RM plc

Half Year Results 2024

Tuesday, 16 July 2024

Mark Cook
Chief Executive

Simon Goodwin
Chief Financial Officer

Agenda

HY24 overview
Mark Cook
Chief Executive

Financial review
Simon Goodwin
Chief Financial Officer

Strategy & operations
Mark Cook
Chief Executive

RM plc

HY24 overview

Mark Cook, Chief Executive

Good trading performance

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Steady performance, growth in order book & further action on cost reduction

- Revenue from continuing[1] operations of £79.2m, down 9.6% YoY – revenues from new strategic contract wins to be recognised at point of client delivery
- Contract wins will result in a change in revenue mix from project-based revenue to longer-term recurring, contracted revenue
- Introducing new metric – Assessment orderbook of £66.9m, up 51% since start of the year
- All three business units returned to profitability in H1, with adjusted operating profit up 86%
- Growth in EBITDA to £1.9m – business recovering from legacy issues
- Further progress on implementation of cost reductions
- Net debt of £52.7m in line with expectations

1. Continuing operations includes the results of RM's TTS, Consortium, Assessment and Technology businesses. Continuing operations excludes the results of the RM Integris and RM Finance businesses which were sold on 31 May 2023

Strong strategic execution

Good progress on strategy execution, launch of new service & AI solution

- Significant long-term contract with International Baccalaureate (IB) – transformational delivery of digital assessments
- Healthy pipeline of further Assessment opportunities valued at £170m
- Launched RM Consulting to support Assessment customers' drive to digital assessment
- Technology launched new managed services portfolio, NextGen, with new contract wins already secured in H2
- Consortium closure creating halo effect with customers purchasing new TTS products in addition to legacy Consortium stock
- Launched new AI solution in TTS to assist educators to select right products to support National Curriculum

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Financial review

Simon Goodwin, CFO

HY24 financial summary

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£79.2m

Revenue from continuing[1] operations
down (9.6%)

£(0.6)m

Adjusted[2] operating profit
up 86.3%

- **£78.3m** underlying revenue excluding Consortium down (3.2%):
  - Natural decline in legacy Assessment projects, offset by growth in underlying contracted revenues of **+11.1%**
  - Continued pressure and election uncertainty in UK schools' market, but TTS gaining market share and Technology revenues stabilising
  - TTS International revenue declined, but strong orderbook of deals to recognise in Q3, and a pipeline giving us confidence of a return to growth by the year end
- Significant Assessment contract wins reflect move towards longer-term, recurring revenue from our Global Accreditation Platform, with contract **orderbook up 51%** vs start of period to **£66.9m**
- **£1.9m** adjusted[2] EBITDA, **up £3.4m** on HY23; improved operational efficiency
- **£3.1m** of exceptional costs, largely relating to restructuring initiatives, property rationalisation and 3rd party advisory fees on strategic projects
- Adjusted [2] net debt **£52.7m** reflecting lower H1 operating cash weighting

1. Continuing operations includes the results of RM's TTS, Consortium, Assessment and Technology businesses. Continuing operations excludes the results of the RM Integris and RM Finance businesses which were sold on 31 May 2023
2. Adjusted operating profit and adjusted EBITDA are before discontinued operations, the amortisation of acquisition related intangible assets, impairments, restructuring costs, configuration of SaaS licenses (ERP) costs, independent business review related costs and dual running costs. Adjusted net debt is defined as the total of borrowings less capitalised fees, cash, cash-equivalents and overdrafts

Summary Income Statement

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£m	HY 2024 Continuing[1]	HY 2024 Discontinued[2]	HY 2024 Total	HY 2023 Continuing[1]	HY 2023 Discontinued[2]	HY 2023 Total	Variance Total
Revenue	79.2	-	79.2	87.6	2.4	90.0	(10.8)
Adjusted[3] operating Loss	(0.6)	-	(0.6)	(4.5)	0.8	(3.7)	3.1
Adjusted[3] operating Margin	-1%	-	-1%	-5%	33%	-4%	3%
Net finance costs	(3.0)	-	(3.0)	(2.2)	-	(2.2)	(0.8)
Adjusted[3] (loss)/profit before tax	(3.6)	-	(3.6)	(6.7)	0.8	(5.9)	2.3
Tax	(0.2)	-	(0.2)	1.1	-	1.1	(0.9)
Adjusted[3] (loss)/profit after tax	(3.4)	-	(3.4)	(5.6)	0.8	(4.8)	1.4
Adjustments (after tax)	(3.4)	-	(3.4)	3.5	9.5	13.0	(16.4)
(Loss)/profit after tax	(6.8)	-	(6.8)	(2.1)	10.3	8.2	(15.0)
Adjusted[3] diluted EPS	(4.1)p	-	(4.1)p	(6.7)p	0.9p	(5.8)p	(1.7)p

