

**RM**<sup>TM</sup> plc

# Technology and resources for education

6 months to 31 May 2018

**David Brooks**  
Chief Executive  
Officer

**Neil Martin**  
Chief Financial  
Officer

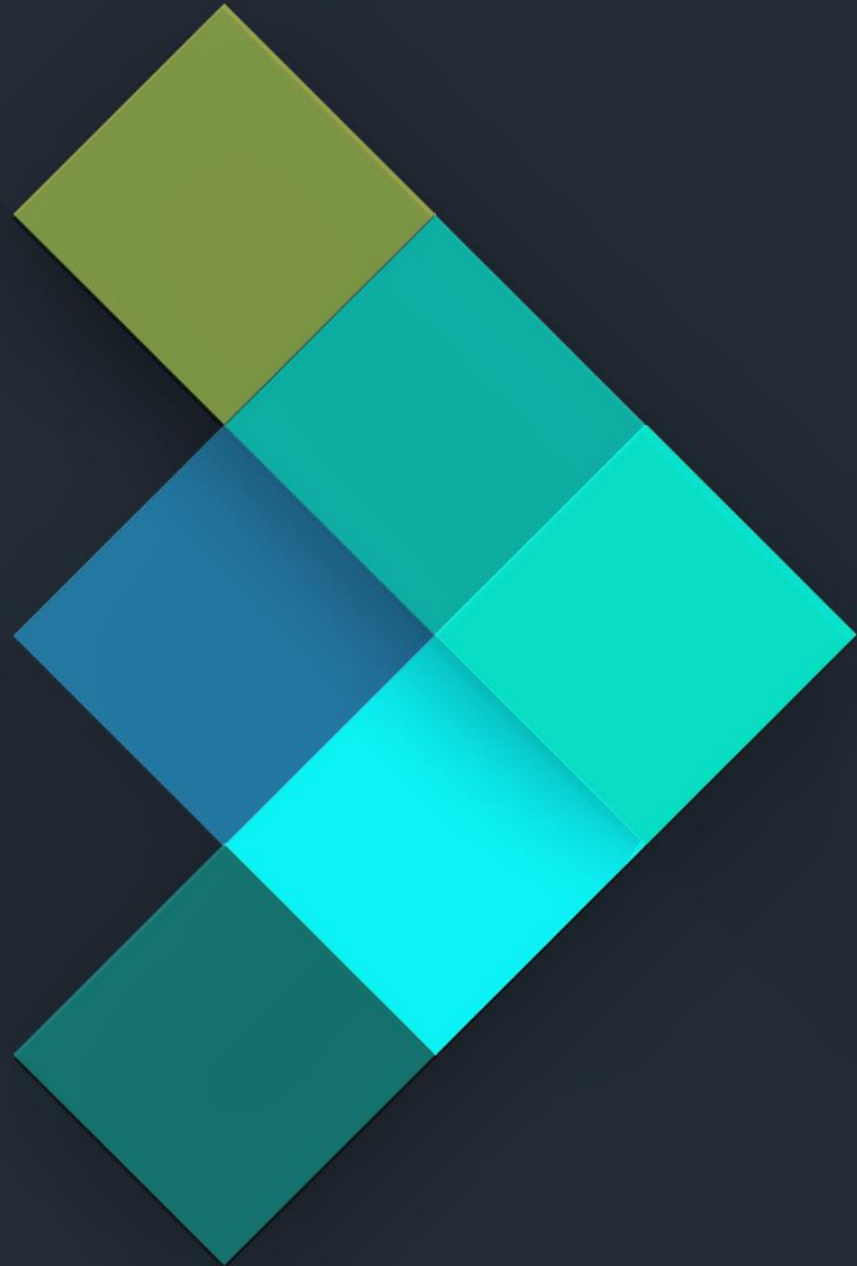
## ■ HIGHLIGHTS

- Revenue up 33% to £95m (2017: £71m) following the acquisition of The Consortium
  - Good progress internationally with double digit revenue growth in RM Resources alongside three new International client wins in RM Results
- Adjusted\* diluted EPS improves by 7.4% to 7.3pps (2017: 6.8pps)
- Adjusted\* operating profit increased 27% to £8.3m (2017: £6.5m)
- Adjusted\* operating margins of 8.8% (2017: 9.2%) are down slightly resulting from profit seasonality of The Consortium acquisition
- Balance sheet remains strong
  - Pension deficit reduced to £9.1m (30 Nov 2017: £20.2m)
  - Net debt of £23.4m as at 31 May 2018 (30 Nov 2017: £13.4m)
- Interim dividend increased by 15% to 1.90p (2017 : 1.65p)

\* Adjusted profit is before the amortisation of acquisition related intangible assets; acquisition costs and changes in the provisions for onerous lease contracts. Share based payments are now being included in adjusted profit with prior years represented on the same basis



