



RM plc

Six months ended 31 March 2009

Terry Sweeney Chief Executive Officer
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investors' blog: wordpress.rminvestors.com



Agenda



Headlines

Financial Review

Business Review

Outlook and Prospects

Questions

Headlines

strong start to the year



Revenue up 21%

Order intake significantly up

Committed revenues up to £425m

Shareholder return: dividend up 5%

Strong balance sheet

...and committed bank facilities

Progress in line with strategy

BSF delivery

Broader education product range

International revenues 12% of Group

RM Group

RM Learning Technologies	RM Education Resources <small>(inc. Curriculum Software)</small>	RM Assessment and Data	International
ICT infrastructure software, products and services for schools, colleges and universities Management and finance software for schools and government education departments	General resources for use in classrooms Curriculum software products	Outsourced IT services and data analysis for examination boards and government education departments	International sales and channel management for Group products and services
Individual schools Local authorities Government	Individual schools Trade distributors Channel partners	Government & agencies Examination boards Professional associations	Individual schools Government & agencies Trade distributors Channel partners

100% focused on education

Financial headlines



	Six months to Mar		Year to Sep
	2009	2008	2008
Revenue	£141.9m	£117.7m	£289.5m
Adjusted* profit from operations	£0.8m	£(0.5)m	£14.6m
Adjusted* profit before tax	£1.0m	£0.6m	£16.4m
Adjusted* EPS	0.8p	0.5p	13.1p
Dividend per share	1.32p	1.26p	5.81p
Operating cash flows	£5.9m	£4.9m	£24.0m
Cash and cash equivalents	£12.0m	£13.8m	£18.3m
Net cash	£4.0m	£13.8m	£17.3m

*Adjusted profit and EPS are before amortisation of acquisition related intangible assets

Revenue & profit by division

first half not a good indicator of full-year outcome



£m	RM Learning Technologies (inc Computrac)	RM Education Resources (inc Curriculum Software)	RM Assessment and Data	Total	
H1-2009	Revenue	106.1	27.9	7.9	141.9
	Divisional Profit	1.8	1.0	0.4	3.2
	<i>BSF bid costs</i>	<i>(2.0)</i>			<i>(2.0)</i>
	<i>Net interest expense</i>				<i>(0.2)</i>
	Adjusted profit before tax				1.0
H1-2008	Revenue	84.5	26.1	7.1	117.7
	Divisional Profit	(0.8)	3.1	0.5	2.8
	<i>BSF bid costs</i>	<i>(2.5)</i>			<i>(2.5)</i>
	<i>Net interest income</i>				<i>0.3</i>
	Adjusted profit before tax				0.6
FY-2008	Revenue	213.1	57.0	19.4	289.5
	Divisional Profit	11.6	7.1	2.1	20.8
	<i>BSF bid costs</i>	<i>(4.7)</i>			<i>(4.7)</i>
	<i>Net interest income</i>				<i>0.3</i>
	Adjusted profit before tax				16.4

Revenue

+£24.2m



RM Learning Technologies: +£21.6m (+26%)

Organic growth: +£13.5m (16%)

BSF: +£9.2m (£11.3m vs. £2.1m)

Other organic growth: +£4.3m (5%)

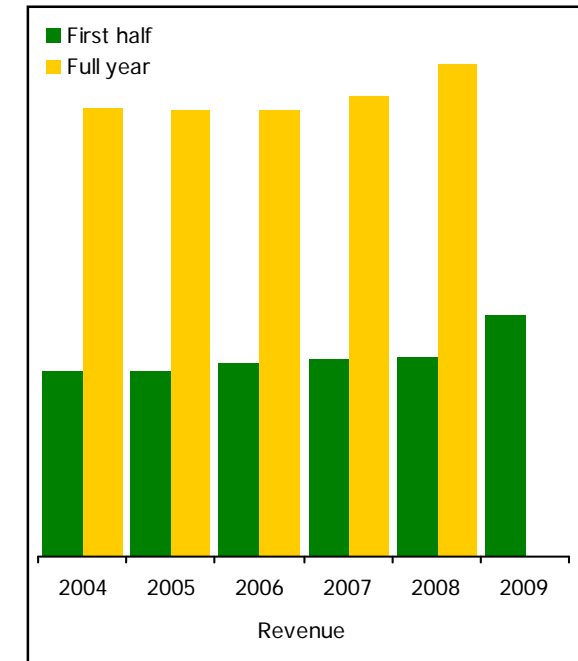
First time inclusion of Computrac: £7.5m

