and in-house developed resources
- Design, develop and bring hundreds of own products to market annually

RM Assessment

Global leader in platform delivery of exam marking and wider digital assessment solutions

RM Assessor³



- Deep testing & assessment business process knowledge and capability to advise on digital transformations
- Well positioned to partner the world's leading organisations

RM Technology

Connectivity expert for education providing platform based managed services, ICT solutions and value-added reseller services

RM Unify

RM SafetyNet

RM easimaths[™]

RM StudyKIT

powered by parents

- Root and branch transformation nearing completion
- Will evolve into a value adding SaaS and other managed platform services delivered to a global customer base

RM Resources

Continuing positive demand for TTS unique IP

- Strong TTS growth from international markets
- Further leveraging TTS's strength in curriculum and ICT IP including new robotics and Early Years product pipeline
- Ecommerce platform & automated warehouse operational, not yet fully utilised due to slower customer recovery, with focus on aligning inventory
- Marketing promotions to drive customer volume return
- Streamlined operating model defined for delivery in H2 optimizing offshore capabilities, digital and automated technologies and reducing overhead



RM Assessment

Global opportunity as assessment moves 100% digital

- Two new customers wins and delivery progress on six new major service solutions
- 100% customer renewal rate in with £9.5m of extensions
- Portfolio enhancement work towards **digital SaaS-based offerings**
- Customers need expert assessment partner for digital assessment and ultimately to transform learning
- Focused on **driving value creation** through innovative approaches across practice, progress evidence collection & exams
- Strategy is to become the **essential assessment partner** to the world's leading awarding and education organisations



RM Technology

Vision to become global provider of platform delivered managed services in education

- Improved operating model and structure progressing well
- Focus on services and margin rebuild with improved upsell and cross-sell to deliver more value to clients
- Customer retention remains high at 95%
- PR-led Marketing strategy to raise profile and amplify RMs brand
- Strong pipeline of opportunities - DfE Connect the Classroom and targeting of larger Multi-Academy Trusts
- Operational and strategic improvements will take time- signs of underlying revenue growth have started, and profit recovery follow



How does RM capitalise on its market position?

- Extensive **domain expertise** and a deep understanding of the education sector
- **Strong partnerships** with educational institutions and industry leaders
- **Continuous investment** in research & development
- **Proven track record** of successful customer implementations and customer satisfaction
- **Global reach and scalable solutions** adaptable to different educational systems and cultures



We help learners globally

We help learners globally through their entire education from **preschool, primary, secondary** and **third level**.



We help facilitators globally

Our managed services in the UK **help schools** run effectively while ensuring exams can be marked **globally**



We help accreditors globally

We help accreditors provide **unbiased and secure courses, assessments** and **results**



We are focused

We are focused on **online learning, platform connectivity** and **new technology** to ensure we can continue to help achieve the **best outcomes**.



Summary

Mark Cook, CEO

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Summary

- Decisive actions taken in the half to **stabilise the business, reduce costs and strengthen operations**
- **In excess of £10m annualised cost savings** from operational and strategic actions to flow through in FY24
- **Consortium continues to be a challenge** to improving our financial performance, and clouds the value of the rest of the Group
- **Transformation Programme commenced** with six-month phases
- **Strategic roadmap** will focus on our value drivers and enhancing margin
- RM has great designed products, digital curriculum learning content, a global SaaS based assessment platform, supported by a global managed service platform for IT and connectivity
- My priorities for RM are clear – to **rebuild value for all stakeholders**

A photograph of a man with dark skin and dreadlocks, wearing a bright yellow button-down shirt. He is standing and raising his right hand, palm facing forward, in a gesture of participation or agreement. He is looking towards the left side of the frame. The background is a large window with a view of a green landscape. In the foreground, the blurred silhouettes of other people are visible. A dark grey diagonal overlay covers the left side of the image, containing the text 'Q&A' and 'RM plc'.

Q&A

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A top-down photograph of a person sitting on a lush green lawn. The person is wearing light blue denim jeans and is using a silver laptop. Their hands are visible; the right hand is on the trackpad and the left hand is on the keyboard. A silver ring is visible on the left ring finger. To the left of the laptop, an open book with blue pages lies flat on the grass. Next to the book is a white disposable coffee cup with a red sleeve and a white lid. A dark, semi-transparent triangular graphic is overlaid on the left side of the image, containing the text 'Appendix' and the 'RM plc' logo.

Appendix

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Income Statement

£'m	H1 2023			H1 2022		
	Adjusted	Adjustments	Total	Adjusted	Adjustments	Total
Revenue	87.6		87.6	97.9		97.9
Cost of sales	(60.0)		(60.0)	(65.0)		(65.0)
Gross profit	27.5		27.5	32.9		32.9
Gross profit %	31.4%		31.4%	33.6%		33.6%
Operating expenses	(32.1)	(6.4)	(38.4)	(28.4)	(11.5)	(39.9)
Profit / (loss) from operations	(4.5)	(6.4)	(10.9)	4.5	(11.5)	(7.0)
Finance and other income	0.6	8.7	9.3	0.3		0.3
finance costs	(2.8)	0	(2.8)	(1.1)		(1.1)
Profit / (loss) before tax	(6.7)	2.3	(4.4)	3.7	(11.5)	(7.7)
Tax	1.1	(0.2)	0.9	(0.8)	2.2	1.3
Profit / (loss) after tax from continuing operations	(5.6)	2.1	(3.5)	2.9	(9.3)	(6.4)
Profit from discontinued operations	0.8	9.5	10.3	0.5		0.5
Profit / (loss) for the period	(4.8)	11.7	6.8	3.4	(9.3)	(5.9)
Diluted earnings per ordinary share- from continuing operations	(6.7)p		(5.8)p	(3.4)p		4.0p