# Financial Summary



## FINANCIAL SUMMARY

£m	H1 18	H1 17	Variance
Revenue	94.9	71.3	+33.1%
Operating profit (adjusted*)	8.3	6.5	+27.4%
Operating margin (adjusted*)	8.8%	9.2%	-0.4pp
Profit before tax (adjusted*)	7.6	6.0	+25.9%
Profit after tax (adjusted *)	6.1	5.6	+9.2%
Statutory profit after tax	5.6	3.8	+46.2%
Diluted EPS (adjusted *)	7.3p	6.8p	+7.4%
Interim dividend per share	1.90p	1.65p	+0.25p

\* Adjusted profit is before the amortisation of acquisition related intangible assets; acquisition costs and changes in the provisions for onerous lease contracts. Share based payments are now being included in adjusted profit with prior years represented on the same basis

## FINANCIAL SUMMARY

Revenue £M

	FY18	FY17	Variance
RM Resources	51.1	25.5	+100.6%
RM Results	12.3	13.5	-8.6%
RM Education	31.5	32.4	-2.6%
Group	94.9	71.3	+33.1%

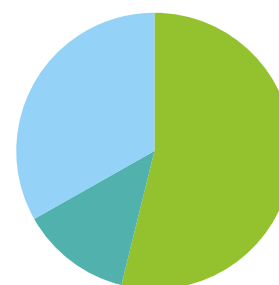
Adjusted\* Operating Margin

	FY18	FY17	Variance
RM Resources	8.2%	11.1%	-2.9pp
RM Results	23.0%	20.5%	+2.5pp
RM Education	11.6%	9.6%	+2.0pp
Group	8.8%	9.2%	-0.4pp

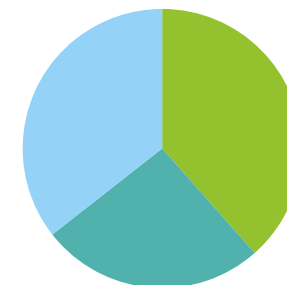
Adjusted\* Operating Profit £M

	FY18	FY17	Variance
RM Resources	4.2	2.8	+48.0%
RM Results	2.8	2.8	+2.7%
RM Education	3.6	3.1	+17.6%
Corporate	(2.3)	(2.1)	-8.6%
Group	8.3	6.5	+27.4%