RM Education Resources: +£1.8m

General resources: +17%

Tesco: new combined sports/computers for schools scheme

UK curriculum software market remains very tough



International revenues: £16.4m (2008: £7.8m)

(included in Learning Technologies and Education Resources)

Computrac: £7.5m (2008: nil); other growth £1.1m

Divisional profit

+£0.4m



Divisional profit: £3.2m

Before expensed BSF bid costs of £2.0m (H1-2008: £2.5m)

RM Learning Technologies: £1.8m

Software-as-a-Service businesses maturing

Learning platforms / Integris^{G2}

Hardware: \$-rate well-managed

RM Education Resources: £1.0m

Increased second-half weighting

UK curriculum software

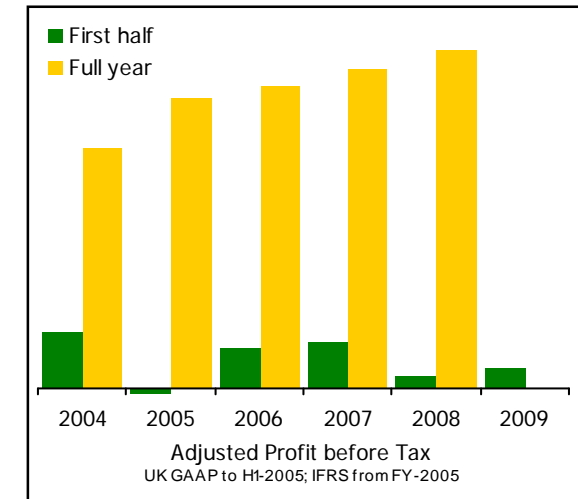
Lightbox Education reorganisation

£0.4m one-off cost in H1-2009

Investment income: –£1m

Pension finance expense – as stated in November

Net interest expense



Investment income £m	H1-2009	H1-2008	FY-2008
Leasing income	0.3	0.4	0.7
Pension finance (expense)/income	(0.2)	0.3	0.6
Other	0.2	0.1	0.2
Included in divisional profit	0.3	0.8	1.5
Bank interest income	0.1	0.3	0.5
Interest paid	(0.3)	(0.0)	(0.2)
Net interest (expense)/income	(0.2)	0.3	0.3
Total	0.1	1.1	1.8



Income statement



£m	Total	H1-2009	Adjusted	H1-2008	FY-2008
		Amortisation of acquisition related intangible assets		Adjusted	Adjusted
Revenue	141.9		141.9	117.7	289.5
Cost of sales	(104.2)		(104.2)	(84.6)	(211.7)
Gross profit	37.7		37.7	33.1	77.8
Selling and distribution	(20.6)		(20.6)	(18.7)	(35.1)
Research and development	(7.6)		(7.6)	(7.6)	(13.2)
Administration	(9.4)	0.7	(8.7)	(7.3)	(14.8)
Operating costs	(37.6)	0.7	(36.9)	(33.6)	(63.2)
Profit/(loss) from operations	0.1	0.7	0.8	(0.5)	14.6
Investment income	0.6		0.6	1.1	2.0
Finance costs	(0.5)		(0.5)	0.0	(0.2)
Profit before tax	0.2	0.7	1.0	0.6	16.4
Tax	0.0	(0.2)	(0.3)	(0.2)	(4.3)
<i>Tax rate</i>			26.0%	27.0%	26.4%
Profit for the period	0.2	0.5	0.7	0.5	12.1
Earnings per share	0.2p		0.8p	0.5p	13.1p
Dividend per share			1.32p	1.26p	5.81p

