

RMTM **plc**

Year to 30 November 2014

David Brooks
Chief Executive Officer

Iain McIntosh
Chief Financial Officer

**To be read in conjunction with
the Preliminary Results
announcement released on
2 February 2015**

- **Adjusted operating profit increased to £18.5m (2013: £17.2m)**
- **Adjusted operating margin increased from 6.6% to 9.1%**
- **Revenue fell 23% to £202.5m as anticipated (2013: £261.8m)**
- **Strong organic growth in both RM Resources and RM Results**
- **Reshaped RM Education to a stable platform**
- **Strong cash flow and balance sheet**
 - Cash generated from operations £19.1m (2013: £34.7m)
 - Cash and short term deposits at Nov 2014 £47.9m (2013: £63.2m) after payment of £14.7m special dividend and £8.0m to pension escrow account
- **Adjusted earnings per share 16.4p (2013: 12.6p)**
- **Proposed final dividend per share 3.04p (2013: 2.46p)**
 - Full year paid and proposed dividend per share increased 21% to 4.00p (2013: 3.30p)
- **Pension deficit before tax increased to £26.8m (2013: £15.8m) due to interest rate movements**

RMTM

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**

FY14 Divisional Summary

Year to 30 Nov 2014

£m	RM Resources (formerly Education Resources)		RM Results (formerly Assessment and Data Services)		RM Education (formerly Education Technology)		Unallocated Central costs**		Total	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Revenue	54.0	62.8	26.5	27.8	181.2	111.9	-	-	261.8	202.5
Adjusted Operating Profit*	7.2	10.3	4.3	4.6	9.4	7.7	(3.6)	(4.2)	17.2	18.5
% Profit	13.3%	16.4%	16.1%	16.7%	5.2%	6.9%	-	-	6.6%	9.1%

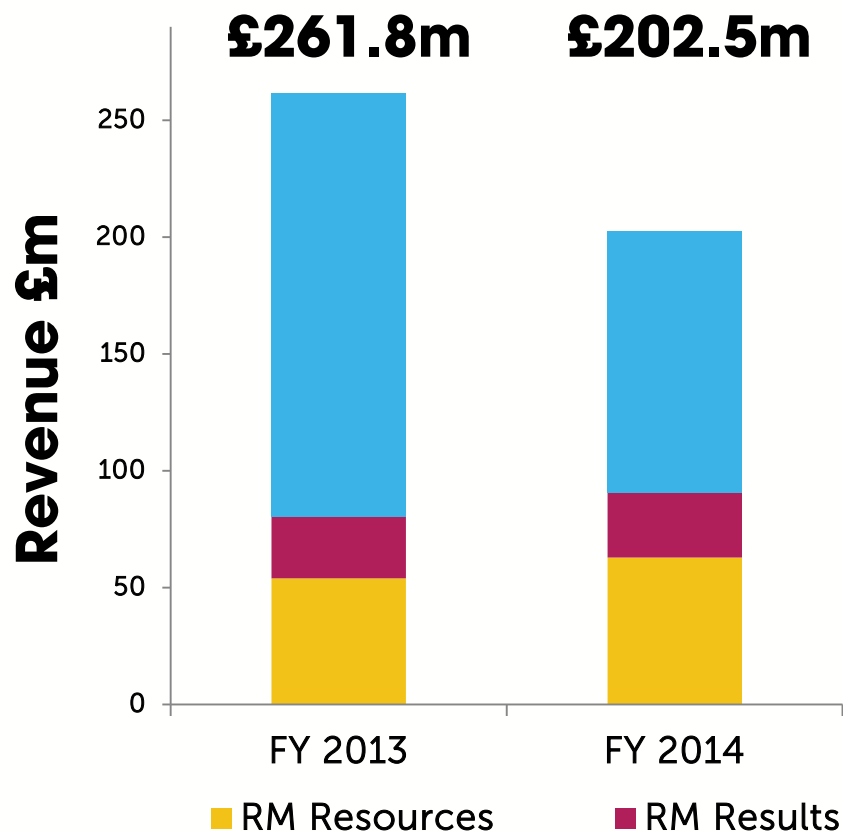
* Adjusted operating profit is before amortisation of acquisition related intangible assets; impairment of goodwill; gain/loss on sale of operations; share-based payment charges; restructuring costs; increase in provision for onerous lease contracts; and exceptional credit on settlement.

** 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 (£1.3m in 2014 and £0.9 million in 2013) are no longer allocated to individual divisions and 2013 segmental profits have been restated on this basis. This has increased 2013 profits by £0.8m for RM Education and by £0.1 million for RM Results.

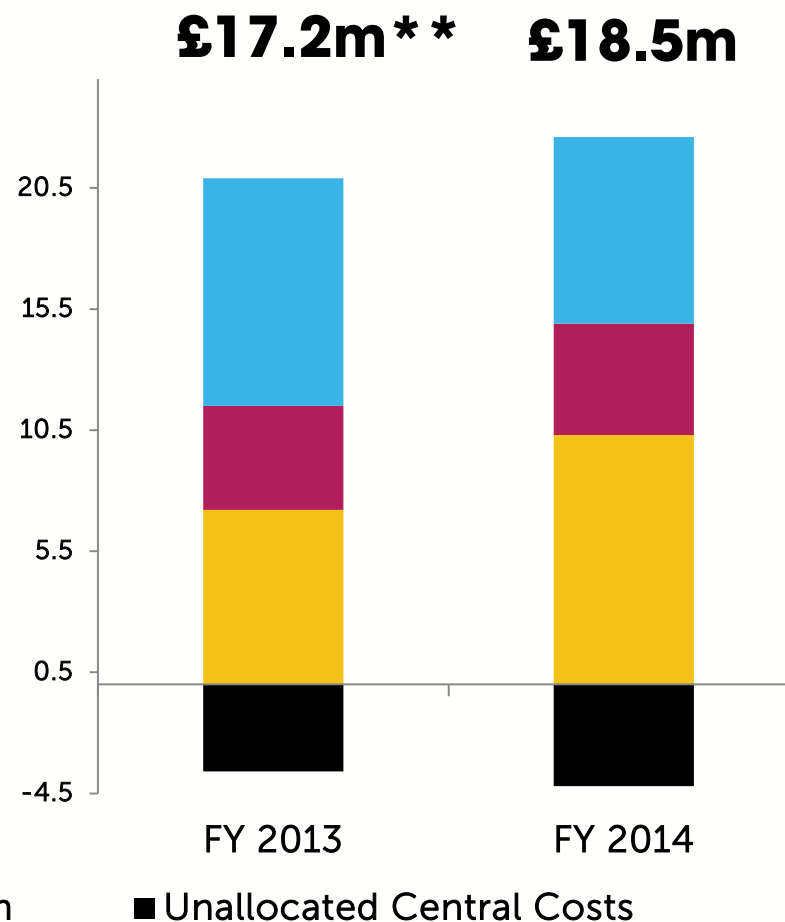
Group Revenue & Adjusted Operating Profit

