



**RM**<sup>™</sup> plc

**Technology and  
Resources for Education**

Year to 30 November 2020

**David Brooks**  
Chief Executive Officer

**Neil Martin**  
Chief Financial Officer

**RM**

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# AGENDA

## David Brooks – Summary

- FY20 overview and FY21 focus
- Current market backdrop

## Neil Martin – FY20 Results

- Financial review
- Divisional review

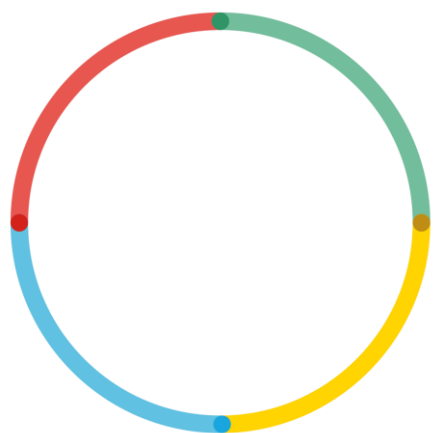
## David Brooks – Focus & Outlook

- Market trends
- Outlook

## Q&A



# SUMMARY



## 2020 Performance

- **Financial performance materially impacted by COVID-19** with school closures and exam cancellations globally
- **Trading improved progressively through H2** as education establishments reopened
- **Focus on cash and costs enabled a robust financial position** with net debt reducing to £1m (2019: £15m)

## 2021 Outlook

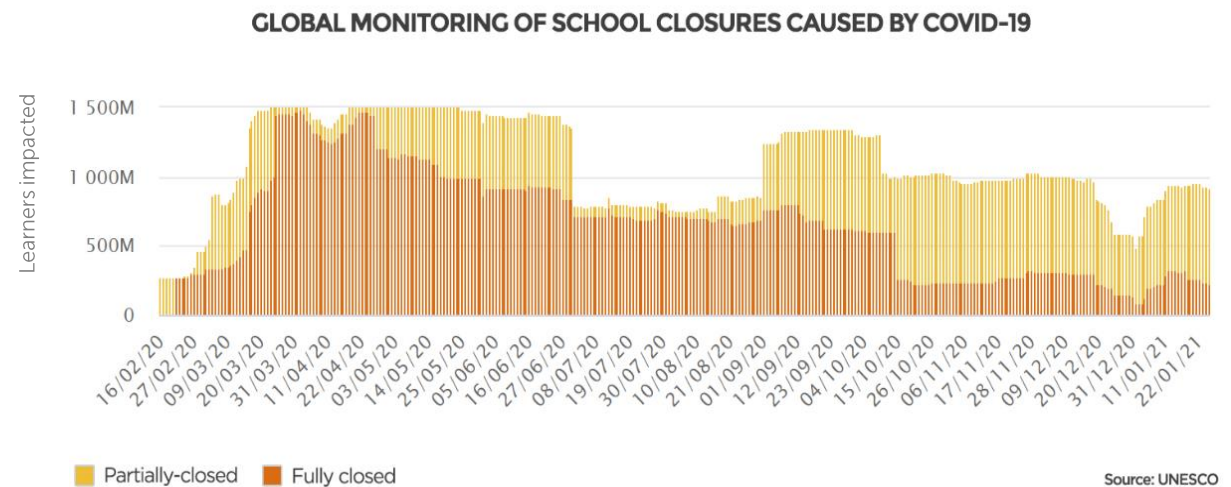
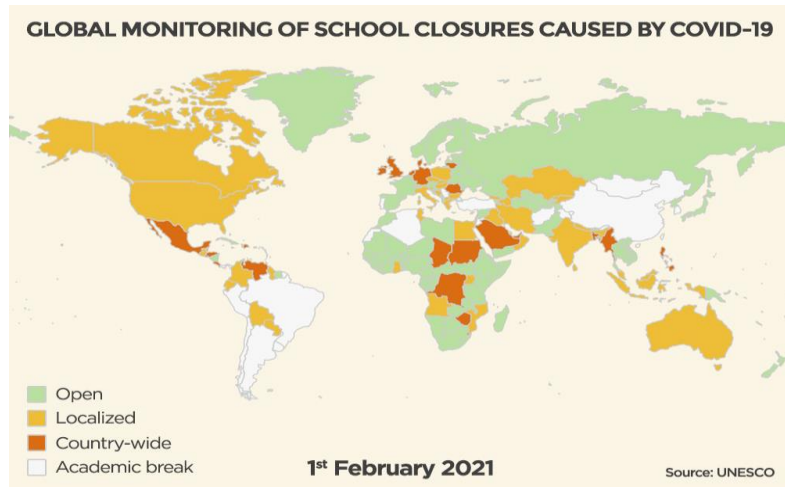
- **Short term outlook remains uncertain** following further restrictions and exam cancellations
- **Confidence in medium-term supports final dividend proposal** at 3.00 pps
- **Digital and automation investment programmes** fully restarted with longer term operational and financial benefits