Balance sheet



Seasonal balance sheet

Acquisitions

H1-2009: Computrac

(H2-2008: Easytrace, Inclusive (25%))

Property, plant & equipment

PFI capex £0.9m in H1-2009

(H2-2009: expect c.£3.7m)

Trade and other receivables

Reflects increased revenues

Increase in BSF contract balances

Pension deficit

Equity

Dividend £4.2m in H1-2009

Balance sheet £m	31 Mar 2009	31 Mar 2008	30 Sep 2008
Goodwill and acquisition intangibles	36.8	31.8	34.6
Property, plant & equipment and software intangibles	22.8	22.5	24.7
Interest in associates	1.0	-	1.0
Deferred tax assets	3.6	1.5	1.5
Total non current assets	64.2	55.8	61.8
Inventories	18.4	13.5	18.3
Trade & other receivables	60.4	46.2	70.3
Cash & cash equivalents	12.0	13.8	18.3
Total current assets	90.8	73.5	106.9
Total assets	155.0	129.3	168.7
Current liabilities	(76.8)	(67.2)	(94.1)
Retirement benefit obligation	(8.3)	0.5	(0.6)
Bank loans	(8.0)	-	(1.0)
Other non current liabilities	(9.1)	(7.7)	(9.7)
Total liabilities	(102.2)	(74.4)	(105.4)
Net assets	52.8	54.9	63.3
Total equity	52.8	54.9	63.3

Cash and working capital



Long-term bank facilities

£25m committed five-year facility with HSBC
signed July 2008

£8m drawn at 31 March 2009

£25m and £3m working capital facilities

BSF working capital

£11.4m at 31 March 2009

(2008: March £5.9m; Sept £11.4m)

Expect c.£22m seasonal peak at year end

Cash and net funds £m	31 Mar 2009	31 Mar 2008	30 Sep 2008
Cash & cash equivalents	12.0	13.8	18.3
Long-term borrowings	(8.0)	-	(1.0)
Net cash	4.0	13.8	17.3
Issued loan notes	(3.8)	(1.0)	(4.5)
Net funds	0.2	12.8	12.8
Issuable loan notes	-	(2.1)	-
Deferred cash consideration	(0.9)	-	(0.4)
Net funds less deferred consideration	(0.7)	10.7	12.4

Pensions



DB pension scheme closed to new entrants since 2002

Deficit (IAS19) at March 2009: £8.3m

Increase due to market movements

Assets – poor investment returns

Liabilities discounted using a 6.5% discount rate

Value sensitive to discount rate

0.1% increase reduces liabilities by approximately £1.8m

£m	31 Mar 2009	31 Mar 2008	30 Sep 2008
Assets	73.0	79.4	76.2
Liabilities	(81.3)	(78.9)	(76.8)
(Deficit)/surplus	(8.3)	0.5	(0.6)
Deferred tax asset	2.4	(0.1)	0.2
(Deficit)/surplus post-tax	(5.9)	0.4	(0.4)

Management actions in period

One percentage point increase in employee contributions
from March 2009

Cash contributions in excess of IAS19 service cost
£1.4m in period

Next triennial valuation due as at 31 May 2009

State of play



Education spending

Short-term education spending plans confirmed

UK

- Budget April 2009: real-terms education budget growth in GY2009/10 and GY2010/11
- Education capital spending brought forward into GY2009/10
- HM-Treasury backing for BSF PFI schemes

USA

- American Recovery and Reinvestment Act (Obama's "stimulus package")
- \$100bn allocation for pre-school, K-12 and higher education
- includes school modernisation, SEN, technology

No indication of slowdown in education customer spending in H1-2009

Greater focus on public sector efficiency savings

Policy development continues to be supportive of Group activities:

UK: Rose Review of the primary curriculum reinforces importance of ICT

USA: Obama increasing the focus on technology and special educational needs

RoW: Greater proportion of GDP being spent on education

Strategy



Education markets only

- Education customers need suppliers with specialist understanding
 - Deep knowledge of market needs
 - Values shared with the customer base
- ...and we can further develop our world-class education expertise