Revenues declined by 23%

Adjusted operating profit increased by 7.7%



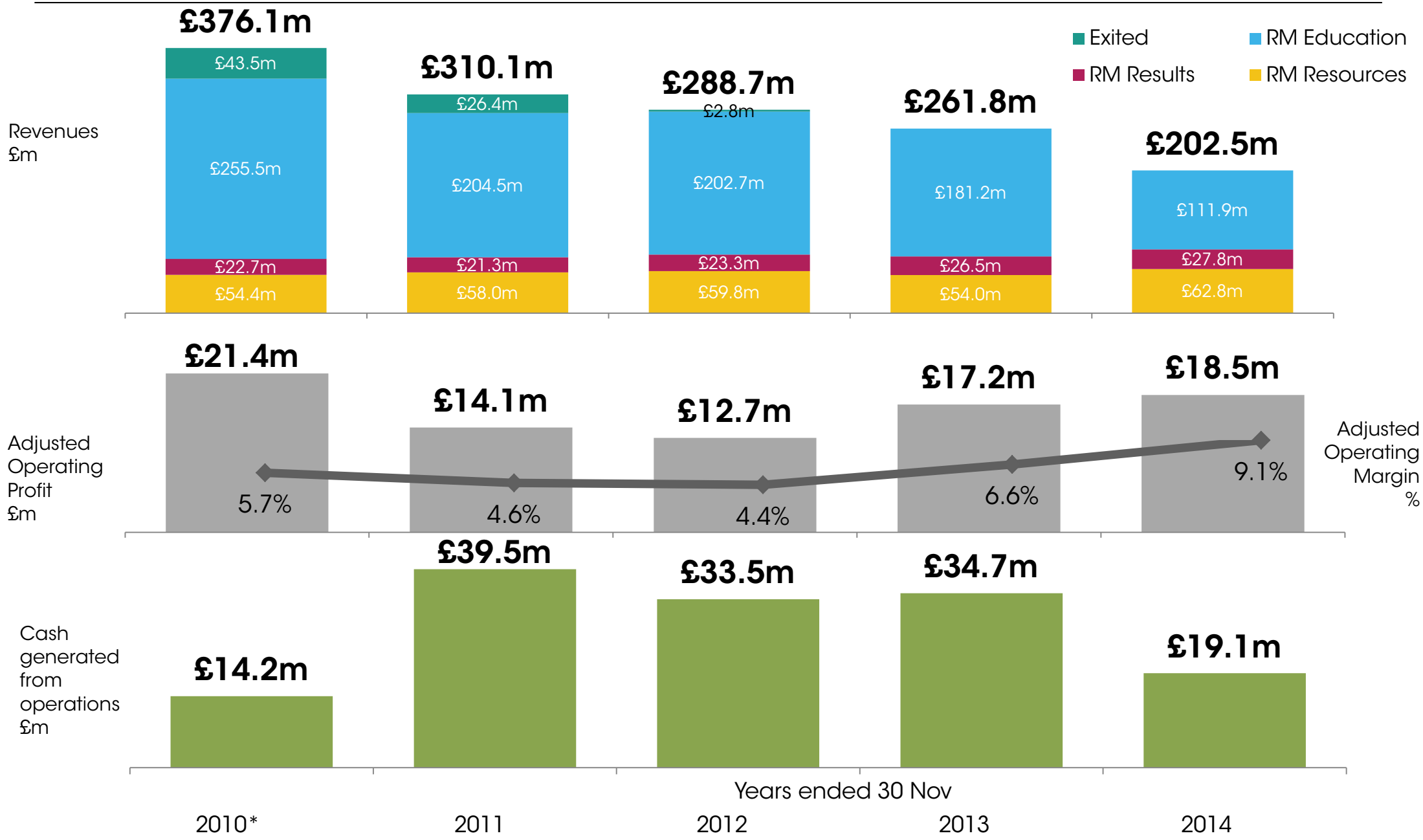
Adjusted Operating Profit by Division* £m



* Adjusted operating profit is before amortisation of acquisition related intangible assets; impairment of goodwill; gain/loss on sale of operations; share-based payment charges; restructuring costs; increase in provision for onerous lease contracts; and exceptional credit on settlement.

** 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 (£1.3m in 2014 and £0.9 million in 2013) are no longer allocated to individual divisions and 2013 segmental profits have been restated on this basis. This has increased 2013 profits by £0.8m for RM Education and by £0.1 million for RM Results.