- Net finance costs reflect debt facility charges and net finance income from the defined benefit pension schemes

Cost savings - annualised

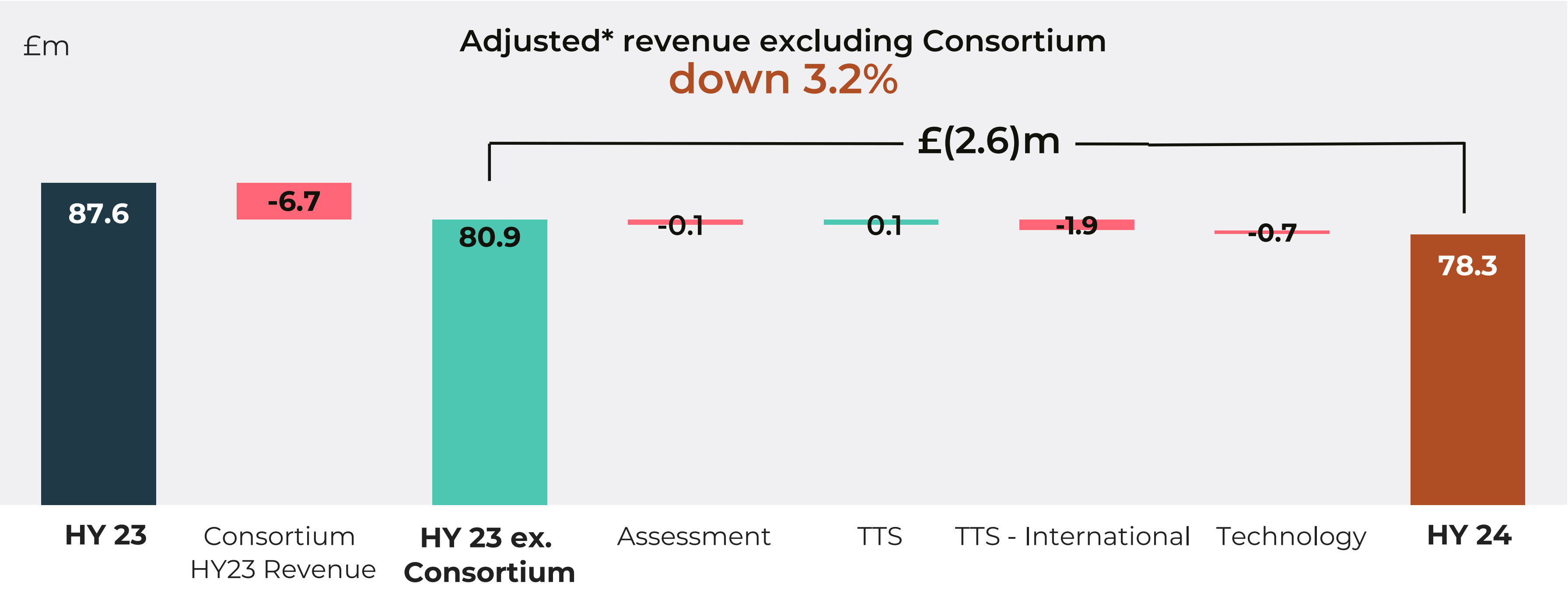
- £10m savings identified in FY23 now delivered, plus:
- £2.7m savings associated with closure of Consortium initiated in Q1 24
- £2.8m of headcount reductions delivered towards new target operating model
- £0.9m of other 3rd party costs removed
- £0.3m of property savings confirmed in H1 with more activity in H2

Adjustments (after tax) include:

- £(0.2)m amortisation of acquisition-related intangibles
- £(1.2)m property provisions and impairments
- £(0.6)m restructuring costs
- £(1.2)m 3rd party project management and advisory fees
- £0.1m reversal of impairment of Consortium assets
- £(0.3)m tax impact of above

1. Continuing operations includes Consortium business which ceased trading after the end of the financial year
2. Discontinued operations reflect the income statement for RM Integris & Finance prior to sale
3. Adjusted operating loss and adjusted (loss)/profit before and after tax are before discontinued operations, the amortisation of acquisition related intangible assets, impairments, restructuring costs, configuration of SaaS licenses (ERP) costs, independent business review related costs and dual running costs.