## Longer Term Opportunity

- **Well positioned to capitalise on structural trends in Education**

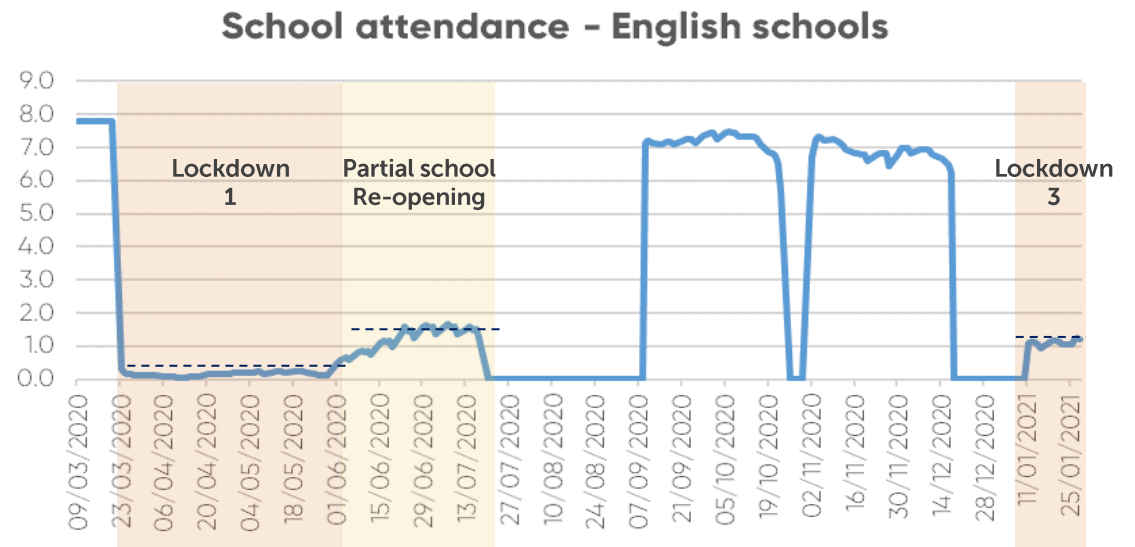
# CURRENT MARKET BACKDROP

## Closures of schools and widespread exam cancellations continue



## Current update in UK schools

- UK Schools are closed. Possible phased reopening:-
  - Scotland / Wales not before 22 February
  - England / NI not before 8 March
- Schools' attendance in Lockdown 3 is broadly 5 times greater than in Lockdown 1
- 21% of primary school pupils are in school in January 2021 vs. 4% in May 2020
- General school exams in the UK have been cancelled



