

RMTM **plc**

6 months to 31 May 2015

David Brooks
Chief Executive Officer

Iain McIntosh
Chief Financial Officer

**To be read in conjunction with
the Interim Results
announcement released on
6 July 2015**

- **Good operational performance on the journey back to growth with trading in line with our expectations**
 - Strong organic growth in RM Resources and RM Results
 - Adjusted operating margin increased from 8.0% to 8.7%
 - Group adjusted operating profit of £6.9m (H1 to May 2014: £7.3m)
- **Positive adjustments to statutory PBT of £2.9m (H1 to May 2014: £(0.4)m loss)**
 - Sublet of surplus building released £2.4m of onerous lease provision
 - Gain on sale of interest in Newham Partnership increased investment income by £0.9m and generated £1.6m in cash
- **Strong balance sheet with cash and short term deposits ahead of expectations - May 2015: £43.1m (May 2014: £40.3m)**
- **Interim dividend per share increased by 25% to 1.20p (2014: 0.96p)**
- **Pension deficit increased to £(30.0)m (2014: £(26.8)m at 30 November)**

- **Group revenue growth in FY16**
- **All three divisions growing revenue by FY17**
- **Group adjusted operating profit margin over 10%**
- **Focus on organic growth**

RM™

Business Review

RM Resources (formerly Education Resources)

TTS provides a wide range of physical and curriculum resources to use in schools and other educational settings in the UK and overseas

SpaceKraft provides resources and immersive learning environments to meet the requirements of learners with Special Educational Needs

RM Results (formerly Assessment and Data Services)

Provides products and services for onscreen marking and onscreen testing to exam awarding bodies in the UK and overseas

Supplies government ministries, exam boards and professional awarding bodies with technology and expertise to improve the efficiency, accuracy and clarity of reporting cycles

RM Education (formerly Education Technology)

Provides technology based software and services specifically designed for UK schools and other educational establishments including:

- IT Managed services, implementation and consulting services**
- Broadband and e-safety solutions**
- Digital platforms and content**
- Network infrastructure solutions**

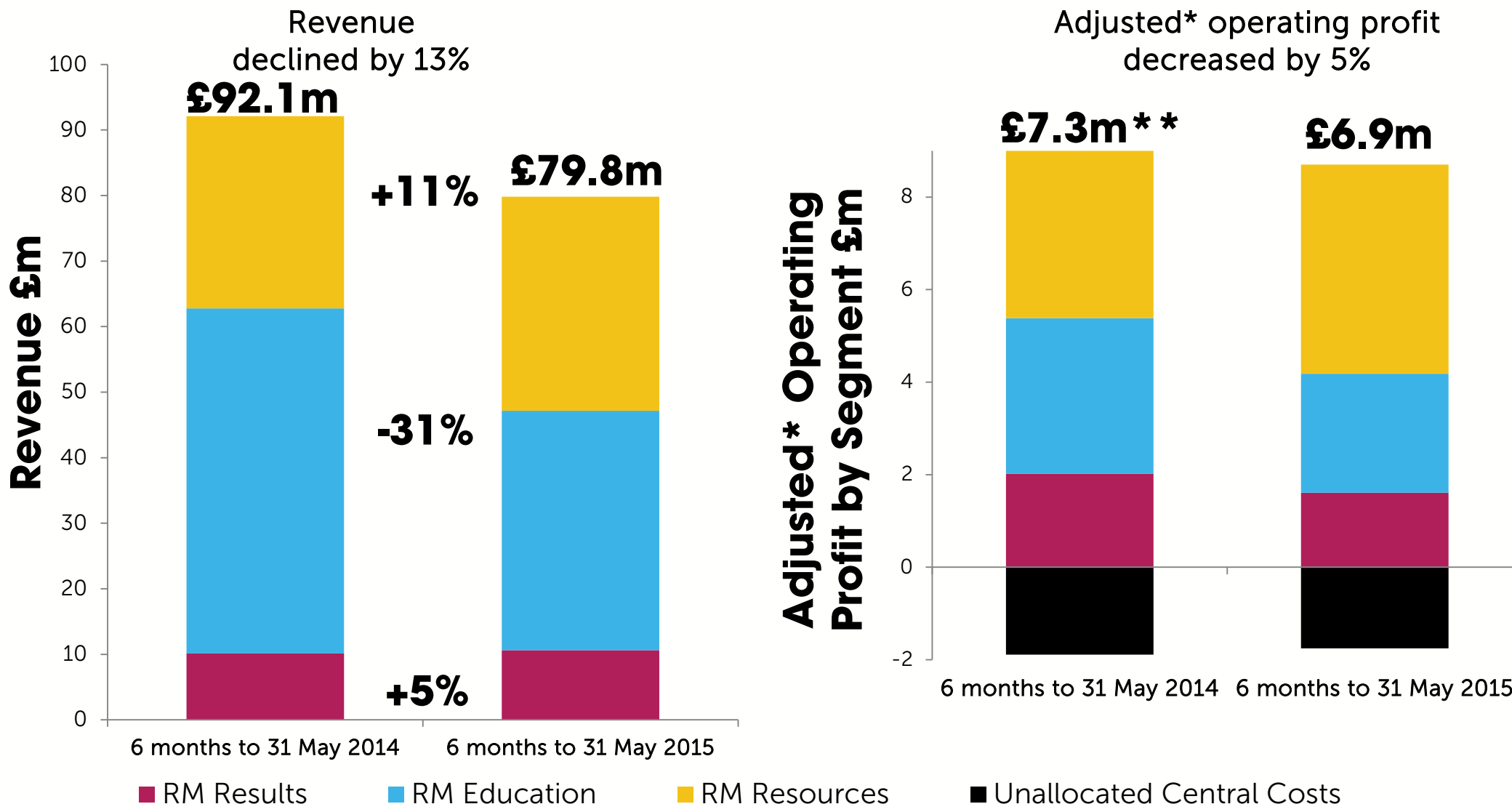
6 months to 31 May 2015

£m	RM Resources		RM Results		RM Education		Unallocated Central costs**		Total	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Revenue	29.3	32.7	10.1	10.6	52.7	36.5	-	-	92.1	79.8
Adjusted Operating Profit*	3.8	4.5	2.0	1.6	3.4	2.6	(1.9)	(1.8)	7.3	6.9
% Profit	13.1%	13.9%	20.0%	15.1%	6.4%	7.0%	-	-	8.0%	8.7%

* Adjusted operating profit is before amortisation of acquisition related intangible assets; share-based payment charges; restructuring program costs; and changes in provisions for dilapidations and onerous lease contracts.

** The defined benefit pension scheme was closed to future accrual of benefit in October 2012. Consequently the costs relating to the defined benefit pension scheme (£0.4m in H1 2014) are no longer allocated to individual divisions and 2014 segmental profits have been restated on this basis. This has increased 2014 profits by £0.3m for RM Education and by £0.1m for RM Results.

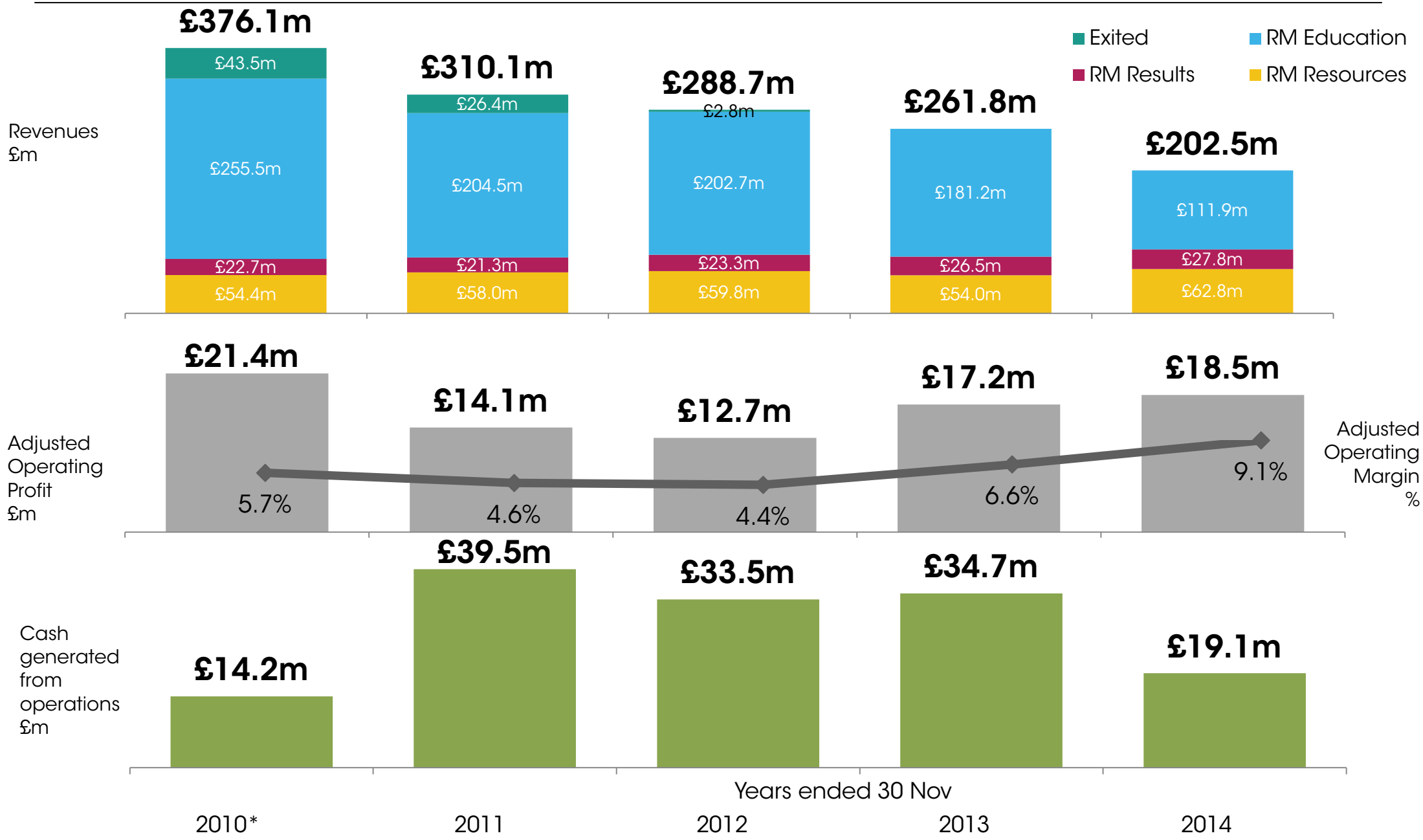
Group Revenue & Adjusted Operating Profit



