



RM plc

Year to 30 November 2012

David Brooks, Chief Operating Officer

Iain McIntosh, Chief Financial Officer

To be read in conjunction with the
Preliminary Results announcement
released on 21 February 2013

FY12 Overview - 1

- Good execution of defined strategy
 - Operating profitably in line with market expectations
 - Disposals programme completed
 - New initiatives launched
- Strong cash flow and Balance Sheet
 - Cash generated from operations of £33.5m (2011: £39.5m for year to Nov; £24.8 million for 14 months to Nov)
 - Highest cash balance since 2003. New bank facility not used during 2012
 - Net funds at Nov 2012: £37.8m (2011: £11.3m after deferred consideration)
- Revenue
 - Total revenue of £288.7m (2011: £310.1m for year to Nov; £350.8m for 14 months to Nov)
 - Revenue from retained operations increased 0.8% year on year to £285.9 million (2011: £283.7m for year to Nov)
- Adjusted operating profit
 - £13.6m (2011: £14.1m for year to Nov; £10.0 million for 14 months to Nov) including exited operations
 - £14.0m (2011: £19.7m for year to Nov; £17.6 million for 14 months to Nov) excluding exited operations
- Profit before Tax
 - £8.4m (2011: loss of £18.5m for year to Nov; loss of £23.4m for 14 months to Nov)

FY12 Overview - 2

- **Divisional Summary**
 - Education Resources : Strong performance increasing margins and working capital management
 - Education Technology : Market conditions continue to be challenging
 - Education Software : Business undergoing transition. Good performance from Assessment business. New initiatives
 - Managed Services : Margins impacted by legacy software. BSF revenue to decline
- **Proposed final dividend per share 2.25p (2011: 1.53p)**
 - Full year paid and proposed dividend per share 3.00p (2011: 3.00p)
- **Pension deficit £20.4m (2011: £21.2m)**
 - Pension closed to future accrual of benefits
 - Plan agreed to reduce £53.5m triennial statutory deficit over 15 years
- **David Brooks to be appointed CEO from 1 March 2013**
- **Martyn Ratcliffe to step down as Chairman. Process will commence shortly for the appointment of new Non-Executive Chairman**

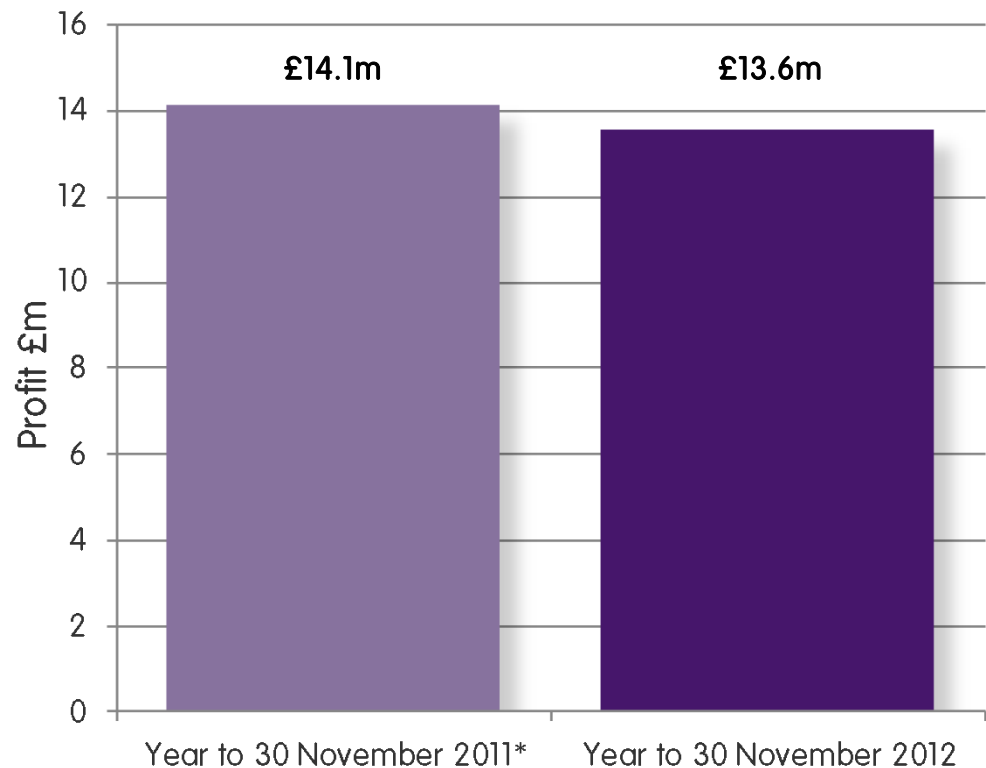
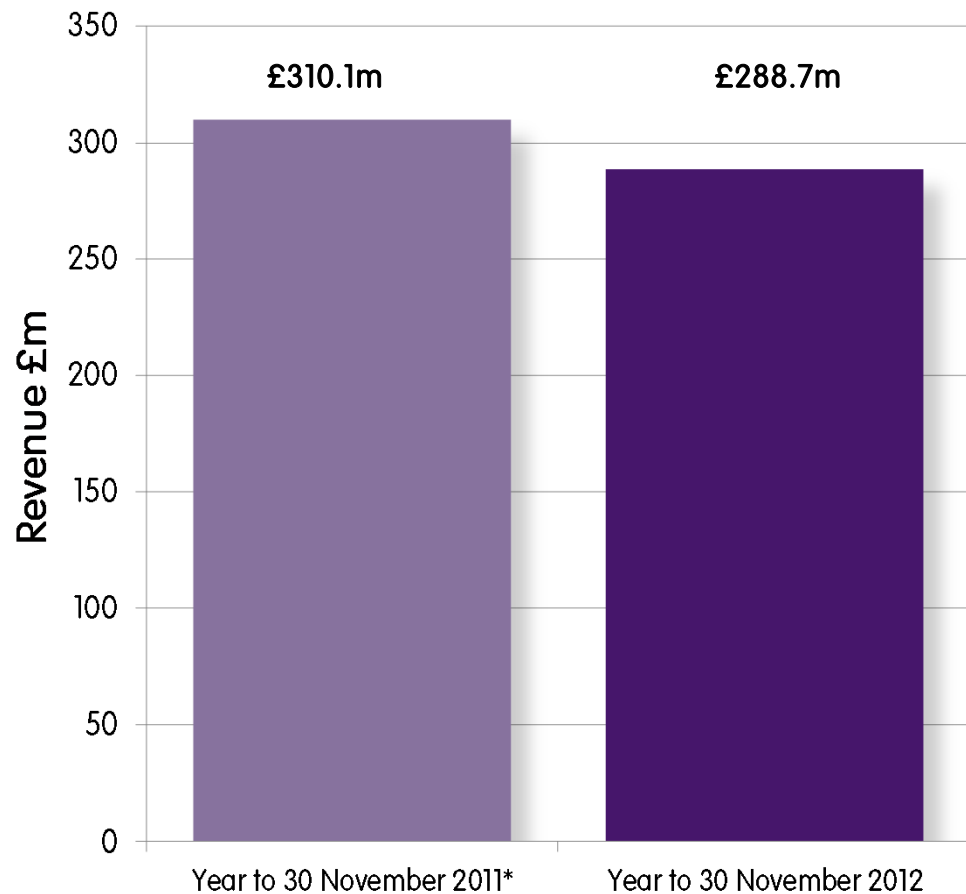
Group Financial Summary