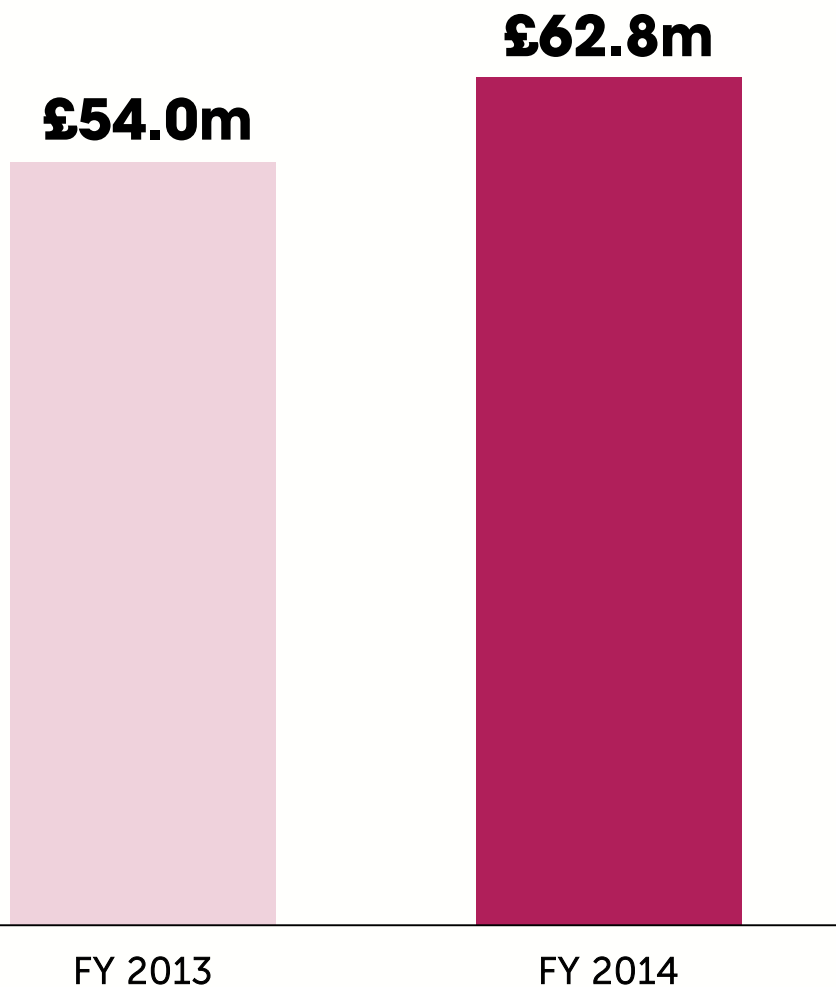
RM's Repositioning over 5 years



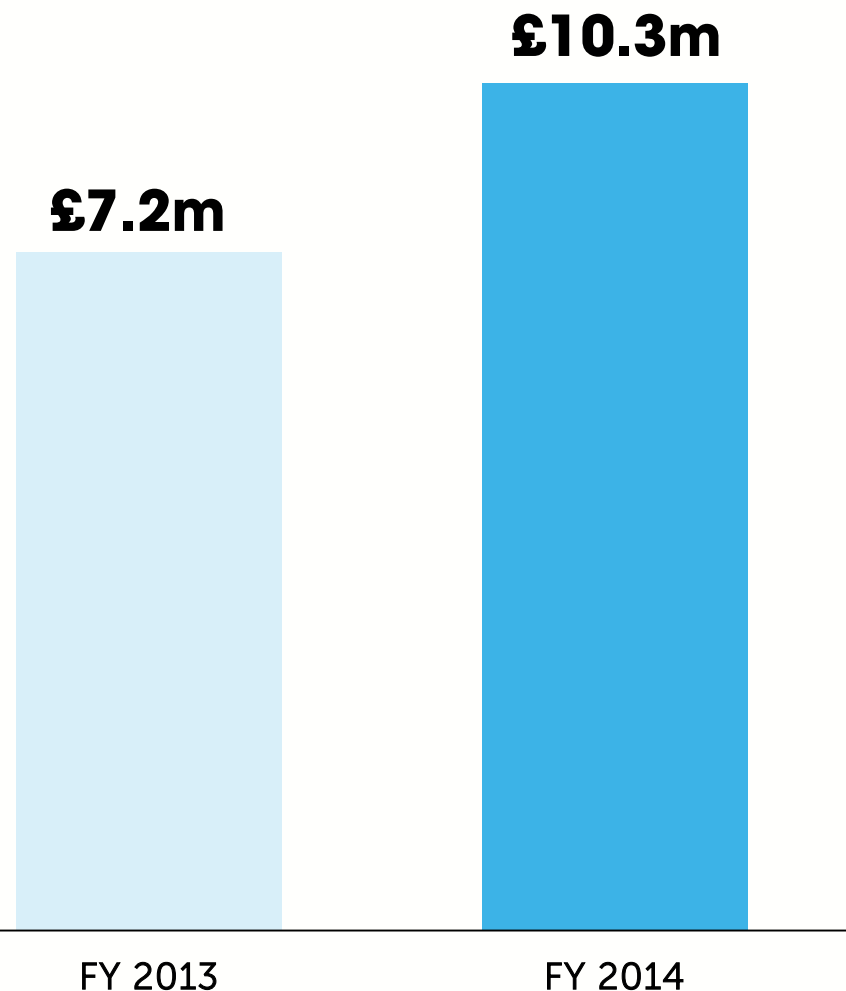
* Per proforma results included in the 30 November 2011 accounts after change in year end

Revenue

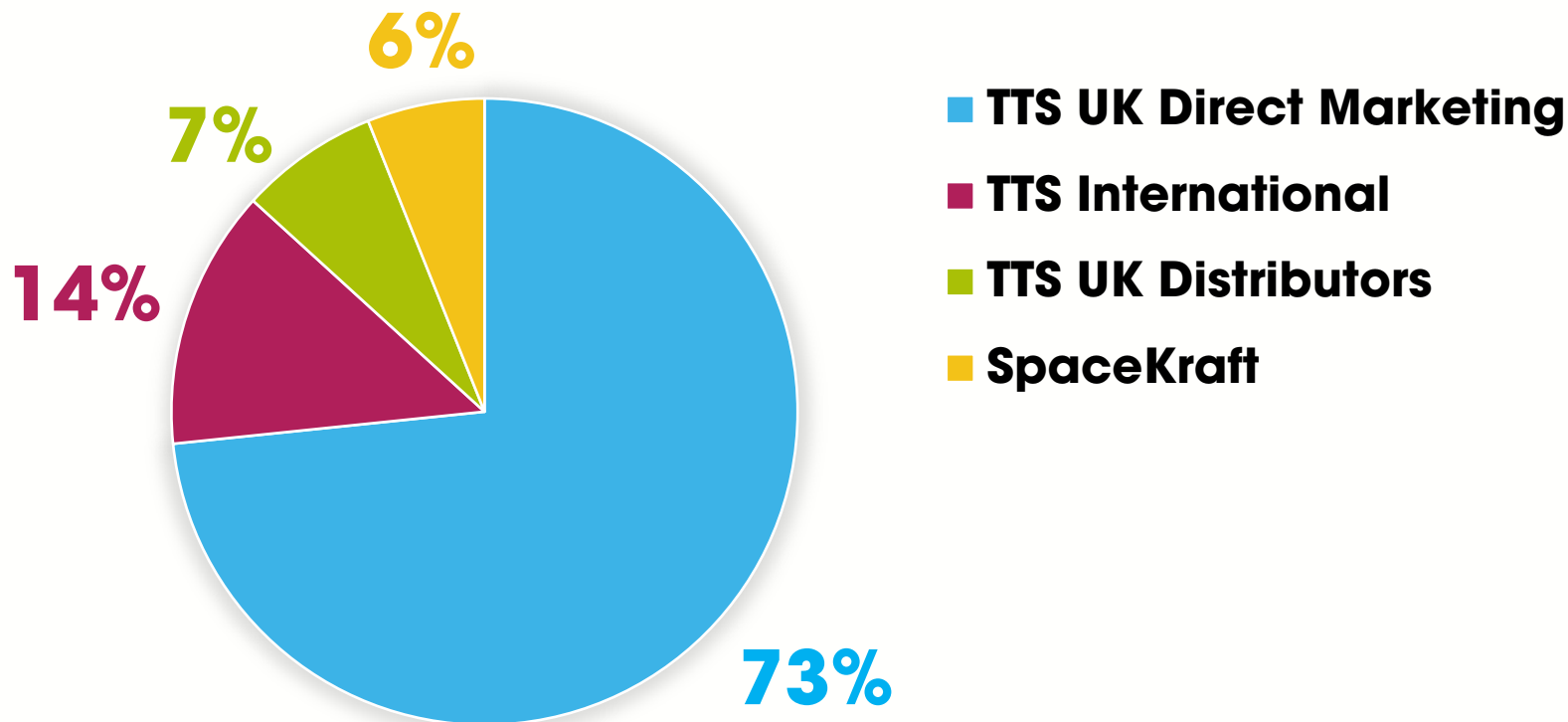
16% growth



Adjusted operating profit



- Excellent organic growth in a flat UK market
 - TTS UK Direct Marketing revenues increased 19%
 - TTS International revenues increased 20%
 - TTS UK Distributors decreased by 7%
 - SpaceKraft business grew 11% and no longer loss making.
- Margins increased further to 16.4% from 13.3% reflecting revenue growth and efficiency returns from systems investment



