



RMTM plc

Software,
services and
resources for
education

**6 months to
31 May 2016**

David Brooks
Chief Executive Officer

Neil Martin
Chief Financial Officer

Highlights

- **A solid first half performance delivering improved profitability and operating margins**
 - **Increased adjusted operating profit, up 3% to £7.1 m (H1 2015: £6.9m)**
 - **Revenue down 1% to £76.6m**
 - Expected reductions in RM Resources (-4.4%) and RM Education (-6.4%)
 - Strong growth in RM Results (+23.6%) in part driven by favourable H1 timing factors
 - **Increased adjusted operating margin of 9.3% (H1 2015: 8.9%)**
- **Strong cash balance of £32.1m following additional one-off pension contribution of £8m**
- **Interim dividend increased by 25% to 1.50p (2015: 1.20p)**
- **Confident of meeting full year expectations**

Financial Summary

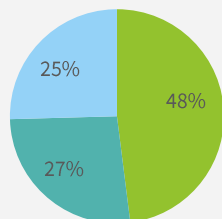
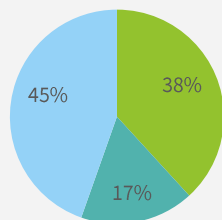


Financial Summary *

RM plc

£m	H1 16	H1 15	Variance
Revenue	76.6	77.7	-1%
Operating profit (adjusted*)	7.1	6.9	+3%
Operating Margin (adjusted*)	9.3%	8.9%	+0.4pp
Profit before tax (adjusted*)	6.5	6.3	+3%
Tax (adjusted*)	(1.4)	(1.5)	+8%
Profit after tax (adjusted*)	5.2	4.9	+6%
Diluted EPS (adjusted*)	6.1p	5.8p	+5%
Interim dividend per share	1.50p	1.20p	+25%

Financial Summary



- RM Resources
- RM Results
- RM Education

Revenue* £m

	H1 16	H1 15	Variance
RM Resources	29.3	30.6	-4.4%
RM Results	13.2	10.6	+23.6%
RM Education	34.2	36.5	-6.4%
Group	76.6	77.7	-1.4%