£m	14 months to 30 Nov 2011	Proforma Year to 30 Nov 2011	Year to 30 Nov 2012
Revenue including exited businesses	350.8	310.1	288.7
Revenue excluding exited businesses	320.8	283.7	285.9
Adjusted* EBITDA including exited businesses	19.5	22.3	20.5
Adjusted* operating profit including exited businesses	10.0	14.1	13.6
Adjusted* operating profit excluding exited businesses	17.6	19.7	14.0
Adjusted* profit before tax	10.3	14.6	13.1
Adjusted* diluted EPS (p)	7.3p	10.8p	10.9p
Unadjusted (loss)/profit before tax	(23.4)	(18.5)	8.4
Unadjusted diluted EPS	(25.3)p	(21.2)p	5.4p

*Adjusted operating profit and EPS are before amortisation of acquisition related intangible assets; impairment of goodwill, acquisition related intangible assets, other intangible assets and investments; loss on sale of operations; share-based payment charges; restructuring costs; increase in provision for dilapidations on leased properties and onerous lease contracts; exceptional credit on settlement; release of deferred consideration; and an exceptional net pension credit on the Group's defined benefit pension scheme

The accounting period ended 30 November 2011 was 14 months. Unaudited proforma financial information has been prepared for the year ended 30 November 2011 for comparison purposes