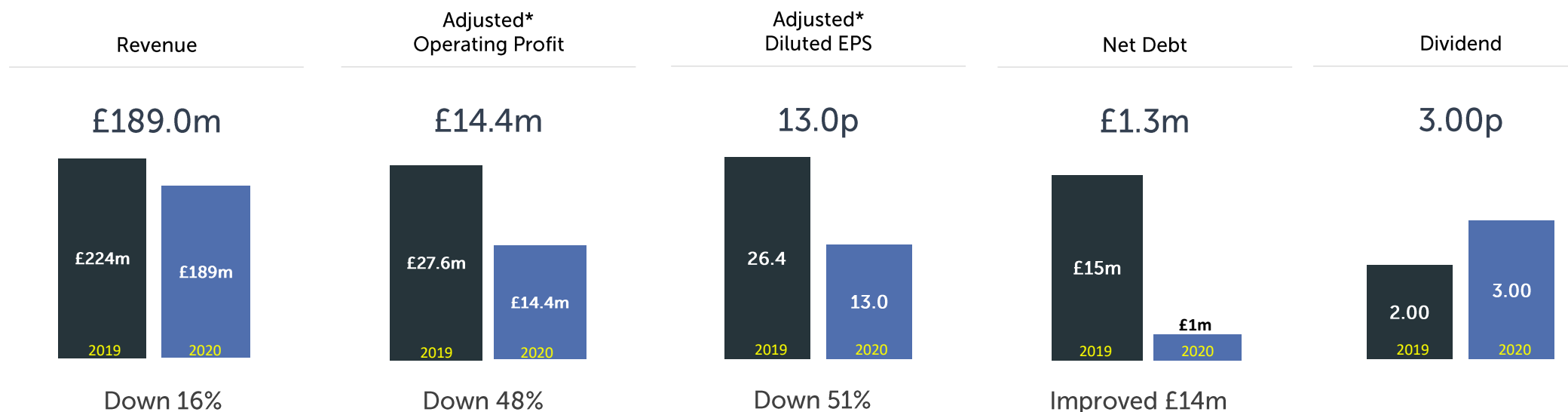


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# Financial Summary

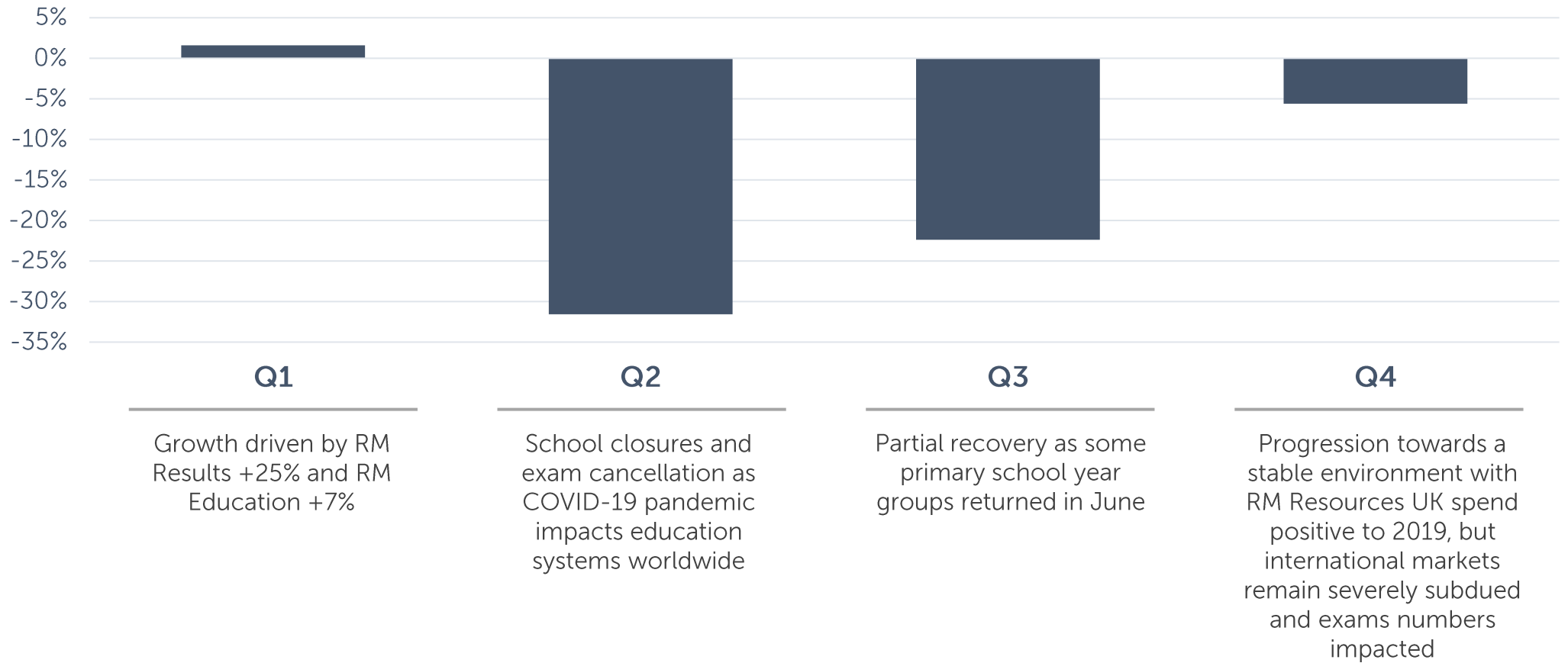
# FINANCIAL OVERVIEW

A positive start to the year; full year performance significantly impacted by COVID-19

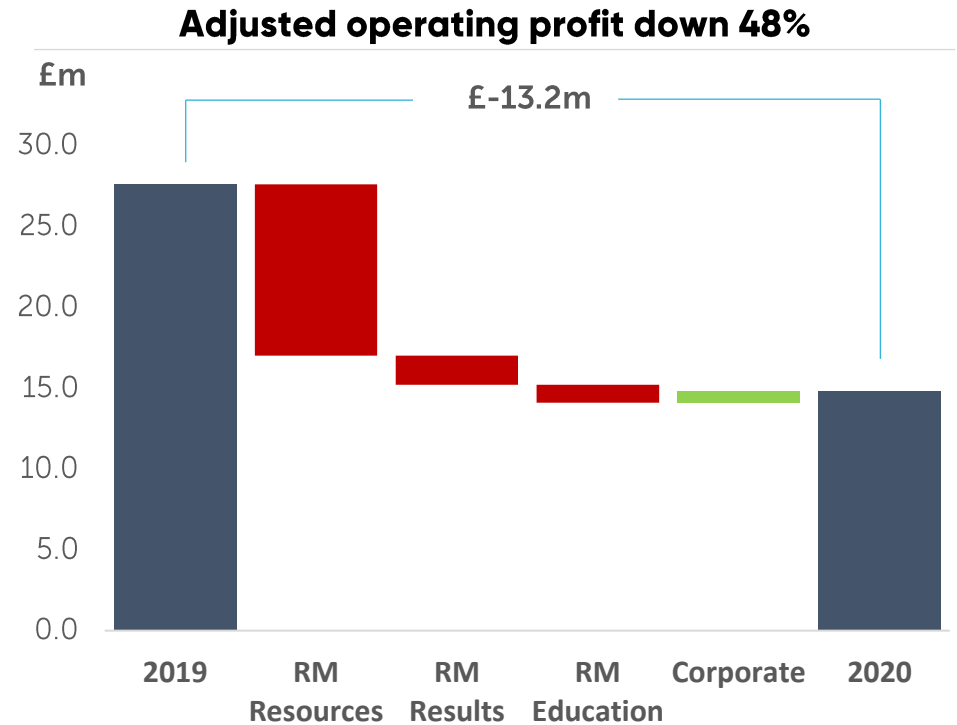
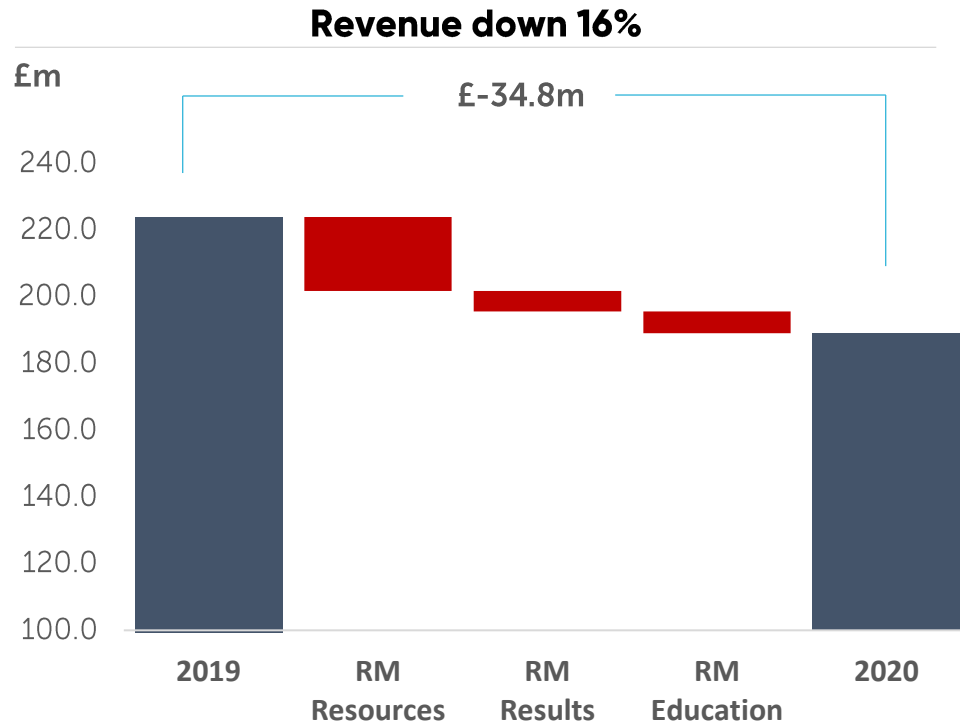


- Revenues down 16% as positive early momentum was materially offset by COVID-19 impacts
- Adjusted operating profits declined as cost savings were insufficient to offset the impact of school closures and exam cancellations
- Net debt improved to £1.3m at 30 November 2020 following actions to conserve cash throughout the year. The net debt position is supported by a revolving credit facility of £70m
- Final dividend proposed at 3.00 pence per share compares to an interim dividend payment of 2.00 pence per share in 2019. The 2019 final dividend and 2020 interim dividend were cancelled in response to COVID-19