Broadly-based education Group

- Target wider education budgets, not just ICT
 - Share customers, domain knowledge, cultural fit
- ...provides scale benefits

Global market opportunities

- Use intellectual property in multiple geographies
- ...enhances current returns and provides scale for future investment
- Focus on specific territories

RM priorities



Continuing to execute our strategy

- Broadening educational product range
- Building international presence

Managing costs and cash prudently

- Controlling permanent headcount
- Increasing use of offshore resource
 - RM India headcount: 250
- Tighter management of capital expenditure and working capital

Delivering a successful summer

RM Learning Technologies



Strong organic growth in the period

UK RM Learning Technologies organic growth: 16%

Market-leading product range

Community Connect 4: >1,000 schools

Kaleidos Learning Platform: c.2million users

RM One: new and improved version

EasyTrace: identity and access management

Delivery track record

Building long-term committed revenues

Strategic project extensions

Dudley DGfL contract extension	
£14m	Nov 2008
Managed ICT services	

South Lanarkshire Contract extension	
£15m	Mar 2009
Managed ICT services	

BSF project wins

Southwark	
£15m	Nov 2008

Lambeth contract extension	
£6.6m	Feb 2009

One-School Pathfinders	
£4.4m	H1-2009

RM Learning Technologies



Leading BSF ICT supplier

Committed for the long-term

More selective bidding activity

...consortium nature of most bids means best ICT doesn't guarantee success

18 schools opening in H2-2009

Net contribution from FY-2010

Mar 2009 £m	BSF
Committed revenues	200

Building great places to learn



RM Education Resources

General Resources



Strong organic growth in period

General resources: +17%

TTS order intake exc. Tesco: +40%

Market share growth

Broadening product range

Arts and crafts

Specialist furniture

Attractive market with complex barriers to entry

Strong customer relationships

Broad product and catalogue range

Significant educationally-valuable IPR

Repeat purchases

High quality earnings and cash generation

Acquisition

Pisces Art

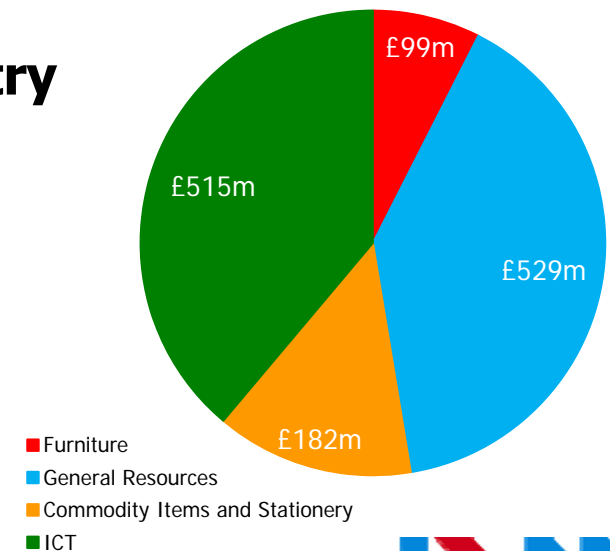
Art and Crafts

April 2009 est. £0.5m

School Spending: £1.3bn

Secondary and Primary Schools – England – 2007/08

Source: British Education Suppliers Association survey of individual school spend on resources



RM Education Resources

Curriculum Software



UK curriculum software market remains very tough

International opportunities

Particularly USA and Australia

Lightbox Education reorganisation

Annual cost savings: c.£1.0m; one-off cost: £0.4m

Clear focus

Education software for international channels

Whole-class teaching software

- Easiteach

Web 2.0 education tools

- Podium, Fuse, Honeycomb

Consultancy and development services in the UK

Publishing partners

DCSF contract

OSfL Open School for Languages	
£6m	Mar 2009
learning s/w development	



RM Assessment & Data



Excellent operational delivery

1.9 million papers marked in H1-2009 (H1-2008: 1.4 million)

c.3.2 million papers to be marked over summer (summer 2008: 2.7m)