Group Revenue and Adjusted** Operating Profit

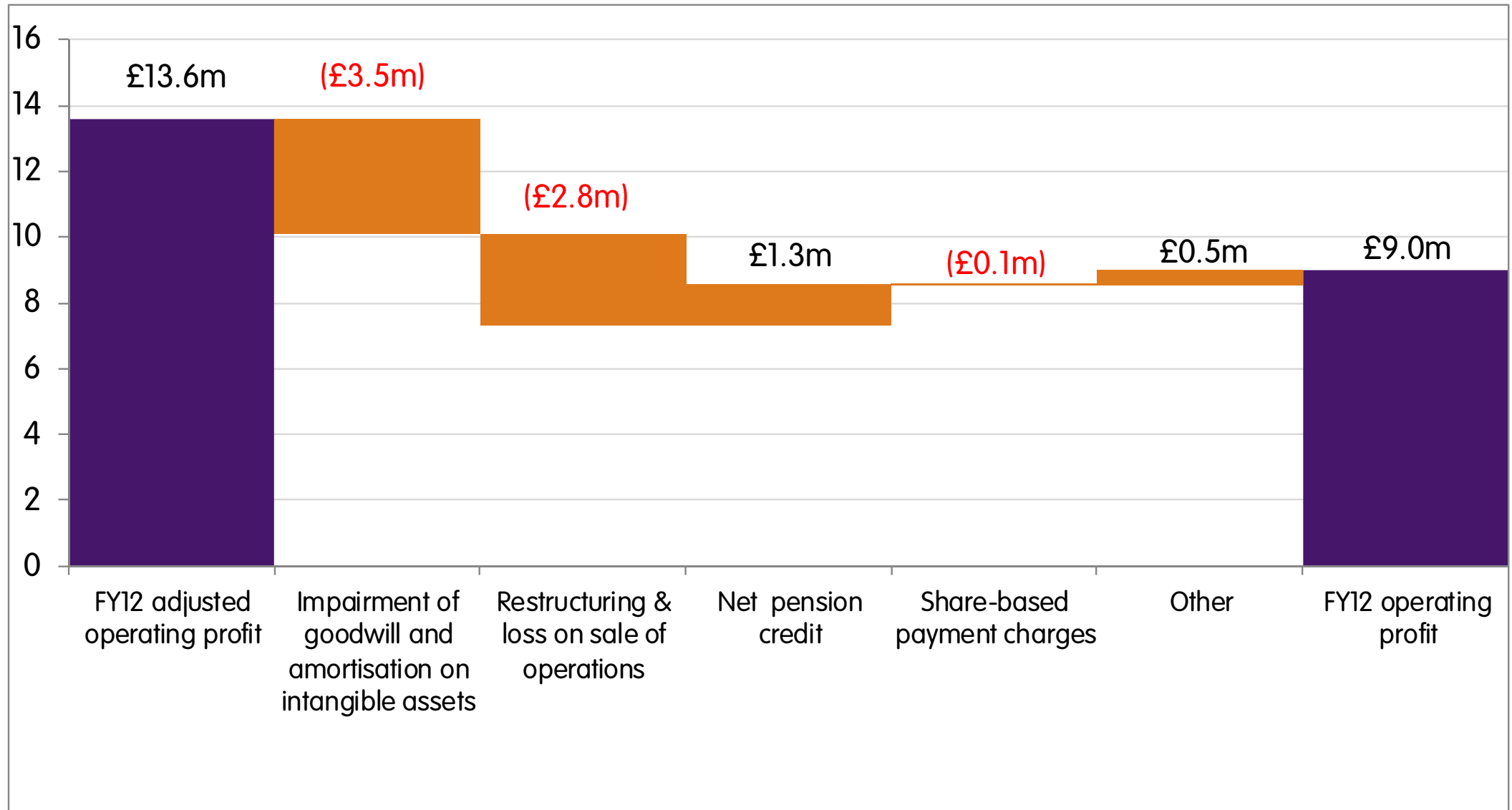


*Proforma financial information

** Including exited operations

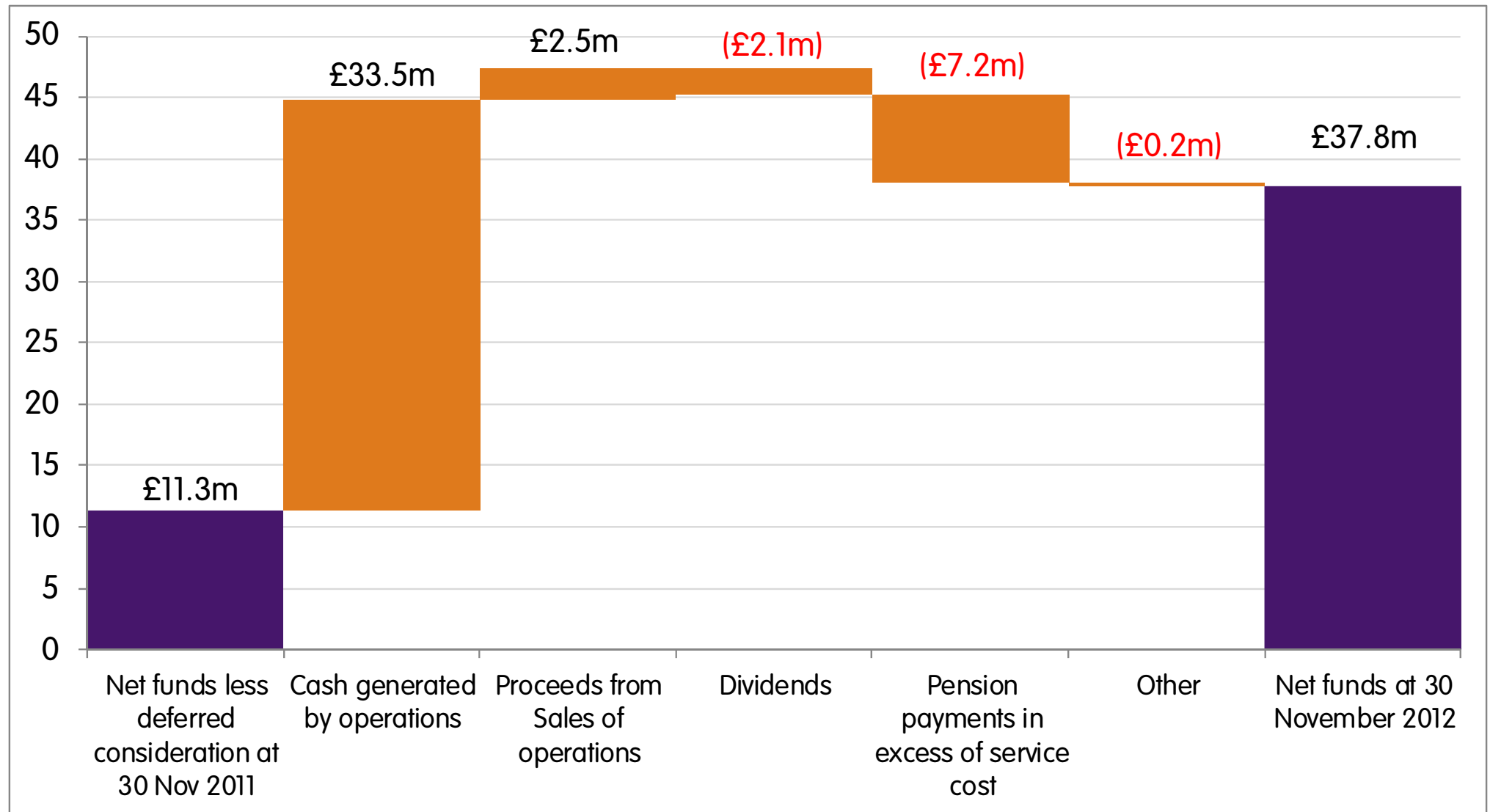
Adjustments to Operating Profit

Year to 30 November 2012



Cash Generation

Year to 30 November 2012



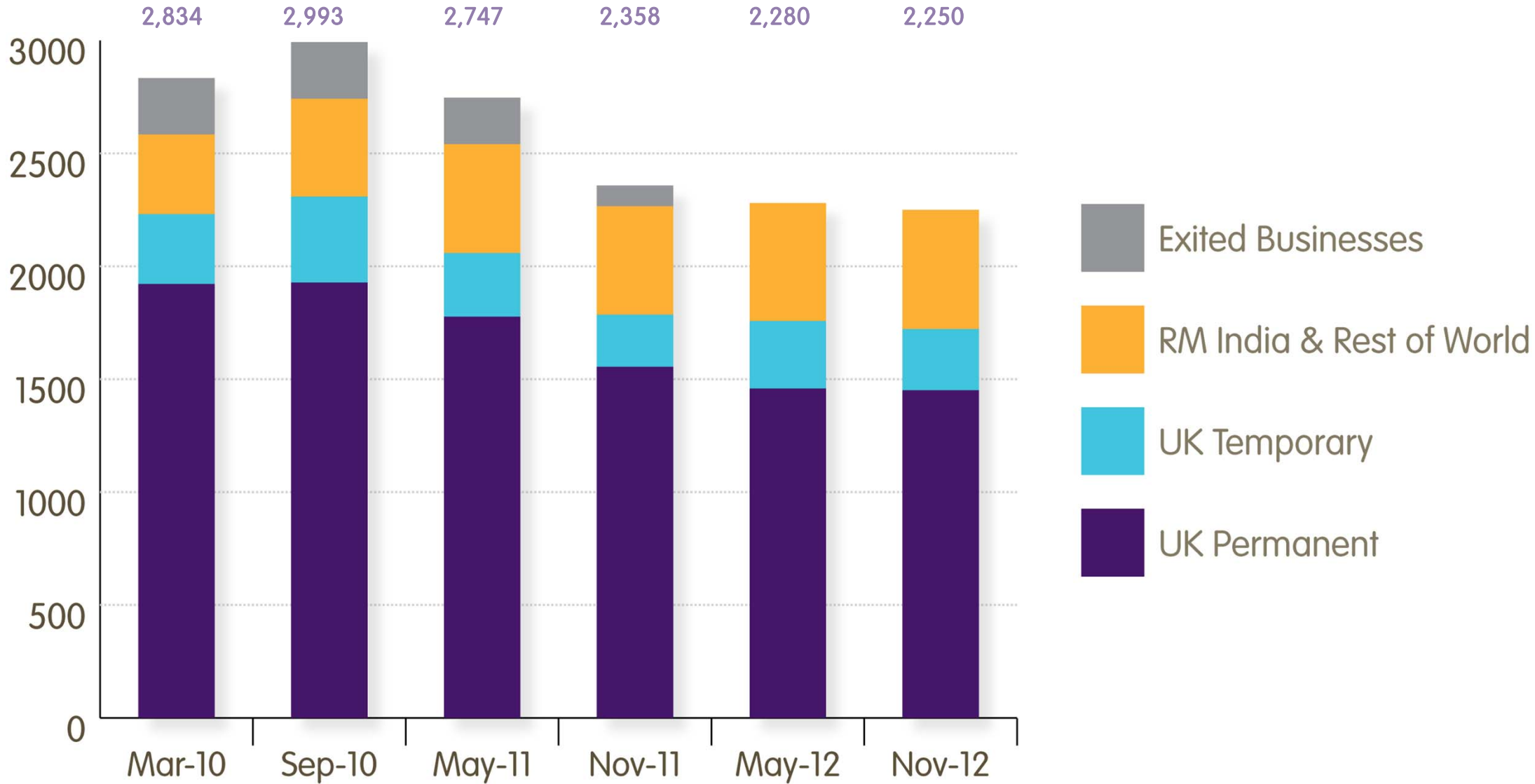
Pensions

IAS 19 balance sheet deficit decreased:

	£m	
Deficit at 30 Nov 2011	(21.2)	£(15.9)m net of tax
Cash in excess of service cost	7.2	Annual deficit reduction payments are committed to 2027
Asset returns	10.4	
Gain on curtailment	1.8	
Interest on liabilities	(6.3)	
Impact of market assumptions on liabilities	(12.3)	Reduction in UK corporate bond yield based discount rate
Deficit at 30 Nov 2012	(20.4)	£(15.7)m net of tax

- Scheme closed to future accrual of benefits from 31 October 2012
- Triennial scheme valuation as at 31 May 2012 showed statutory deficit had increased to £53.5m (31 May 2009; £16.6m)
- Deficit reduction plan agreed with trustees: £5m payment in October 2012 plus £4m for 12 months from June 2012, £3.6m p.a. thereafter. Parent company guarantee provided by RM plc over recovery plan

Group Headcount





Divisional Performance

FY12 Divisional Summary

Year to 30 November 2012 excluding exited businesses

£m	Education Technology		Managed Services		Education Resources		Education Software		Unallocated Central costs		Total	
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
Revenue	125.7	109.0	61.5	81.4	58.0	59.8	38.5	35.7	-	-	283.7	285.9
Adjusted Operating Profit*	8.3	3.6	6.1	2.9	5.4	8.9	3.2	1.4	(3.4)	(2.7)	19.7	14.0
% Profit	6.6%	3.3%	10.0%	3.5%	9.3%	14.9%	8.4%	3.8%	-	-	6.9%	4.9%