Revenue



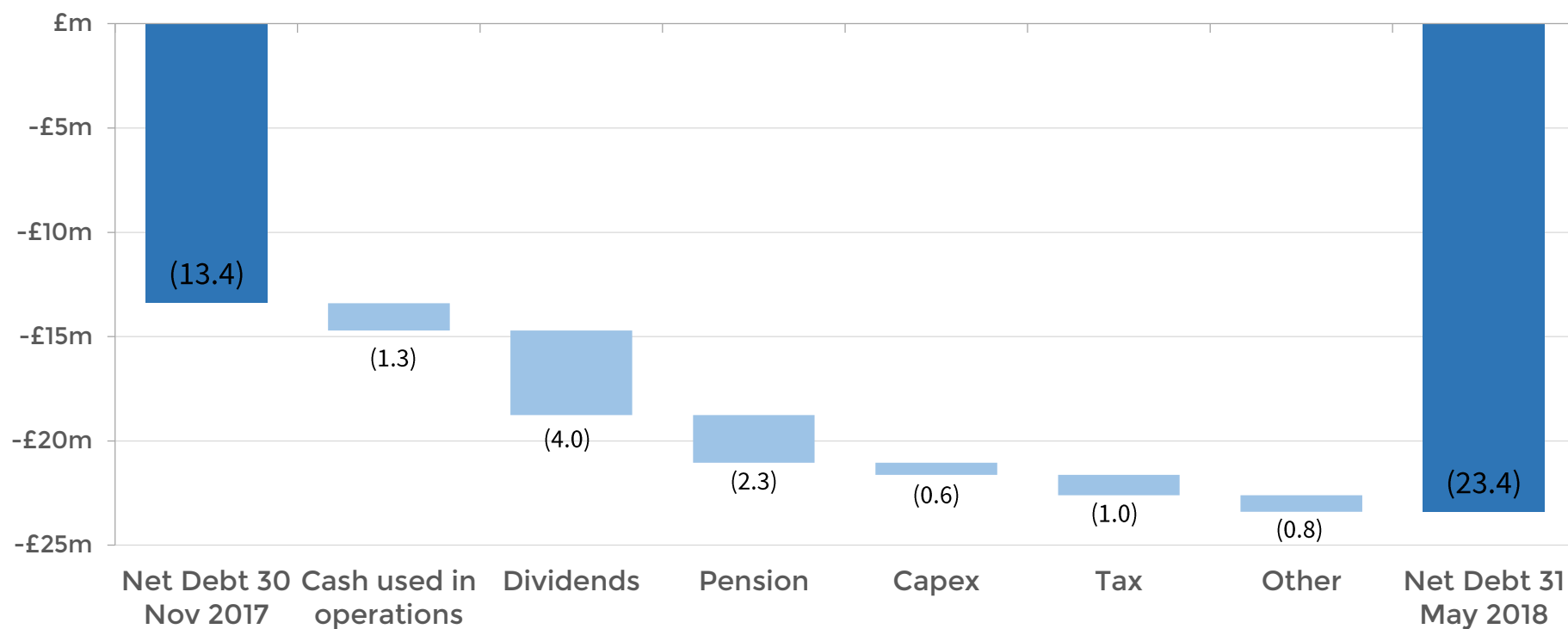
Adjusted Operating Profit\*



■ RM Resources ■ RM Results ■ RM Education

\* Adjusted profit is before the amortisation of acquisition related intangible assets; acquisition costs and changes in the provisions for onerous lease contracts. Share based payments are now being included in adjusted profit with prior years represented on the same basis

## CASH FLOW



Cash used in Operations of £1.3m reflects seasonal effects of the working capital cycle

