



**RESOURCES,
SOFTWARE AND
SERVICES FOR
EDUCATION**

6 MONTHS TO 31 MAY 2017

DAVID BROOKS
Chief Executive Officer

NEIL MARTIN
Chief Financial Officer

Adjusted* operating profit of £7.1m in line with prior year and on track to deliver full year expectations

Increased adjusted* operating margins of 10.0% up from 9.3% in 2016

Revenue down 6.9% to £71.3m (2016 : £76.6m) reflecting reduced UK Resources revenues and lower infrastructure spend in RM Education

The acquisition of the Connect Education and Care business was completed on 30 June 2017

Statutory profit before tax was £3.8m (2016: £6.0m) with exceptional charges of £2.8m primarily reflecting acquisition costs and a property provision

Cash balance of £29.3m (31 May 2016 : £32.1m) as at 31 May 2017

Pension deficit reduced to £22.2m (30 Nov 2016: £34.8m) driven primarily through improved asset performance

Interim dividend increased by 10% to 1.65p (2016 : 1.50p)

* Adjusted profit is stated before adjustments which are considered exceptional in nature or with potential significant variability year on year in non-cash items which might mask underlying trading performance: the amortisation of acquisition related intangible assets; the gain on sale of operations; share-based payment charges; acquisition costs and changes in the provisions for dilapidations and onerous lease contracts. Exited businesses are also excluded.

FINANCIAL SUMMARY



FINANCIAL SUMMARY

RM plc

£m	H1 17	H1 16	Variance
Revenue	71.3	76.6	-6.9%
Operating profit (adjusted*)	7.1	7.1	+0.2%
Operating Margin (adjusted*)	10.0%	9.3%	+0.7pp
Profit before tax (adjusted*)	6.6	6.5	+0.4%
Tax	0.4	1.4	+267.8%
Profit after tax (adjusted *)	6.2	5.2	+19.5%
Statutory profit after tax	3.8	4.6	-17.3%
Diluted EPS (adjusted *)	7.5p	6.1p	+23.7%
Interim dividend per share	1.65p	1.50p	+10.0%

- Tax charge is £1.0m down on the prior year reflecting a reduction in the transfer pricing provision associated with cross border intra-group transactions between the UK and India

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FINANCIAL SUMMARY

REVENUE £M

	H1 17	H1 16	Variance
RM Resources	25.5	29.3	-12.9%
RM Results	13.5	13.2	+2.2%
RM Education	32.4	34.2	-5.4%
Group	71.3	76.6	-6.9%

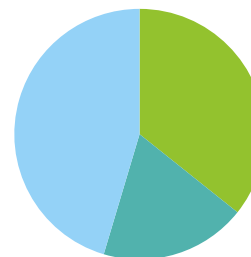
ADJUSTED OPERATING MARGIN*

	H1 17	H1 16	Variance
RM Resources	11.1%	14.6%	-350bps
RM Results	20.5%	18.0%	+250bps
RM Education	9.6%	6.6%	+300bps
Group	10.0%	9.3%	+70bps

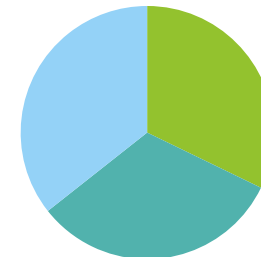
ADJUSTED OPERATING PROFIT* £M

	H1 17	H1 16	Variance
RM Resources	2.8	4.3	-33.8%
RM Results	2.8	2.4	16.4%
RM Education	3.1	2.3	36.9%
Corporate	(1.6)	(1.8)	13.1%
Group	7.1	7.1	0.2%