# QUARTERLY REVENUE DEVELOPMENT



# REVENUE AND PROFIT DEVELOPMENT



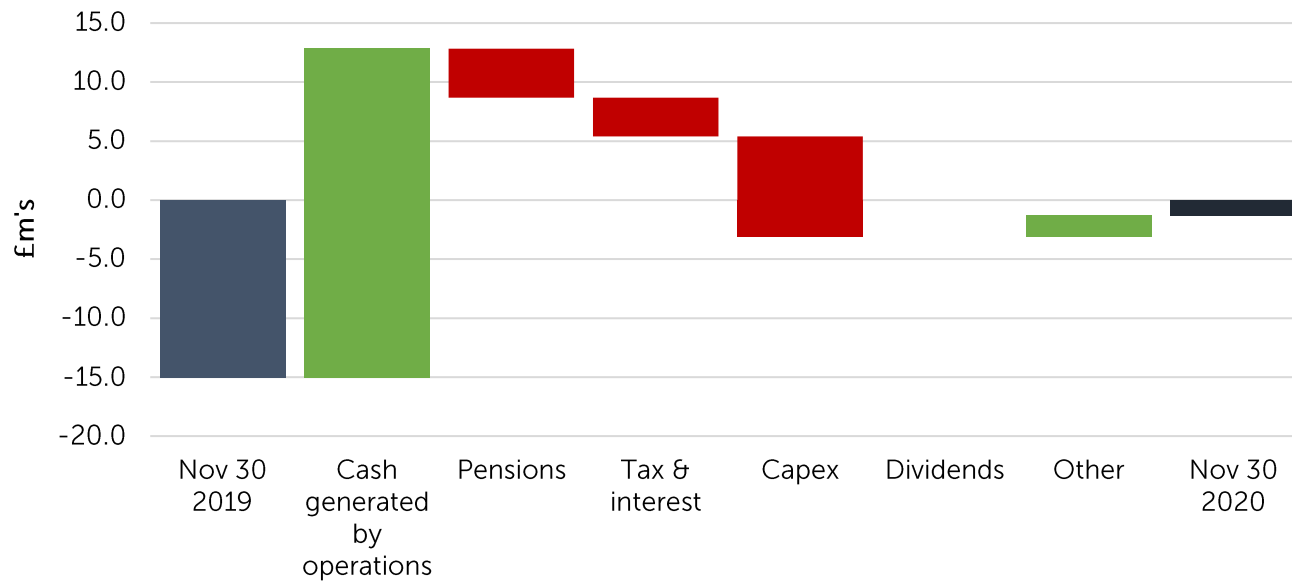
- **RM Resources** result driven by 19% lower revenues and additional one-time costs and provisions as a result of school closures which offset wider cost saving measures
- **RM Results** revenues down 16%, profitability down 24% driven by widespread exam cancellations globally
- **RM Education** saw revenues reduce 9% driven primarily by finalisation of Building Schools for the Future programme in 2019 and challenges in developing sales pipeline. Overall, more resilient to school closures as continued to support the technology environment
- **Corporate** plc costs lower following COVID-19 mitigation actions

# INCOME STATEMENT

£m	2020	2019	Variance
Revenue	189.0	223.8	-16%
Adjusted Operating Profit	14.4	27.6	-48%
Operating Margin	7.6%	12.4%	-4.8pp
Interest	(1.0)	(1.0)	-3%
Adjusted Profit before tax	13.4	26.6	-50%
Tax	(2.6)	(4.7)	+45%
Adjusted Profit after Tax	10.8	21.9	-51%
Exceptional items (after tax)	(2.4)	(2.8)	+14%
Profit after tax	8.4	19.1	-56%
Adjusted diluted EPS	13.0p	26.4p	-51%
Paid and proposed dividend per share	3.00p	2.00p	+50%

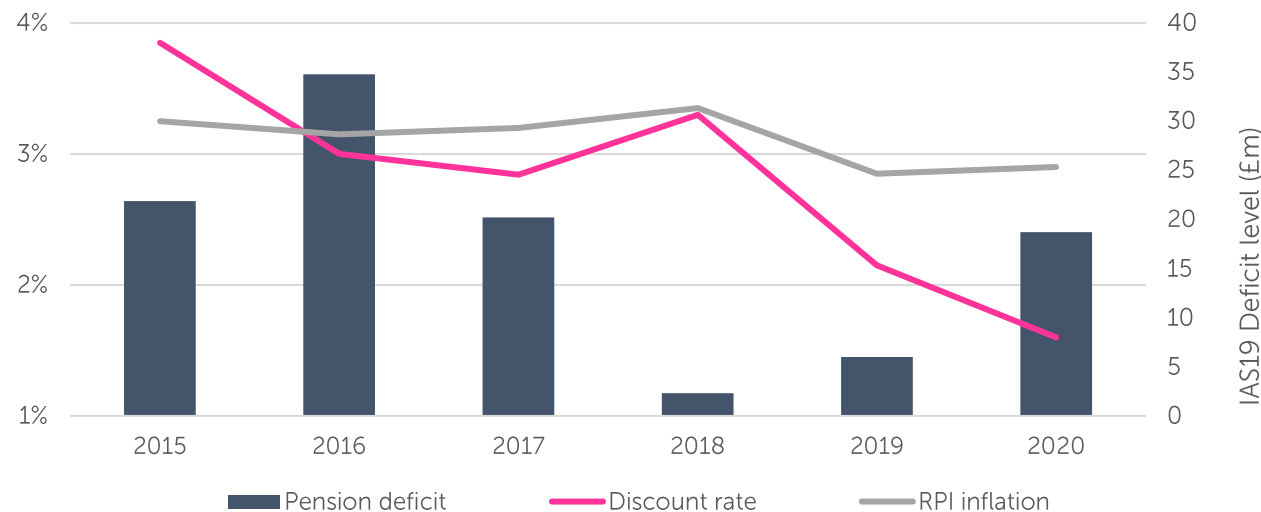
- Interest costs reflect debt facility charges and finance costs related to the defined benefit pension schemes
- Adjusted effective tax rate of 19.0 % (2019: 17.8%)
- Exceptional items primarily reflect amortisation of acquisition intangibles, restructuring charges and COVID-19 related impairment charges associated with the capital programme more than offsetting profit on sales of non-core assets