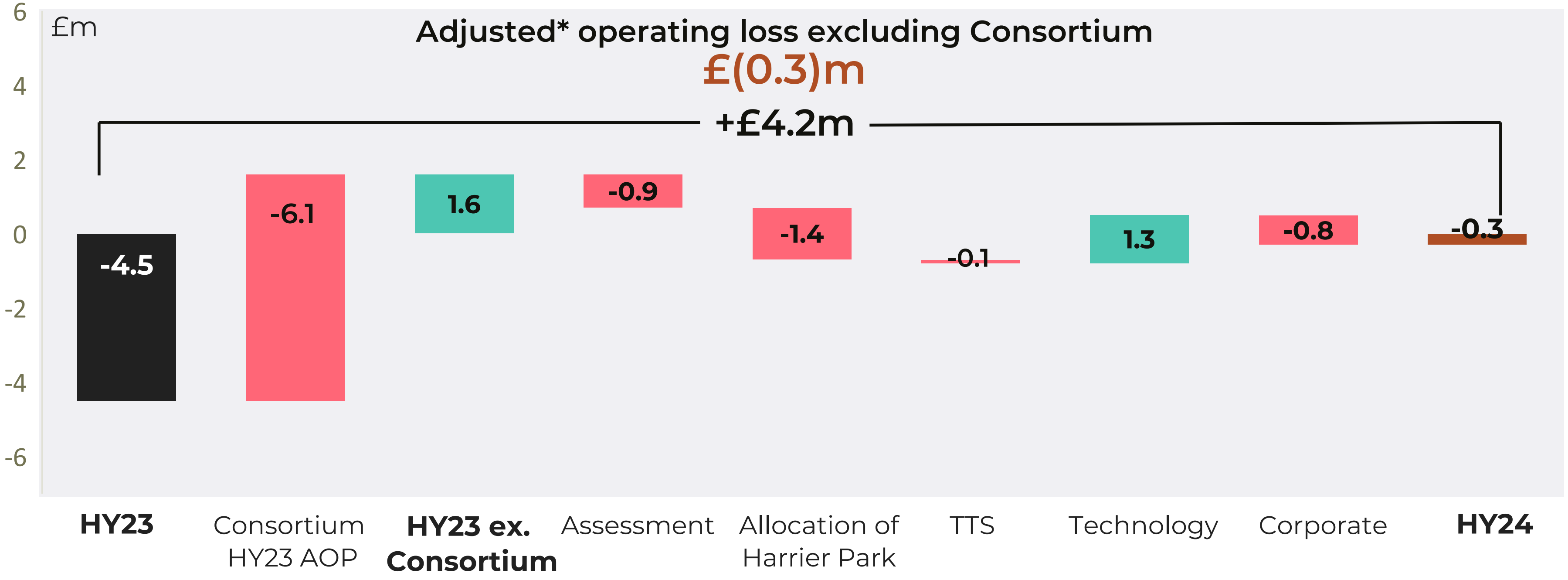
Adjusted* revenue



- Minimal **Consortium** revenue in the period, reflecting cessation of trade on 8 December 2023
- **Assessment,** natural decline in legacy, customer-specific project revenues, offset by significant growth in long-term contracted revenue
- **TTS UK** +0.4% on prior year with significant market share growth in a challenging UK schools' market
- **TTS International** reliant on a lower volume of larger-value deals. Orderbook of confirmed orders increased at end of the period
- **Technology** down 2.4% on prior year, with school budgets continuing to be tight and further uncertainty in lead up to election

