



RM[™] plc

PROPOSED
ACQUISITION OF
CONNECT EDUCATION
& CARE

TRANSACTION HIGHLIGHTS

- **RM plc (“RM”) proposed acquisition of the Education & Care business of Connect Group PLC (“Connect Education & Care”)**
 - **Gross consideration of £56.5m, on a cash and debt free basis**
 - **Implied 2016 EBITDA¹ multiple of 6.3x (ex. synergies), 5.1x (incl. synergies)**
 - **RM will also assume Connect Education & Care’s combined net pension deficit of £7.9m, reported as at 31 August 2016**
- **Combination of TTS (education resources division of RM) and Connect Education & Care (together the “Enlarged Group”) creates a market leader in the UK schools and early years educational resources segments**
- **Creates value for shareholders**
 - **Accretive to RM’s EPS in the first year²**
 - **£2.0m run-rate synergies (pre-tax)**
 - **ROIC greater than RM’s cost of capital (including the benefit of run-rate synergies)³**
- **Financed through existing cash resources and new debt facilities**
 - **Pro forma net debt / EBITDA 0.7x⁴**
 - **Total facilities £75m**
- **Conditional, inter alia, on RM Shareholder approval and CMA clearance**
- **Transaction expected to complete in first half of 2017**

Notes:

1. Based on Connect Education & Care’s EBITDA before non-recurring items of £9.0m for the year ended 31 August 2016

2. Based on RM’s adjusted earnings per share of 17.2p for the year ended 30 November 2016

3. Based on Connect Education & Care’s EBIT before non-recurring items of £7.8m for the year ended 31 August 2016

4. Based on RM’s net cash position of £40m as at 30 November 2016, consideration of £56.5m, transaction costs of c.£3.5m and RM reported results for the year ended 30 November 2016 and Connect Education & Care’s reported results for the year ended 31 August 2016.

DESCRIPTION

Leading independent supplier of branded and own brand products primarily to educational institutions

- Over 30,000 customers, predominantly in the UK
- Extensive product portfolio with a range of over 40,000 commodity and education resources products

Reported financials (y/e 31 August 2016):

- Revenue £64.8m
- EBITDA¹ £9.0m
- EBIT¹ £7.8m



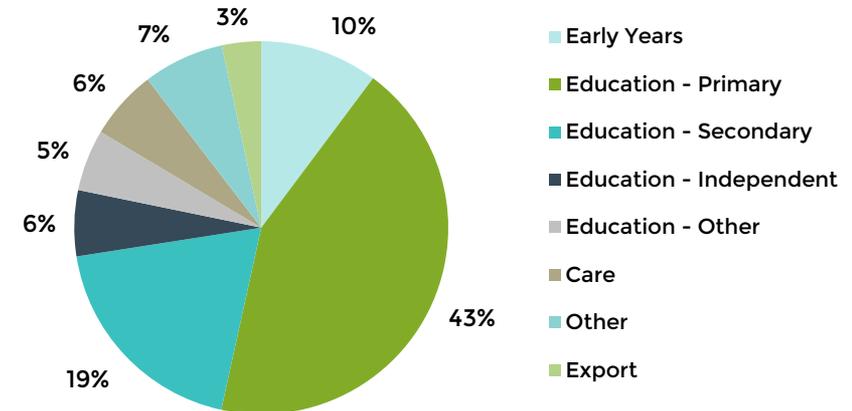
Note:

1. before non-recurring items

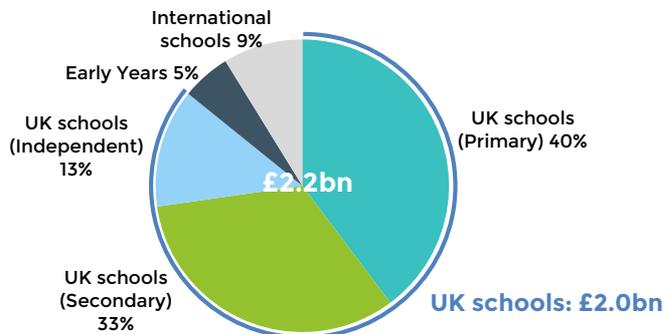
REVENUE BREAKDOWN

- 97% UK revenue
- 3% International revenue
- Strength in the South and South West of England, West Midlands and Wales