# CASHFLOW AND PENSION



## Cash Flow

- Net Debt of £1m is £14m lower than prior year (£15m)
- Cash Generated of £28m, favourable movements in inventory and trade and other payables
- No dividend payments were made in response to COVID-19 impacts
- Capex spend over the next 2 years in excess of £20m supporting the capital programmes now reinstated



## Pension

- IAS19 net pension deficit increased to £18.7m (2019: £6m) primarily as a result a reduction in the discount rate

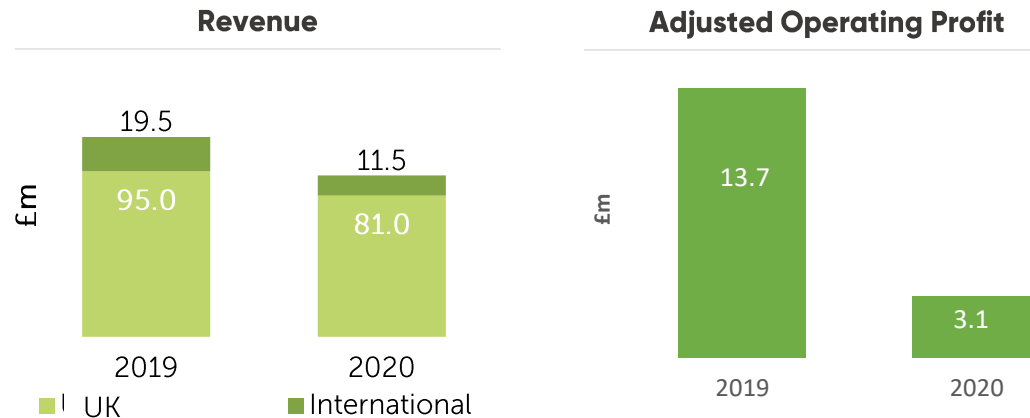
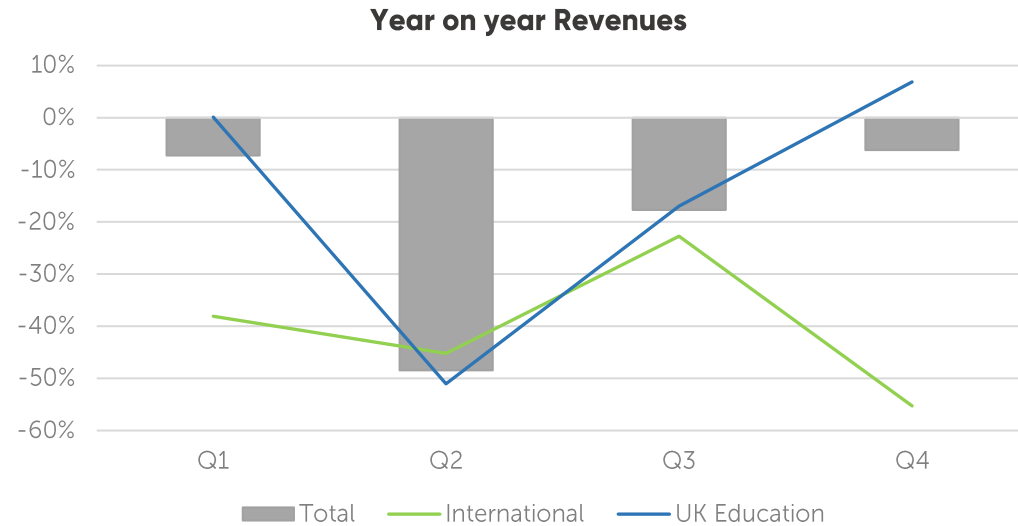


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# 2020 Divisional Review

## Year dominated by COVID-19 but swift recovery in line with school openings

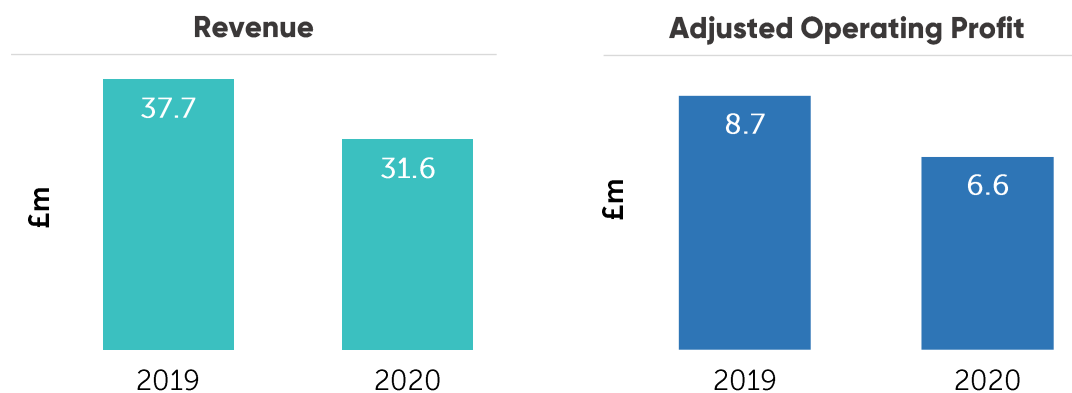
- UK school and nursery closures in March had significant impact until full reopening in September
- Quarter 4 improved materially in the UK leading to sales ahead of the previous year
- International sales subdued throughout the year - Q1 reduction due to absence of large 2019 South America order not repeated
- Reduced profitability reflects lower revenues and £2m of one-time cost impacts, in part COVID-19 related
- Construction of new warehouse completed in November 2020 and automation and fit-out contractors appointed
- One freehold warehouse sale completed, and heads of terms signed on the two other properties with exchange imminent. Completion post transition, scheduled for 2022



## Robust performance despite scale of exam cancellations

- Revenue down 16% in 2020 with increased revenue from new clients materially offset by widespread exam cancellations
- Payment levels agreed with all Awarding Bodies related to 2020 exam cancellations
- Development of sales pipeline restricted by ongoing COVID-19 disruption and travel restrictions.
- Contract wins include two end-to-end digital assessment and remote invigilation contracts and an international Maths & Science research test across 70 countries
- Short term outlook remains uncertain: UK school exams cancelled and cautious on wider global outlook