*Adjusted revenue is excluding consortium

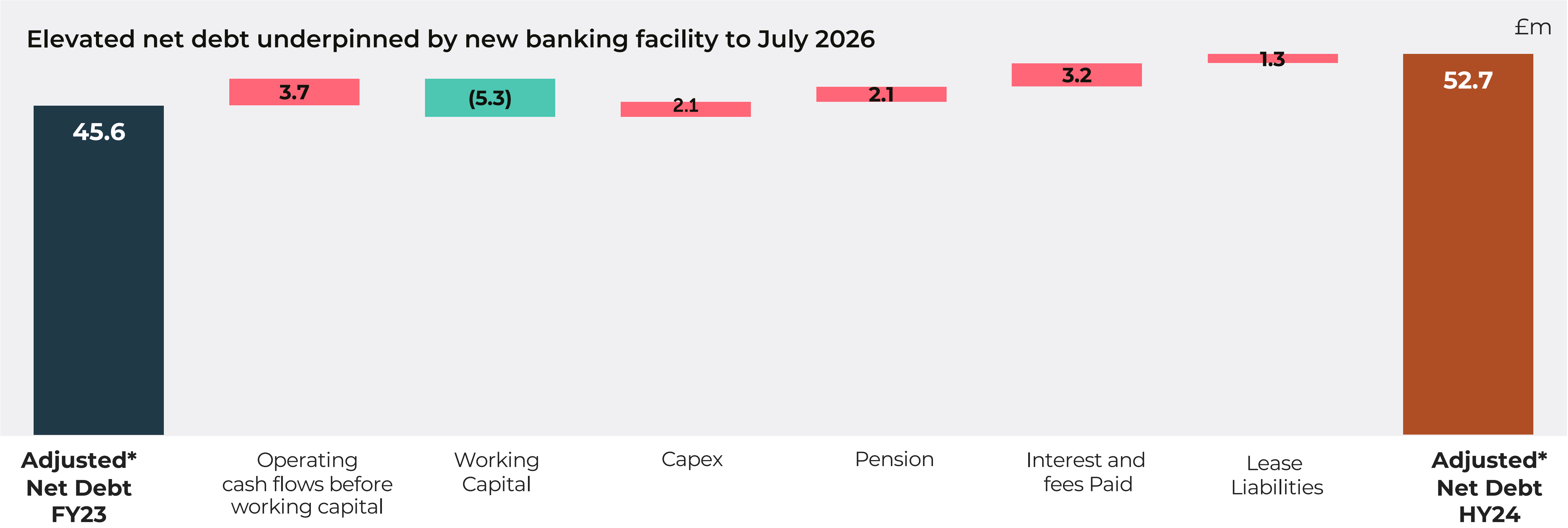
Adjusted* operating loss



- Significant losses of **Consortium** removed as business ceased trading in December '23
- All 3 trading divisions were profitable during the period
- **Assessment** underlying profitability increased +£1.0m year-on-year on flat revenues. Offset by an increased share of allocated central overheads
- **TTS** now includes 100% of Harrier Park Warehouse costs previously occupied by Consortium. Benefits of warehouse consolidation will largely impact from H2
- Underlying **TTS** profitability benefitted from higher gross margins, whilst also growing market share. Larger share of central overheads also allocated to TTS
- **Technology** continues to perform well on the back of previous actions to increase efficiency and remove loss-making contracts
- Corporate Costs increased largely due to management incentive schemes not in place at the same point last year

*Adjusted operating profit / (loss) is excluding Consortium, and before discontinued operations, amortisation of acquisition related intangible assets, dual run costs, configuration of SaaS licenses (ERP) and restructuring costs

Cashflow



- Adjusted net debt £52.7m (FY23: £45.6m)
- HY24 saw normal levels of operating cashflows and working capital movements, compared to significant one-off swings and adjustments in FY23
- Capex increasing as the business invests in the development of Global Accreditation Platform, expected to continue into H2 and FY25
- Pension contributions in line with previous agreement with DB Scheme Trustees, current contribution levels cease at the end of FY24
- Interest paid includes facilities arrangement and commitment fees linked to amend and extend of £70m banking facility until July 2026

* Adjusted net debt is defined as the total of borrowings less capitalised fees, cash and cash equivalents and overdrafts.