**Total revenue =
£62.8m**

Financial performance

Revenue

5% growth

£26.5m



FY 2013

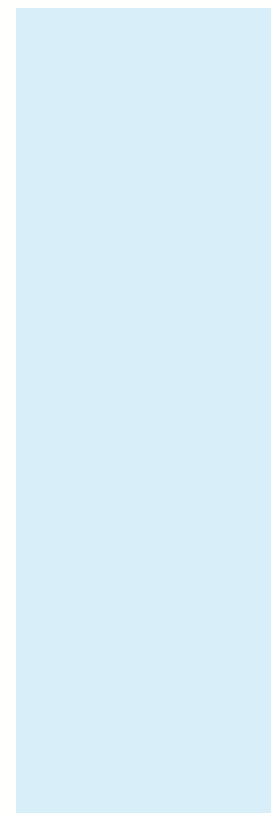
£27.8m



FY 2014

Adjusted operating profit

£4.3m



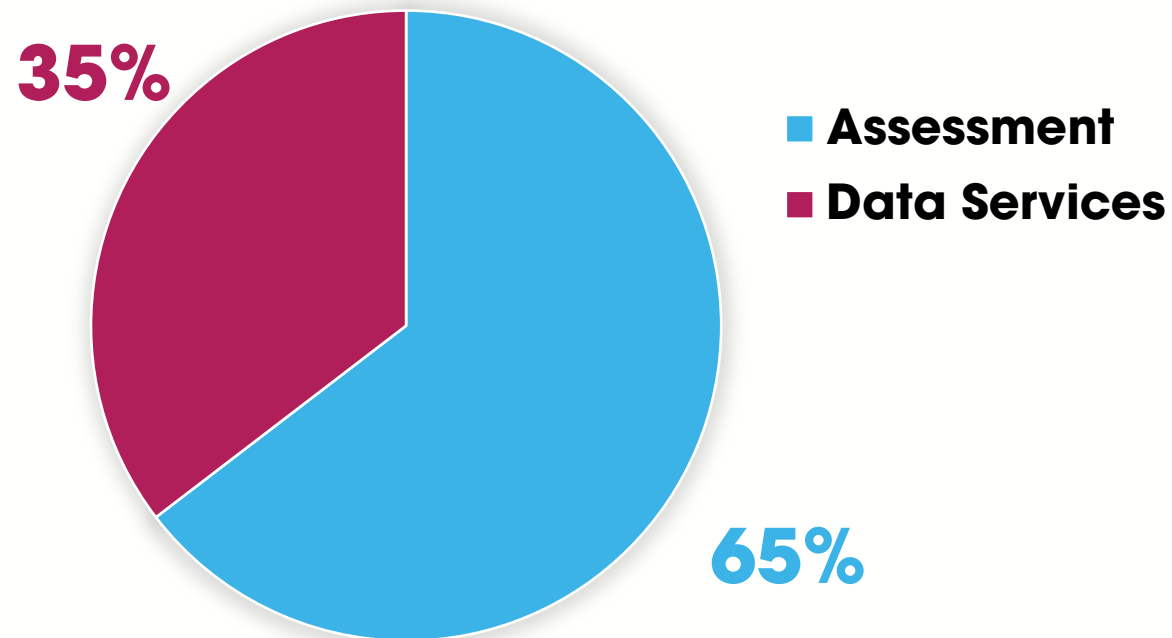
FY 2013

£4.6m



FY 2014

- Revenue increased 4.8%
- Highest volume of examination scripts ever processed at 12.9 million
- Strong margins at 16.7%
- Caribbean Examinations Council win
- Pilot with AQA has led to preferred bidder status as one of two suppliers on a multi year contract

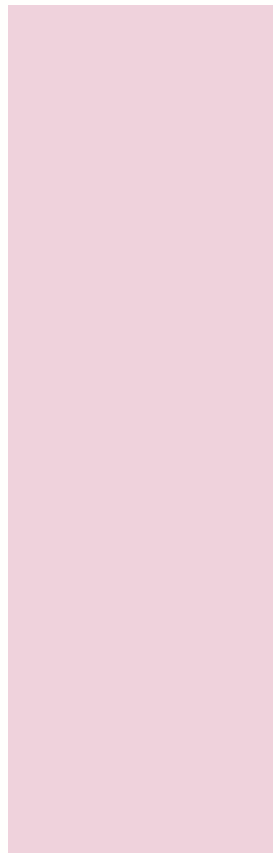


Total revenue =
£27.8m

Revenue

38% decline

£181.2m



FY 2013

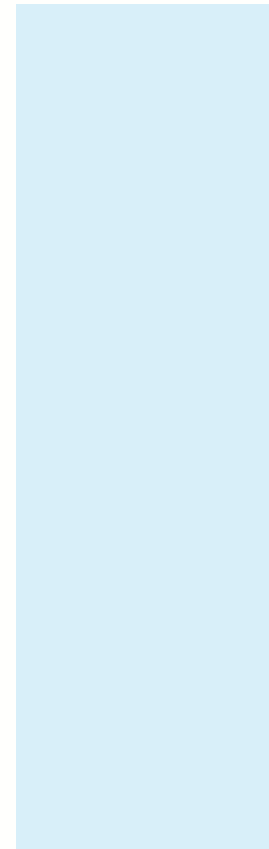
£111.9m



FY 2014

Adjusted operating profit

£9.4m



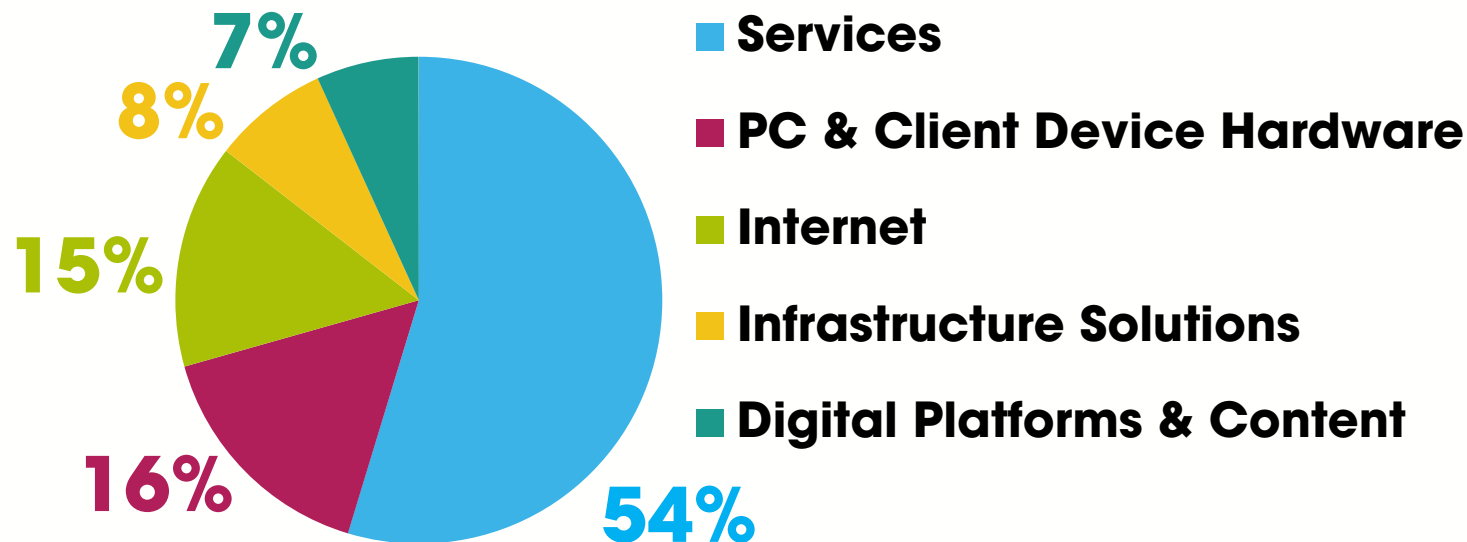
FY 2013

£7.7m



FY 2014

- Costs of reshaping ran below plan for the year with non-continuing benefit from higher hardware revenues and better inventory realisations than expected
- Margins increased from 5.2% to 6.9%
- Moved to a single building for Abingdon-based staff. Last PC manufactured in June
- New MD in post since May
- Refocused on 5 priority areas:
 - Managed Services where revenues declined as expected with reduction of BSF school openings. Services repositioned with greater flexibility
 - Network Solutions
 - School Management Systems. Good market share gain including Derbyshire schools
 - RM Unify. Focus is on embedding usage in over 4,000 current schools
 - Internet Connectivity. Propositions repositioned