Geography	RM Customer Exam Bodies	Exam Cancellations 2020
UK General Exams	4	75%
UK Other	5	35%
EMEA	8	90%
Australia / NZ	5	0%
Asia	2	35%
ROW	3	70%

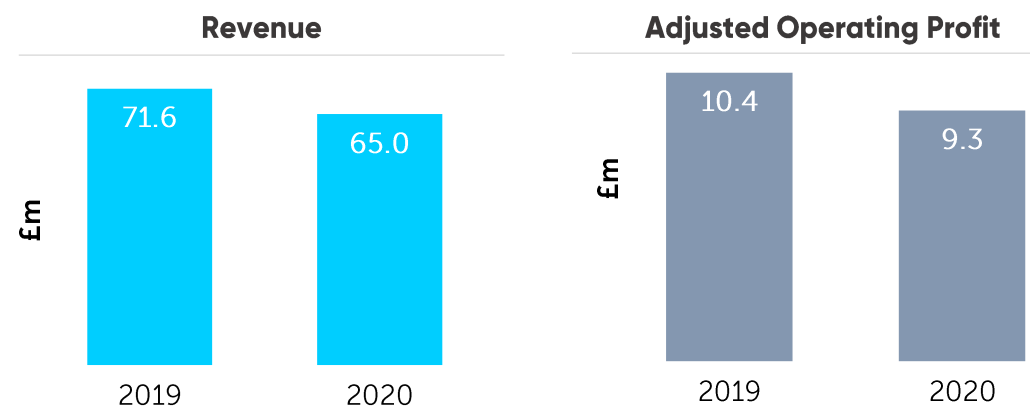


## Resilient underlying performance

- Revenues down 9% with three quarters of the reduction driven by the end of building schools for the future programme in 2019
- Operating margins maintained above 14% by pre-COVID-19 restructuring programme, some one-time benefits and reduced discretionary spend through lockdown
- First customers engaged on new cloud based Managed Services proposition
- Impact to sales pipeline caused by customers focus on evolving COVID-19 situation

## Significant year for Education policy and funding

Jan 2020	Government commits additional £14 billion education funding over 3 years
April 2020	DfE launch Oak National Academy, initially with 180 free video lessons a week.
June 2020	DfE commit additional £1 billion fund to support 'lost learning'
Oct 2020	Government introduces legal requirement for schools to offer remote learning capability
Jan 2021	DfE laptop purchase commitment for disadvantaged children reaches 1.3m devices





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# Focus and Outlook

# Market Trends



## Becoming More Digital

Change to teaching and learning, the running of establishments and how products and services are bought



## Modernisation of Assessment

Increasing use of technology as different types of assessment are also considered



## Flexible Learning

Learners engaging remotely and learning model evolving



## Buyer Aggregation

Groupings of education establishments buying together



# Becoming More Digital

- **The Trend**  
Adoption of online buying channels of education supplies away from traditional off-line purchases following catalogue browsing
- **Our response**  
Implementation of new web platform and investment in digital and social media technology
- **Example of progress**  
Digital participation grew 10% in 2020 to over 60% on our journey to 100% online

# RM's DIGITAL AND AUTOMATION PROGRESS



## New warehouse complete

- Foundation step complete
- Sales agreed of all freehold properties
- Automation provider agreed and contracted
  
- Office staff move April 2021



## RM Resources first to go live with digital solution

- Migration from disconnected systems to Integrated end-to-end platform
- E-commerce platform to deliver omni-channel and personalised customer journey
- Improved data and analytics capabilities supporting automated decision making
- Significantly improved data solutions and digital capability
  
- Go live in H2 2021



## End-to-end order to automation in RM Resources

- Migration to single automated warehouse alongside modernisation of customer, finance and warehousing systems
- Automated inventory management and connected supply chain
- Significant improvements in order fulfilment, service levels, demand management and operating efficiencies
  
- Go live through 2022



## Technology and Group division's go live

- Digital and automated
- New Service Management Solution
- Groupwide adoption of common platform and new Target Operating Model
  
- Go live in H2 2022

# Modernisation of Assessment



- **The Trend**  
Need for computer-based testing in flexible locations, including home
- **Our response**  
Provide end-to-end secure platform for on-screen assessments including remote invigilation
- **Example of progress**  
Won two end-to-end digital assessment contracts including remote invigilation and on-screen testing



## Flexible Learning

- **The Trend**  
Schools need to provide onsite and offsite access to the learning environment
- **Our response**  
Help schools provide learning materials and stakeholder engagement in the Cloud
- **Example of progress**  
Launch of a new managed services proposition for UK schools and colleges that can transition them to the cloud