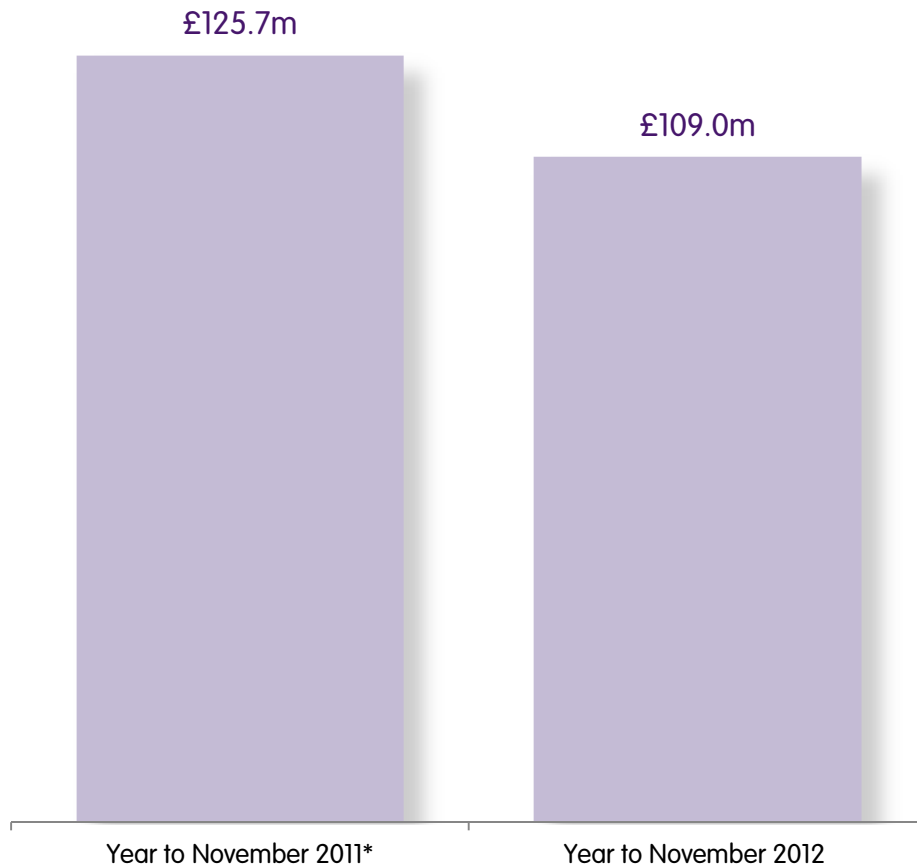
*Adjusted operating profit is before amortisation of acquisition related intangible assets, share-based payment charges, net pension credit, restructuring costs, impairments, property, and other exceptional items

2011 figures are proforma presented on the same basis as the 2012 data

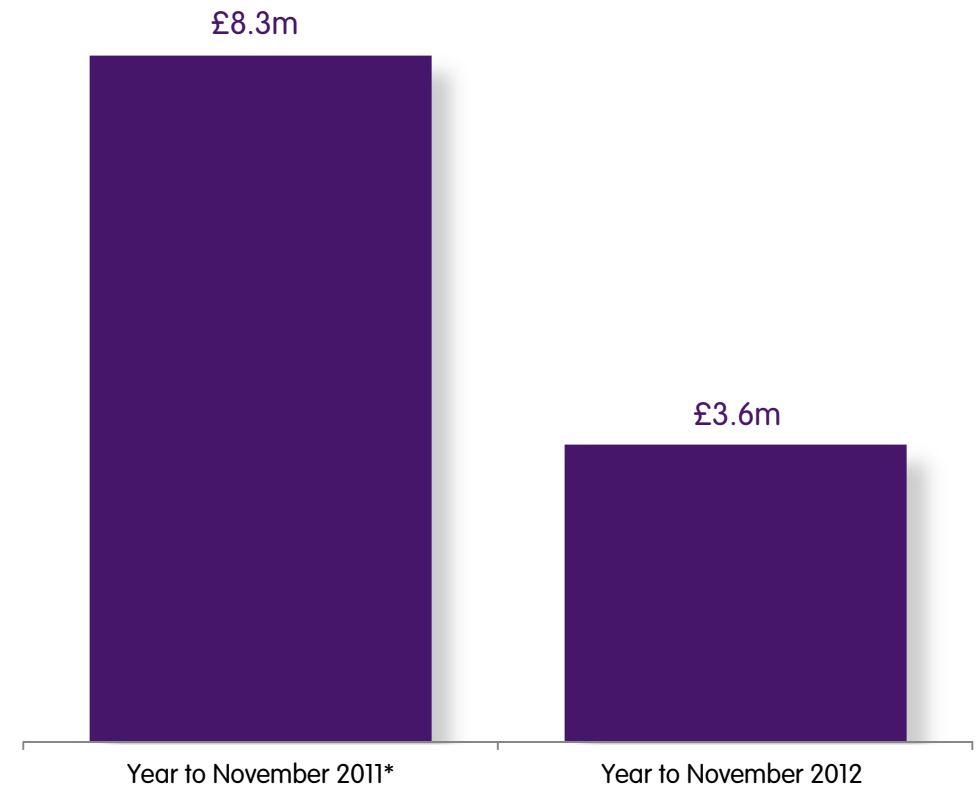
Segmental figures do not add to the total due to rounding