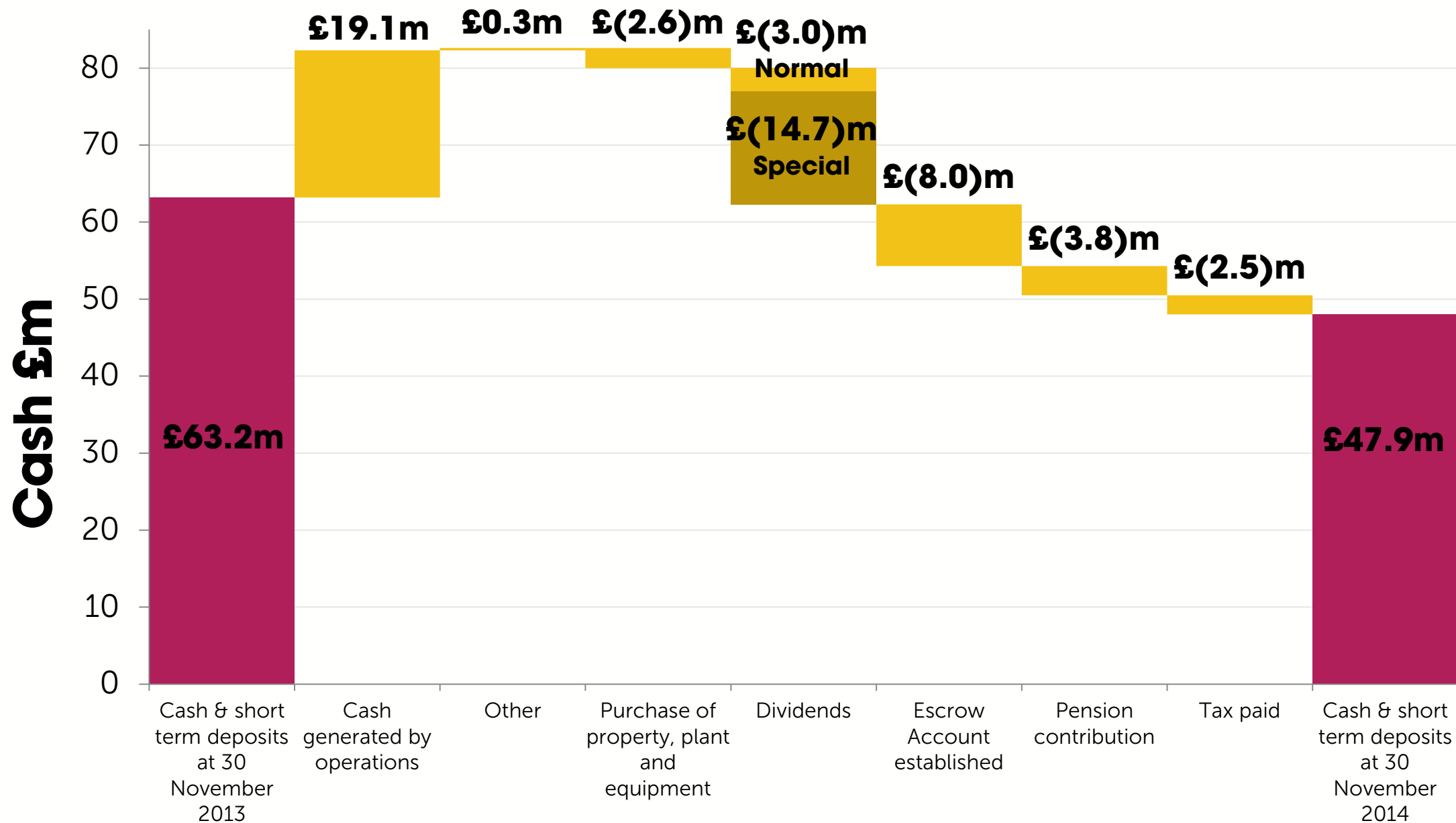


**Total revenue =
£111.9m**

Financial Summary

£m	Year to 30 Nov 2013	Year to 30 Nov 2014	% Change
Revenue	261.8	202.5	(22.6)%
Adjusted* EBITDA	21.7	22.4	3.0%
Adjusted* operating profit	17.2	18.5	7.7%
Adjusted* profit before tax	16.4	18.1	9.9%
Adjusted* basic EPS	12.6p	16.4p	30.2%
Paid & proposed normal dividend per share	3.30p	4.00p	21.2%

* Adjusted operating profit and EPS are before amortisation of acquisition related intangible assets; impairment of goodwill; gain/loss on sale of operations; share-based payment charges; restructuring costs; increase in provision for onerous lease contracts; and exceptional credit on settlement.



IAS 19 balance sheet deficit increased since last year end

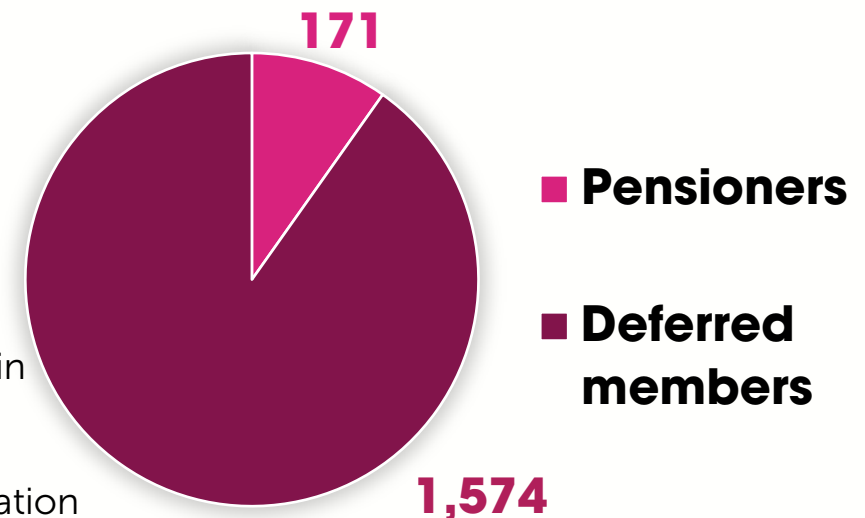
	£m	
Deficit at 30 Nov 2013	(15.8)	£(12.7)m net of tax
Escrow account established	8.0	
Cash contribution	3.8	
Asset returns less administration expense	10.2	
Interest on liabilities	(7.5)	
Impact of market assumptions on liabilities	(18.0)	
Purchase of insurance contract	(7.5)	
Deficit at 30 Nov 2014	(26.8)	£(21.4)m net of tax