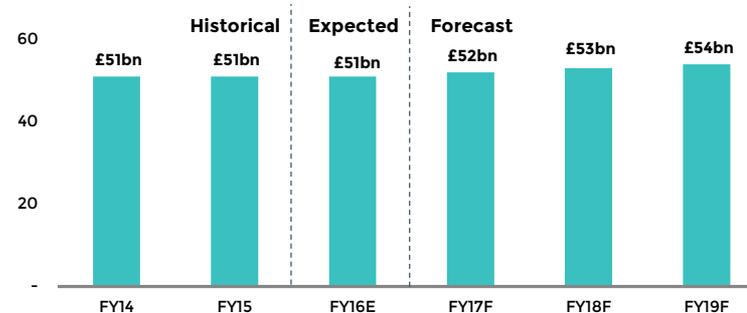
Revenue by segment (2016A):



ADDRESSABLE MARKET (2016E)



UK SCHOOL BUDGETS

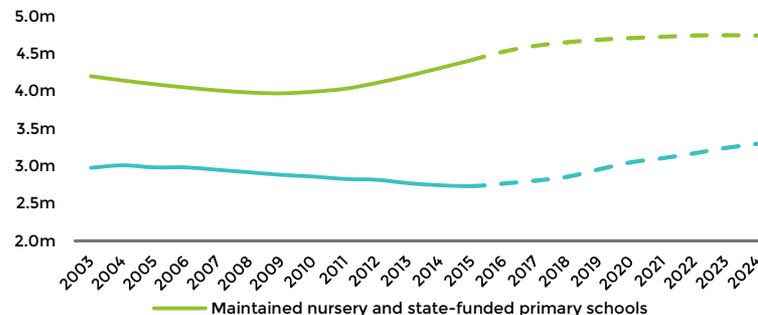


KEY PLAYERS

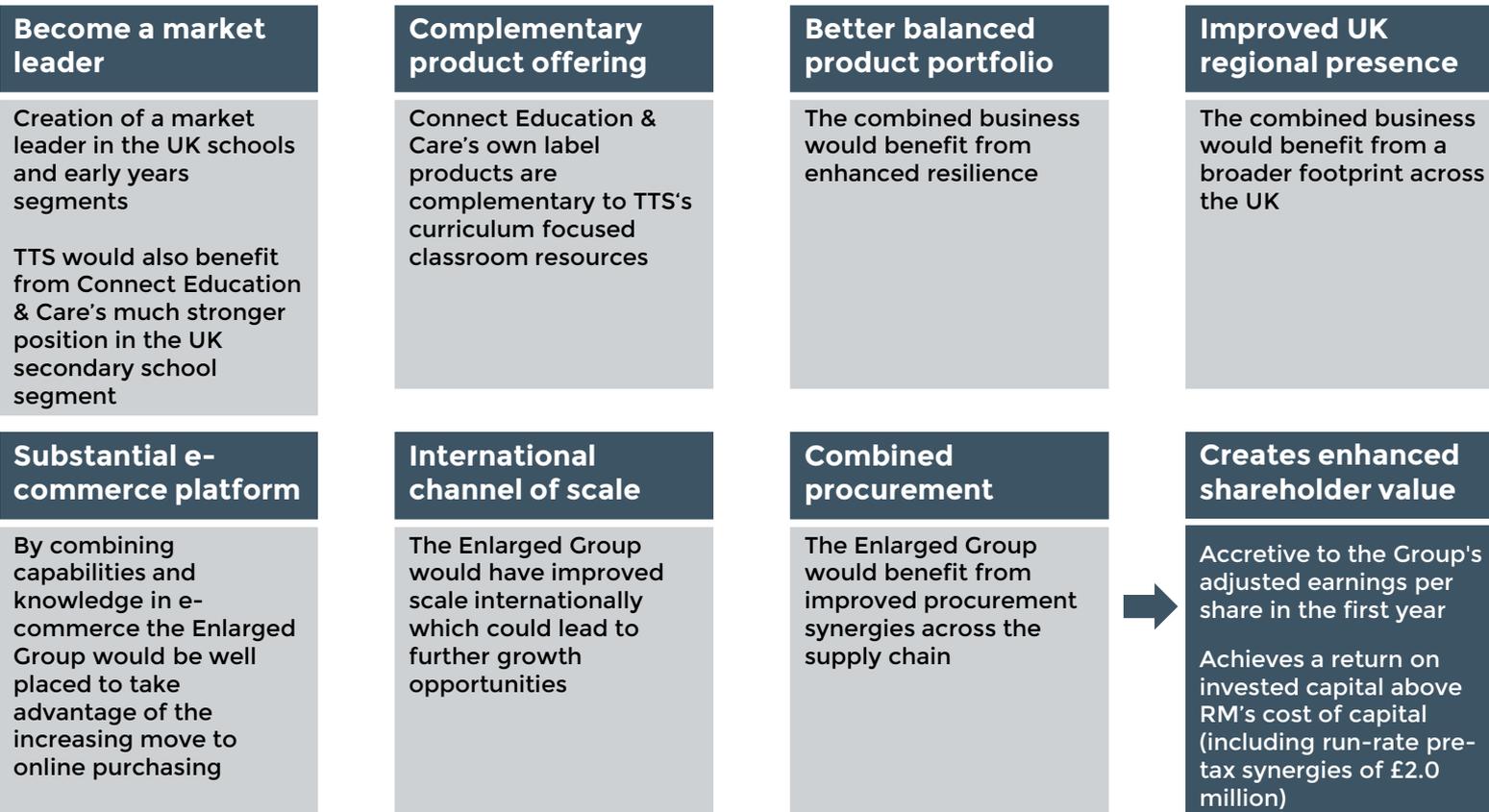


Note:
1. Source: Market research

GROWTH IN UK PUPIL PROJECTIONS



Respective brands would be retained given importance of brand identity



Combining strengths

	NATIONAL SPECIALIST 	REGIONAL GENERALIST 
Strategic focus	Curriculum resources specialist	Education supplies generalist
No. staff	c. 225 FTE	c. 300 FTE
No. products	19,000	40,000
Product split	35% own IPR products	37% own brand products
International %	21%	3%
Segment %	EY 12%, Primary 52%, Secondary 2%	EY 10%, Primary 43%, Secondary 19%
Marketing	Direct marketing model	Sales & marketing model
Revenue ¹	£59m	£65m
Operating margin ¹	17.3%	12.0%

Regional strength²



Key

 TTS a primary support supplier



 Connect Education & Care a preferred supplier

ENLARGED GROUP

- A market leader in education resources
- Multi brand operation
- Complementary and diverse product range
- Combined procurement synergies
- Shared sales channels with opportunity for growth
- Market leading e-commerce engagement
- Highly cash generative operation

Note:

1. As reported
2. Source: market research based on samples of selected schools

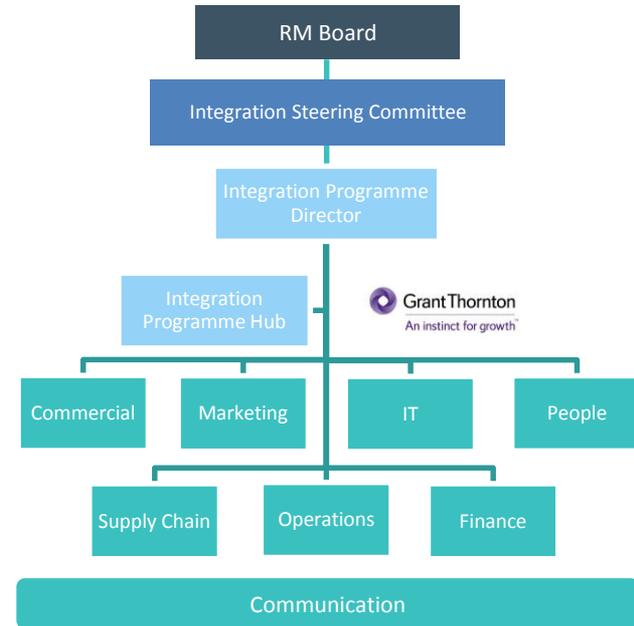
- **£2.0m total cost synergies**
 - £2.0m annual pre-tax cost savings before integration costs
 - Full run-rate synergies expected to be achieved by 12 months following completion
 - Cost to achieve of £2.5m expected to be incurred by 12 months following completion

- **Cost synergies include**
 - Optimisation of combined product lines
 - Reduction of duplicative senior executive roles and head office efficiencies
 - Optimisation of third party sourcing, freight and logistics
 - Sharing of best practice between Connect Education & Care and TTS

OVERVIEW

- A detailed integration plan, led by senior executives of RM, TTS and Connect Education & Care, will be established. The purpose of the plan is to:
 - Deliver on the synergies;
 - Ensure excellent customer, supplier and employee communications;
 - Ensure the use of best practice across the Enlarged Group; and
 - Implement a unified structure over time
- Integration specialist (Grant Thornton) engaged to support planning and execution
- Focus in the first 100 days will be on communications, control and engagement
- It is expected that the management team of the Enlarged Group will be composed of management from both organisations
- It is expected that the Enlarged Group would continue to retain its three brands: Consortium, West Mercia and TTS

INTEGRATION PLANNING STRUCTURE



- **New unsecured revolving credit facility of £75m, to replace the existing £30m facility upon completion**
 - Provided by Barclays Bank plc and HSBC Bank plc
- **Maturity**
 - 3 years from completion (with extension options) with scheduled graduated amortisation to £60m starting 12 months from first drawdown
- **Interest rate**
 - Libor + Margin (depending on leverage) of 1.3% - 1.9%
- **Financial Covenants tested semi-annually**
 - Interest cover: EBITDA / Finance Charges > 4.0x
 - Leverage: Total Net debt / EBITDA < 2.5x
- **Other terms customary for a facility of this nature**
- **Pension**
 - Connect Education & Care's defined benefit pension schemes have a reported combined IAS19 deficit of £7.9m as at 31 Aug 2016 on gross liabilities of £25.6m

APPENDIX

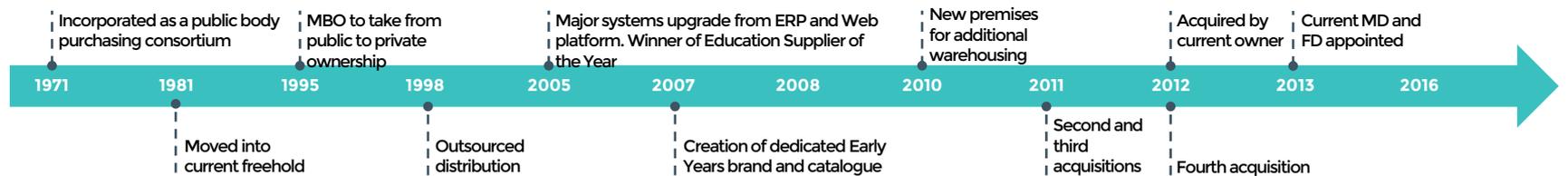


Connect Education & Care is a leading independent supplier of branded and own brand products primarily to educational institutions

- Well established business, trading for over 40 years
- Supplies over 30,000 customers, predominantly in the UK
- Extensive product portfolio with a range of over 40,000 commodity and education resources products
- Reported financials (y/e 31 August 2016):
 - Revenue: £64.8m
 - EBITDA¹: £9.0m
 - EBIT¹: £7.8m
- Currently employs approximately c.300 FTE throughout the UK
- Head office and primary distribution centre based in Trowbridge
- Two additional sites in Trowbridge and Shrewsbury