Education Technology

Financial Performance



Revenue

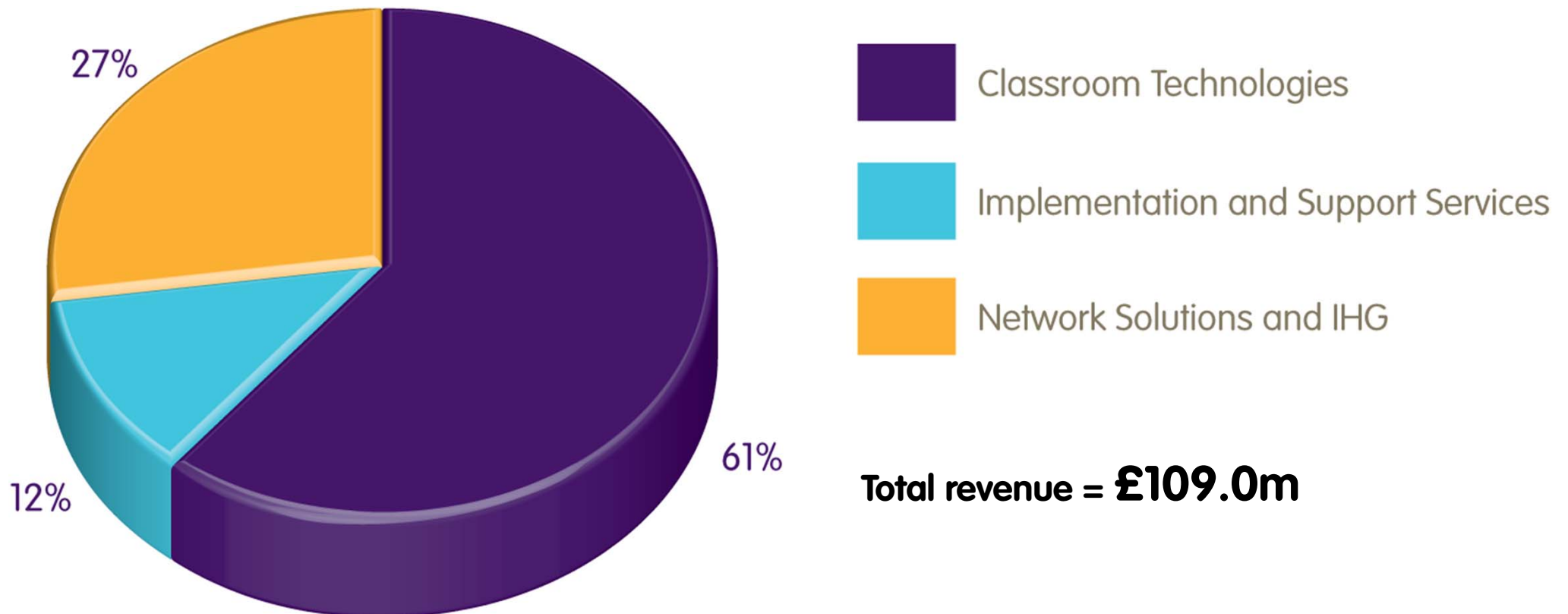


Adjusted operating profit

* Proforma financial information

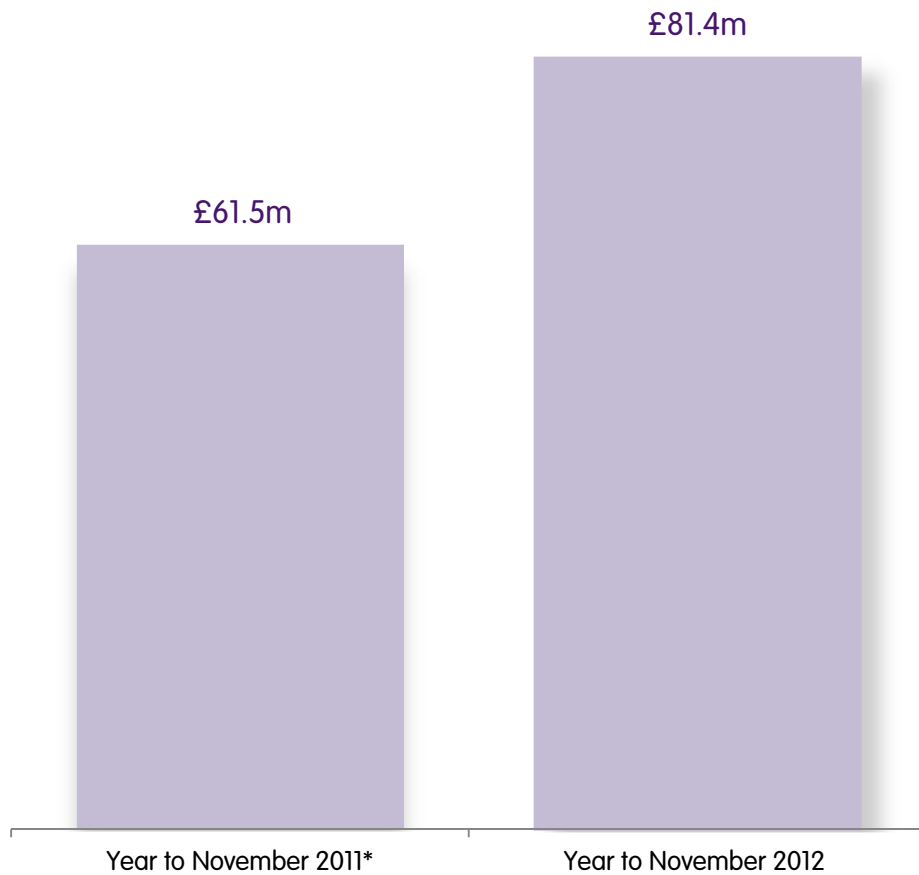
Education Technology

- As anticipated revenue decline 13% due to public sector budgetary constraints
- Winning c.20 – 25% share of Free Schools and Academies
- Revenues anticipated to continue to decline
- Margin pressures will continue as benefit of BSF related volumes reduce