- 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
- 80bp reduction in discount rate due to market movements
- Pensioner buy-in for £30.7m completed with Pension Insurance Corporation covering c.13% of total liabilities utilised £4.7m of escrow account
- £3.3m remains in escrow account to fund further risk mitigation initiatives

Investments at 30 Nov 2014

Equities	51%
Fixed income	
• Gilts	18%
• Corporate bonds	15%
Insurance contract	14%
Cash including escrow	2%
Total	100%

Number of members



RMTM

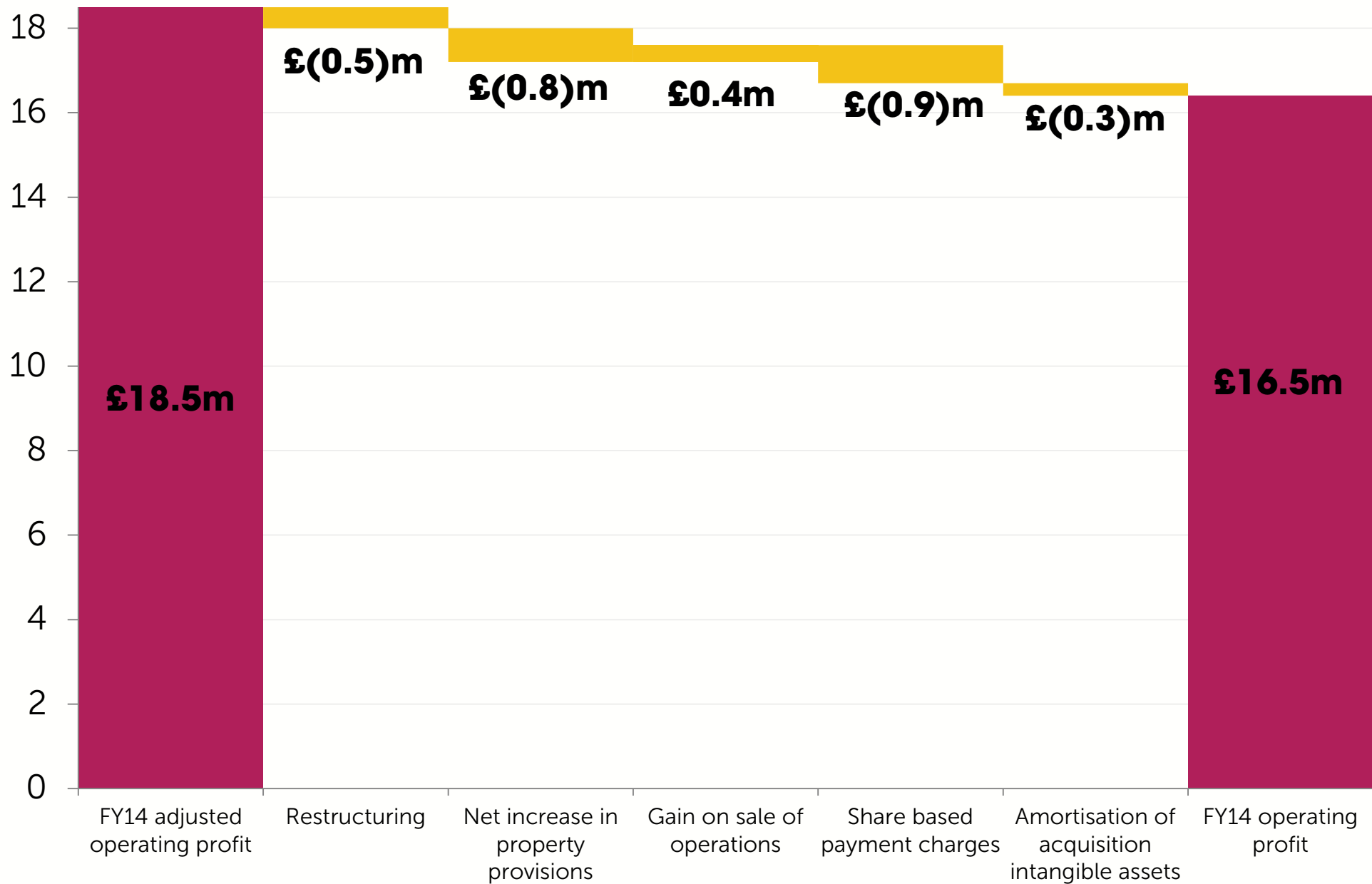
Outlook

- **Organic growth in RM Resources. Margins expected to be maintained**
- **Organic growth and gaining new customers, both in the UK and overseas, will drive margin growth in RM Results**
- **Re-positioning of RM Education continues with new MD focused on 5 priority areas in software and services**
- **Expect to continue to generate cash from operations but conversion to fall below 100% reflecting working capital movements on long term contracts**
- **21% increase in total dividend to 4.00p per share and adopting a progressive dividend policy towards more appropriate cover**
- **£3.3m remaining in pension escrow account for further risk mitigation exercises**

Appendices

£m	12 months to 30 Nov					
	2013			2014		
	Adjusted	Adjustments	Total	Adjusted	Adjustments	Total
Revenue	261.8	-	261.8	202.5	-	202.5
Cost of sales	(187.8)	-	(187.8)	(127.0)	-	(127.0)
Gross profit	74.0	-	74.0	75.6	-	75.6
<i>Gross profit %</i>	28.3%	-	28.3%	37.3%	-	37.3%
Operating expenses	(56.8)	-	(56.8)	(57.0)	-	(57.0)
Amortisation of acquisition related intangible assets	-	(0.2)	(0.2)	-	(0.3)	(0.3)
Impairment of goodwill	-	(0.3)	(0.3)	-	-	-
Gain on sale of operations	-	1.4	1.4	-	0.4	0.4
Share-based payment charges	-	(0.5)	(0.5)	-	(0.9)	(0.9)
Restructuring costs	-	(5.1)	(5.1)	-	(0.5)	(0.5)
Increase in property related provisions	-	(2.6)	(2.6)	-	(0.8)	(0.8)
Exceptional credit on settlement	-	0.5	0.5	-	-	-
	(56.8)	(6.9)	(63.6)	(57.0)	(2.1)	(59.1)
Profit from operations	17.2	(6.9)	10.4	18.5	(2.1)	16.5
<i>Profit from operations %</i>	6.6%	-	4.0%	9.1%	-	8.1%
Net investment income and finance costs	(0.8)	(0.1)	(0.9)	(0.4)	(0.3)	(0.7)
Profit before tax	16.4	(7.0)	9.4	18.1	(2.3)	15.8
Tax	(4.9)	1.6	(3.3)	(4.4)	0.2	(4.2)
Profit for the year	11.5	(5.4)	6.2	13.7	(2.1)	11.6
Basic earnings per ordinary share	12.6p	(5.9)p	6.7p	16.4p	(2.5)p	13.9p
Dividend per share			3.30p			4.00p
Special dividend per share			16.00p			-