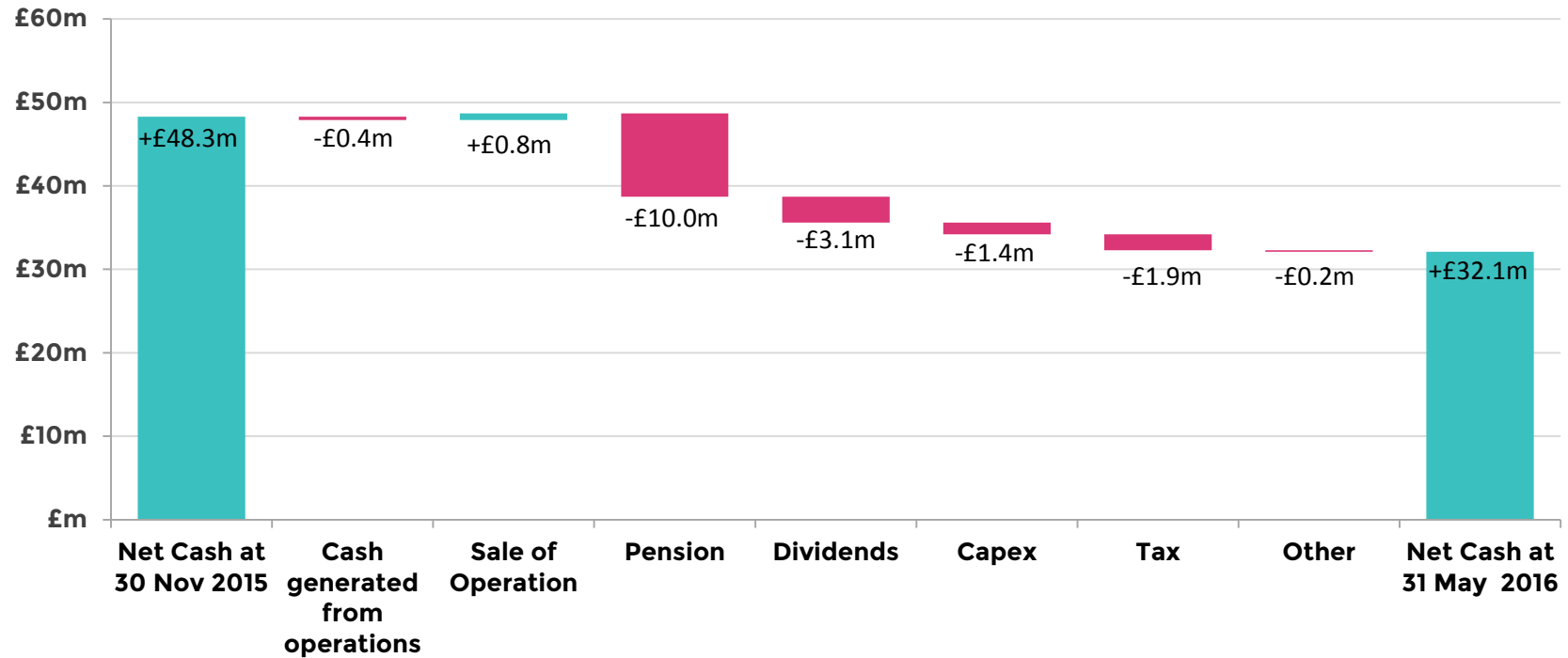
Adjusted* Operating Profit £m

	H1 16	H1 15	Variance
RM Resources	4.3	4.5	-4.3%
RM Results	2.4	1.6	+46.8%
RM Education	2.3	2.6	-12.0%
Corporate	(1.8)	(1.8)	-2.9%
Group	7.1	6.9	+2.9%

Adjusted* Operating Margin

	H1 16	H1 15	Variance
RM Resources	14.6%	14.6%	0.0pp
RM Results	18.0%	15.1%	+2.9pp
RM Education	6.6%	7.0%	-0.4pp
Group	9.3%	8.9%	+0.4pp

Cash flow

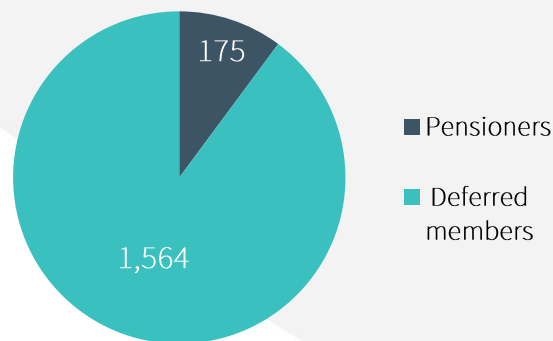


- Cash generated in operations position reflects working capital positions unwinding in long term contracts
- Sale of operation relates to the sale of SpaceKraft in December 2015
- Pension includes a one-off additional payment of £8m agreed as part of the 2015 triennial agreement

Pensions

Deficit at 30 Nov 2015 (£m)		(21.9)m
Deficit net of tax	(17.9)m	
Cash Contributions		10.0m
Impact of market assumptions on liabilities		(9.4)m
Interest on liabilities		(3.7)m
Asset returns less administration expenses		2.0m
Deficit net of tax	(18.8)m	
Deficit at 31 May 2016 (£m)		(23.0)m

Investments at May 2016	
Equities	49.4%
Fixed Income debt instruments	31.8%
Insurance contract	14.6%
Cash including escrow	4.2%
Total	100.0%



- **IAS 19 balance sheet deficit increased £1.1m to £23.0m driven primarily by a reduction in the discount rate by 40bps, more than offsetting cash contributions and a reduction in inflation assumptions.**
- **Triennial valuation agreed with cash deficit recovery payments fixed at £3.6m p.a. plus scheme running costs from 1 June 2015 as part of 9-year recovery plan.**
- **Company continues to look for de-risking opportunities on the scheme supported by £7m set aside in a pension escrow account.**

Business Review



Three Divisions



Physical and curriculum resources for schools and nurseries in the UK and internationally