Broader range of customers, increasing penetration

Education performance data analysis and delivery for government departments and agencies

DCSF, Ofsted and NCER (National Consortium for Education Results)

Building long-term revenues

17 long-term customers

On-screen marking, e-testing, data services

New on-screen marking strategic partnership

International
Baccalaureate

MOU Apr 2009



Continuing to enhance solution for

UK and international Exam Boards

Professional bodies

International



US

Immediate Computrac / RM Educational Software integration complete
Single sales force selling combined product range
Strengthened operational management team: new COO and CFO
c.6,000 interactive classroom installations this summer

Framework win

Cobb County

Up to
\$32m Jan 2009

Europe

DACTA: strong demand for LEGO, particularly in Germany

Australia

Strengthened operational team
Broader product range
First Kaleidos Learning Platform customers

MENASA (Middle East, North Africa, South Asia)

Exploring opportunities



Outlook



First half not a good indicator of full-year outcome

UK education budget for GY2009/10 up 6%

Revenue growth for full year

BSF

Computrac

General education resources

...Management expectations for the year remain unchanged

Looking ahead



Building a resilient business

- Committed revenues
- Long-term contracts
- Repeat customers
- Diverse funding streams and geographies

Conservative financial management

- Strong balance sheet
- Managing costs and cash prudently

Products that help teachers to teach and learners to learn

- Unique educational intellectual property
- Delivering efficiency savings for our customers

Opportunities ahead for all our businesses

Appendices



RM Group structure



RM Group

RM Learning Technologies (inc. Computrac)

RM
Computrac
Sentinel
EasyTrace
School Management Solutions
RM Asia-Pacific

RM Education Resources (inc. Curriculum Software)

TTS
MES
Special Direct
SpaceKraft
Inclusive (25%)
Pisces Art
DACTA
Lightbox Education
RM Educational Software Inc