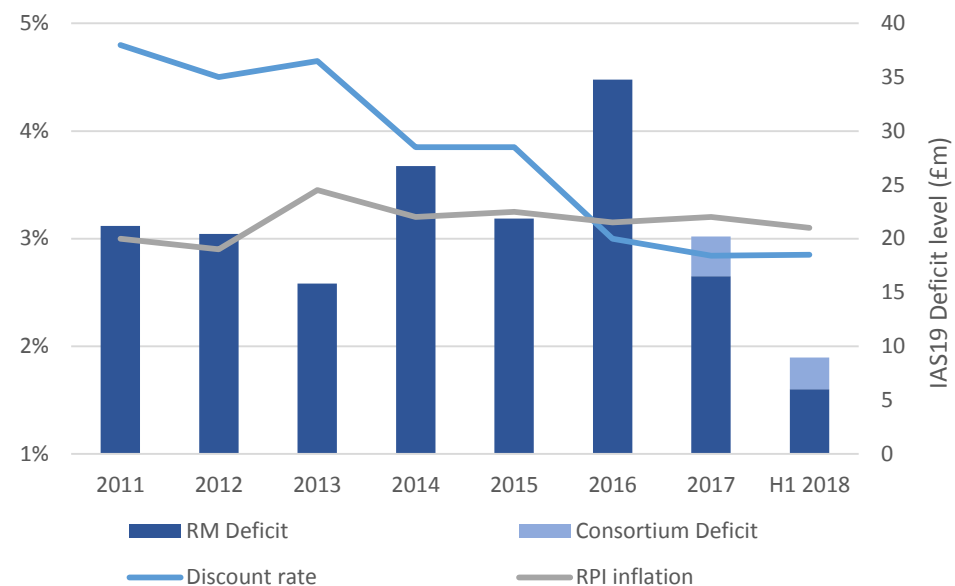
# PENSIONS

## IAS19 deficit reduced to £9.1m (Nov 2017: £20.2m)

- Increase in scheme assets of £4.8m
- Decrease in scheme liabilities of £6.3m

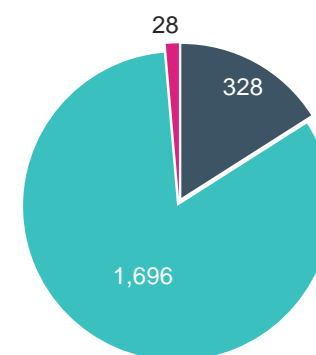
## Deficit recovery plan cash-flow requirements across all schemes are £4.4m per annum

- Triennial review on RM scheme underway
- The Consortium has two schemes with next triennial review dates of Dec 2018 and Dec 2019



## Investments at May 2018

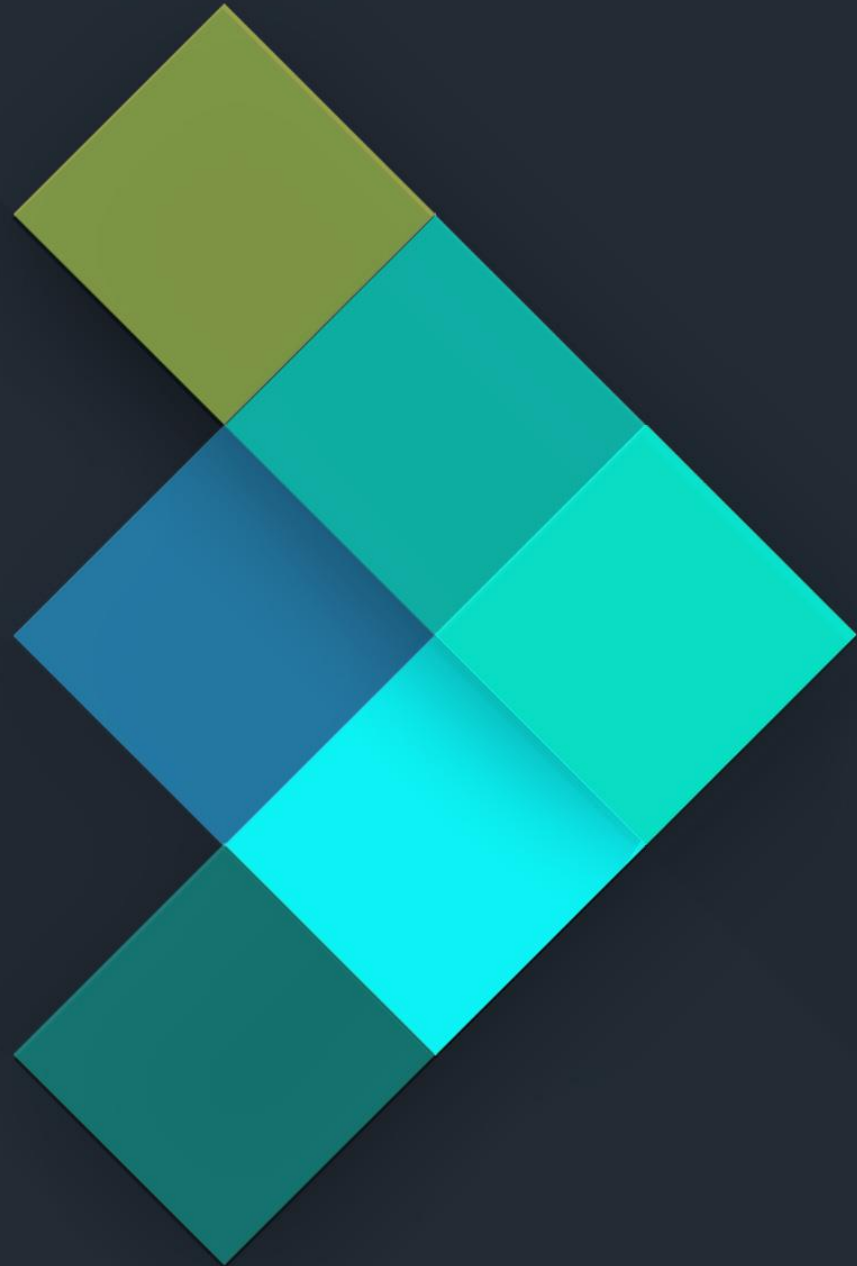
Equities	46%
Liability Driven Investments (LDI)	36%
Fixed Income instruments	2%
Insurance contract	11%
Cash including escrow	4%
<b>Total</b>	<b>100%</b>