REVENUE



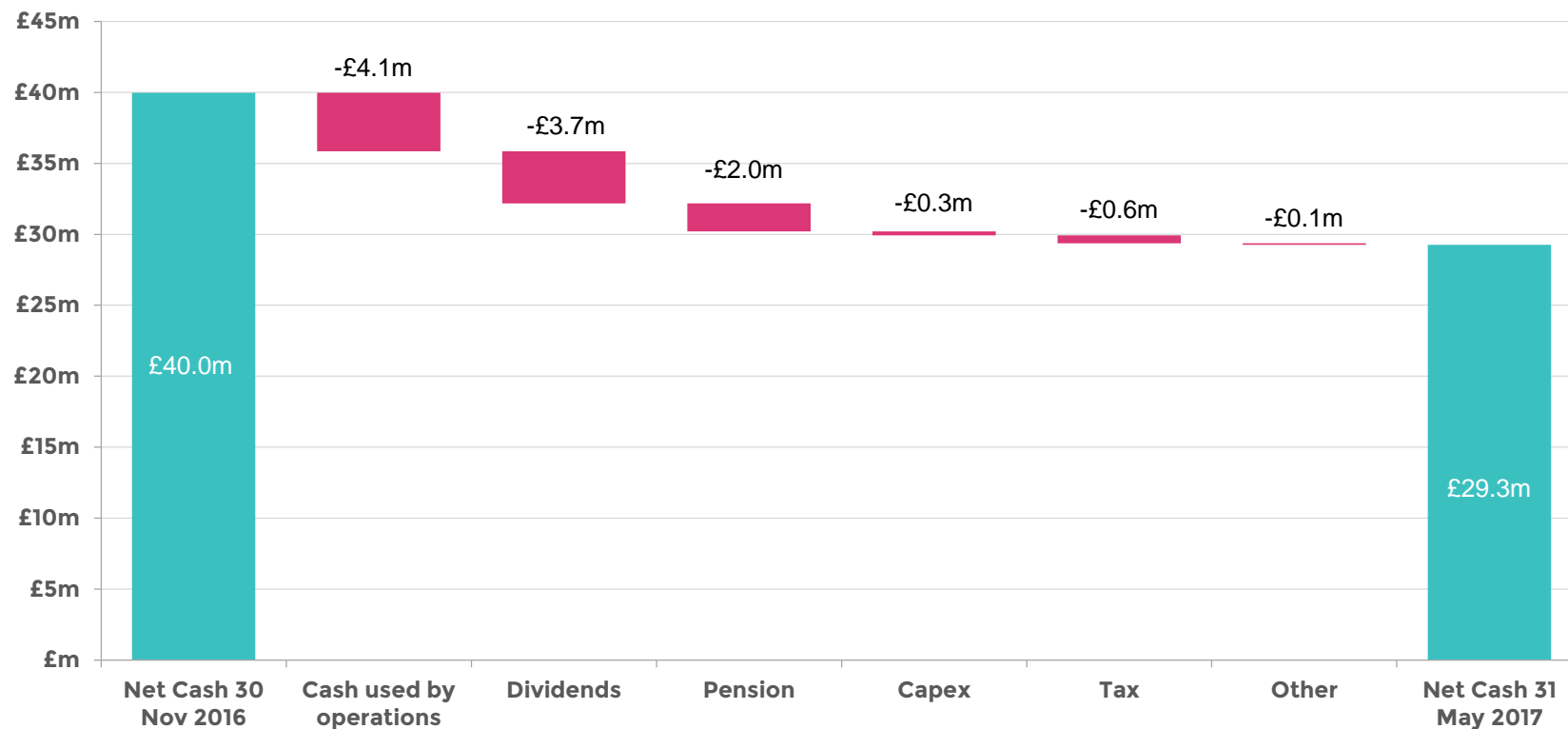
ADJUSTED OPERATING PROFIT*



■ RM Resources
 ■ RM Results
 ■ RM Education

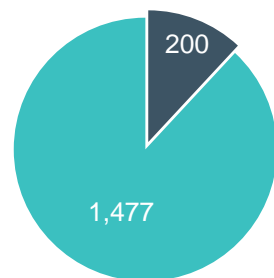
* Adjusted profit is stated before adjustments which are considered exceptional in nature or with potential significant variability year on year in non-cash items which might mask underlying trading performance: the amortisation of acquisition related intangible assets; the gain on sale of operations; share-based payment charges; acquisition costs, restructuring costs and changes in the provisions for dilapidations and onerous lease contracts. Exited businesses are also excluded.

CASH FLOW

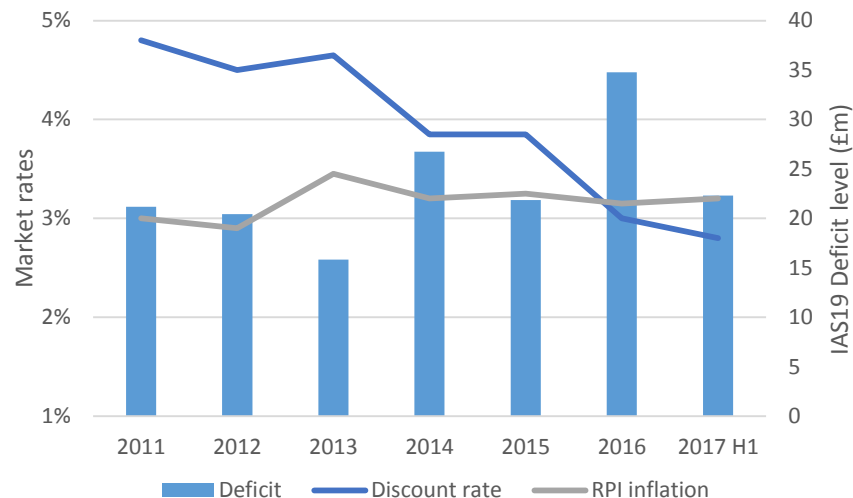


- Cash used by operations of £4.1m vs £0.4m in the prior year
 - Utilisation of prior year restructuring provision and higher inventory levels