- 20,000+ schools
- 19,000 different products
- 3,000 'own brand'
- c. 500 new products each year
- Direct marketing business model
- Sells to over 80 countries
- c. 250 staff



E-assessment and education data analysis to exam boards and central government in the UK and internationally

- c.20 customers
- UK's largest provider of on-screen marking of high stakes schools exams
- Technology to allow on-screen testing
- c.13m exam scripts processed per annum
- Systems to help create the English schools performance tables
- c. 300 staff, over 50% in India



Software, services and technology to UK schools and colleges

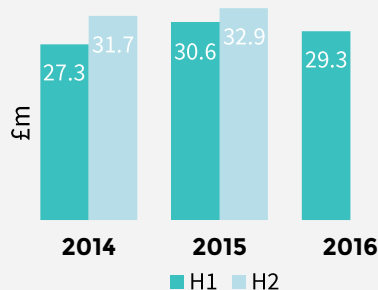
- c.7,000 customers
- Complete range of technology offerings and support to schools & colleges
- Full IT outsourcing to 700+ customers
- Direct sales business model
- UK market leader
- c. 1,000 staff, 30% in India

RM Resources

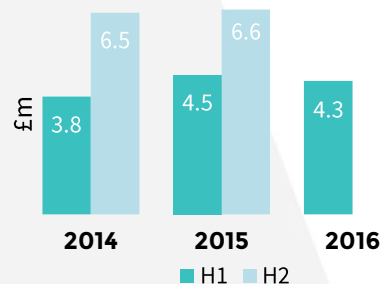
Results exclude SpaceKraft which was sold in Dec 2015

RM[™] plc

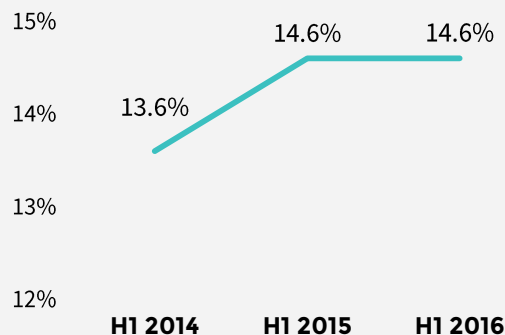
Revenue



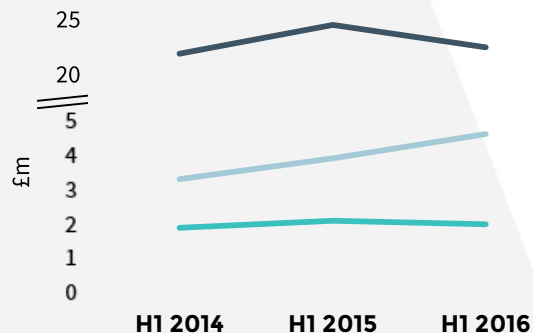
Adjusted Operating Profit



Adjusted Operating Margin

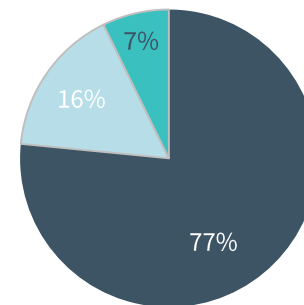


Revenues by Division



— UK Direct Marketing — UK Distributors
— International

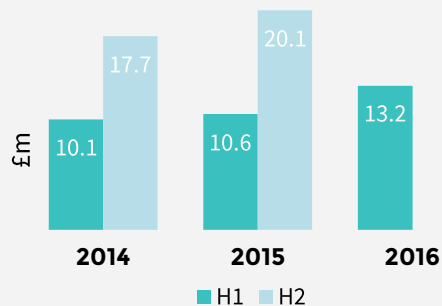
- Revenue decline of 4.4% driven by tightening of UK school budgets
 - UK Direct Marketing revenues -8%
 - UK Distributor revenues -6%
 - International revenues +18%
- Adjusted operating margin stable at 14.6%
 - Cost management actions underpin margin
- Online revenues increase to 34% (H1 2015: 28%) with implementation of new website platform
- Continued International growth +18% driven by distributor sales of proprietary products and increased revenues to International schools