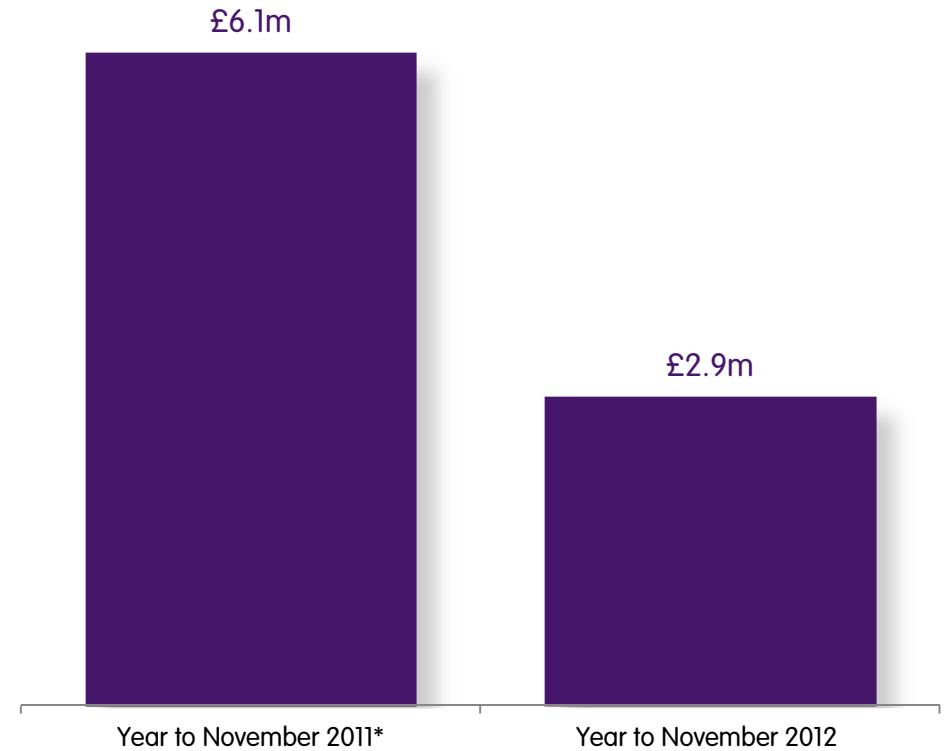


Managed Services

Financial Performance



Revenue

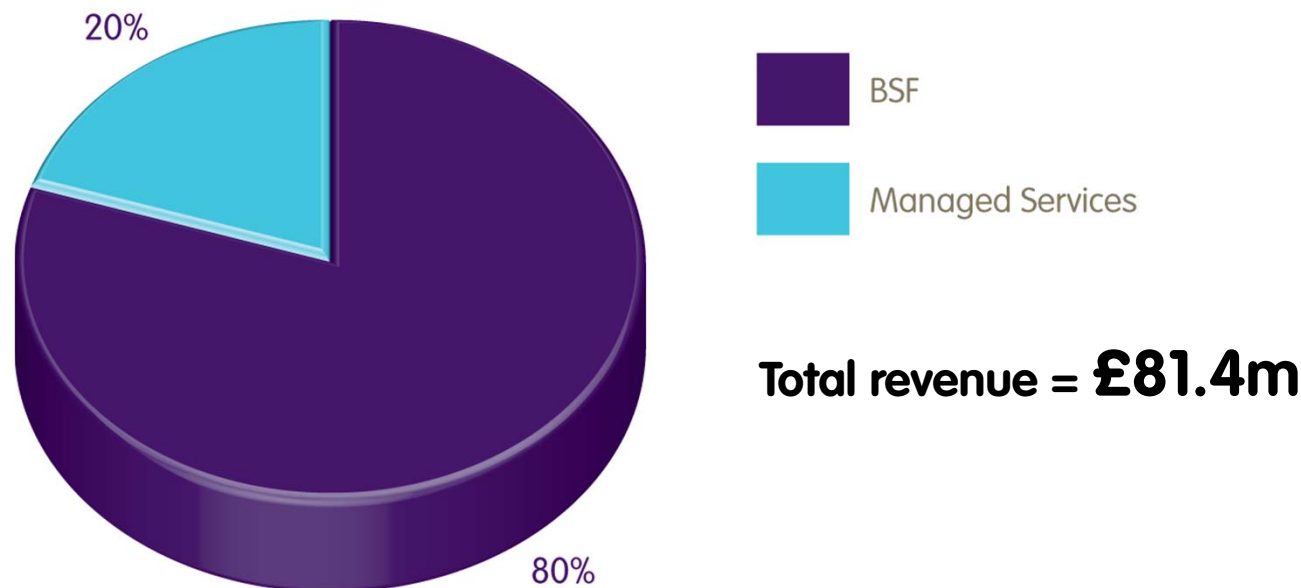


Adjusted operating profit

* Proforma financial information

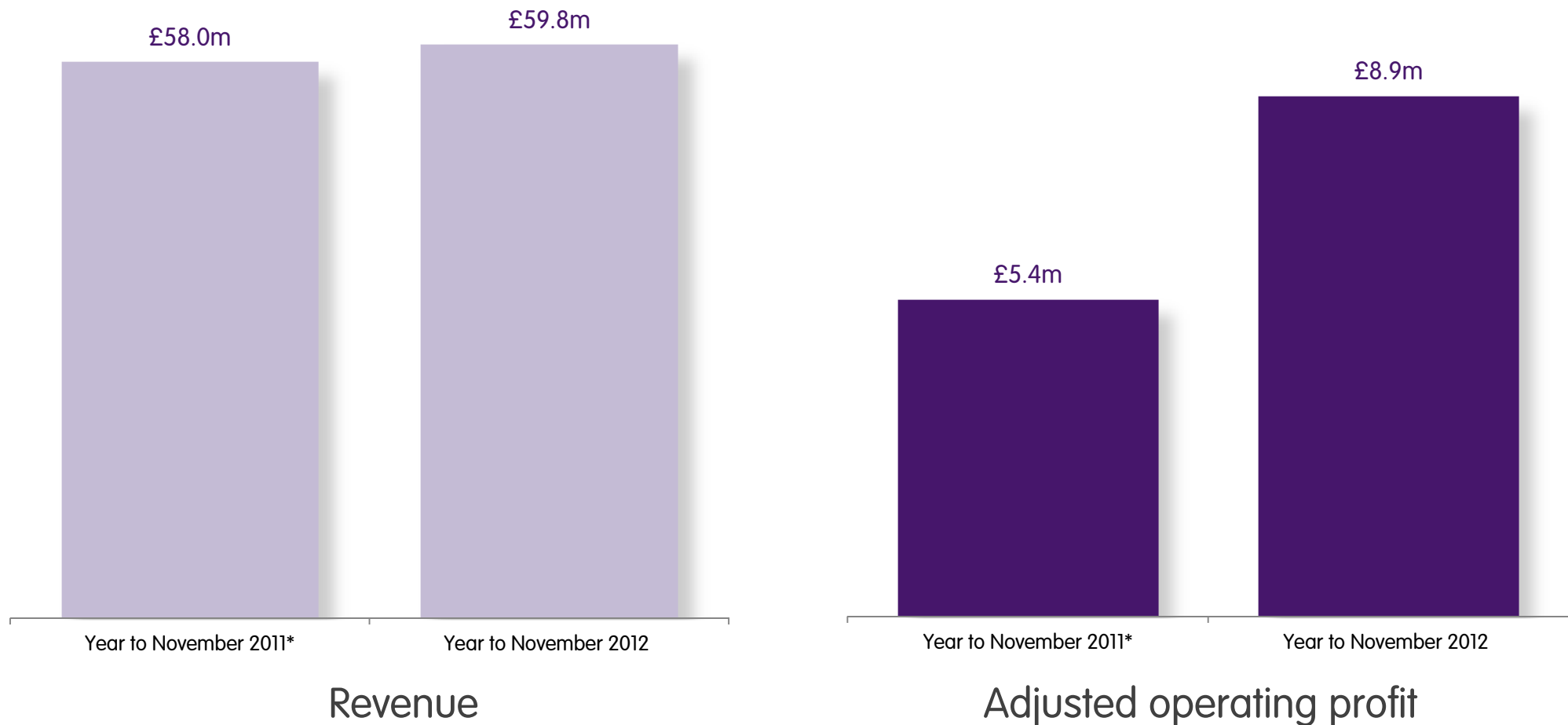
Managed Services

- Strong revenue growth of 32% reflects peak year of BSF implementations but will decline materially in 2014 and beyond as BSF programme winds down
- Some revenues and profits deferred to future years due to third-party delays to school openings and phasing of school spending
- Adjusted operating profit declined from £6.1m to £2.9m :
 - Long term contract margin impact of decision to exit Learning Platforms so forecast costs to meet existing obligations recovered over a declining customer base
 - Higher profit in 2011 at the end of a long term contract with a customer replaced by lower margins recognised at start of new follow-on contract
 - Small benefit from scope extensions on some contracts offset by higher costs on others



Education Resources

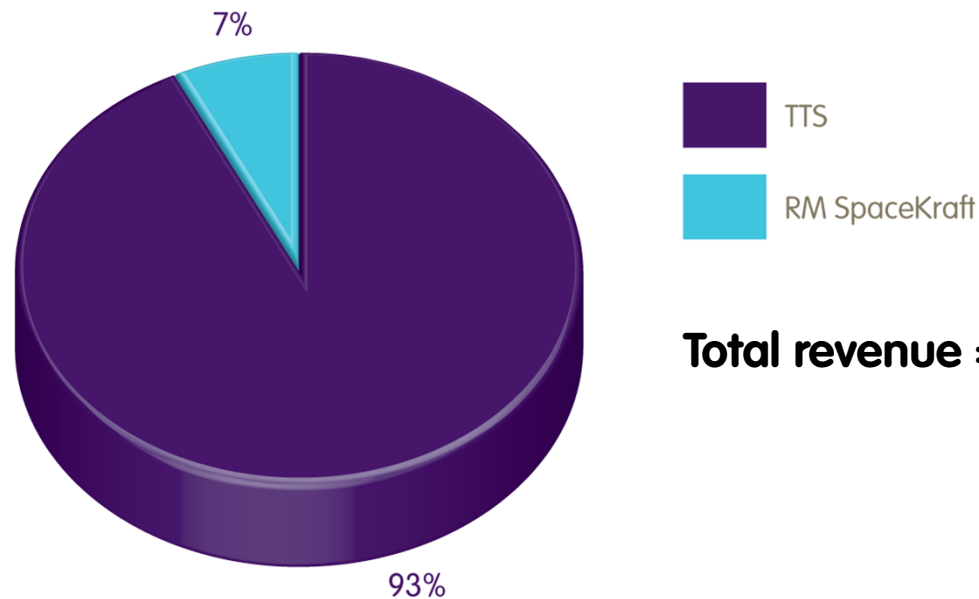
Financial Performance



* Proforma financial information

Education Resources

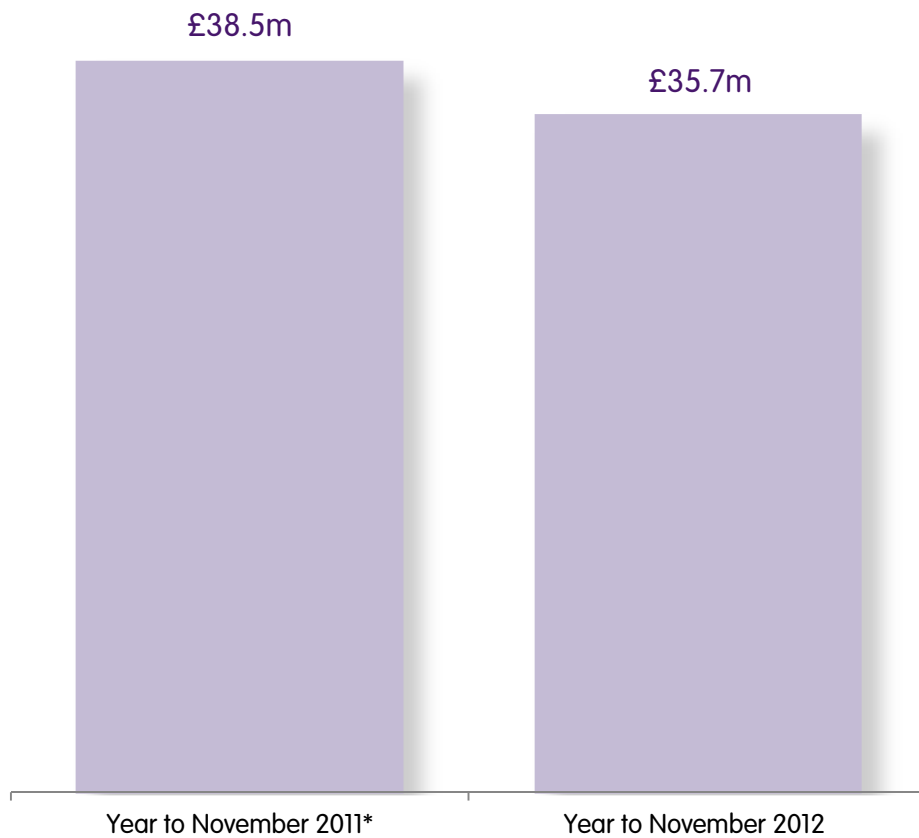
- Modest revenue growth 3% despite budgetary environment
 - TTS growth in exports (approx 11% of business). Won Queens Award for International Trade
 - Risk related to retention of annually renewed customer CSR programme (over 10% of revenues)
 - RM SpaceKraft revenue declined due to market budget constraints
- Strong margin performance, increasing from 9.3% to 14.9% reflecting returns from investments in TTS
- Actively managing inventory levels and supply chain
 - Reduction in inventory levels at TTS of 20% despite increase in revenues
- Campaigns to grow Education Resources Division
 - Secondary school market
 - International growth (via distributors)
 - RM At Home linked to RM School Finder