- **IAS19 deficit decreased to £22.2m (Nov 2016: £34.8m)**
- **Discount rate reduced to 2.8% (Nov 2016: 3.0%)**
 - Interest rate sensitivity: 10bps change results in a c. £5m deficit movement
- **Deficit reduction primarily driven by increase in plan assets (+£16m) and changes in demographic assumptions (+£5m) more than offsetting the negative impact of lower discount rates**
- **Discount methodology revised to better reflect long dated credit risk of the scheme cash flows**
- **Current recovery plan in place since May 2015**
 - 9 years at £3.6m per annum
 - Next triennial May 2018



■ Pensioners ■ Deferred members



Investments at May 2017

Equities	47%
Fixed Income instruments	36%
Insurance contract	13%
Cash including escrow	4%
Total	100%

A group of four business professionals are seated around a light-colored wooden conference table in a modern office setting. A man in a striped shirt is on the left, looking down at a laptop. A woman with short blonde hair and glasses is in the center, looking towards the right. A woman with long blonde hair is on the right, looking towards the center. A fourth person, a woman with long dark hair in a plaid shirt and red pants, is seen from the back on the left. The table has laptops, coffee cups, and a smartphone. Large windows in the background show a city view. The text 'BUSINESS REVIEW' is overlaid in large white letters.

BUSINESS REVIEW



**CURRICULUM AND
EDUCATION RESOURCES FOR
SCHOOLS AND NURSERIES IN
THE UK AND
INTERNATIONALLY**



**E-ASSESSMENT AND
EDUCATION DATA ANALYSIS
TO EXAM BOARDS AND
CENTRAL GOVERNMENT IN THE
UK AND INTERNATIONALLY**



**SOFTWARE, SERVICES
AND TECHNOLOGY TO
UK SCHOOLS AND
COLLEGES**



National curriculum resources specialist
19,000 products (3,000 'own IP')
One quarter of revenues from International
sales
c. 225 FTE staff

On line orders 44% total



Acquired on 30 June 2017
Regional education supplies generalist
40,000 products
c. 300 FTE staff
On line orders 45% of total