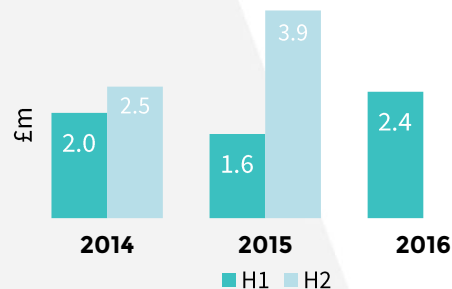
■ UK Direct Marketing ■ International
■ UK Distributors

RM Results

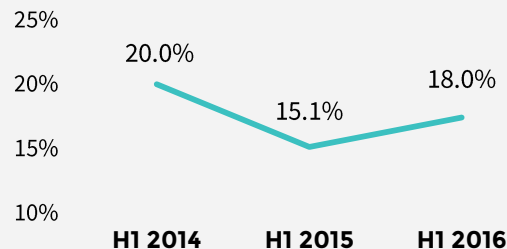
Revenue



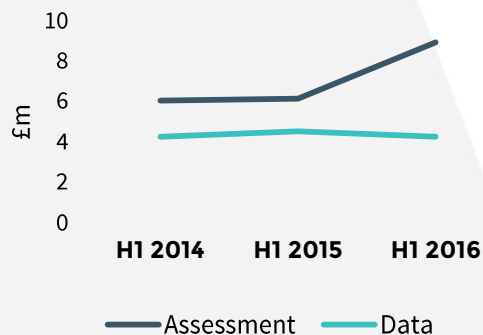
Adjusted Operating Profit



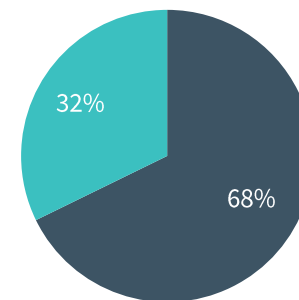
Adjusted Operating Margin



Revenues by Division

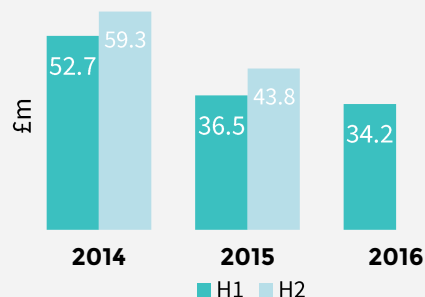


- Revenue growth of 23.6%
 - 46% growth in Assessment
 - 34% driven by timing of revenues accounted for in H1 vs prior year
 - 12% underlying growth primarily driven by e-testing contracts
 - Data revenues declined 6%
 - Planned contract exits which will also impact H2
- Adjusted operating margin improved to 18.0%
- Expanded 5 year contract agreed with Cambridge Assessment for English language e-testing managed service

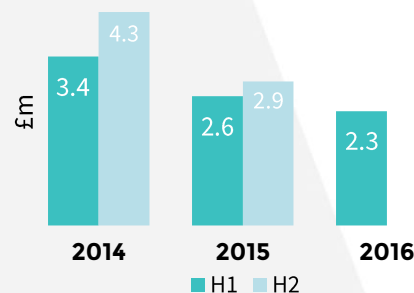


■ Assessment ■ Data

Revenue

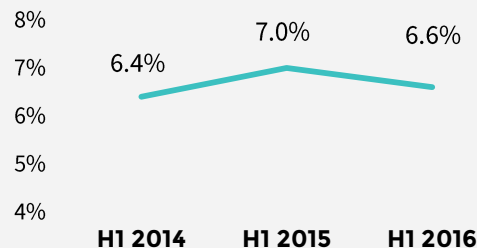


Adjusted Operating Profit

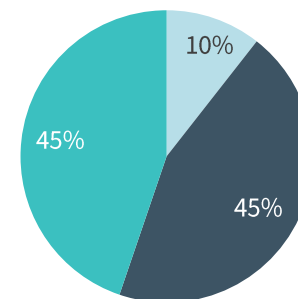
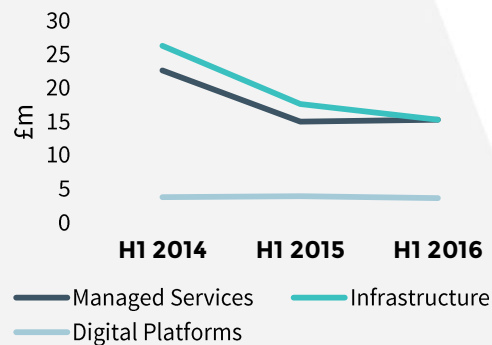