RM Assessment and Data

RM
Forvus

100% focused on education

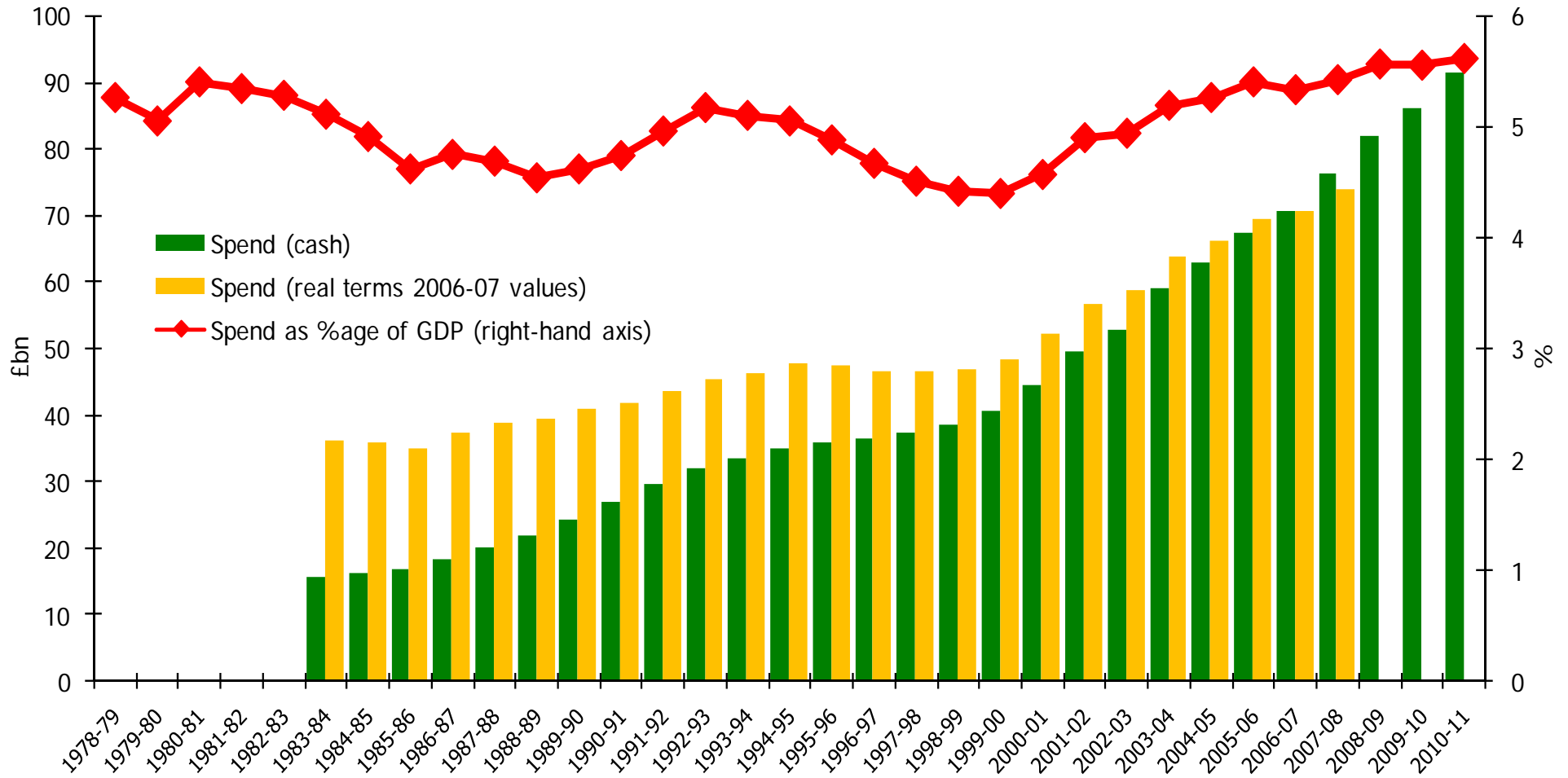
Acquisitions



Business	Activities	Date	Net cost
3T Productions	Interactive design and development	Mar 2000	£5.5m
Softease	Educational software	Oct 2001	£4.8m
Helicon	Educational content	Feb 2002	£0.7m
Forvus	Data analysis	Jul 2003	£4.0m
peakschoolhaus	Education inspection services	Oct 2003	£1.6m
Sentinel	Network management software	Feb 2004	£6.1m
TTS	Education resources	Sep 2004	£12.0m
Caz Software	Education management software (Australia)	Jun 2006	£1.6m
MES	Education resources	Aug 2006	£1.0m
DACTA	Education resources (Europe)	May 2007	£4.2m
SERAP	Data analysis	Aug 2007	£0.7m
SpaceKraft	Education resources (SEN)	Oct 2007	£4.6m
Inclusive (25%)	Education resources (SEN)	Apr 2008	£1.0m
EasyTrace	Identity management	July 2008	£2.8m
Computrac	Learning technologies (USA)	Nov 2008	£5.0m
Pisces	Education resources	Apr 2009	est. £0.5m

UK market

long-term trends



Source: HM Treasury / Institute for Fiscal Studies



Education projects

contracts



Education Projects	Awarded	Value	Term	Extension
Dudley Grid for Learning	Jan 1999	>£50m	10 years	+2 years
Classroom 2000 Lot 3 (Northern Ireland)	Feb 2003	£21m	complete	
QCA – Key Stage 3 online testing	Feb 2003	£23m	6 years	
South Yorkshire eLearning Programme	May 2003	£34m	complete	
South Lanarkshire Council	Jul 2003	>£30m	7 years	+3 years
Warwickshire LEA PFI	Apr 2004	£16m	8 years	
Newham LEA PFI	May 2004	£20m	8 years	
Lambeth LEA PFI	Feb 2005	£17m	8 years	
South West Grid for Learning	Aug 2005	>£30m	3–5 years	
Glow / Scottish Schools Digital Network	Sep 2005	£37.5m	5 years	
DfES – achievement and attainment tables	Jan 2006	£16m	5 years	
Cambridge Assessment	May 2007	>£21m	5 years	
Merlin (South West Grid for Learning)	Feb 2008	£5m	3 years	
Aberdeen College	Jun 2008	£7.5m	5 years	
Cobb County	Jan 2009	Up to \$32m	2+ years	
DCSF Open School for Languages	Mar 2009	£6m	2 years	