c. 20 customers

UK's largest provider of on-screen
marking of high stakes schools exams

c.13m exam scripts processed per annum

Systems to help create the English
schools performance tables

c. 300 staff, over 50% in India

c. 7,000 customers

Complete range of technology offerings
and support to schools & colleges

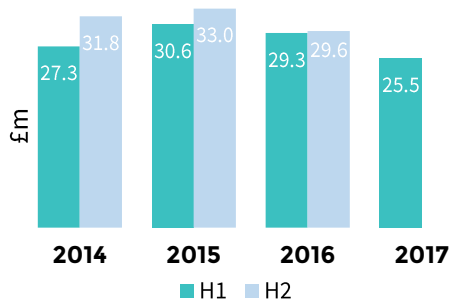
Full IT outsourcing to 700+ customers

Direct sales business model

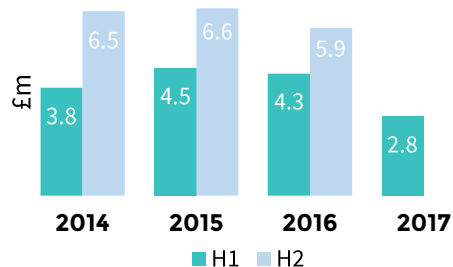
UK market leader

c. 900 staff, 30% in India

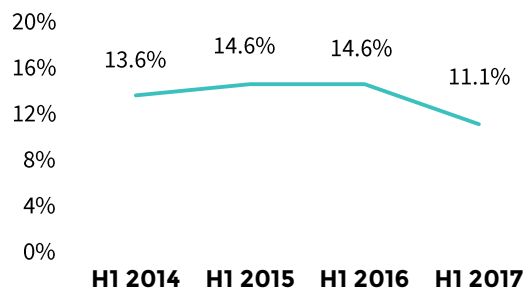
Revenue



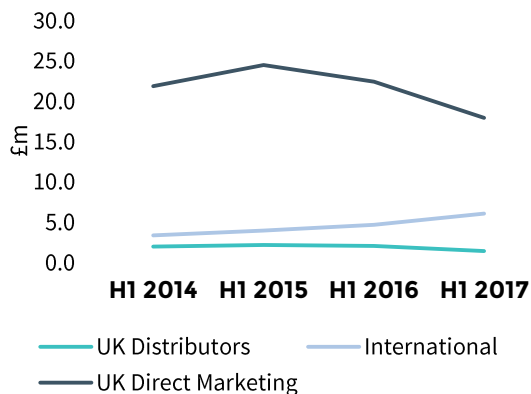
Adjusted Operating Profit



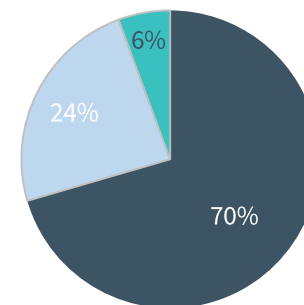
Adjusted Operating Margin



Revenues by Division



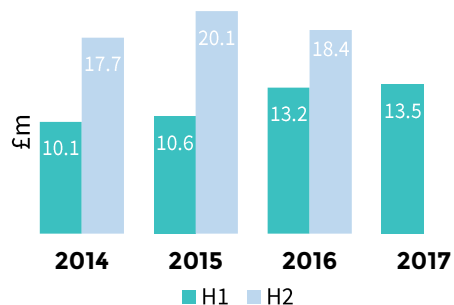
- Revenue decline of 12.9% driven by continued tightening of UK school budgets
 - UK direct marketing revenues -20%
 - International revenues +29%
- Adjusted operating margin down to 11.1% as lower revenues and adverse foreign exchange impacts more than offset a £1.1m reduction in operating costs
- Online revenues increase to 44% (2016: 34%)
- International sales now represents 24% of total revenues driven by 29% growth in H1



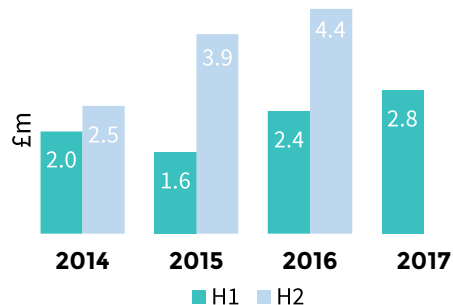
- UK Direct Marketing
- International
- UK Distributors

- Acquisition completed on 30 June 2017
- New unsecured revolving credit facility of £75m
- Last reported results for the division as part of the Connect Group
 - Revenues down -9.1% to £28.7m for the period Sept 2016 – Feb 2017 vs. the prior year
 - Gross margins improved by 60 bps (44.1%) in this period resulting in 7.6% decline in gross profit
 - Operating costs were marginally up in the period (£0.1m) reducing adjusted operating profit to £1.7m (vs. £2.8m in the prior year)
 - Orders through online channels increased to 45%
- Focus will now be on effective integration of the businesses and delivering meaningful synergies
 - £2m of synergies committed at a cost of £2.5m

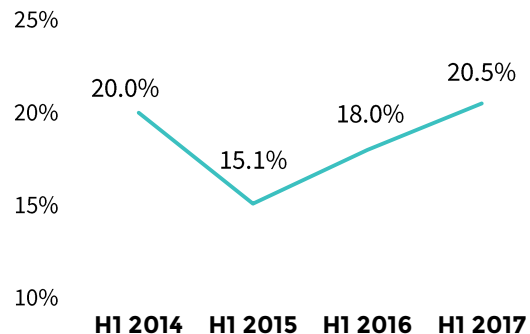
Revenue



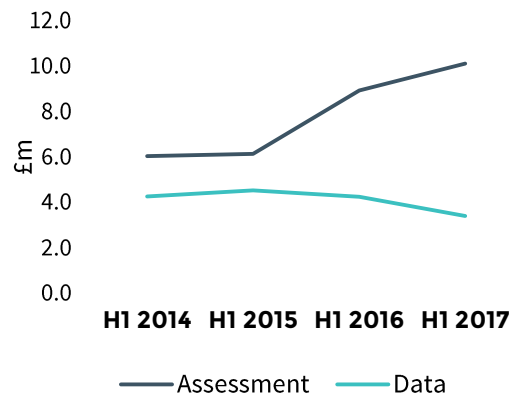
Adjusted Operating Profit



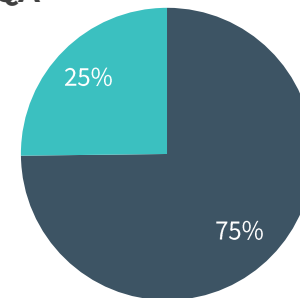
Adjusted Operating Margin



Revenues by Division

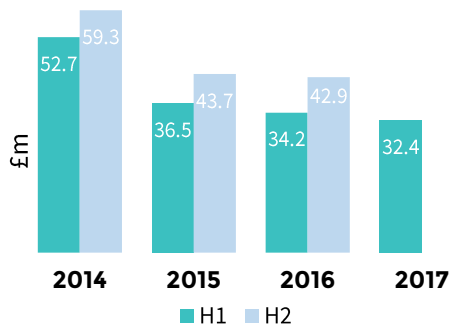


- Revenue growth of 2.2% to £13.5m as growth in Assessment more than offset the anticipated decline in Data
 - Assessment grew 13% to £10.1m
 - Data declined by 19% to £3.4m
- Adjusted operating margins further improved to 20.5%
- 5 year framework agreement signed with Oxford University Press to deliver global assessment platform
- 2 year contract extension signed with the DfE for the National Pupil Database
- 3 year e-marking contract extension signed with AQA