- **Much reduced revenue decline -6.4% compared to prior year -31%**
- **Adjusted operating margins at 6.6% remain broadly stable through changing business mix**
- **Retained all Managed Services long term contracts ending in the period**

Adjusted Operating Margin



Revenues by Division



■ Digital Platforms
■ Managed Services
■ Infrastructure

Summary & Outlook



RM[™] Group

Confident of meeting full year expectations

RM[™] Resources

Management action protects strong margins despite UK market pressure

RM[™] Results

Progress of Assessment portfolio offsetting planned reductions in Data

RM[™] Education

Further progress in developing a stable platform with sustainable margins

Accounts

FY15

Component	2015												2014												2013														2012														2011																2010																																																																																																																																																																																																																																																																																																																																																																																															
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Appendix



Income Statement

£m	2016			2015		
	Adjusted	Adjustments	Total	Adjusted	Adjustments	Total
Revenue	76.8	-	76.8	79.8	-	79.8
Cost of sales	(44.8)	-	(44.8)	(47.6)	-	(47.6)
Gross profit	32.0	-	32.0	32.2	-	32.2
Gross profit %	41.7%	-	41.7%	40.3%	-	40.3%
Operating expenses	(24.9)	-	(24.9)	(25.2)	-	(25.2)
Amortisation of acquisition related intangible assets	-	(0.0)	(0.0)	-	(0.2)	(0.2)
Net gain on disposal of operations	-	0.1	0.1	-	-	0.0
Share-based payment charges	-	(0.7)	(0.7)	-	(0.4)	(0.4)
Restructuring provision	-	-	-	-	0.2	0.2
Release of property related provisions	-	0.1	0.1	-	2.4	2.4
	(24.9)	(0.5)	(25.4)	(25.2)	2.1	(23.2)
Operating profit	7.1	(0.5)	6.6	6.9	2.1	9.0
Operating profit %	9.2%	N/A	8.6%	8.7%	N/A	11.3%
Net investment income and finance costs	(0.5)	(0.0)	(0.6)	(0.6)	0.8	0.2
Profit before tax	6.5	(0.5)	6.0	6.3	2.9	9.2
Tax	(1.4)	(0.0)	(1.4)	(1.5)	(0.4)	(1.9)
Profit after tax	5.2	(0.5)	4.6	4.9	2.5	7.4
Diluted earnings per ordinary share	6.1p		5.4p	5.8p		8.8p
Dividend per share			1.50p			1.20p