■ Pensioners ■ Deferred members ■ Active

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# Business Review





## RM RESOURCES

Curriculum and education resources for schools and nurseries in the UK and internationally

  
**59,000**  
Products

  
**3,500**  
Own designed products

Best choice, innovation and full service offering

  
**c.500**  
FTE staff

  
Multi-brand market leader

  
Early years leadership and innovation

  
Queen's Award for Industry 2018 International Trade

  
Strong national footprint

**£4m**  
Acquisition synergy target

  
**Half**  
UK orders online

  
Trade in 85 countries with one fifth of revenues from international sales

## RM RESULTS


Technology experts in end-to-end global high stakes e-assessment

**20**  
e-assessment customers globally

**c.200m**  
Exam pages e-marked annually

  
**c.300**  
FTE staff with >50% based in India



  
Global target markets  
(Language testing, professional bodies, general exams, higher education)

Systems to help create the English schools performance tables



  
High visibility of future revenue

## RM EDUCATION

Software, services and technology to UK schools and colleges


**c.7,000**  
Customers

**#1**   
Trusted and established brand

  
Save schools money and time

  
**c.800**  
FTE staff with >35% based in India

  
**c.650**  
Outsourced IT customers

  
#1 and fastest growing managed services and broadband provider

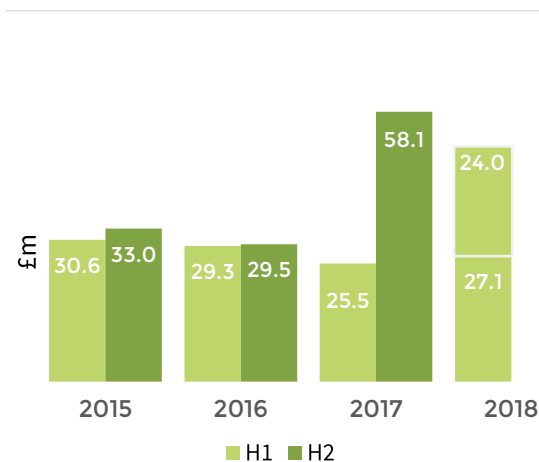
  
Depth and breadth of technology understanding

**68%**  
Annuity revenue

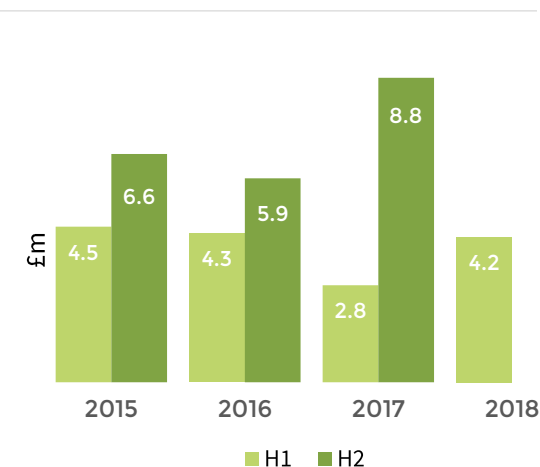
# RM RESOURCES

- Revenue doubled to £51m resulting from the acquisition of The Consortium and underlying UK and International growth in TTS
- Organic TTS revenues grew 6.4% to £27m with UK revenues +5% driven by a strong Early Years performance and International revenues +12%
- Integration continues on track with synergies of £1m delivered in the first half
- Adjusted operating margins reduced to 8.2% with margins diluted by the inclusion of The Consortium. Confident of full year margins which will benefit from seasonally stronger second half and build of synergy levels towards £4m p.a.