Adjustments to Operating Profit



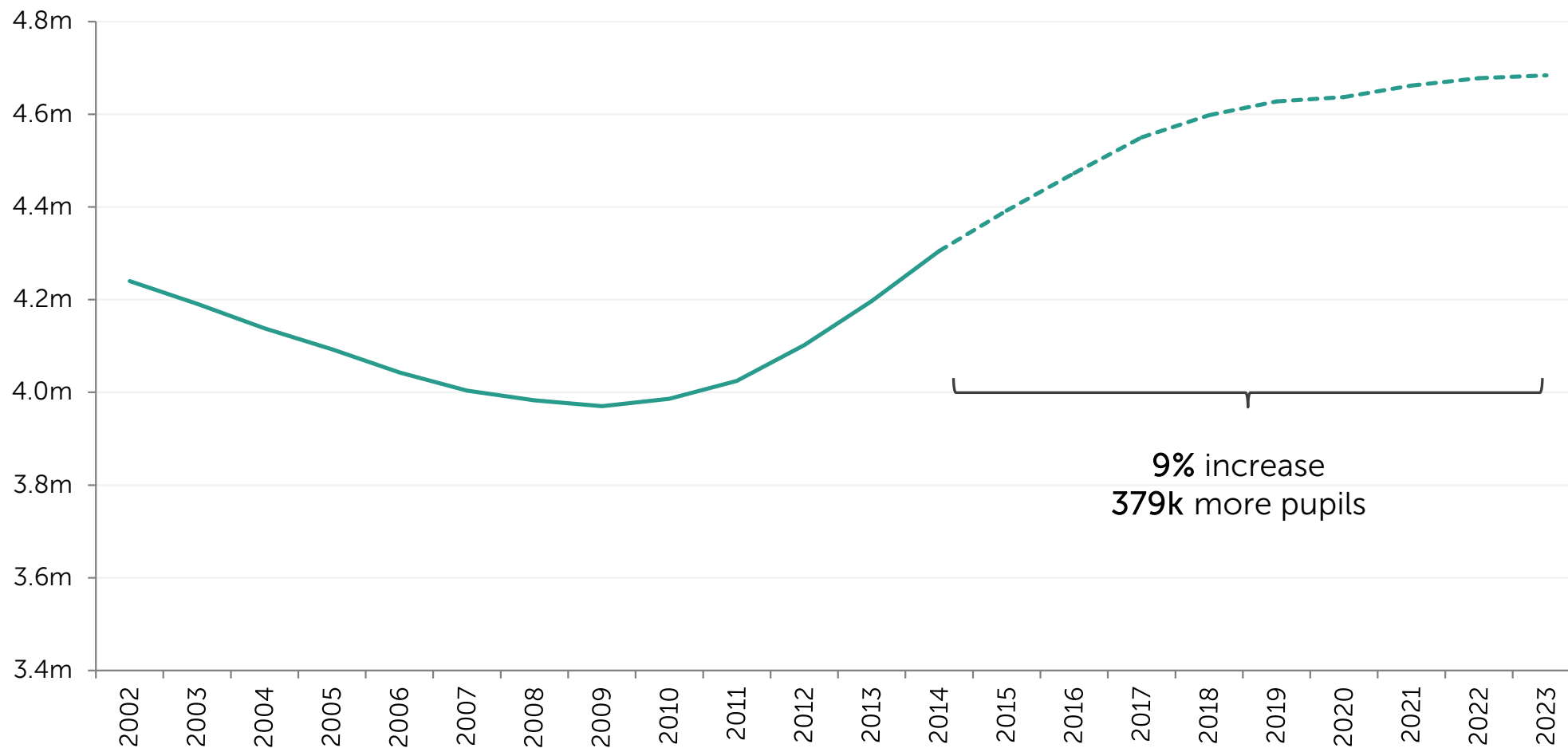
Data has been rounded to the nearest £0.1m, so may not sum exactly to the totals shown

£m	30 Nov 2013	30 Nov 2014
Goodwill and acquisition intangibles	14.8	14.5
Property, plant & equipment and software intangibles	10.2	8.6
Other receivables	1.9	1.9
Deferred tax assets	4.6	8.1
Total non-current assets	31.5	33.1
Inventories	10.5	10.6
Trade & other receivables	35.1	32.9
Tax assets	0.4	0.8
Cash & short-term deposits	63.2	47.9
Total current assets	109.2	92.2
Total assets	140.7	125.4
Current liabilities, including tax liabilities	(86.1)	(83.3)
Retirement benefit obligation	(15.8)	(26.8)
Other non-current liabilities	(9.8)	(7.2)
Total liabilities	(111.7)	(117.3)
Net assets / total equity	29.0	8.1

Operating cash flows – £m	12 months to 30 Nov 2013	12 months to 30 Nov 2014
Profit from operations	10.4	16.5
Amortisation	0.8	0.7
Depreciation and impairment of PPE	3.9	3.4
Share-based payments	0.5	0.9
Other adjustments	7.8	1.0
Operating cash flows before movements in working capital	23.4	22.5
Decrease / (increase) in inventories	4.2	(0.1)
Decrease in receivables	20.4	2.8
Decrease in payables	(13.3)	(6.2)
Cash generated from operations	34.7	19.1
Non-operating cash flows – £m		
Defined benefit pension contribution, including payment to escrow account	(4.4)	(11.8)
Tax paid	(1.8)	(2.5)
Net capital expenditure less proceeds on disposal	(1.6)	(1.9)
Dividends paid	(2.8)	(17.7)
Proceeds from sale of operations	0.3	-
Other	1.0	(0.5)
Short-term deposits	(6.0)	-
Net increase / (decrease) in cash and cash equivalents	19.4	(15.3)