* Adjusted operating profit is before amortisation of acquisition related intangible assets; share-based payment charges; restructuring program costs; and changes in provisions for dilapidations and onerous lease contracts.

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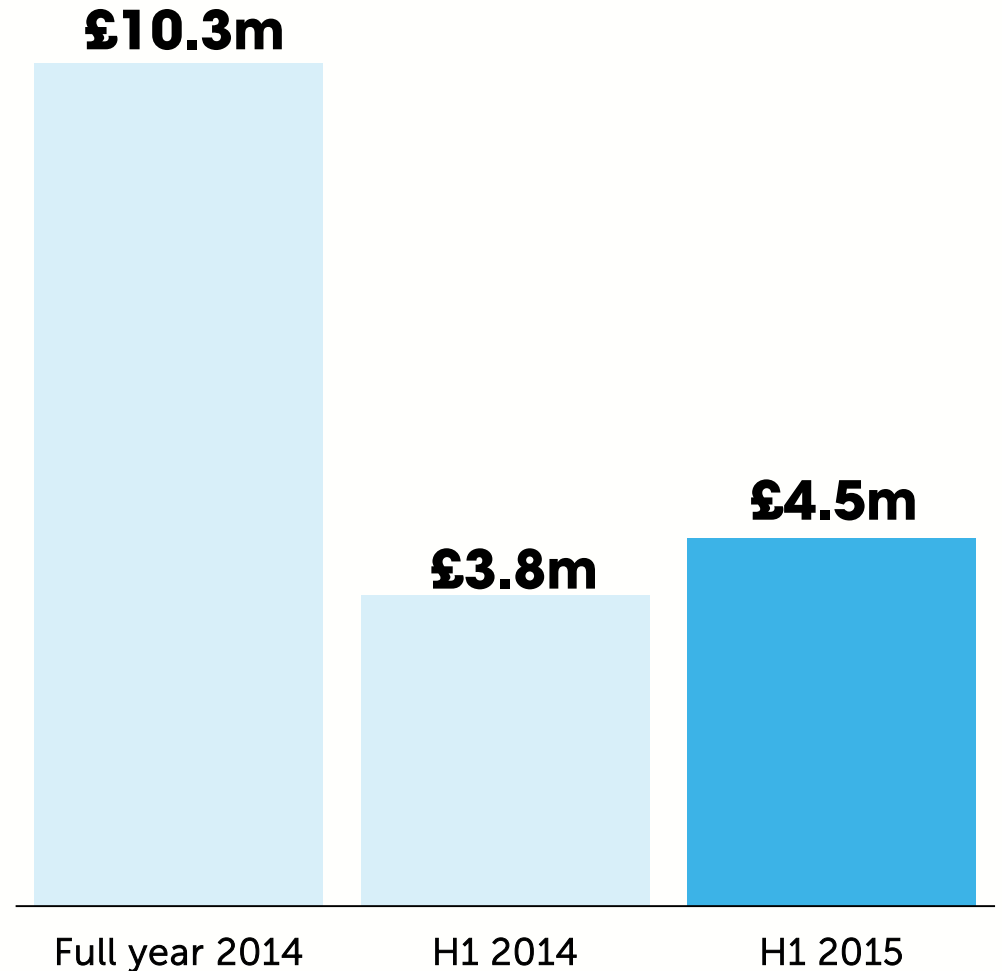
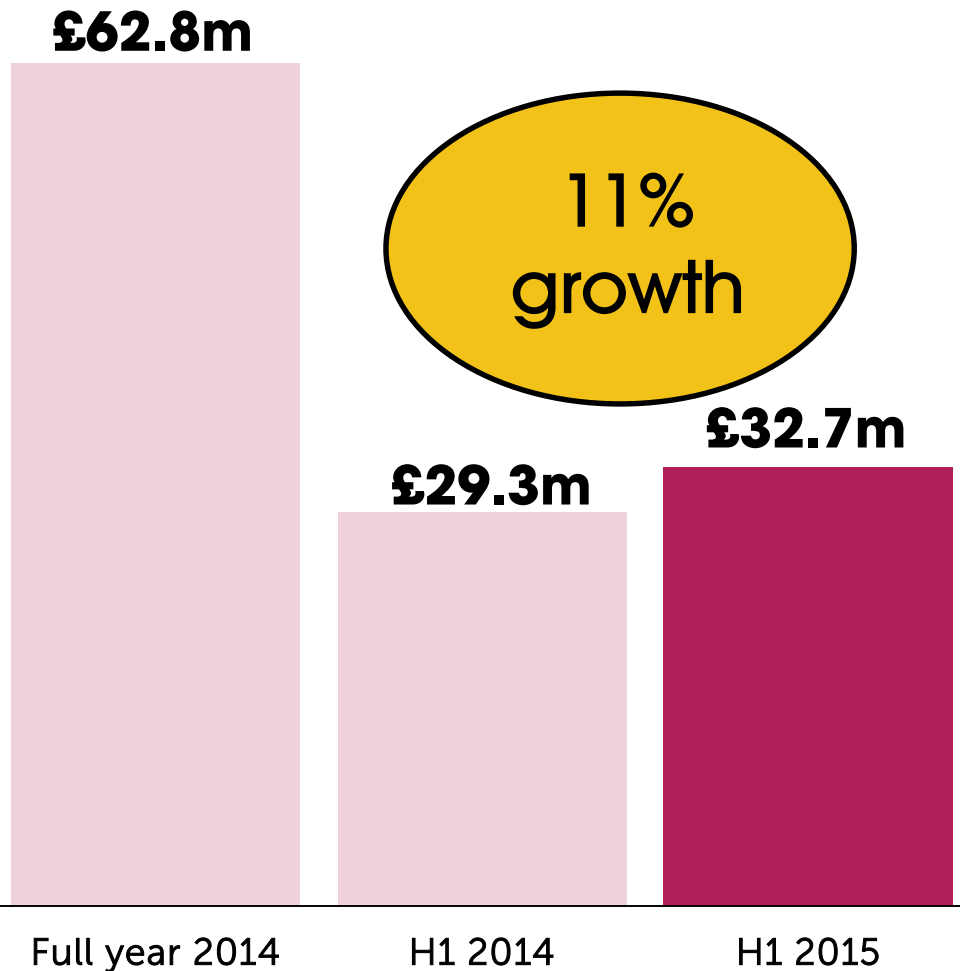
RM's Repositioning over 5 years