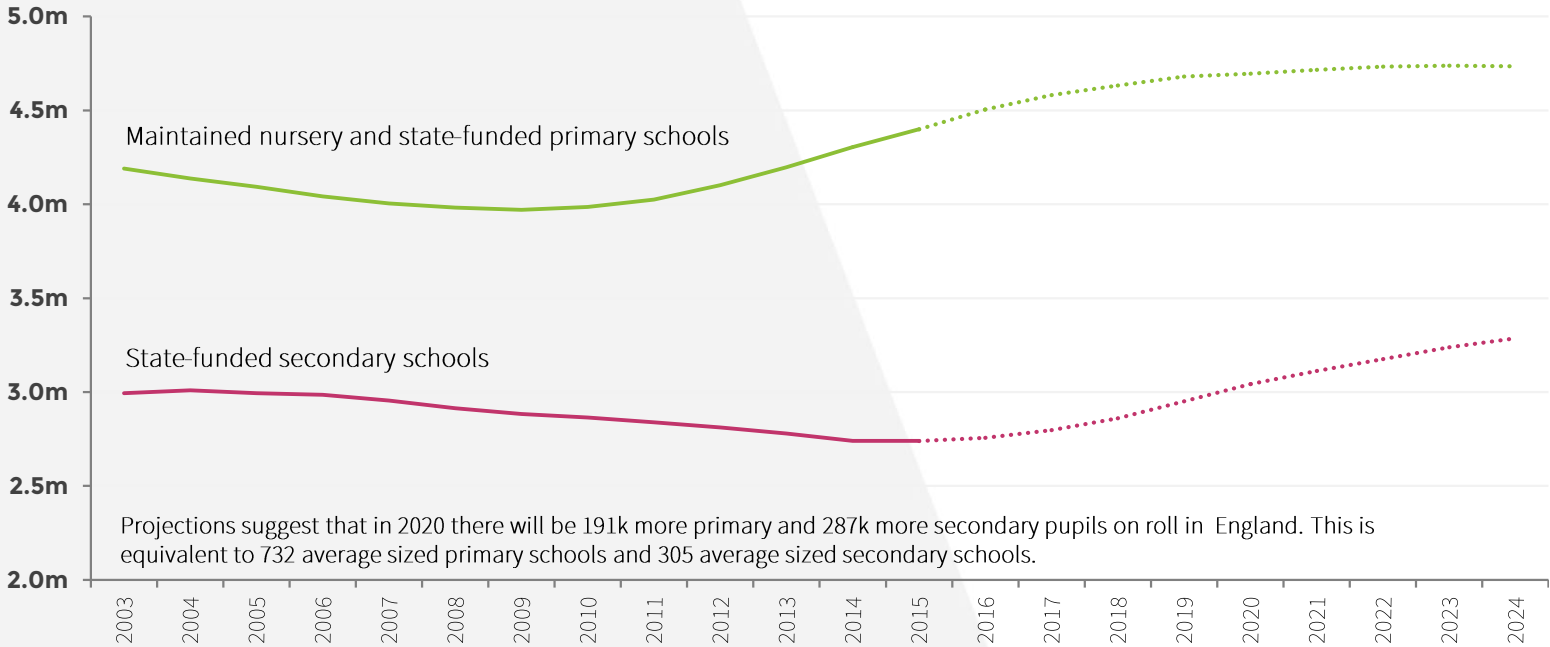
Cash Flow

Operating cash flows - £m	6 months to 31 May 2016	6 months to 31 May 2015
Profit from operations	6.6	9.0
Amortisation	0.1	0.3
Depreciation	1.1	1.1
Share-based payments	0.7	0.4
Other adjustments	0.4	(2.0)
Operating cash flows before movements in working capital	8.9	8.9
Decrease/(Increase) in inventories	0.1	(2.2)
(Increase)/Decrease in receivables	(0.4)	7.6
Decrease in payables & other liabilities	(9.0)	(12.5)
Cash generated by operations	(0.4)	1.7
Non-operating cash flows - £m		
Defined benefit pension contribution	(10.0)	(2.0)
Tax paid	(1.9)	(0.6)
Net capital expenditure less proceeds on disposal	(1.4)	(0.4)
Dividends paid	(3.1)	(2.5)
Proceeds from sale of other receivables	-	1.6
Proceeds from sale of operation	0.8	-
Purchase of own shares	-	(2.3)
Other	(0.2)	(0.3)
Net (decrease) in cash and cash equivalents	(16.2)	(4.8)