BRIEF HISTORY



Note:
1. before non-recurring items

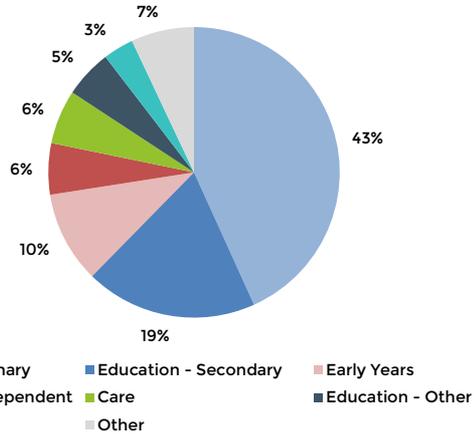
CUSTOMER SEGMENTS SERVED

- The education sector in the UK and abroad forms the largest customer group at c.95% of FY16 revenue
- Early Years has been a priority for management since FY14; share gains have been driven by increased share of wallet amongst chains and independents

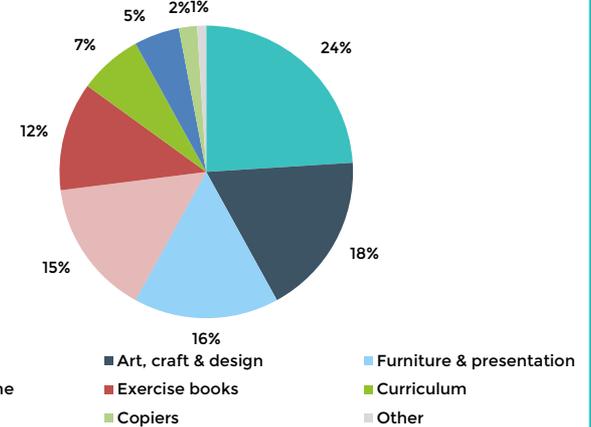
PRODUCT OFFERING

- Best selling product groups are consumables used in the education sector (e.g. pencils, paper, exercise books, janitorial products)
- Extensive product offering
- Own brand: 37%