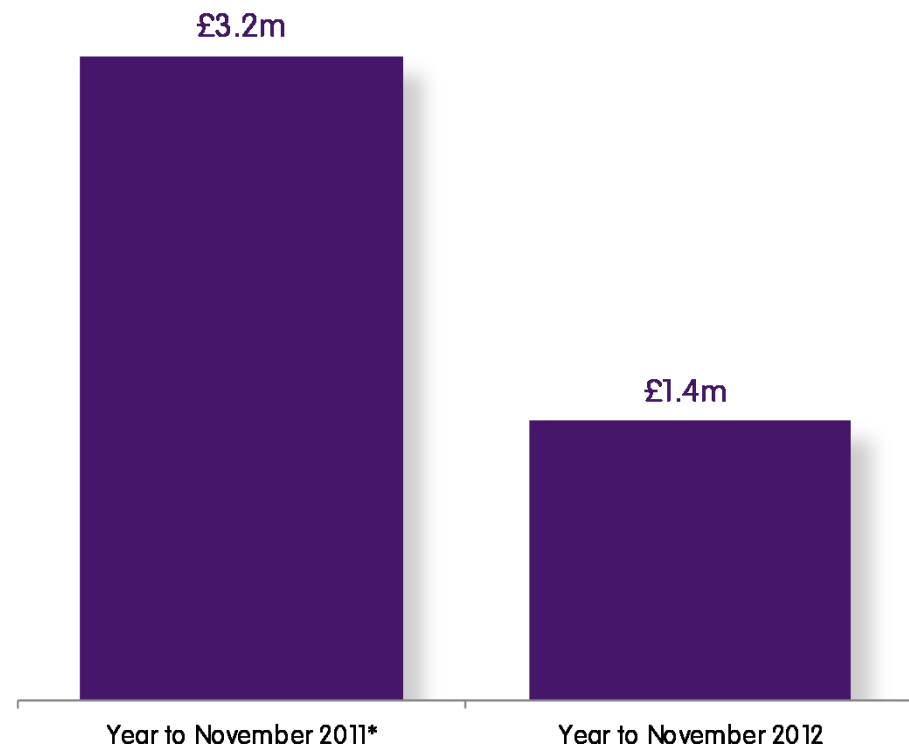
Total revenue = £59.8m

Education Software

Financial Performance



Revenue

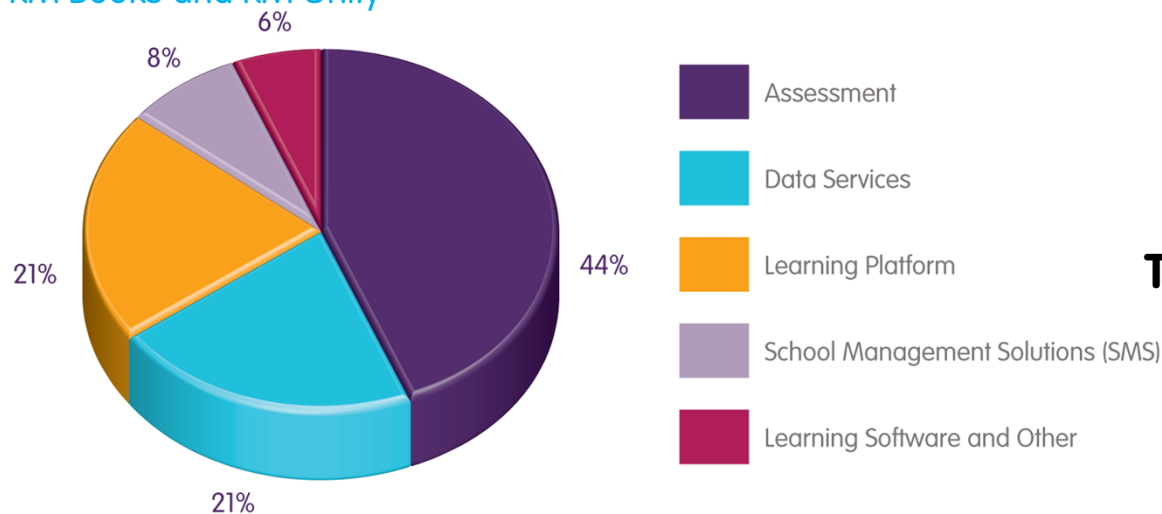


Adjusted operating profit

* Proforma financial information

Education Software

- Revenue decline of 7.5% reflecting performance in
 - Learning Platforms
 - Learning Software and Other
- Assessment revenue grew due to increase in examination volumes
 - Future uncertainty created by examination policy initiatives
 - New overseas opportunities (e.g. pilot in Slovenia)
- Decided to stop marketing Learning Platforms to new customers and to migrate existing customers to RM Unify where possible
 - Glow extension in Scotland to December 2013
 - Long term obligations to provide LPs remain. Impact lifetime margins on several Managed Services contracts
 - RM Unify (see later) supports RM future strategy
- Adjusted operating profit of £1.4m (2011: £3.2m)
 - 2011 had benefit of higher margins at the end of a long term contract
 - Investment in RM Books and RM Unify



Total revenue = £35.7m



Channel Strategy and New Propositions

Channel Strategy

RM has 3 primary distribution channels to schools

- Direct Marketing
 - TTS, RM SpaceKraft (Education Resources)
- Direct Sales
 - Education Technology
 - Assessment & Data Solutions ('ADS')
- Online
 - RM Books, RM Unify, RM.com, RM At Home (consumer channel with focused product range)

Refined Organisation Structure from December 2012

- Merged Education Technology, Managed Services and Education Software (excl. ADS) divisions to better leverage a single direct sales-force and online channels for Education Technology
- Product marketing consolidated to increase innovation and support direct sales channel
- Supported by a unified Education Technology Operations organisation which helps drives operational efficiencies
- ADS and Education Resources not affected

RM Books Overview www.rmbookshelf.com

- The first e-book model designed for UK schools
 - Emulates physical book process
 - No up-front investment required by customers
- School rents the e-textbook for (typically) a school year (fixed period)
 - School does not have ownership of the e-textbook and rental expires at end of period
- Annual operating cost per school comparable with printed text book budget
 - No capital cost (assuming students have access to computers)
 - View on-line and/or download (with Digital Rights Management)
 - Mainstream e-book pricing models not suitable for schools
- Publisher agnostic - Single point of e-book product availability
 - Publishers signed to date include Cambridge University Press, Encyclopaedia Britannica, Harper Collins, Hodder Education and Oxford University Press
 - Provides recurring revenue to Publisher. Revenue per e-textbook over life cycle consistent with printed version
- Hardware agnostic - Available on Windows, iOS, Android
 - Cloud-based service provided by RM
- Free out-of-copyright books available to all schools & students
 - Classical literature (Jane Austen, Hardy, Dickens etc). RM branded books