Balance Sheet

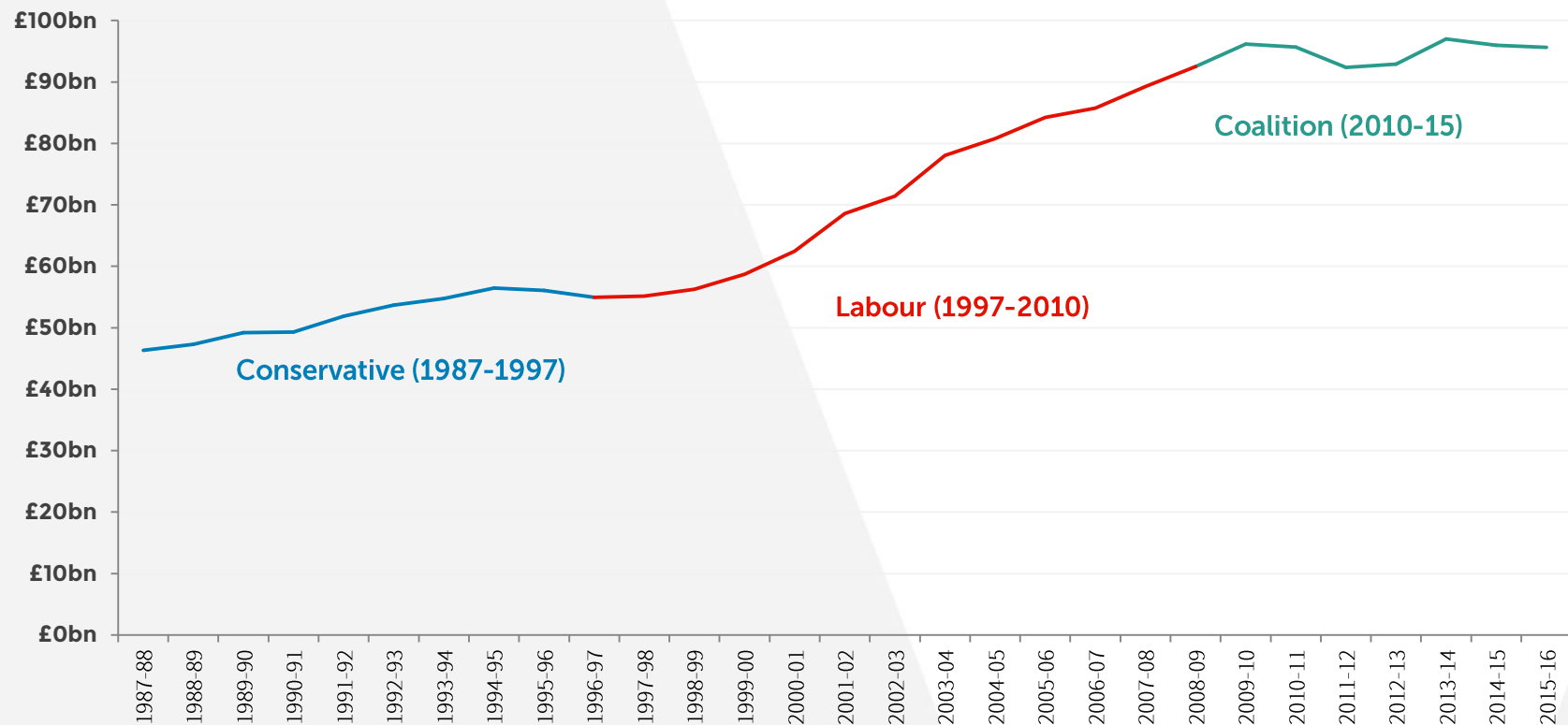
£m	31 May 2016	31 May 2015
Goodwill and acquisition intangibles	14.1	14.4
Property, plant & equipment and software intangibles	7.8	8.2
Other receivables	1.2	1.2
Deferred tax assets	7.2	8.3
Total non-current assets	30.2	32.1
Inventories	10.8	12.8
Trade & other receivables	25.8	24.6
Tax assets	-	0.5
Cash & short-term deposits	32.1	43.1
Total current assets	68.7	81.0
Total assets	98.9	113.1
Current liabilities, including tax liabilities	(59.1)	(72.5)
Retirement benefit obligation	(23.0)	(30.0)
Other non-current liabilities	(3.6)	(3.5)
Total liabilities	(85.7)	(106.0)
Net assets / total equity	13.2	7.2

UK Pupil Projections



Full time equivalent number of pupils in England (actual (solid line): 2003 to 2015; projection (dashed line): 2016 to 2024)

UK Education Spend



Source: HoC Library 2010, HM Treasury Budget 2014

Figures adjusted for inflation

RM Repositioning over 5 years

- Revenue decline following exit of hardware manufacture and end of government BSF programme

- Operating margins improve through period. Double digit margins sustainable

- Progressive dividend policy showing 25% growth in 2015 and reducing dividend cover from 4.1x to 3.2x