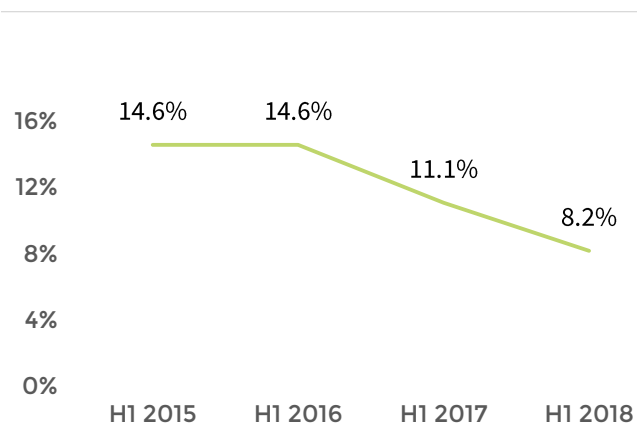
## Revenue



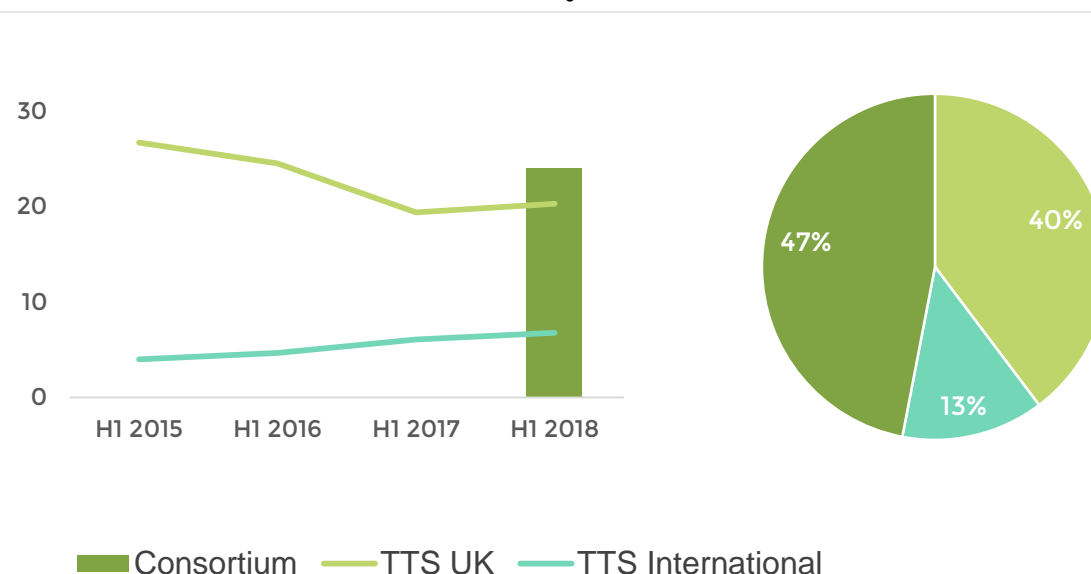
## Adjusted Operating Profit



## Adjusted Operating Margin

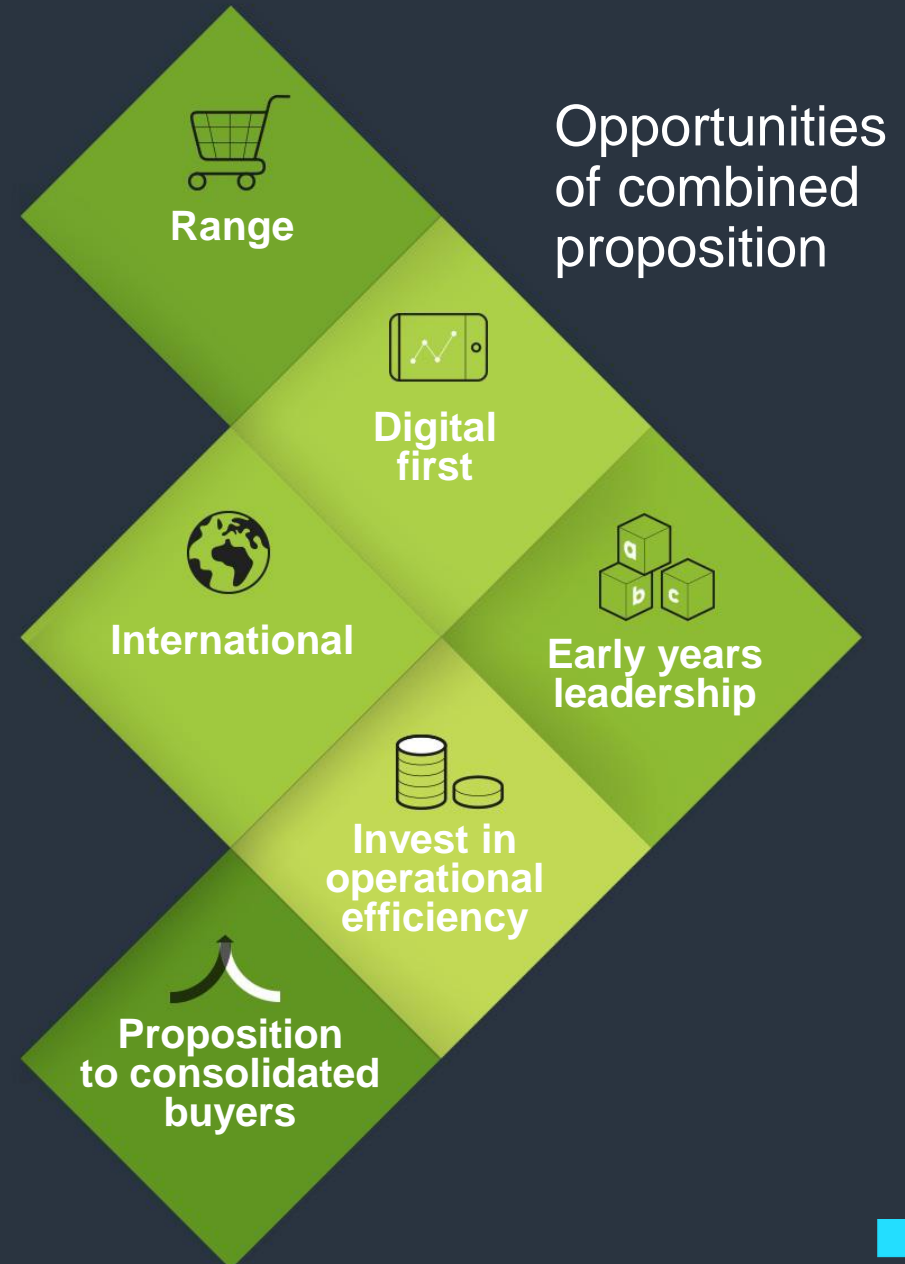


## Revenues by Division



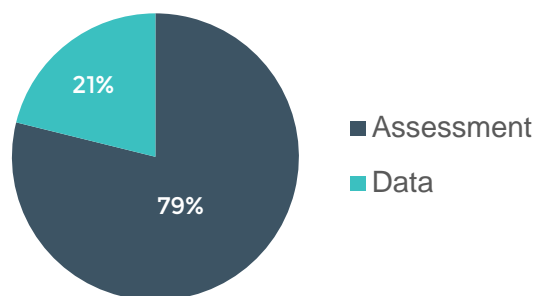
# INTEGRATION UPDATE

- Invest in operational efficiency
  - Integration continues on track towards £4m p.a. target in 2020
  - Significant work in progress to improve operations and brand proposition across The Consortium
- International
  - International growth continues positively including \$2.8m contract win in South America to be delivered over next 9 months