FY2016

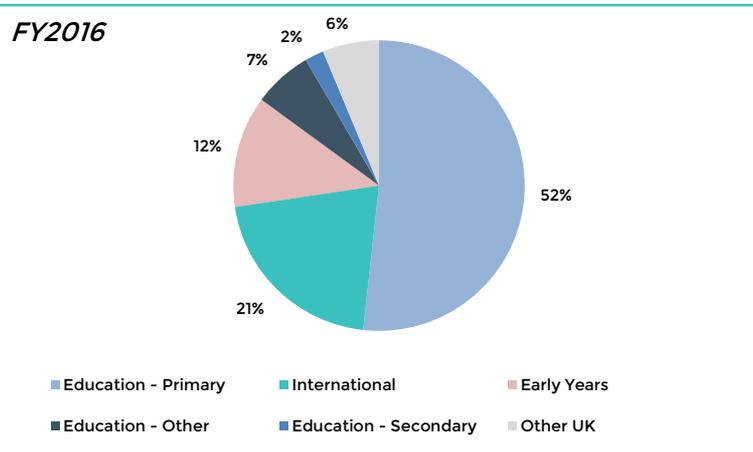


FY2016



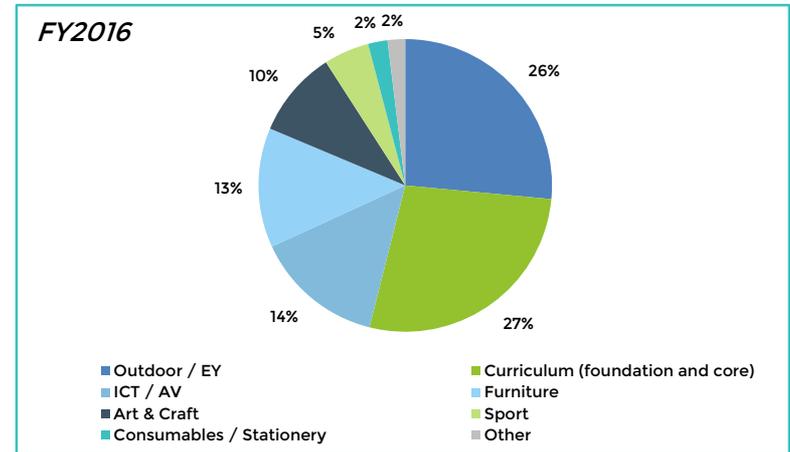
CUSTOMER SEGMENTS SERVED

- Well established education curriculum resources business with strength in Early Years and Primary education
- Primary education accounts for 52% of FY16 revenue, forming the largest customer segment
- TTS also has a growing international presence

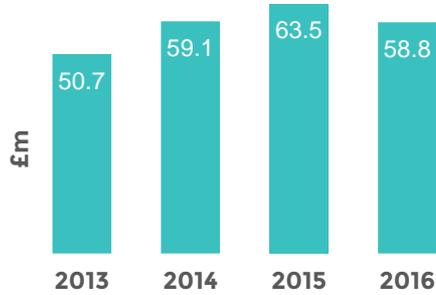


PRODUCT OFFERING

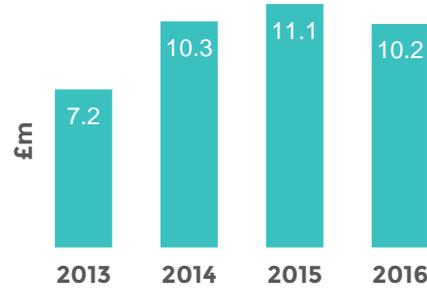
- Specialists in curriculum focused, added value education resources
- TTS's product offering covers more niche product segments including bespoke, self-developed products
 - Own IPR products: 35%



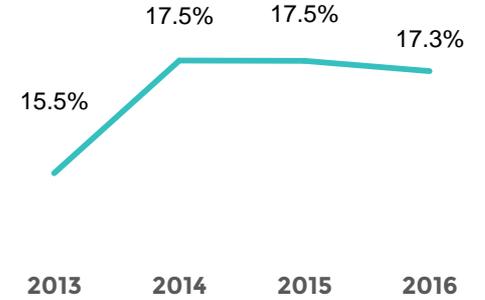
REVENUE



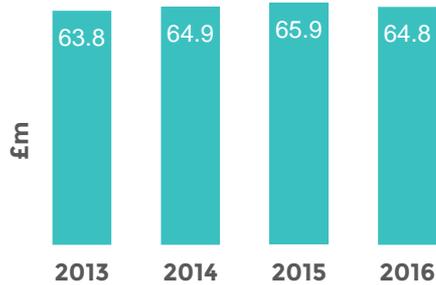
ADJUSTED OPERATING PROFIT



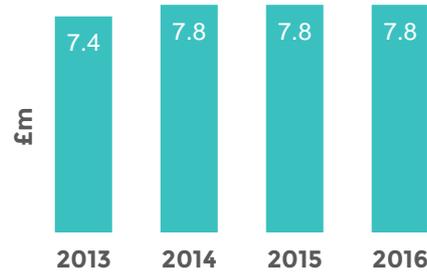
ADJUSTED OPERATING MARGIN



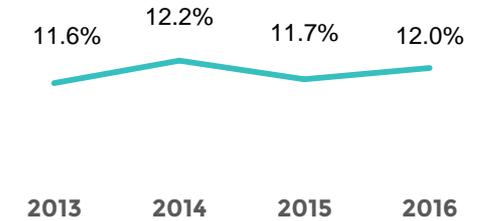
REVENUE¹



OPERATING PROFIT^{1,2}



OPERATING MARGIN²



Note:

1. As reported
2. before non-recurring items

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