## Market Trend

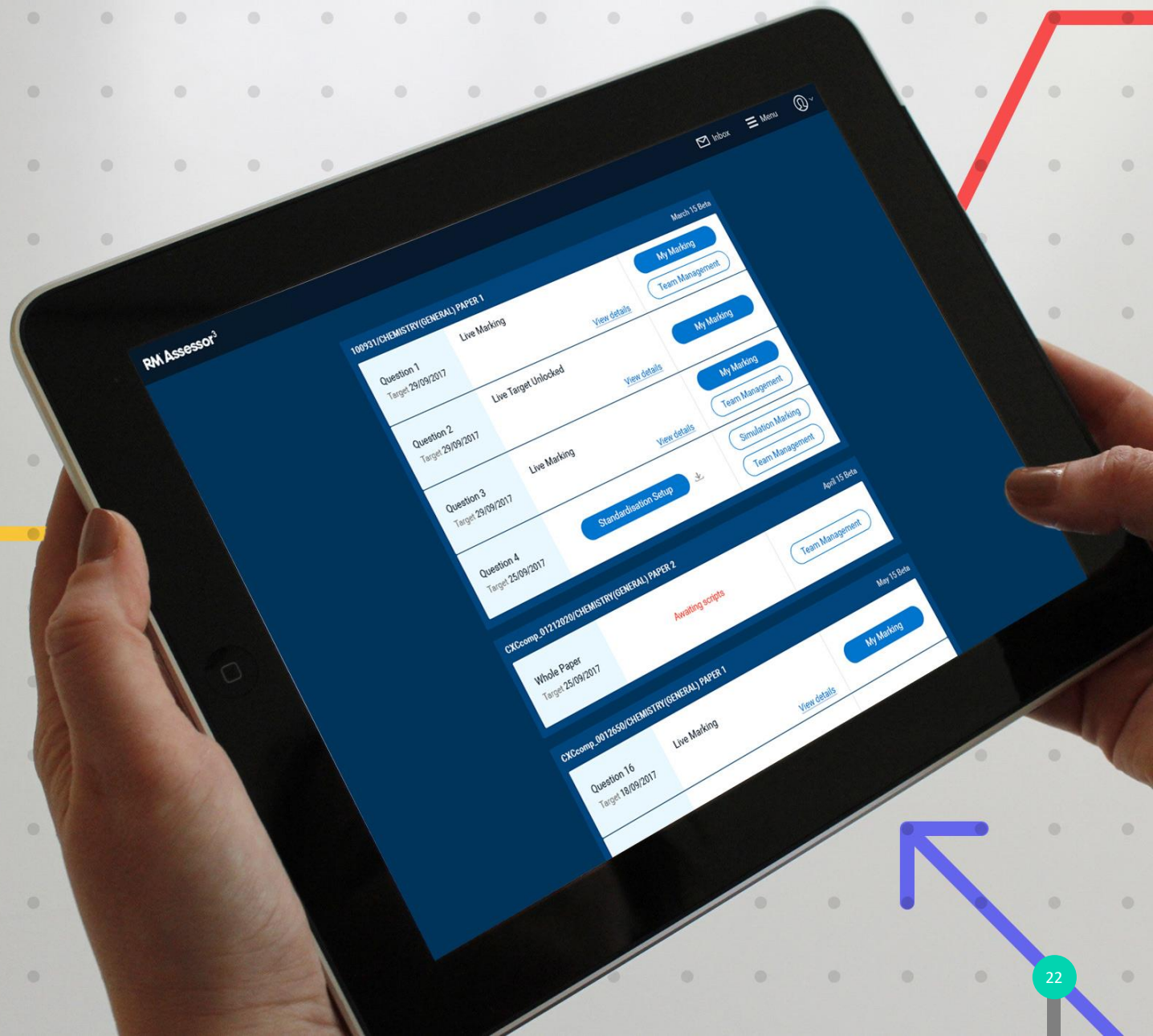


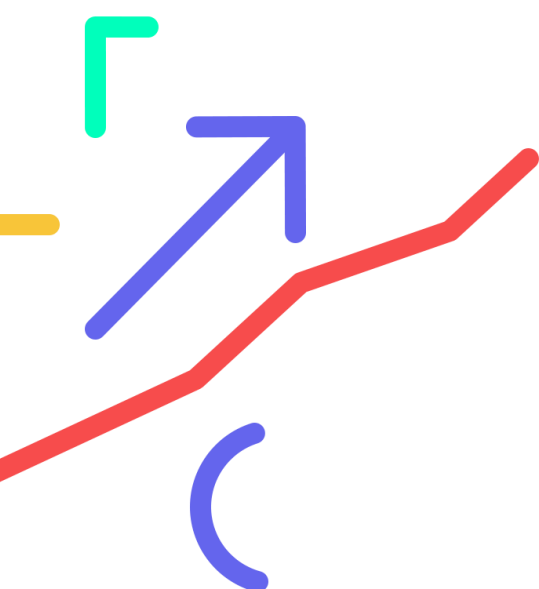
## Buyer Aggregation

- **The Trend**  
Multi Academy Trusts and Nursery Chains buying products and services on behalf of their establishments
- **Our response**  
Dedicated sales teams and customised products and marketing for consolidated groups
- **Example of progress**  
RM Resources have won over 30 commercial arrangements in 2020 with aggregated buyers

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# Outlook





## 2021

- Strong financial position
- Another year where education systems are impacted by COVID-19
- Significant year for Digital and Automation projects

## Longer Term

- Market opportunity creates a positive backdrop



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**Q&A**

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# Appendix

# DIVISIONAL SUMMARY

## Revenue £M

	2020	2019	Variance
RM Resources	92.4	114.5	-19%
RM Results	31.6	37.7	-16%
RM Education	65.0	71.6	-9%
<b>Group</b>	<b>189.0</b>	<b>223.8</b>	<b>-16%</b>

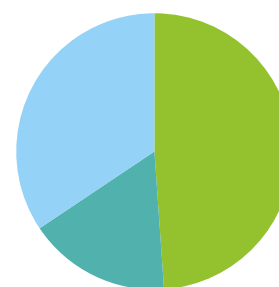
## Adjusted Operating Margin

	2020	2019	Variance
RM Resources	3.3%	12.0%	-8.7pp
RM Results	20.9%	23.2%	-2.3pp
RM Education	14.3%	14.5%	-0.2pp
<b>Group</b>	<b>7.6%</b>	<b>12.4%</b>	<b>-4.8pp</b>

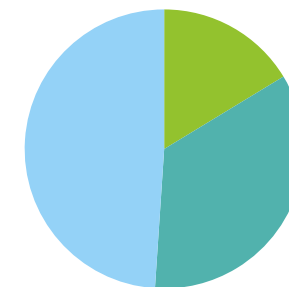
## Adjusted Operating Profit £M

	2020	2019	Variance
RM Resources	3.1	13.7	-78%
RM Results	6.6	8.7	-24%
RM Education	9.3	10.4	-11%
Corporate	(4.5)	(5.2)	+12%
<b>Group</b>	<b>14.4</b>	<b>27.6</b>	<b>-48%</b>