Financial outlook & guidance

- HY24 performance in line with expectations for profitability and net debt
- H2 revenue expected to significantly outperform H1, in line with historical seasonality linked to global exam sessions and UK back-to-school trading
- Identified cost savings will have an increasingly significant impact on H2 profitability
  - £6.6m identified in H1, remainder of additional £10m to be identified in H2
- Our full-year outlook for revenue is now expected to be broadly flat year-on-year
- Adjusted operating profit is expected to be in line with market expectations
- FY24 year-end adjusted net debt – fully expect to operate within our banking covenants

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Strategy & operations

Mark Cook, Chief Executive

Market dynamics and EdTech opportunities

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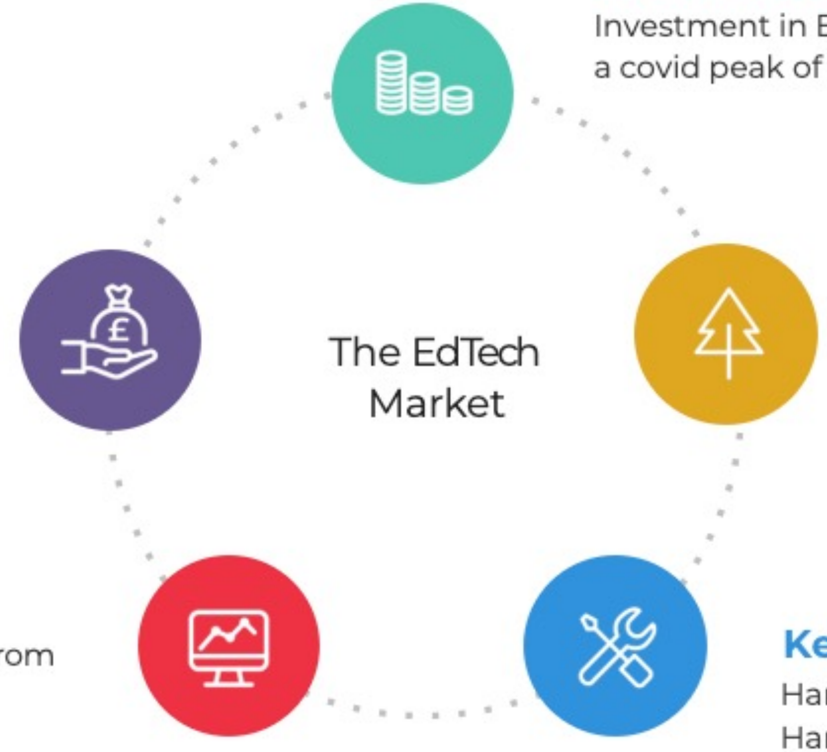
Good progress made on our transformation programme, which has now moved into the value creation phase