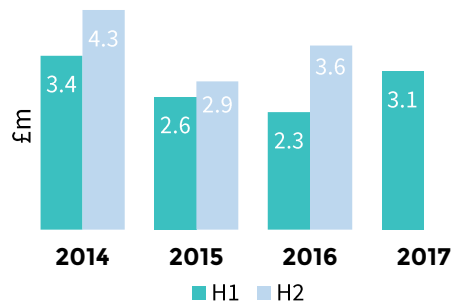


■ Assessment ■ Data

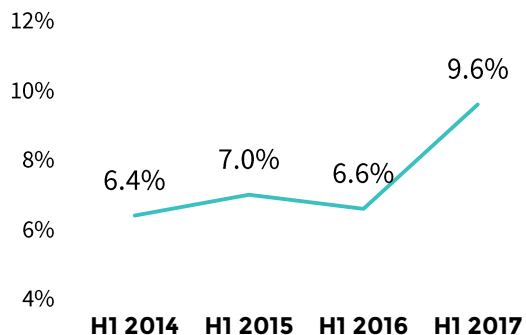
Revenue



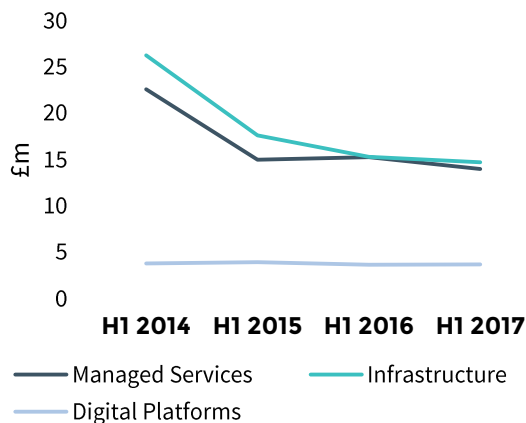
Adjusted Operating Profit



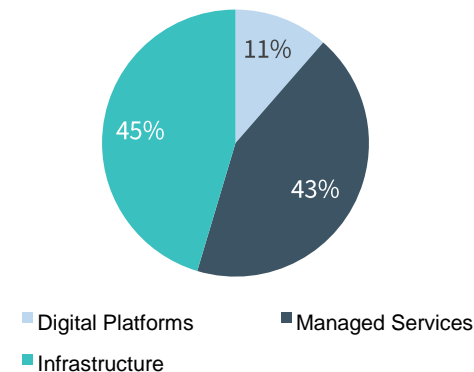
Adjusted Operating Margin



Revenues by Division



- Revenue decline of 5.4% to £32.4m
 - Managed Services revenue down 8%
 - Reduced Building Schools for the Future project spend
 - Infrastructure revenue down 4%
 - Lower warranty revenues and reduction in Networks following 2016 restructure
 - 3 year connectivity contract awarded for over 500 schools in Hertfordshire
 - Digital Platforms revenue up 1%
 - 5 year renewal of Glow Authentication & portal services contract for RM Unify with Education Scotland
- Adjusted operating margins improve to 9.6% reflecting the benefits of the cost action taken in the prior year



A close-up photograph of a person's hand holding a blue pen, pointing at a tablet screen. The tablet is resting on a wooden desk. In the background, there are open books and papers. The text 'SUMMARY & OUTLOOK' is overlaid in large, white, bold, sans-serif capital letters across the center of the image.

SUMMARY & OUTLOOK



SUMMARY

Results in line with full year expectations in a difficult market

Continued growth in operating margins

Acquisition of Connect Education & Care business completed on 30 June 2017

Robust balance sheet with cash at £29.3m prior to £56.5m acquisition.