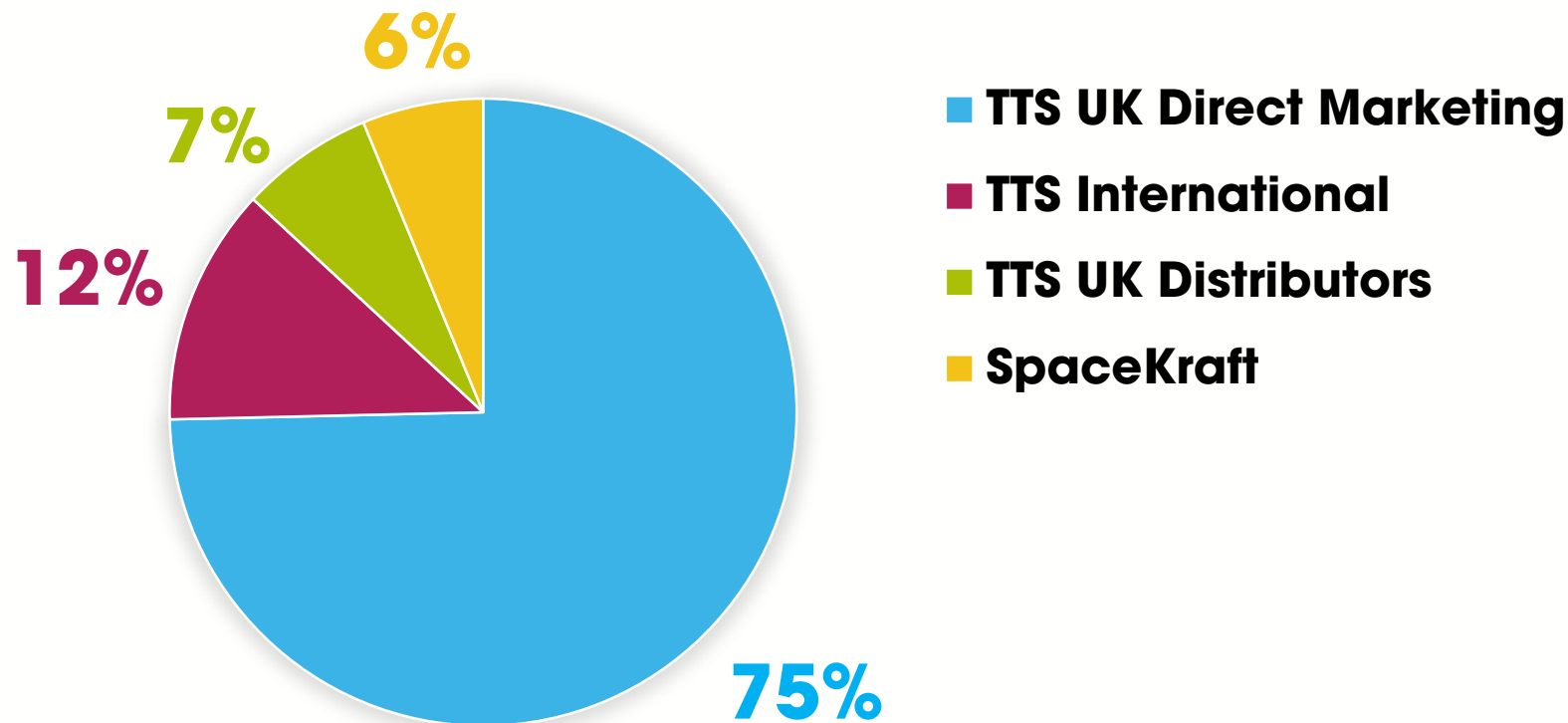
* Per proforma results included in the 30 November 2011 accounts after change in year end

Revenue

Adjusted operating profit



- Excellent organic growth in a flat UK market
 - TTS UK Direct Marketing revenues increased 13%
 - TTS International revenues increased 17%
 - TTS UK Distributors were flat
- Margins improved to 13.9% (H1 2014: 13.1%)

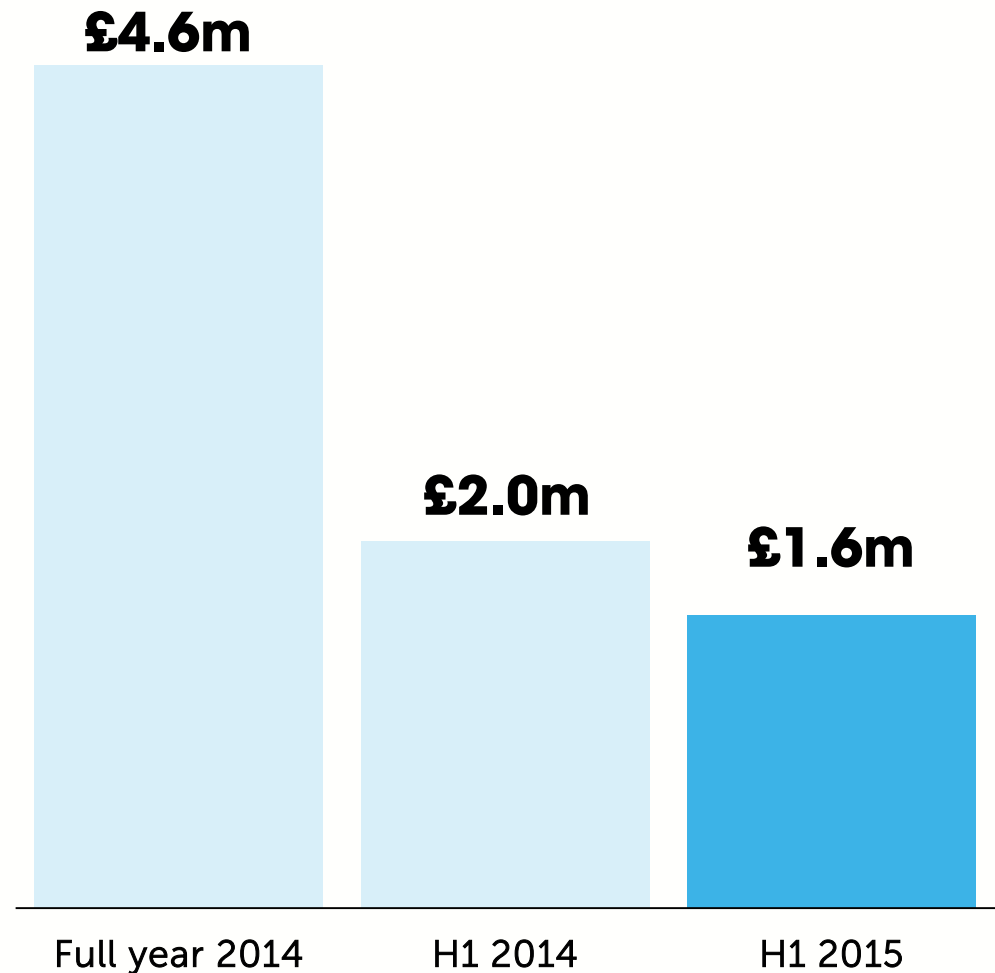
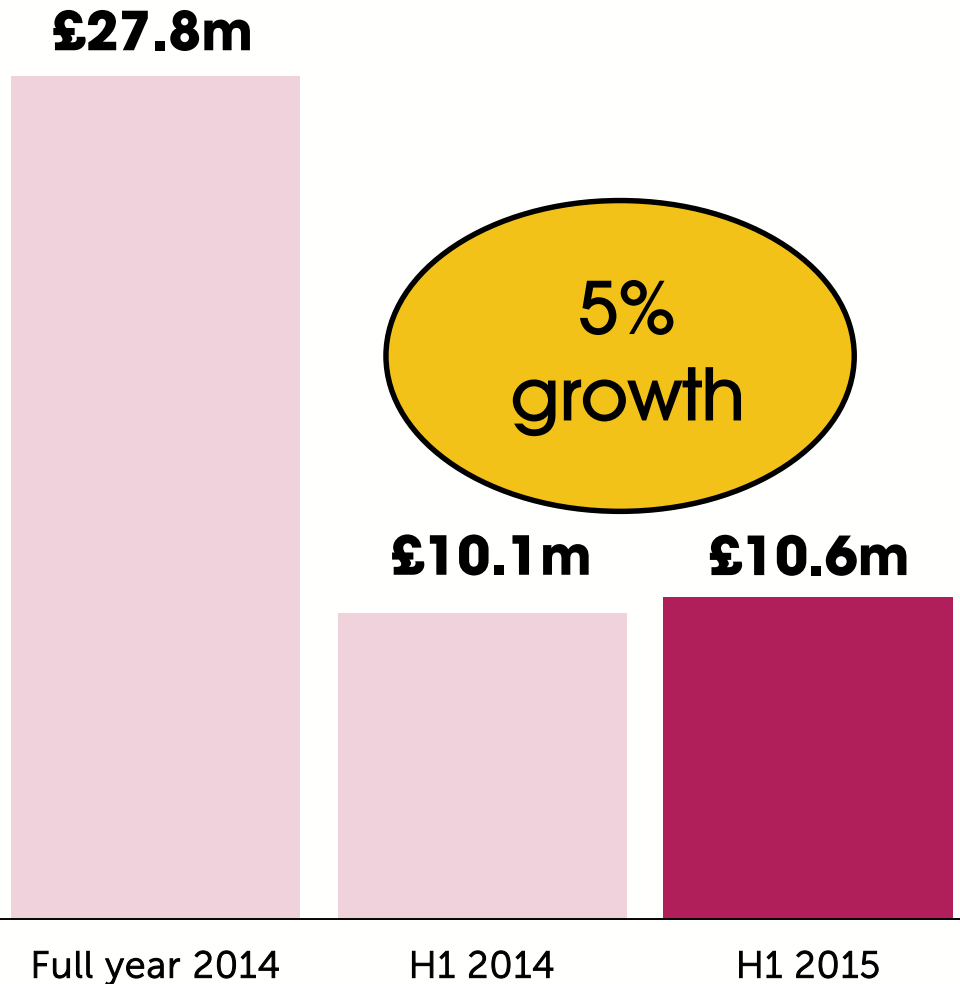