UK Investment
Investment in EdTech in UK, with a covid peak of $609m in 2021

Drivers of Growth
New Tech available for Online & Distance Learning

Key segments
Hardware, software and content
Hardware accounts for majority share

CAGR
c.12% globally from 2024-32

Value
Global market worth **US$222bn*** in 2023

*Source: IMARC Group

RM strategic pillars

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01 Global Opportunity

Curriculum focused across the world, $222bn EdTech market

02 Lifetime of Learners

Products and solutions from early life to professional

03 Accreditors Educators, Learners

Customer centric business enabling digital education

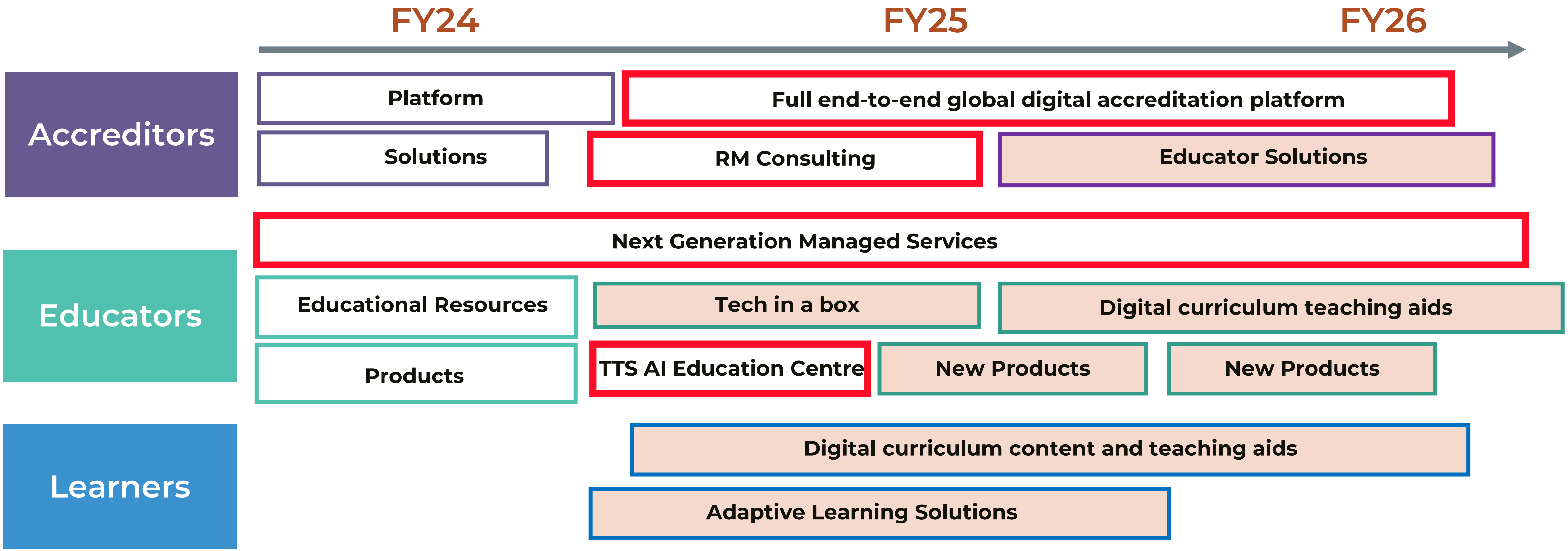
04 Global Accreditation Platform

Enabling E2E digital assessment

05 Owned, designed IP

Majority of revenue from RM own designed IP

RM Portfolio Roadmap



> Big solution build for Accreditors and Educators with adjacent Learner direct solutions

Strategic contract win – IB

- Signed a new long-term contract with International Baccalaureate to **support their move towards fully digital assessment and accreditation**
- Our partnership builds on **more than 15 years of collaboration**
- The programme will include transformational delivery of IB's Diploma and Career-Related Programmes as digital assessment
- Work has commenced and we are expanding our development teams specifically to focus on the design, build and customer onboarding

"Digital assessment opens the door to the variety of possibilities the digital transformation gives - not only giving knowledge to students, but making sure they get the skills, the capabilities, the agency and willingness to make a difference in the world - and to find meaningful ways to assess what they are really capable of doing."

Olli-Pekka Heinonen, Director General of IB

The IB is a Swiss non-profit foundation, offering **four high quality and challenging education programmes** for a worldwide community of schools from primary through to post Diploma.

The number of IB programmes offered worldwide has grown by **34.2%** (2018-'22).

More than **1.95 million** IB students, aged 3 to 19, attend over 5,800 schools in 160 countries.

Strategy to target platform generated longer-term, contracted, recurring relationships