Balance Sheet

£'m	31 May 2023	31 May 2022
Goodwill	49.1	49.5
Other intangible assets	24.4	27.2
Property, plant and equipment	15.1	16.6
Right of use asset	14.8	17.0
Defined Benefit Pension Scheme Surplus	18.5	39.7
Other receivables	0.3	0.1
Contract fulfilment assets	1.6	1.6
Deferred tax assets	10.1	0.2
Total non-current assets	134.0	151.8
Inventories	24.2	23.1
Trade and other receivables	33.7	38.3
Contract fulfilment assets	1.8	2.2
Held for sale asset	0.0	3.0
Corporation tax assets	2.3	6.0
Cash and short-term deposits	3.2	4.3
Total current assets	65.2	76.9
Total assets	199.2	228.8
Current liabilities	(57.1)	(109.1)
Other payables	(3.1)	(3.8)
Lease liabilities	(14.9)	(17.1)
Provisions	(0.6)	(1.7)
Deferred tax liability	(8.8)	(13.1)
Defined Benefit Pension Scheme obligation	(0.6)	(1.1)
Borrowings	(52.7)	0.0
Total liabilities	(137.9)	(145.8)
Net assets / total equity	61.3	82.9

Cashflow

£'m	H1 2023	H1 2022
(Loss)/Profit from operations, including discontinued operations	(10.1)	(6.5)
Amortisation & Impairment of intangibles	1.2	1.0
Depreciation & impairment of PPE	2.7	2.2
(Gain)/loss on foreign exchange derivatives	1.1	(0.1)
Increase/(decrease) in provisions	0.3	0.2
Other adjustments	(0.4)	(0.0)
Operating cash flows before movement in WC	(5.2)	(3.2)
Decrease in inventories	2.2	(4.1)
Decrease in receivables	2.9	(4.6)
Decrease in contract fulfilment assets	0.0	(1.3)
Decrease in payables	(14.3)	0.3
Utilisation of provisions	(1.2)	(0.3)
Cash (used in)/generated from operations	(15.6)	(13.3)
Defined benetif pension contribution	(2.3)	(2.3)
Tax refunded/(paid)	(0.2)	(0.2)
Net cash (outflow)/inflow from operating activities	(18.1)	(15.8)
Proceeds on disposal of intangible licences and PPE	8.6	0.0
Proceeds on disposal of operations	8.8	0.0
Other investing activities	(0.7)	(2.5)
Net cash generated by/(used in) investing activities	16.7	(2.5)
Drawdown/(repayment) of borrowings	4.3	24.0
Repayment of leasing liabilities	(1.2)	(1.5)
Interest paid	(2.4)	(0.8)
Borrowing facilities arrangement and commitment fees	(0.4)	(0.2)
Dividends paid	0.0	(2.5)
Net cash generated by/(used in) financing activities	0.3	19.0
Net (decrease)/increase in cash and cash equivalents	(1.1)	0.8

RM Resources



H1 Actions & Progress

- Successful launch of an **enhanced eCommerce platform** for Consortium
- Continuing positive demand for TTS unique IP with **strong growth from international markets**
- Focus on **cost reduction progressing well**. New inbound and outbound logistic contracts reducing annual spend
- **Streamlined operating model** defined for delivery in H2 optimizing offshore capabilities and reducing overhead
- **Automated warehouse** now fully operational, not yet fully utilised due to slower customer recovery



Opportunities & Focus

- Completion of **remaining distribution centre consolidation** in progress for H2 decision
- **International new customer pipeline** with incremental opportunities from new 'turn key' classroom design & supply solution launched in H1
- Further leveraging TTS's global strength in curriculum and ICT IP including **new robotics and Early Years product pipeline**
- **Embedding new operating model** and optimizing new digital and automated technologies

RM Assessment



Our H1 progress

- Two new **customers wins** and delivery progress on **six new major service solutions**
- **100% customer renewal** rate in with £9.5m of customer contract extensions
- Portfolio enhancement work continuing towards the digital SaaS-based offerings of the future
- e-Assessment Association conference award for the '**Most Innovative Use of Technology in Assessment**' for its exam malpractice service



Opportunities & Focus

- **Global opportunity** as customers need expert assessment partner to move to digital assessment and ultimately to transform learning
- Division focused on **driving value creation** through **innovative approaches to digital assessment** across practice, progress evidence collection and exams
- Strategy is to become the **essential assessment partner to the world's leading awarding and education organisations**

RM Technology



H1 Actions & Progress

- Introduction of improved **operating model** and **structure** progressing well – will complete in H2
- **Margin rebuild** across customers including inflation indexed has been built into improved business practices
- Focus on **Services** continues with **improved upsell** and **cross-sell** to deliver more value to existing clients whilst improving share of wallet
- New hardware strategy and onboarding of new partners with improved revenue
- **Customer retention remains high** at 95% - RM Technologies' relevance and satisfaction continues to be a driver to its success



Opportunities & Focus

- **Strong pipeline of opportunities** identified with refocused business development resource
- **PR-led Marketing strategy** to raise profile across corporate, consumer and sector specific audiences to amplify RMs brand as a trusted partner
- Strategy to **target larger Multi-Academy Trusts** as drive for Academisation continues
- Operational and strategic improvements will take time. **Signs of underlying revenue growth have started**, and profit recovery follow
- Vision to become **global provider of platform delivered managed services** in education

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