  - Queen's Award for Enterprise 2018 - International Trade
- Early Years Leadership
  - Strong market share gains in Early Years across brands helping offset a weaker core school market
- Proposition to consolidated buyers
  - Framework contract win with the National Private Day Nursery Association with over 6,000 members
  - Optimising product channels and frameworks for both brands
- Range
  - Progressing product and supplier rationalisation
- Digital First
  - New Marketing Director appointed with strong digital transition background

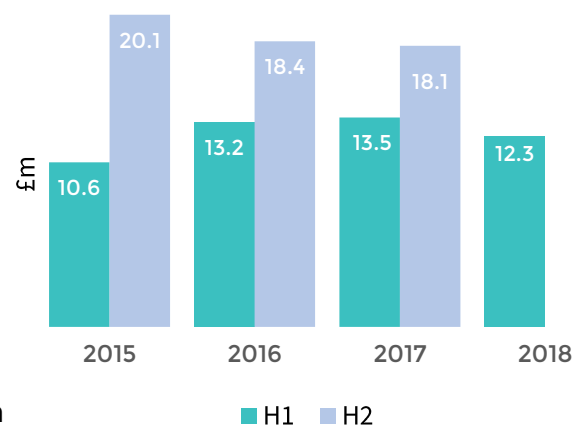