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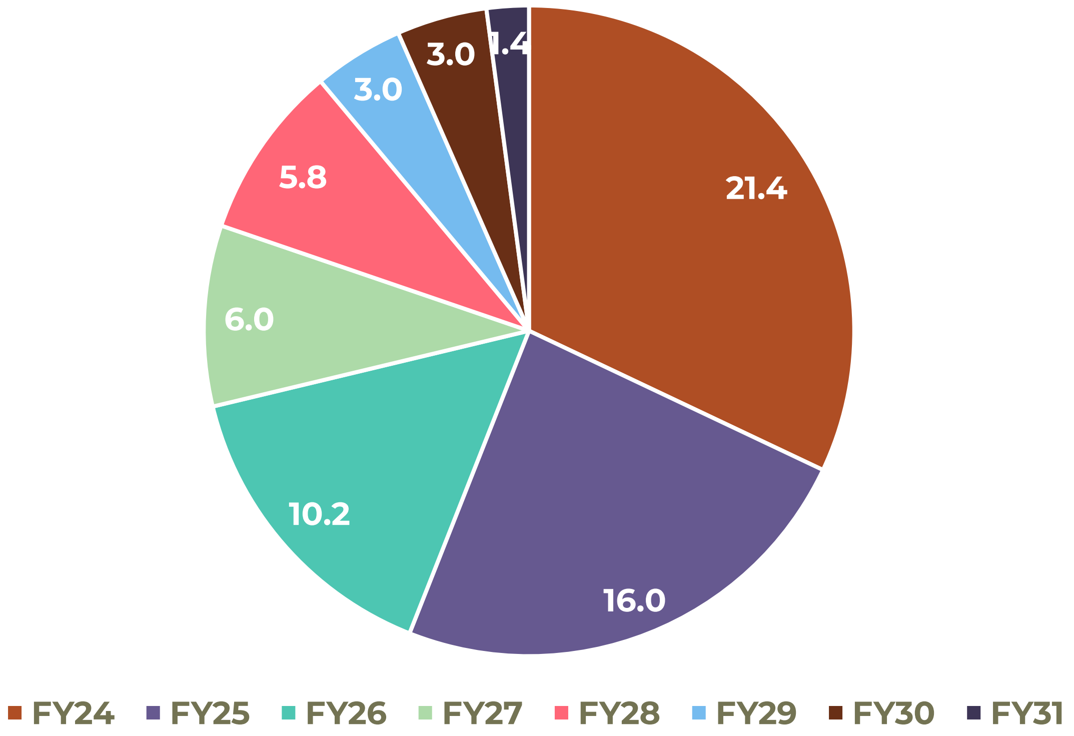
- Historically, a large proportion of RM's revenue was transactional and project based, recognised as the work was done or billed
- Contract wins in H1'24 reflect a move towards longer-term, recurring, contracted relationships in the business, resulting in a **contracted orderbook**
- In H1, due to the strategic contract win with IB, the **Assessment orderbook** is **£66.9m**, 51% growth since the start of the half
- We also have an additional **pipeline of opportunities** across Assessment valued at **£170m**
- Will increasingly result in a change in revenue mix from project-based revenue to long-term, recurring, contracted revenue

Assessment Orderbook

Unwinding (£m)



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RM Consulting – supporting digital assessments globally

- A new portfolio service was launched in H1
- RM Consulting was launched to help our customers on their digital transformation journey
  - For example, the formative assessment and digital assessments
- Working with assessors and awarding bodies to define, design and deliver digital programmes
  - Accelerating the pace of change and maximising the benefits for educators and learners
  - Allowing clients to benefit from RM's well-established expertise in education and the use of technology to drive improvements and innovation
- RM and Searchlight Consulting have announced a strategic partnership intended to help exam assessors and awarding bodies accelerate their digital transformation efforts
  - The partnership will see RM combine its extensive education technology heritage and digital assessment expertise with Searchlight's digital transformation design and delivery capabilities

Creating a more responsible business

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Our people

- Employee engagement survey now captures sentiment towards pride, motivation, commitment, attrition, and referral likelihood
- **84%** responded to most recent survey (+4% vs Nov'23)
- Engagement Score increased from **57 to 63**
  - All but one score improved from the last survey
  - Recognition of improvement in Executive team communications throughout the business
  - Learning & development continues to be an area of focus
- **Launched a new EDI training** & data capture project. 88% of the global workforce have completed the training

Our environment & social

- **Carbon:** FY23 1,543 CO_2e versus 2015 (Base year) 5,234 tons of CO_2e
  - 70% reduction from base year
- HY24 reduction 417 tons to 1,126 CO_2e achieved from signing of zero carbon electricity contract from September 2023
- This represents a 27% reduction from FY23 and 78% from baseline
- **Charitable partnership** with 2nd Chance and Barnado's

Summary

Mark Cook, CEO

Summary

Good progress on strategy execution and Assessment contract growth

- Good H1 performance and foundations being put in place to return to growth
- Pipeline and contracted order book growth of 70% and 51% respectively
- Traditional project revenue being replaced with long term contracted revenue
- Global Accreditation Platform wins foundation digital customer IB in landmark deal
- All three business units returned to profitability in H1 with adjusted operating profit up 86%
- H1 adjusted operating profit and EBITDA improved by £3.9m and £3.4m versus prior year
- Transformation programme initiated £6.6m of £10m cost savings in H1
- A more confident inspired workforce to deliver an exciting portfolio of new products and solutions