**Total revenue =
£32.7m**

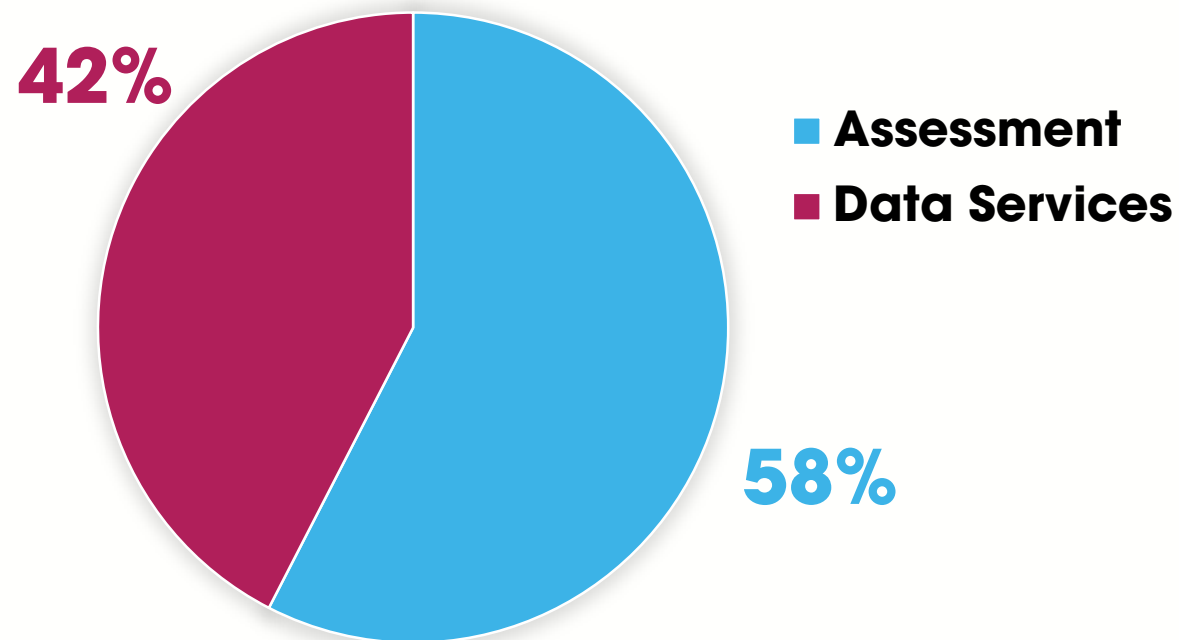
Financial performance

Revenue

Adjusted operating profit



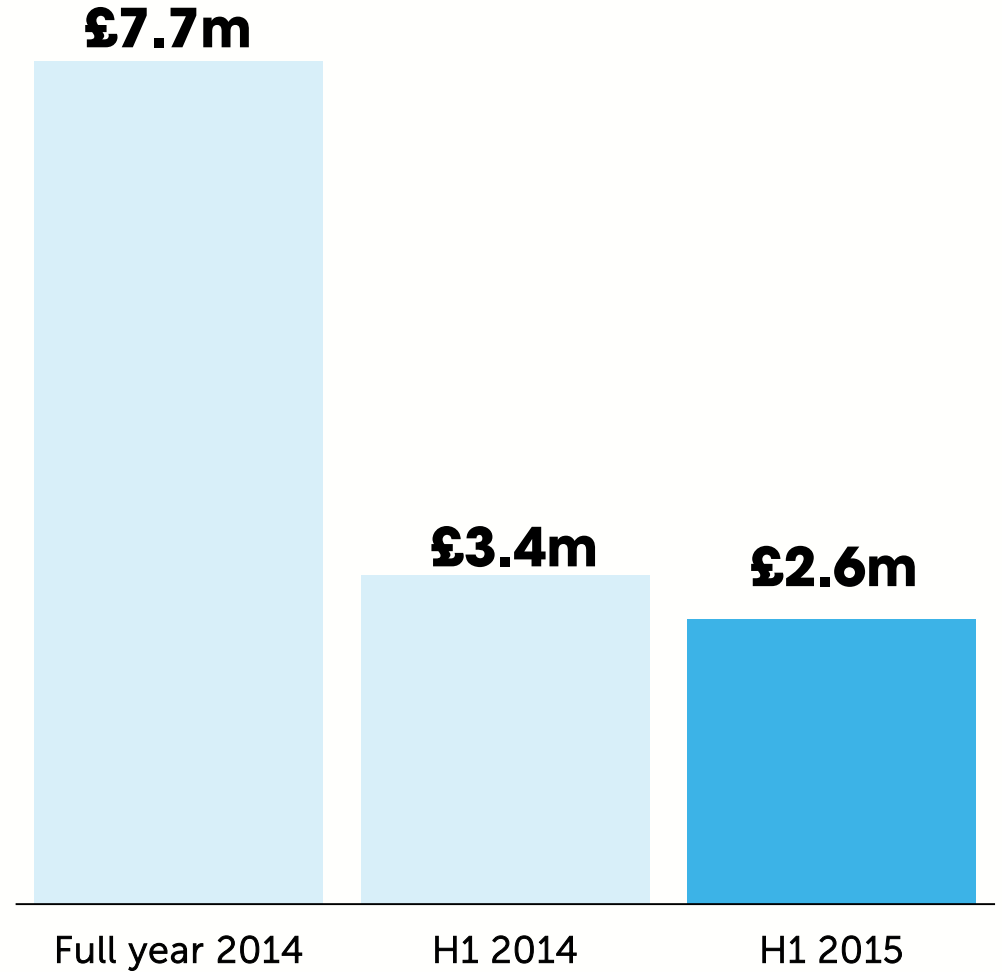
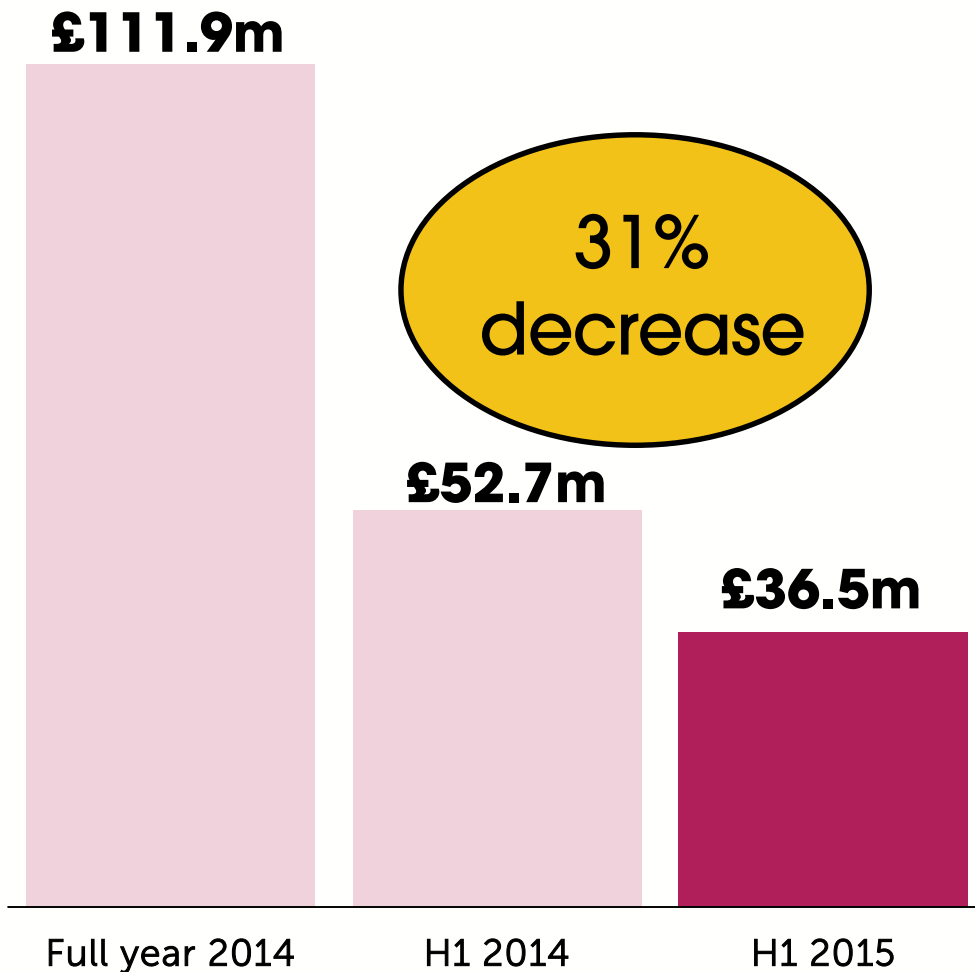
- Revenue increased 5%
- Strong margins at 15.1% only reduced on H1 2014 (20.0%) as prior period reflected step up in margin recognised on one long term contract
- Contract for e-marking signed to 2017 with AQA as one of two suppliers
- Preferred supplier on ICAEW e-assessment contract