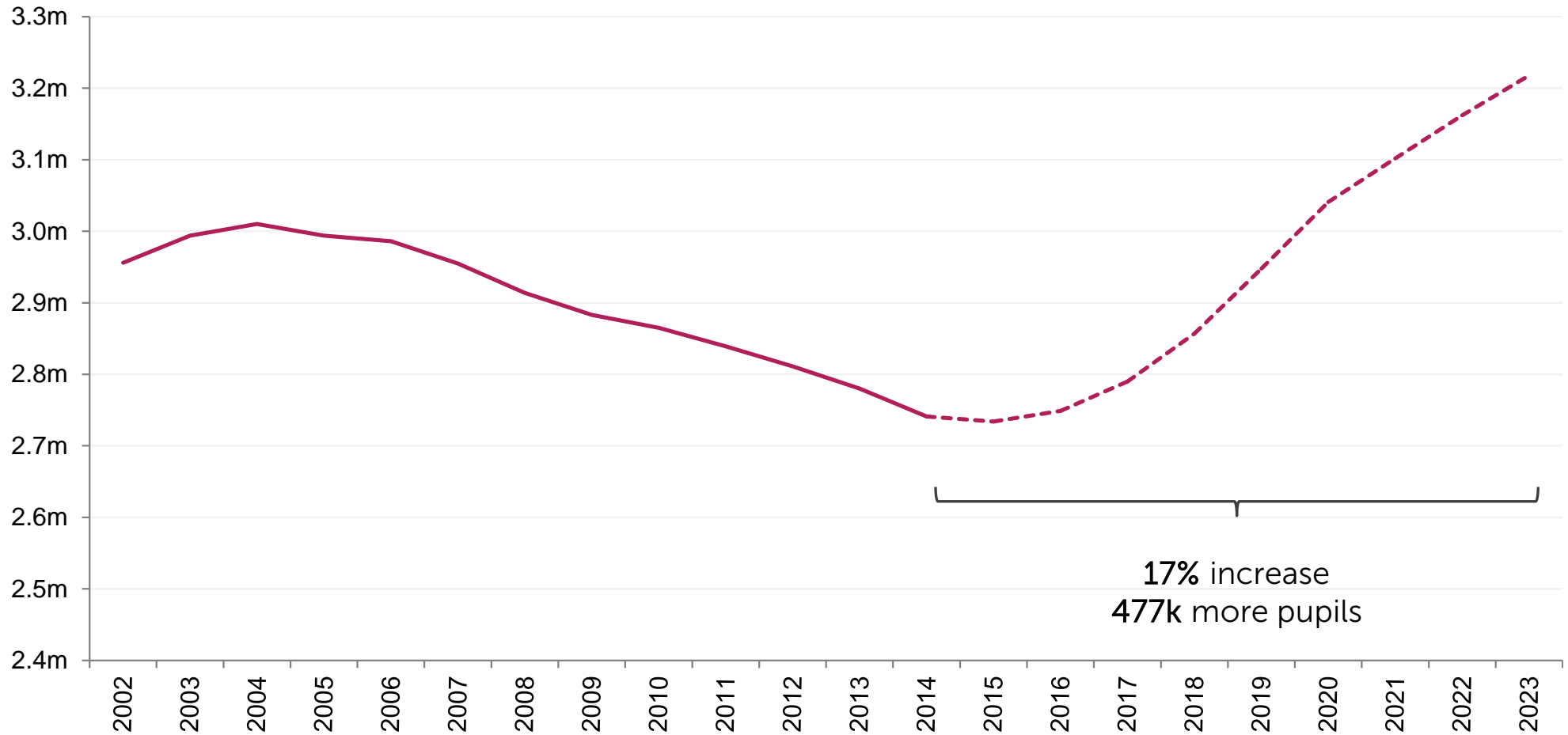
Pupil Projections - Primary

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

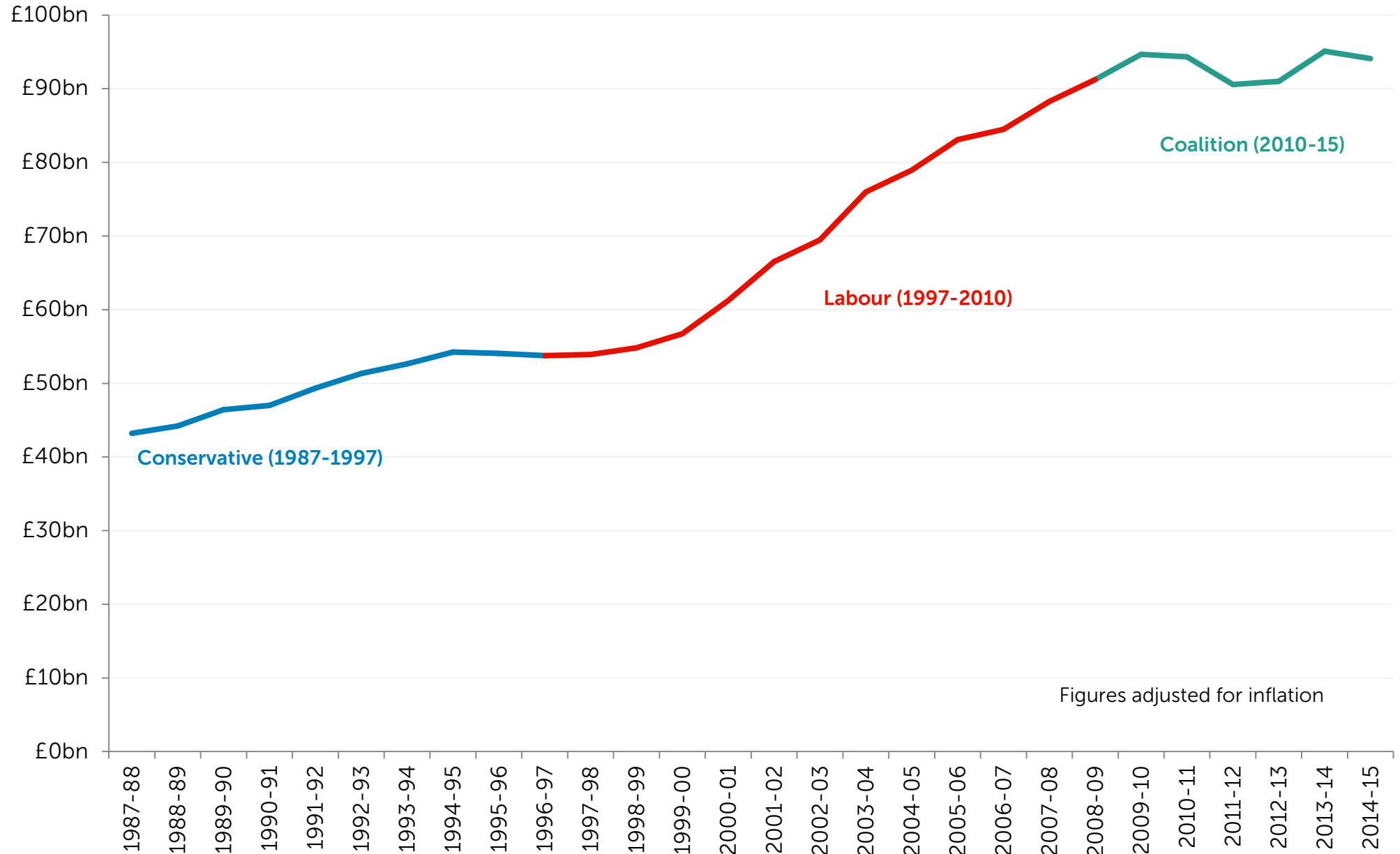


Pupil Projections - Secondary

Pupil projections in England in state-funded secondary schools



UK Education Spend



Extracts from party statements

On a 'journey towards' introducing a National Funding Formula – no detail yet.

Keep funding limits set by the current administration in their first year.

Continue to allow good and outstanding schools to convert to academy status, however all schools will be offered the same freedoms as academies regardless of whether they convert.

Rule out profit making schools.

End the Free School programme (existing free schools will not be closed) and focus capital spending on areas in need of extra school places.

Recent changes to curriculum and qualifications to be maintained (including compulsory maths and English to level 3 up to 18), but AS-levels and A-levels will be recoupled.

Believe that technology (super-fast broadband; affordable tablet computers; interactive textbooks; adaptive-learning software; big data) will transform learning and the role of the teacher.

Commitment to introduce a National Funding Formula – no detail yet.

Protect the education budget in real terms and extend to early years, through school to college.

Rule out profit making schools.

Protect Pupil Premium funds in real terms and consider its expansion.

End the current free school programme and only allow new schools to be built in areas where school places are needed.

Abolish regional schools commissioners and establish a local Head Teacher Board to support and intervene in schools where problems have been identified.

Focus remains on increasing the number of academies and free schools.

Commitment to introduce a National Funding Formula – no detail yet.

School revenue funding likely to be protected in real terms, but post-16 funding may reduce further.

No plan to allow profit-making schools, but have not ruled them out in the long term.

Continue with current curriculum reforms.

Believe that students need to understand how to make technology work for them and be confident in computing to be able to contribute to the future.