Education projects

accounting treatment and financial impact



Pre-contract costs not taken to the balance sheet unless contract award virtually certain

In practice appointment as selected bidder

Separable elements

Accounted for using relevant Group accounting policy for that element
Revenue and profit recognised as the goods and services are delivered

Bundled elements

Accounted for as long-term contracts

Revenue recognition based upon proportion of fair value of contract delivered to date

Any expected contract loss recognised as soon as foreseen

Profit only recognised when outcome of contract can be assessed with reasonable certainty

Thereafter profit recognised proportional to revenue based upon expected outcome

Consequently revenue recognised but typically traded at low margins in early phases until contingent risks are mitigated

Overall positive margin impact expected

Contracts at a range from below to above historic company profit margin

BSF

contract awards



Local Authority	Type	ICT Supplier	Wave	Constructor
Solihull	ICT	RM	1	BAM/HBG
Bristol	Consortium	Northgate	Pathfinder	Skanska
Bradford	Consortium	Sun	Pathfinder	Amey/Costain
Newcastle	Consortium	In-house	1	Aura
Lancashire	Consortium	Redstone	1	Bovis Lend Lease
Sheffield	Consortium	Civica	Pathfinder	Taylor Woodrow
Manchester	ICT	Ramesys	1	Laing O'Rourke / Balfour Beatty
Waltham Forest	Consortium	Ramesys	1	Bouyges
Stoke-on-Trent	ICT	RM	1	-
Knowsley	ICT	RM	1	Balfour Beatty
Leeds	ICT	RM	1	Interserve
Leicester City	Consortium	Northgate	1	Miller
Lewisham	Consortium	VT	Pathfinder	VT/Costain
Lambeth	ICT	RM	2	Apollo/Willmott Dixon/Alfred McAlpine
Islington	Consortium	RM	2	Balfour Beatty
STaG	Consortium	Morse	1	Carillion
Hackney	Consortium	RM	2	Mouchel Parkman Babcock
Westminster	Consortium	Ramesys	3	Bouyges
Kent	Consortium	Northgate	3	Land Securities
Sunderland	ICT	RM	1	Balfour Beatty
Nottingham	Consortium	Ramesys	2	Carillion
Middlesbrough	ICT	RM	2	-
Tameside	Consortium	Ramesys	3	Carillion
Newham	Consortium	RM	1	Laing O'Rourke
Haringey	ICT	RM	2	Framework
Tower Hamlets	Consortium	Ramesys	2	Bouyges
Southwark	Consortium	RM	3	Balfour Beatty
Barnsley	Consortium	Civica	3	Laing O'Rourke / Hochtief
Derbyshire	Consortium	Dell	3	Equitix
Luton	Consortium	Civica	3	QED Wates
Birmingham	Consortium	Redstone	2	Catalyst
Sandwell	Consortium	Agilisys	3	Interserve
North Lincolnshire	Consortium	MASS (Cohort)	3	May Gurney



BSF

typical project



Allocation of spend – typical BSF project		
Average value of ICT contract: £13m		
Central systems and software	10%	Data centre Learning Platform
In-school systems and software	45%	User equipment Network equipment Software
Services	45%	Managed Service Implementation and integration Training
Typical BSF invoicing		
30-day payment terms	70% on issue of acceptance certificate 25% two months later 5% on completion of group of schools	

Competitive Dialogue	
Stage	Typical # bidders
OJEU advertisement	
Pre-qualification questionnaire	5-10
Invitation to participate in dialogue	3-6
Invitation to continue dialogue	3
Invitation to submit final bid	2
Preferred bidder	1
Contract award	1