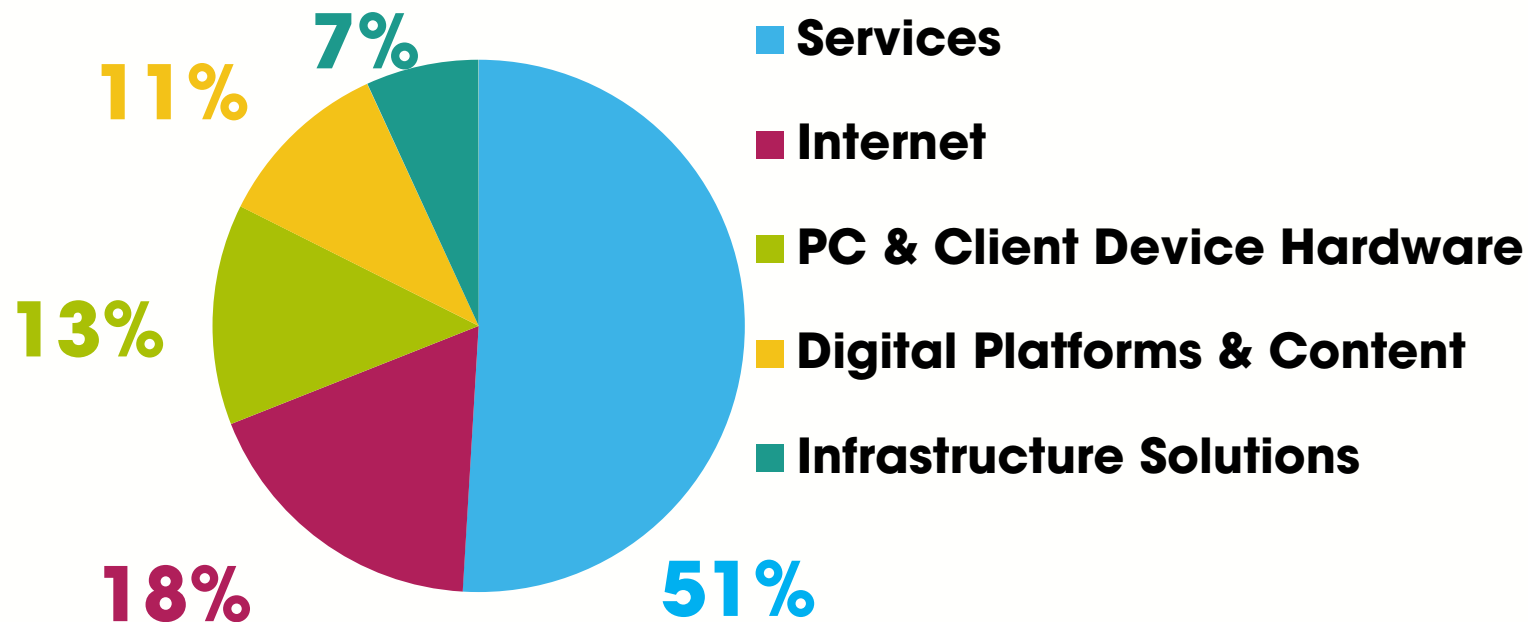
**Total revenue =
£10.6m**

Revenue

Adjusted operating profit



- Margins increased from 6.4% to 7.0%
- Gaining traction with Multi Academy Trusts reaching preferred bidder for 2 trusts
- SMS RM Integris wins – Derbyshire 98% of primary schools converted
- New internet connectivity and e-safety contract with West Berkshire



**Total revenue =
£36.5m**

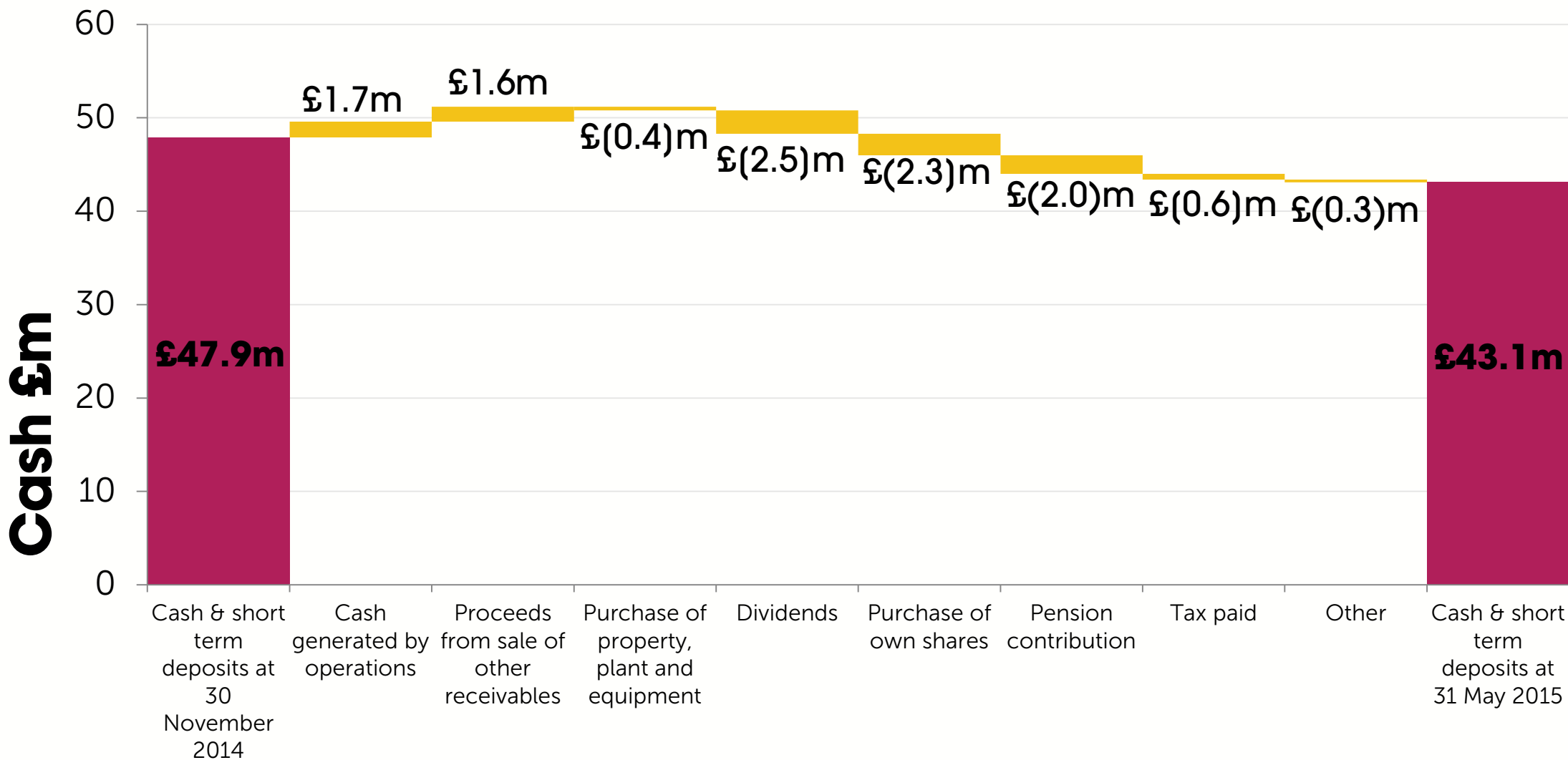


Financial Summary

Group Financial Summary

£m	6 months to 31 May 2014	6 months to 31 May 2015	% Change
Revenue	92.1	79.8	(13)%
Adjusted* EBITDA	9.0	8.2	(8)%
Adjusted* operating profit	7.3	6.9	(5)%
Adjusted* profit before tax	7.0	6.3	(10)%
Statutory profit before tax	6.7	9.2	38%
Adjusted* basic EPS	6.4p	6.0p	(6)%
Interim dividend per share	0.96p	1.20p	25%

* Adjusted operating profit is before amortisation of acquisition related intangible assets; share-based payment charges; restructuring program costs; and changes in provisions for dilapidations and onerous lease contracts.



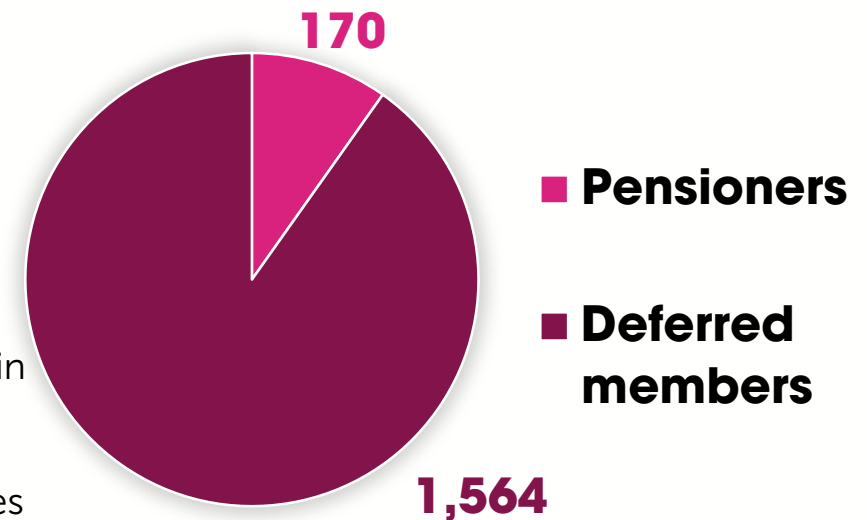
IAS 19 balance sheet deficit increased since last year end

	£m	
Deficit at 30 Nov 2014	(26.8)m	£(21.4)m net of tax
Cash contribution	2.0m	
Asset returns less administration expense	3.0m	
Interest on liabilities	(3.7)m	
Impact of market assumptions on liabilities	(4.5)m	
Deficit at 31 May 2015	(30.0)m	£(24.0)m net of tax

Investments at 31 May 2015

Equities	51%
Fixed income	
• Gilts	19%
• Corporate bonds	15%
Insurance contract	13%
Cash including escrow	2%
Total	100%

Number of members



- Agreed cash deficit recovery payments set at £3.6m p.a. plus scheme running costs from 1 June 2013 as part of 15-year recovery plan agreed in 2012
- 25bp reduction in discount rate due to market movements
- £3.3m remains in escrow account to fund further risk mitigation initiatives