- £75m credit facility
- Pension deficit reduced to £22m

Increase in dividend of 10%

APPENDIX



INCOME STATEMENT

£ M	6 MONTHS TO 31 MAY					
	2017			2016		
	ADJUSTED	ADJUSTMENTS	TOTAL	ADJUSTED	ADJUSTMENTS	TOTAL
Revenue	71.3	-	71.3	76.8	-	76.8
Cost of sales	(41.6)	-	(41.6)	(44.8)	-	(44.8)
Gross profit	29.7	-	29.7	32.0	-	32.0
Gross profit %	41.6%	n/a	41.6%	41.7%	n/a	41.7%
Operating expenses						
Amortisation of acquisition related intangible assets	-	-	-	-	-	-
Gain on sale of operations	-	-	-	-	0.1	0.1
Share-based payment charges	-	(0.6)	(0.6)	-	(0.7)	(0.7)
(Increase)/decrease of provisions for dilapidations on leased properties and onerous lease contracts	-	(0.9)	(0.9)	-	0.1	0.1
Acquisition costs	-	(1.3)	(1.3)	-	-	-
	(22.6)	(2.8)	(25.3)	(24.9)	(0.5)	(25.4)
Operating profit	7.1	(2.8)	4.3	7.1	(0.5)	6.6
Operating profit %	10.0%	n/a	6.1%	9.2%	n/a	8.6%
Net investment income and finance costs	(0.5)	(0.0)	(0.6)	(0.5)	0.0	(0.6)
Profit before tax	6.6	(2.8)	3.8	6.5	(0.5)	6.0
Tax	(0.4)	0.4	0.1	(1.4)	0.0	(1.4)
Profit after tax	6.2	(2.4)	3.8	5.2	(0.5)	4.6
Diluted earnings per ordinary share	7.5p		4.6p	6.1p		5.4p
Dividend per share			1.65p			1.50p

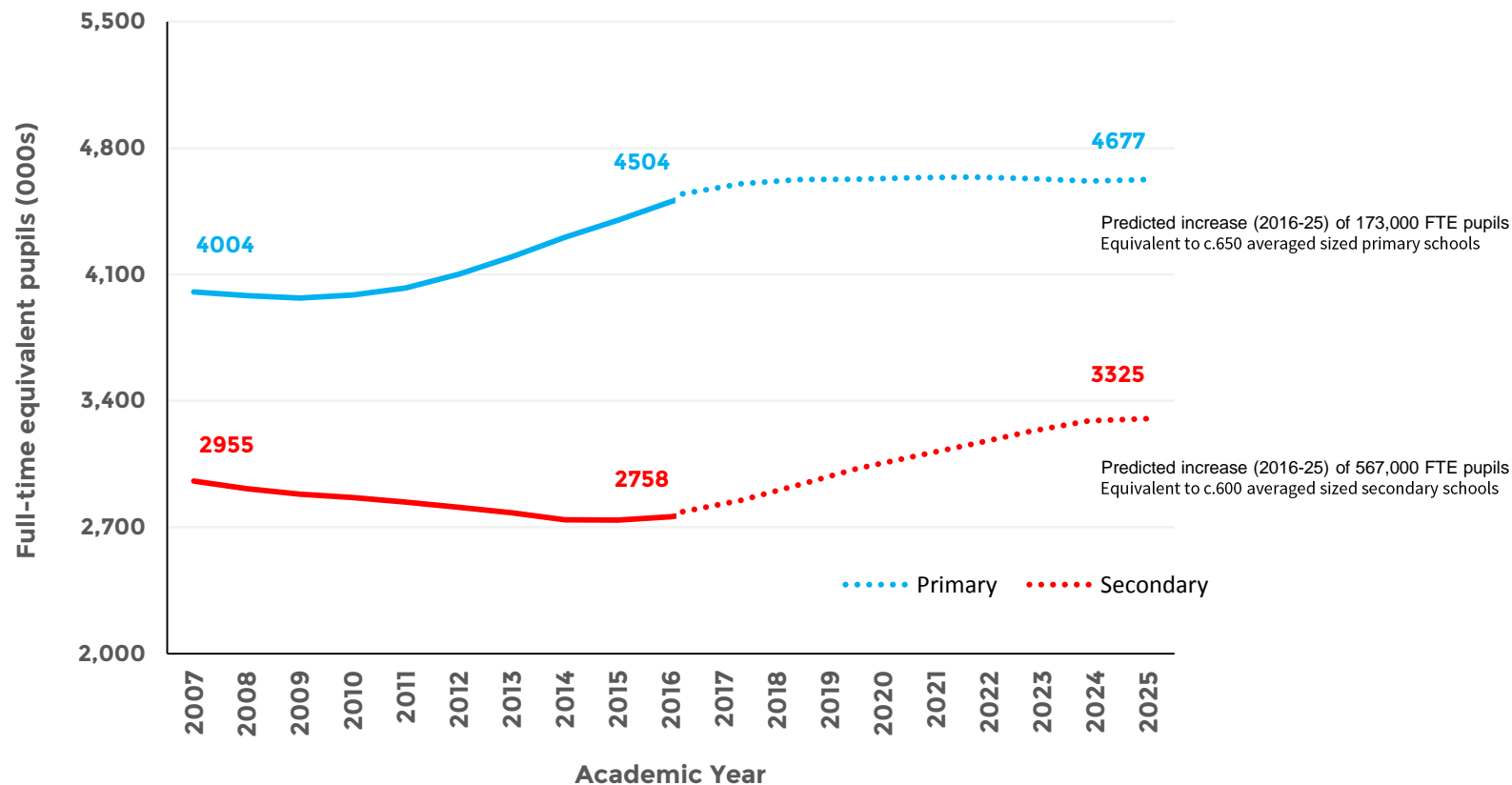
OPERATING CASH FLOWS - £M	2017	2016
Profit from operations	4.3	6.6
Amortisation & impairment of intangibles	0.1	0.1
Depreciation & impairment of PPE	1.2	1.1
Share-based payments	0.6	0.7
Provisions	0.5	(0.1)
Other adjustments	(0.2)	0.5
Operating cash flows before movements in working capital	6.6	8.9
(Decrease)/increase in inventories	(1.8)	0.1
Decrease in receivables	(0.4)	(0.4)
Decrease in payables	(6.4)	(8.2)
Utilisation of provisions	(2.1)	(0.8)
Cash used by operations	(4.1)	(0.4)
NON-OPERATING CASH FLOWS - £M		
Defined benefit pension contribution	(2.0)	(10.0)
Tax paid	(0.6)	(1.9)
Net capital expenditure less proceeds on disposal	(0.3)	(1.4)
Dividends paid	(3.7)	(3.1)
Amounts transferred from short-term deposits	3.0	-
Other	(0.1)	0.5
Net decrease in cash and cash equivalents	(7.7)	(16.2)