Overview of RM Unify

- **Market Evolution**

- Learning Platforms developed 7-10 years ago
 - Large, integrated all-encompassing systems. Expensive to deploy, operate and maintain
- Cloud-based services gaining acceptance
- Education budget constraints forcing change
- Increase in use of open source software and free resources to education market

- **RM Unify provides Launchpad to the Cloud**

- Access control designed for schools
 - User provisioning, single sign-on, authentication
- Aggregation/distribution of applications, content and cloud services
 - Accreditation for third party applications and content
 - RM Books provided as core application
- Scalable, robust technology platform. Cloud-based system

- **Commercial Model**
















- Low cost to schools to maximise adoption. Support services optional
- Third-party content distribution & accreditation. Positive reaction from content providers

- **Adoption has already started**

- In all maintained schools across Scotland via the Glow extension. UK wide launch in March 2013
- Won first English Local Authority bid with Staffordshire
- Discussions with existing Learning Platform customers progressing

RM Unify

Visit
App
Library

 <p>RM Books RM Education</p>	 <p>Office 365 (Outlook) Microsoft</p>	 <p>Office 365 (School Site) Microsoft</p>	 <p>Office 365 (My Site) Microsoft</p>	 <p>RM Site Creator for Office 365 RM Education</p>
 <p>RM Wikis RM Education</p>	 <p>RM People Directory RM Education</p>	 <p>MediaCore MediaCore</p>	 <p>Desmos Graphic Calculator Desmos</p>	 <p>RM Easimaths RM Education</p>
 <p>Office 365 (Calendar) Microsoft</p>	 <p>Office 365 (Contacts) Microsoft</p>	 <p>j2e.com Just2easy</p>	 <p>Bamzonia Bamzonia</p>	 <p>Planet Sherston Sherston Publishing</p>

+ Add >>

Matt Saunders
RM Bett Demo School

Sign Out

 **RM Unify**



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Summary

Summary

Restructuring complete

- Operating divisions focusing on clear strategies
- Disposal programme completed
- Significant reduction in cost base
- Organisation structure continuing to evolve to execute future strategy

Strong balance sheet and cash position despite increased pension deficit payments

- Strongest cash position since September 2003
- Triennial pension deficit recovery plan agreed and scheme closed to benefit accrual

New growth initiatives

- Extensions of current businesses and innovative new offerings
- Investment anticipated over next few years to maximise adoption

Future challenges

- Revenues anticipated to continue to decline
- Diseconomies of cost base with decline in BSF derived activities
- Continued tight budgetary conditions and policy changes for UK education



Appendices

Appendix 1

Income Statement

£m	Year to 30 Nov					
	2011			2012		
	Adjusted*	Adjustments	Total	Adjusted*	Adjustments	Total
Revenue	310.1	-	310.1	288.7	-	288.7
Cost of sales	(228.7)	-	(228.7)	(217.9)	-	(217.9)
Gross profit	81.4	-	81.4	70.8	-	70.8
<i>Gross profit %</i>	<i>26.2%</i>	-	<i>26.2%</i>	<i>24.5%</i>	-	<i>24.5%</i>
Operating expenses	(67.3)	-	(67.3)	(57.2)	-	(57.2)
Amortisation of acquisition related intangible assets	-	(0.6)	(0.6)	-	(0.3)	(0.3)
Impairment of goodwill, intangible assets and investments	-	(12.3)	(12.3)	-	(3.2)	(3.2)
Loss on sale of operations	-	(4.4)	(4.4)	-	(2.4)	(2.4)
Share-based payment charges	-	(1.1)	(1.1)	-	(0.1)	(0.1)
Restructuring costs	-	(8.6)	(8.6)	-	(0.3)	(0.3)
Increase in property related provisions	-	(6.0)	(6.0)	-	(0.5)	(0.5)
Exceptional credit on settlement	-	-	-	-	0.7	0.7
Release of deferred consideration	-	-	-	-	0.2	0.2
Exceptional net pension credit	-	-	-	-	1.3	1.3
	(67.3)	(33.0)	(100.3)	(57.2)	(4.6)	(61.8)
Profit/(loss) from operations	14.1	(33.0)	(18.9)	13.6	(4.6)	9.0
<i>Profit/(loss) from operations %</i>	<i>4.6%</i>	-	<i>(6.1)%</i>	<i>4.7%</i>	-	<i>3.7%</i>
Net investment income and finance costs	0.4	-	0.4	(0.5)	(0.2)	(0.6)
Profit/(loss) before tax	14.5	(33.0)	(18.5)	13.1	(4.8)	8.4
Tax	(4.7)	3.9	(0.8)	(3.1)	(0.3)	(3.5)
Profit/(loss) for the period	9.8	(29.1)	(19.3)	10.0	(5.1)	4.9
Basic earnings/(loss) per ordinary share	10.8p	(32.0)p	(21.2)p	10.9p	(5.5)p	5.4p
Dividend per share	-	-	3.00p	-	-	3.00p

*Adjusted operating profit is before amortisation of acquisition related intangible assets, share-based payment charges, net pension credit, restructuring costs, impairments, property, and other exceptional items. 2011 figures are proforma presented on the same basis as the 2012 data.

Appendix 2

Balance Sheet

£m	30 Nov 2011	30 Nov 2012
Goodwill and acquisition intangibles	18.5	15.4
Property, plant & equipment and software intangibles	20.2	13.7
Interest in associate	0.3	0.1
Other Receivables	2.6	1.9
Deferred tax assets	7.0	6.3
Total non-current assets	48.6	37.4
Inventories	18.8	14.8
Trade & other receivables	62.3	58.0
Tax asset	2.1	0.8
Cash & cash equivalents	24.5	37.8
Assets held for sale	6.8	-
Total current assets	114.5	111.4
Total assets	163.1	148.8
Current liabilities	(88.4)	(91.5)
Retirement benefit obligation	(21.2)	(20.4)
Other non-current liabilities	(25.0)	(11.7)
Total liabilities	(134.6)	(123.6)
Net assets	28.5	25.2
Total equity	28.5	25.2

£m	2011	2012
Cash and cash equivalents	24.5	37.8
Bank loans	(13.0)	-
Net funds	11.5	37.8
Deferred consideration	(0.2)	-
Net funds less deferred consideration	11.3	37.8

Appendix 3

Cash Flow

Operating cash flows – £m	FY-2011	FY-2012
Profit/(loss) from operations	(18.9)	9.0
Amortisation	1.7	1.5
Depreciation	7.1	5.7
Share-based payments	1.1	0.1
Other adjustments	28.9	5.2
Operating cash flows before movements in working capital	19.9	21.5
Decrease/(increase) in inventories	3.5	3.6
Decrease/(increase) in receivables	9.3	3.9
Increase/(decrease) in payables	6.8	4.5
Cash generated by operations	39.5	33.5
Non-operating cash flows – £m		
Defined benefit pension contribution in excess of current service cost	(1.6)	(7.2)
Tax paid	(1.7)	(0.1)
Net capital expenditure less proceeds on disposal	(5.2)	(1.4)
Loan to joint venture	(1.9)	1.9
Dividends paid	(6.1)	(2.1)
Proceeds from sale of operations	3.8	2.5
Purchase of own shares	(0.2)	-
(Decrease)/increase in borrowings	-	(13.0)
Other	0.3	(0.8)
Net increase/(decrease) in cash and cash equivalents	26.9	13.3

Appendix 4

Debt Facilities

£30m unsecured committed Revolving Credit Facility with Barclays

- Runs to 27 March 2016 with mutually agreed extension possible to March 2017
- Margin 2.75% over LIBOR, falling to 2.50% from February 2013 subject to Debt / EBITDA ratio

Principal financial covenants

- Debt / EBITDA < 2.5 times
- Interest cover > 4.0 times

Retained existing £3m on-demand Barclays overdraft facility