RM[™]

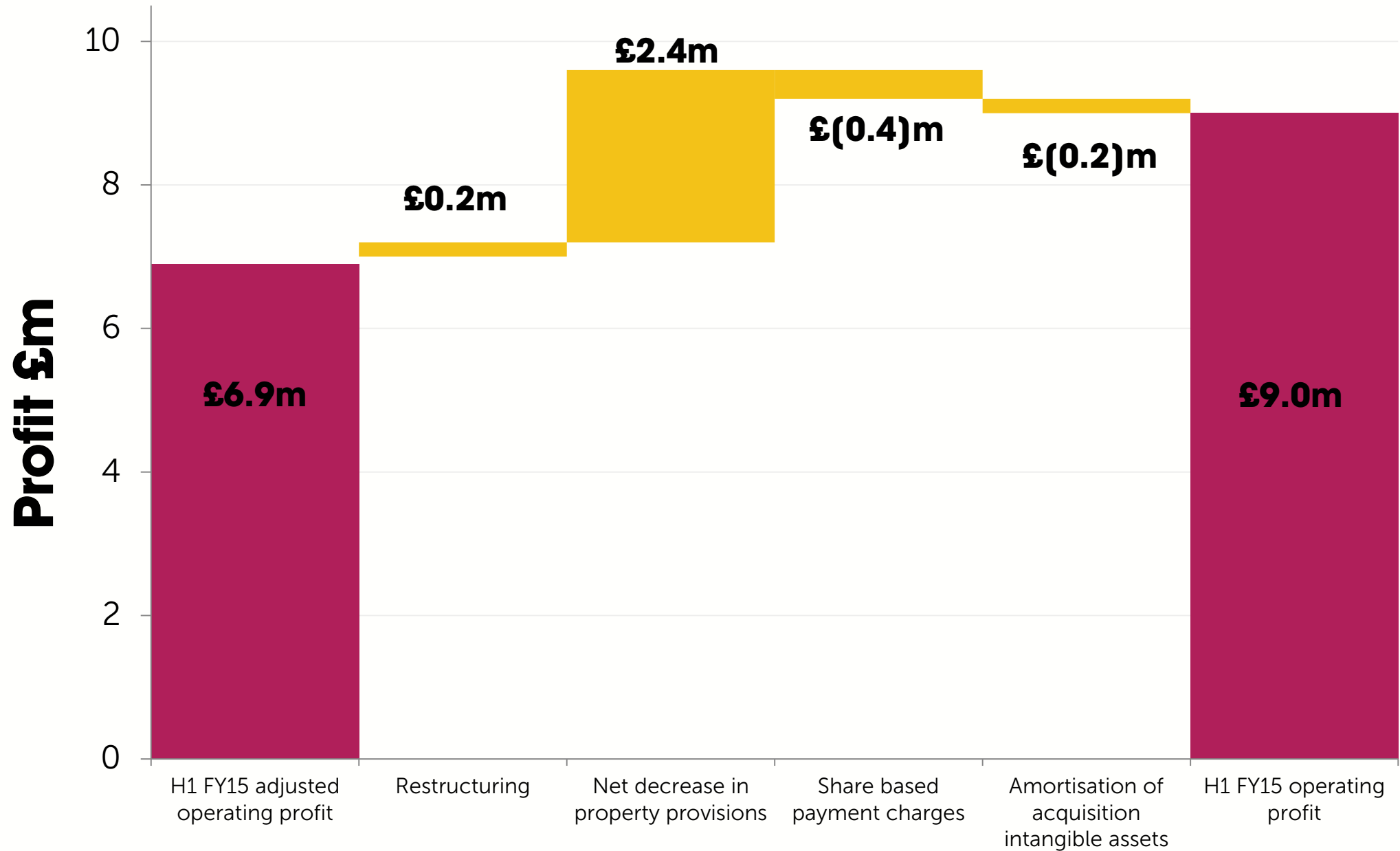
Outlook

- **Organic growth in RM Resources continues without sacrificing margins**
- **Organic growth and gaining new customers, both in the UK and overseas, will drive margin growth in RM Results**
- **RM Education in final year of significant top line decline. Focus on 5 priority areas in software and services showing early positive results**
- **Expect revenue growth in 2016 with all three divisions growing by 2017**
- **Cash continuing to be generated from operations and year end cash likely to be higher than market expectations**
- **25% increase in interim dividend to 1.20p per share and adopting a progressive dividend policy towards more appropriate cover**
- **Pension triennial valuation in process**

Appendices

£m	6 months to 31 May					
	2014			2015		
	Adjusted	Adjustments	Total	Adjusted	Adjustments	Total
Revenue	92.1	-	92.1	79.8	-	79.8
Cost of sales	(57.0)	-	(57.0)	(47.6)	-	(47.6)
Gross profit	35.1	-	35.1	32.2	-	32.2
<i>Gross profit %</i>	<i>38.1%</i>	<i>-</i>	<i>38.1%</i>	<i>40.3%</i>	<i>-</i>	<i>40.3%</i>
Operating expenses	(27.7)	-	(27.7)	(25.2)	-	(25.2)
Amortisation of acquisition related intangible assets	-	(0.2)	(0.2)	-	(0.2)	(0.2)
Share-based payment charges	-	(0.4)	(0.4)	-	(0.4)	(0.4)
Restructuring programme costs	-	(0.1)	(0.1)	-	0.2	0.2
Release of property related provisions	-	0.4	0.4	-	2.4	2.4
	(27.7)	(0.2)	(27.9)	(25.2)	2.1	(23.2)
Profit from operations	7.3	(0.2)	7.1	6.9	2.1	9.0
<i>Profit from operations %</i>	<i>8.0%</i>	<i>N/A</i>	<i>7.7%</i>	<i>8.7%</i>	<i>N/A</i>	<i>11.3%</i>
Net investment income and finance costs	(0.3)	(0.2)	(0.5)	(0.6)	0.8	0.2
Profit before tax	7.0	(0.4)	6.7	6.3	2.9	9.2
Tax	(1.5)	-	(1.4)	(1.5)	(0.4)	(1.9)
Profit for the period	5.6	(0.3)	5.2	4.9	2.5	7.4
Diluted earnings per ordinary share	6.2p	(0.3)p	5.9p	5.8p	3.0p	8.8p
Dividend per share			0.96p			1.20p

Adjustments to Operating Profit



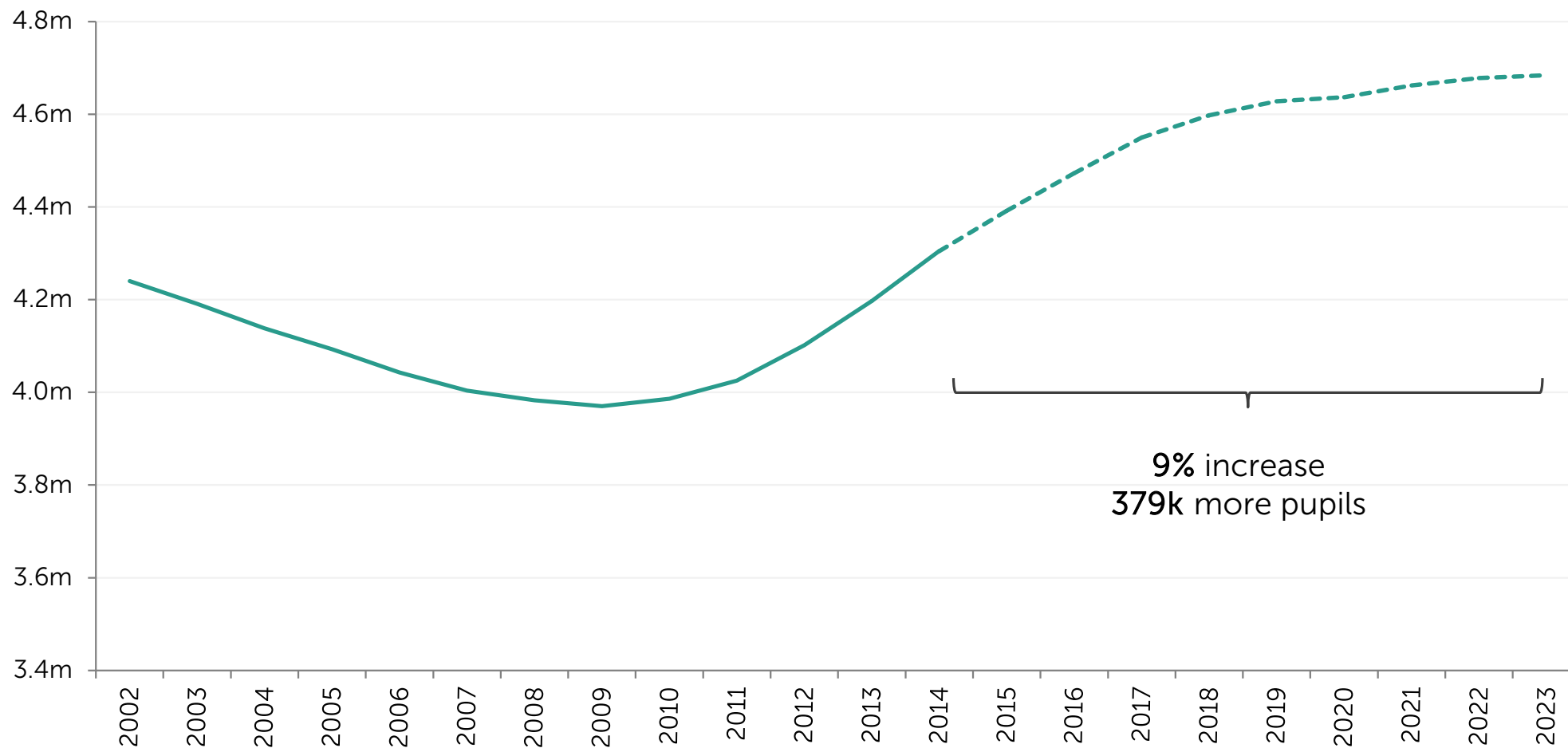
Data has been rounded to the nearest £0.1m, so may not sum exactly to the totals shown