Appendices

Income Statement

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£m	HY 2024 Adjusted	HY 2024 Adjustments	HY 2024 Total	HY 2023 Adjusted	HY 2023 Adjustments	HY 2023 Total
Revenue	79.2	-	79.2	87.6	-	87.6
Cost of sales	(49.1)	-	(49.1)	(60.0)	-	(60.0)
Gross profit	**30.1**	**-**	**30.1**	**27.6**	**-**	**27.6**
Gross profit %	38.0%	-	38.0%	31.5%	0.0%	31.5%
Operating expenses	(30.7)	(3.1)	(33.8)	(32.1)	(5.0)	(37.1)
Profit/(loss) from operations	**(0.6)**	**(3.1)**	**(3.7)**	**(4.5)**	**(5.0)**	**(9.5)**
Other income	-	-	-	-	8.7	8.7
Net finance costs	(3.0)	-	(3.0)	(2.2)	-	(2.2)
(Loss)/profit before tax	**(3.6)**	**(3.1)**	**(6.7)**	**(6.7)**	**3.7**	**(3.0)**
Tax	0.2	(0.3)	(0.1)	1.1	(0.2)	0.9
(Loss)/profit for the year from continuing operations	**(3.4)**	**(3.4)**	**(6.8)**	**(5.6)**	**3.5**	**(2.1)**
Discontinuing operations	-	-	-	0.8	9.5	10.3
(Loss)/profit for the year	**(3.4)**	**(3.4)**	**(6.8)**	**(4.8)**	**13.0**	**8.2**
Diluted earnings per ordinary share from continuing operations	(4.1)p		(8.1)p	(6.7)p		(2.5)p

Balance Sheet

£m	31 May 2024	31 May 2023
Goodwill	38.5	38.5
Intangible assets	6.7	5.2
Property, plant & equipment	7.8	8.3
Defined benefit pension surplus	15.4	12.8
Other receivables	0.2	0.2
Right-of-use assets	12.6	14.3
Contract fulfilment assets	2.0	2.0
Deferred tax assets	0.2	0.2
Total non-current assets	**83.4**	**81.5**
Inventories	14.4	14.0
Trade and other receivables	30.8	32.3
Contract fulfilment assets	1.3	1.9
Tax assets	1.2	2.0
Cash and cash equivalents	-	8.1
Total current assets	**47.7**	**58.3**
Total assets	**131.1**	**139.8**
Bank overdraft	(0.6)	-
Borrowings	(52.1)	(53.7)
Trade and other payables	(49.4)	(48.9)
Defined benefit pension obligations	-	(0.4)
Provisions	(3.5)	(4.7)
Other non-current liabilities	(13.3)	(14.3)
Total liabilities	**(118.9)**	**(122.0)**
Net assets / total equity	**12.2**	**17.8**

Cashflow

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£m	HY 2024	HY 2023
Loss from operations, including discontinued operations	(3.7)	(8.8)
Depreciation, amortisation and impairments	2.8	3.9
Increase in provisions	0.4	0.3
Utilisation of contract fulfilment asset	-	-
Other adjustments	0.7	1.1
Operating cash flows before movements in working capital	**0.2**	**(3.5)**
(Increase)/decrease in inventories	(0.5)	2.2
Decrease in receivables	1.5	2.9
Decrease in contract fulfilment assets	0.7	-
Increase/(decrease) in payables	0.3	(15.6)
Utilisation of provisions	(1.4)	(1.2)
Cash generated from/(used by) operations	**0.8**	**(15.2)**
Defined benefit pension contribution	(2.1)	(2.3)
Cash from settlement of derivative instruments	(0.3)	(0.4)
Tax credit/(paid)	1.2	(0.2)
Net cash used by operating activities	**(0.4)**	**(18.1)**
Interest received	0.1	
Proceeds on disposal of intangible licences and PPE	-	8.5
Proceeds on disposal of operations	-	8.8
Purchases of intangible licences and PPE	(2.1)	(0.7)
Net cash (used by)/generated from investing activities	**(2.0)**	**16.6**
(Drawdown)/repayment of borrowings	(1.0)	4.3
Payment of leasing liabilities	(1.3)	(1.2)
Interest and fees paid	(3.9)	(2.8)
Net cash (used by)/generated by financing activities	**(6.2)**	**0.3**
Net decrease in cash and cash equivalents	**(8.6)**	**(1.2)**

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