

RM plc

Review of Education Technology Divisional Strategy results in focus on Software and Services

In its Interim Results announcement, RM plc ('RM') referred to efforts being directed to improve the profitability of the Education Technology ('ET') business. RM has now completed the review of ET and has concluded that the future focus of this division will be on expanding its existing software and services offering. In addition to the previously indicated reduction of c. £40m in revenues associated with the conclusion of the Building Schools for the Future ('BSF') projects, the division will exit the declining and low margin sale of personal computing devices. A significant reduction will also be made in the scale of the division's associated sales and marketing activities and in central services functions.

Existing contractual commitments to provide personal computing devices will be fulfilled and the division will continue to provide third party infrastructure hardware as part of its services business.

RM will immediately commence a consultation with affected employees regarding proposed redundancies. The proposal is to reduce UK headcount, including temporary staff, by around 300 over the next twelve months.

The expected rundown in BSF activity combined with exiting personal computing device sales will result in a c. 50% reduction in the ET division's revenue over the next two fiscal years. It will also result in one-off costs of c. £10m which will be reflected as an exceptional item in the results for the fiscal year to 30th November 2013. This includes provisions relating to surplus property and redundancies. In FY14 the ET division is expected to trade around breakeven as a result of the timing mismatch between revenue decline and cost elimination. After the reorganisation, the division is expected in FY15 to deliver much improved margins on the lower revenue.

As highlighted in RM's Q3 IMS, ET continues its successful record of extending services and software contracts with existing customers. Over the last 18 months ET has launched new software propositions, including RM Unify and RM Books, and has won new customers for its established RM Integris School Management Systems. The business continues to invest in these and other new offerings.

RM's other two divisions, Assessment and Data Services, providing major database and e-assessment services, and Education Resources, the direct marketing education resources supply business, are unaffected.

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