£m	31 May 2014	31 May 2015
Goodwill and acquisition intangibles	14.7	14.4
Property, plant & equipment and software intangibles	9.1	8.2
Other receivables	1.9	1.2
Deferred tax assets	4.9	8.3
Total non-current assets	30.6	32.1
Inventories	11.6	12.8
Trade & other receivables	32.5	24.6
Tax assets	0.1	0.5
Cash & short-term deposits	40.3	43.1
Total current assets	84.5	81.1
Total assets	115.1	113.2
Current liabilities, including tax liabilities	(78.1)	(72.5)
Retirement benefit obligation	(8.8)	(30.0)
Other non-current liabilities	(12.0)	(3.5)
Total liabilities	(98.9)	(106.0)
Net assets / total equity	16.2	7.2

Operating cash flows – £m	6 months to 31 May 2014	6 months to 31 May 2015
Profit from operations	7.1	9.0
Amortisation	0.3	0.3
Depreciation	1.5	1.1
Share-based payments	0.4	0.4
Other adjustments	(0.5)	(2.0)
Operating cash flows before movements in working capital	8.8	8.9
Increase in inventories	(1.0)	(2.2)
Decrease in receivables	2.5	7.6
Decrease in payables	(4.3)	(12.5)
Cash generated by operations	6.1	1.7
Non-operating cash flows – £m		
Defined benefit pension contribution	(9.9)	(2.0)
Tax paid	(1.3)	(0.6)
Net capital expenditure less proceeds on disposal	(0.4)	(0.4)
Dividends paid	(16.9)	(2.5)
Proceeds from sale of other receivables	-	1.6
Purchase of own shares	-	(2.3)
Other	(0.5)	(0.3)
Net decrease in cash and cash equivalents	(22.9)	(4.8)

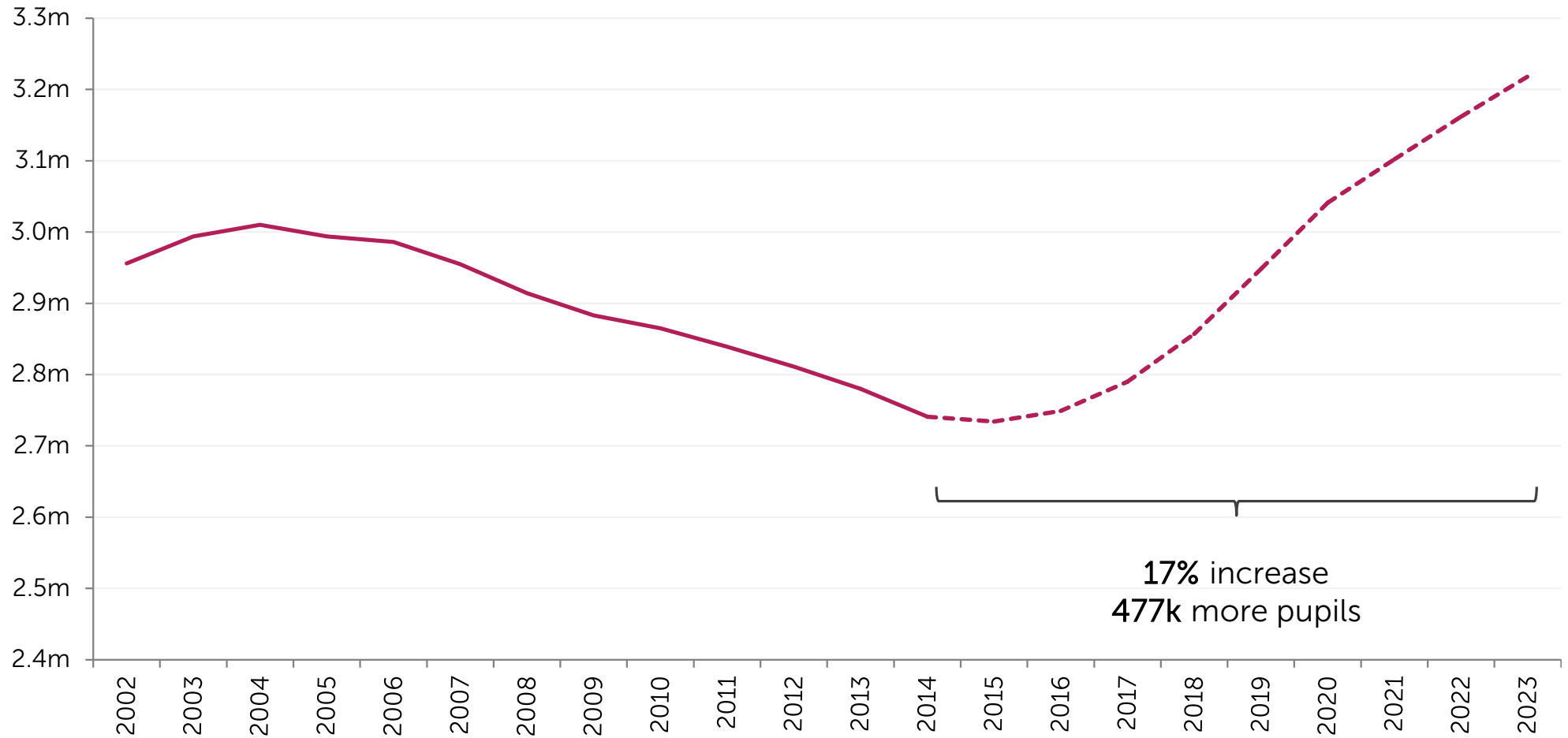
Pupil Projections - Primary

Pupil projections in England in maintained nurseries and state-funded primary schools