BALANCE SHEET

RM[™] plc

£ M	31 MAY 2017	31 MAY 2016
Goodwill and acquisition intangibles	14.8	14.9
Property, plant & equipment and software intangibles	5.1	7.0
Other receivables	1.1	1.2
Deferred tax assets	6.7	7.2
Total non-current assets	27.8	30.2
Inventories	12.5	10.8
Trade & other receivables	24.9	25.8
Cash & short-term deposits	29.3	32.1
Total current assets	66.7	68.7
Total assets	94.5	98.9
Current liabilities, including tax liabilities	(50.3)	(59.1)
Retirement benefit obligation	(22.2)	(23.0)
Other non-current liabilities	(4.4)	(3.6)
Total liabilities	(76.9)	(85.7)
Net assets / total equity	17.5	13.2

Full time equivalent pupil projections for state schools in England 2007 to 2025



Sources:

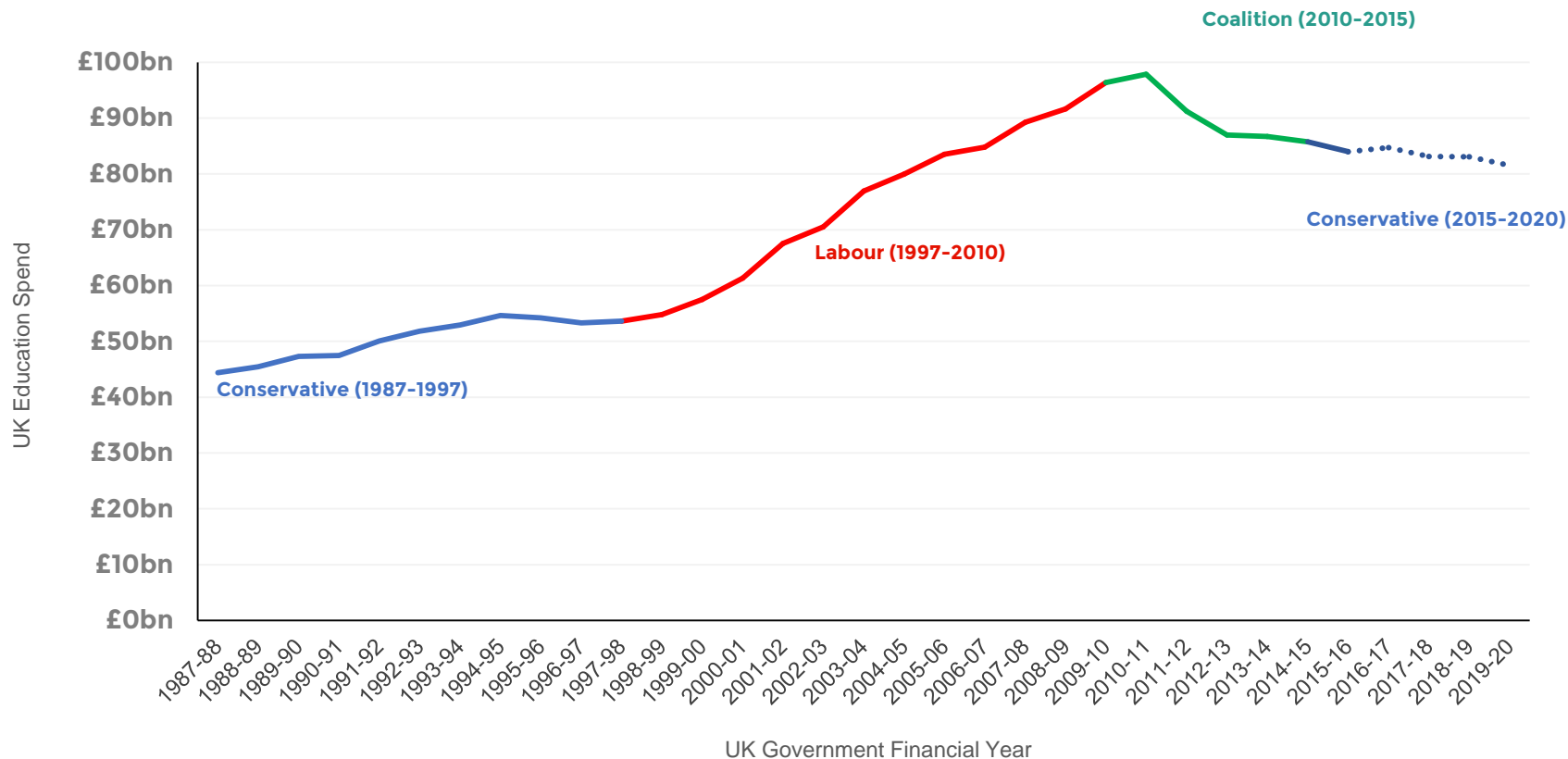
School Census, School Level Annual School Census and Pupil Referral Unit Census (actuals); DfE Pupil Projection