## Revenue



## Adjusted Operating Profit



■ RM Resources ■ RM Results ■ RM Education

# INCOME STATEMENT

£ M	12 MONTHS TO 30 NOVEMBER					
	2020			2019		
	ADJUSTED	ADJUSTMENTS	TOTAL	ADJUSTED	ADJUSTMENTS	TOTAL
Revenue	189.0	-	189.0	223.8	-	223.8
Cost of sales	(114.7)	(0.4)	(115.0)	(132.1)	-	(132.1)
Gross profit	74.3	(0.4)	74.0	91.6	-	91.6
Gross profit %	39.1%	-	39.1%	40.9%	-	40.9%
Operating expenses	(59.6)	-	(59.6)	(64.0)	-	(64.0)
Amortisation of acquisition related intangibles		(2.0)	(2.0)		(1.6)	(1.6)
Restructuring provision		(1.0)	(1.0)		(0.8)	(0.8)
Impairment of intangible asset		(0.7)	(0.7)		-	-
Pension GMP charge		(0.2)	(0.2)		-	-
Acquisition related costs		-	-		(0.7)	(0.7)
Gain on sale of non-core asset		0.7	0.7		-	-
Property related costs		0.7	0.7		(0.3)	(0.3)
	(59.6)	(2.5)	(62.4)	(64.0)	(3.5)	(67.4)
Operating profit	14.4	(2.9)	11.5	27.6	(3.5)	24.2
Operating profit %	7.6%	-	6.1%	12.4%	-	10.8%
Net investment income and finance costs	(1.0)	-	(1.0)	(1.0)	(0.0)	(1.0)
Profit before tax	13.4	(2.9)	10.5	26.6	(3.5)	23.2
Tax	(2.6)	0.5	(2.1)	(4.7)	0.6	(4.1)
Profit after tax	10.8	(2.4)	8.4	21.9	(2.8)	19.1
Diluted earnings per ordinary share	13.0p		10.1p	26.4p		23.0p
Dividend per share			3.00p			2.00p

<b>OPERATING CASH FLOWS - £M</b>	<b>2020</b>	<b>2019</b>
Profit from operations	11.5	24.2
Amortisation & impairment of intangibles	3.8	2.7
Depreciation & impairment of PPE	3.7	1.6
Share-based payments	0.7	0.7
Increase/(decrease) in provisions	1.4	(0.8)
Other adjustments	(2.1)	0.3
<b>Operating cash flows before movements in working capital</b>	<b>19.1</b>	<b>28.6</b>
Decrease/(Increase) in inventories	3.6	(4.1)
Decrease in receivables	2.5	7.6
(Increase) in contract fulfilment assets	(1.1)	(1.6)
Increase /(decrease) in payables	6.0	(7.5)
Utilisation of provisions	(2.3)	(3.2)
<b>Cash generated by operations</b>	<b>27.8</b>	<b>19.9</b>
<b>NON-OPERATING CASH FLOWS – £M</b>		
Defined benefit pension contribution	(4.1)	(4.6)
Tax paid	(2.6)	(3.6)
Net capital expenditure less proceeds on disposal	(8.5)	(6.0)
Dividends paid	-	(6.3)
Acquisition costs net of cash acquired	-	(7.8)
(Repayment)/drawdown of borrowings	(12.0)	10.0
Other	1.2	(0.9)
<b>Net increase in cash and cash equivalents</b>	<b>1.9</b>	<b>0.6</b>

# BALANCE SHEET

£M	30 NOV 2020	30 NOV 2019
Goodwill	49.3	49.1
Intangible assets	22.4	23.3
Property, plant & equipment	8.4	9.2
Defined benefit pension surplus	0.7	1.0
Other receivables	0.1	0.9
Right to use Asset	19.4	-
Contract fulfilment assets	3.4	2.2
Deferred tax assets	5.3	3.5
<b>Total non-current assets</b>	<b>109.0</b>	<b>89.1</b>
Inventories	18.6	22.2
Trade & other receivables	31.3	31.2
Contract fulfilment assets	0.7	0.8
Held for sale asset	4.8	1.4
Tax assets	2.0	0.4
Cash & short-term deposits	5.9	5.5
<b>Total current assets</b>	<b>63.4</b>	<b>61.6</b>
<b>Total assets</b>	<b>172.4</b>	<b>150.7</b>
Current liabilities, including tax liabilities	(64.6)	(56.9)
Borrowings	(4.8)	(16.5)
Retirement benefit obligation	(19.3)	(7.0)
Other non-current liabilities	(28.3)	(10.7)
<b>Total liabilities</b>	<b>(117.0)</b>	<b>(91.1)</b>
<b>Net assets / total equity</b>	<b>55.4</b>	<b>59.6</b>

## Helping teachers to teach and learners to learn by developing engaging and inspiring resources

### WHAT WE DO



Provide education supplies and curriculum products for schools and nurseries in the UK and internationally



### HOW WE ADD VALUE



Unique own designed curriculum resources focused on improving learning outcomes

Offering the whole classroom proposition



### THE OPPORTUNITY



Committed increases in education funding in UK



Strong differentiation of own developed products and brand pedigree in growing international market

Investment in automated warehouse program provides path to significantly improved efficiency



## Driving the global modernisation of assessment

### WHAT WE DO



A global leader in providing digital assessment solutions that support lifelong learning



### HOW WE ADD VALUE



Improve the quality, efficiency and speed of our customer's assessment cycle

Secure, seamless and hassle-free e-assessment and data analysis



### THE OPPORTUNITY



Market with strong structural growth opportunity in global assessment

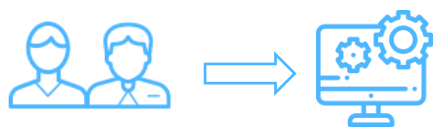
End to end digital capability opens new channels and opportunities

Increasing technology adoption in global assessment and lifelong learning



## Helping UK schools to improve the impact of technology on teaching and learning

### WHAT WE DO



Software, services and technology provider to UK schools and colleges



### HOW WE ADD VALUE



Delivering cost effective, reliable and secure technology for local and remote learning

Helping schools to make the most of their IT investment



### THE OPPORTUNITY



Growth in multi-academy trusts provides aggregated buying in fragmented market



Committed increases in education funding in the UK

Increasing technology adoption in education