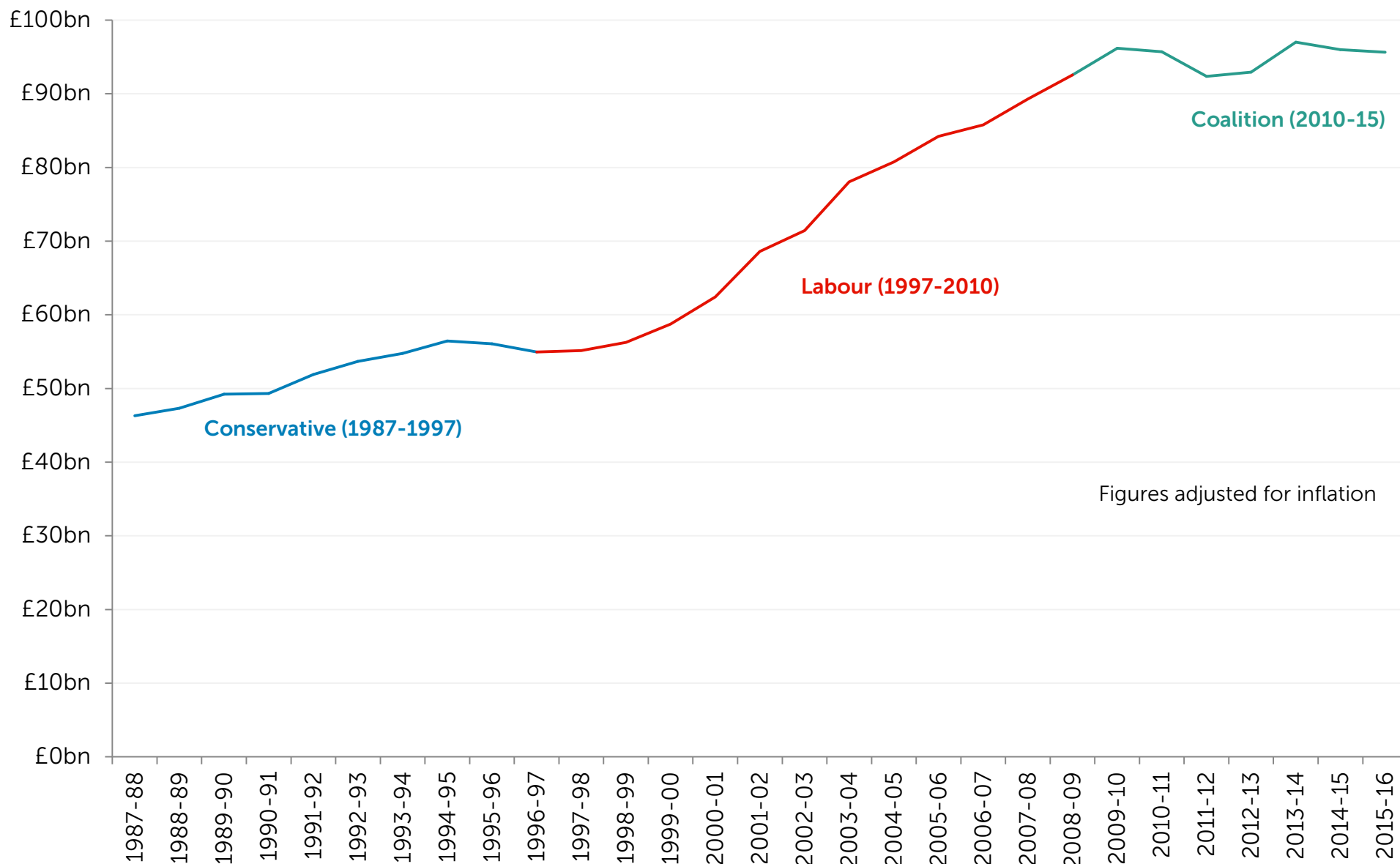


Pupil Projections - Secondary

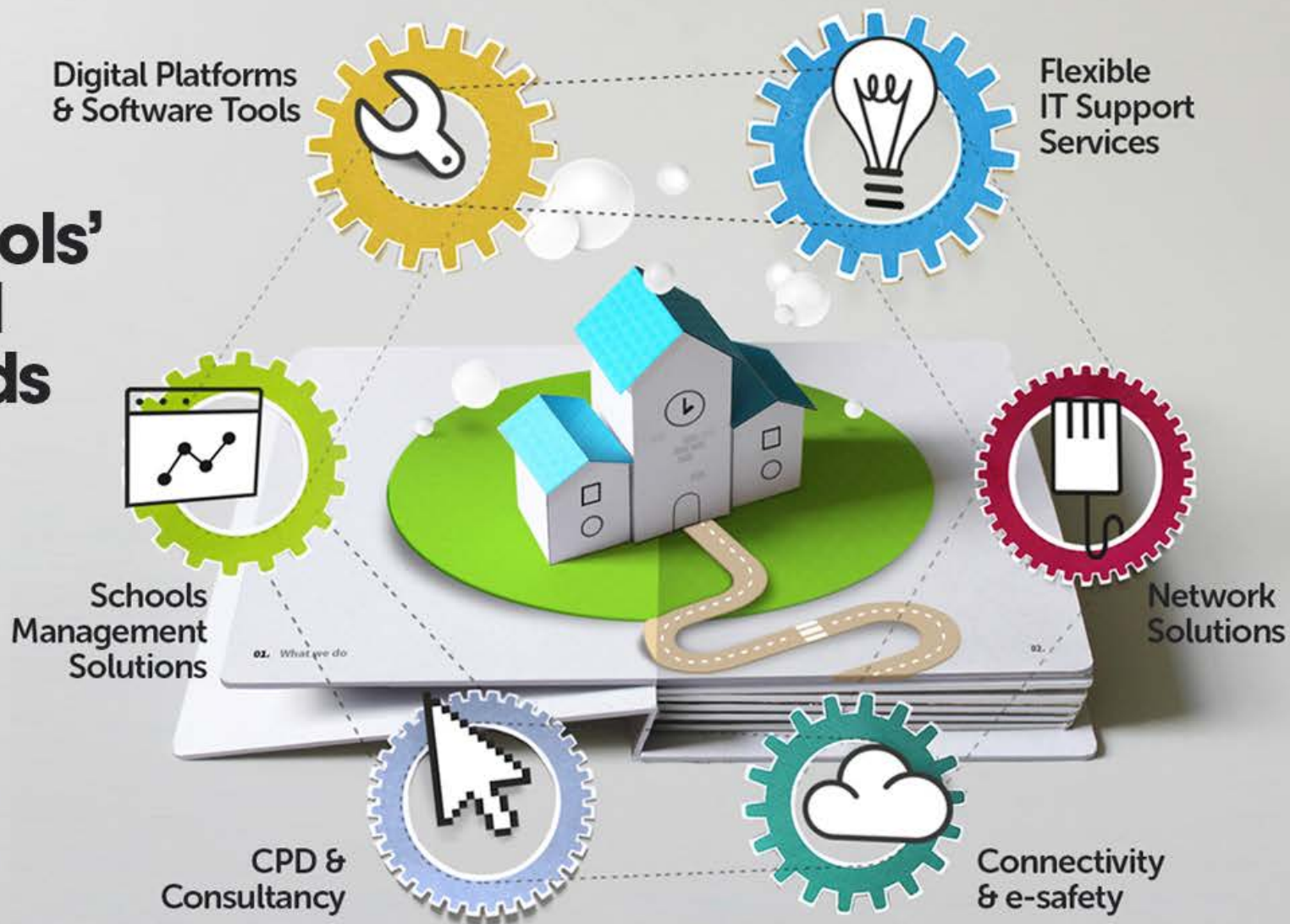
Pupil projections in England in state-funded secondary schools

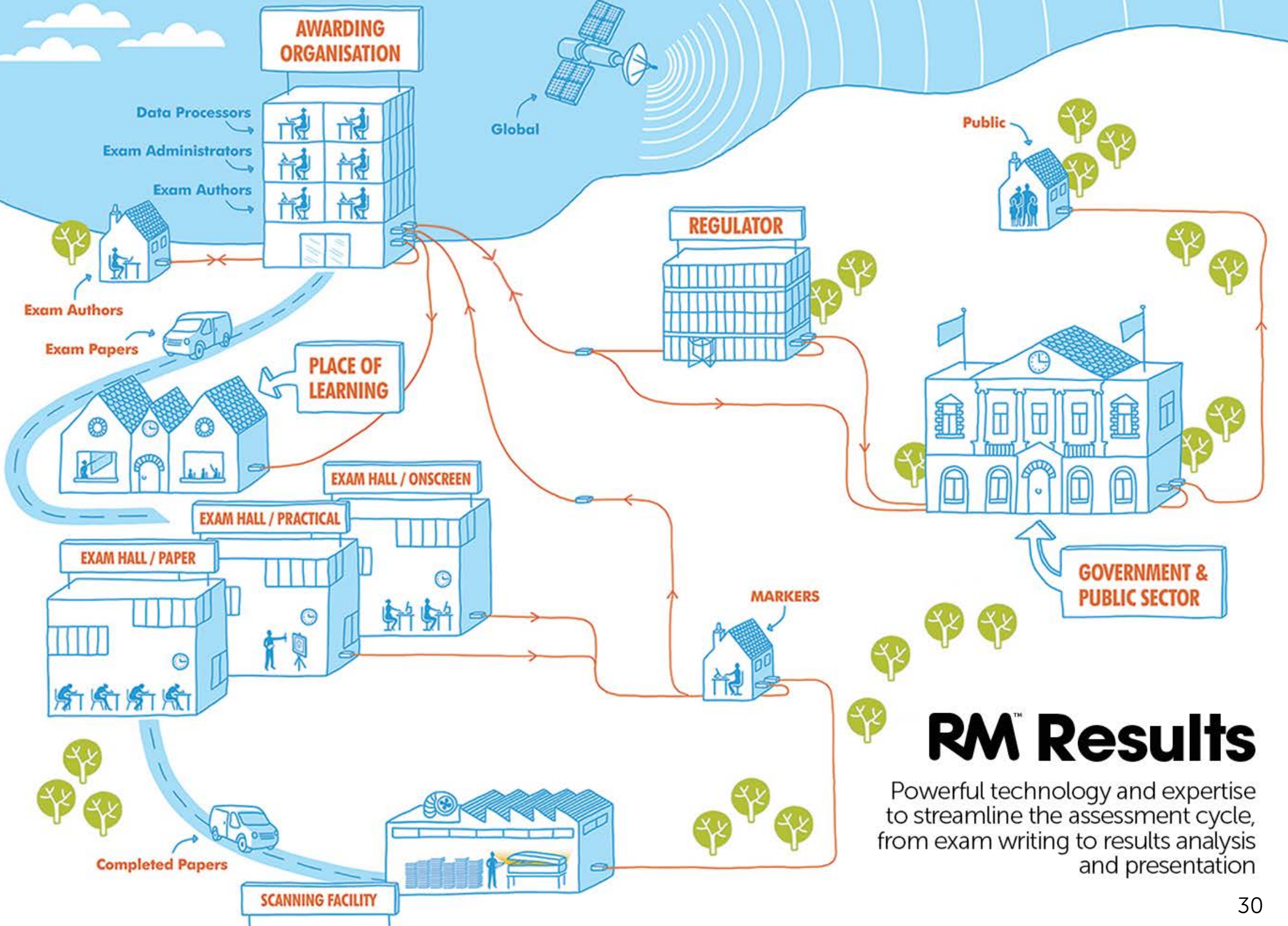


UK Education Spend



We make technology work for schools' teaching and learning needs





RM Results

Powerful technology and expertise to streamline the assessment cycle, from exam writing to results analysis and presentation



ICT Products

Furniture

Outdoor Play

Stationery

Sensory Resources

Physical Development

Learning Activities

Award-winning education resources...

...that positively impact teachers' lives



1 Talk

2 Ideas

3 Product

4 Shop

5 Deliver

6 Impact

RM Resources