Primary includes maintained nursery (2016 = 25,010 FTE pupils in maintained nurseries). Secondary excludes pupils aged 16 and over.

Solid line = census; dotted line = projection

UK EDUCATION EXPENDITURE (REAL TERMS)

Inflation adjusted (base 2015-16) by political party in government



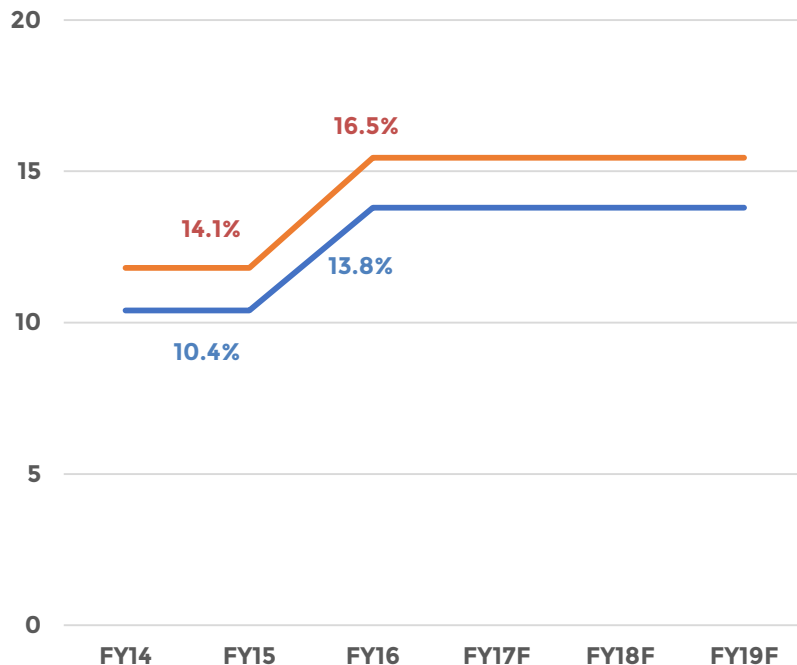
Sources:

HM Treasury: Public Expenditure Statistical Analyses 2016 (14 September 2016), and earlier editions

HM Treasury: GDP deflators at market prices, and money GDP: December 2016 (Quarterly National Accounts) (6 January 2017)

Solid line = outturn; dotted line = predicted (assuming total expenditure follows DfE budget forecast)

EMPLOYER STATE PENSION AND NI CONTRIBUTIONS AS % OF EMPLOYEE EARNINGS, FY14 - FY19F



— National Insurance contributions as a % of employee earnings

— Pension contributions as a % of employee earnings

Increases in both pension (2.4% increase) and National Insurance contributions (3.4% increase) created a budgetary pressure for UK schools.

- On average, Primary schools annual staffing costs increased by ~£120 a pupil
- In Secondary schools, the impact was higher at ~£190 per pupil
- The rise in pension contributions accounted for ~40% of the overall spending increases with National Insurance payments making up the remaining 60%