# RM RESULTS

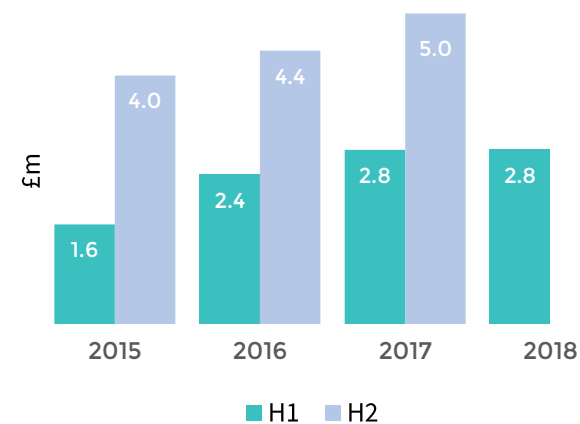
- A strong period for international e-assessment contract wins:
  - Singapore Examinations and Assessment Board
  - National Examination Centre, Lithuania
  - Design project contract with New Zealand Qualifications Authority
- Revenues reduced by £1.2m to £12.3m
  - Data revenues down £0.8m due to contract exits that concluded in H1 2017
  - Assessment revenues down £0.4m due to absence of the new client implementation project included in H1 2017
- Adjusted operating profit flat at £2.8m with operating margins increasing to 23%



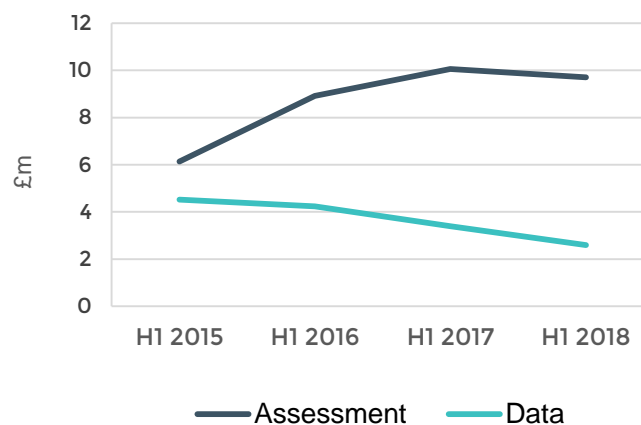
Revenue



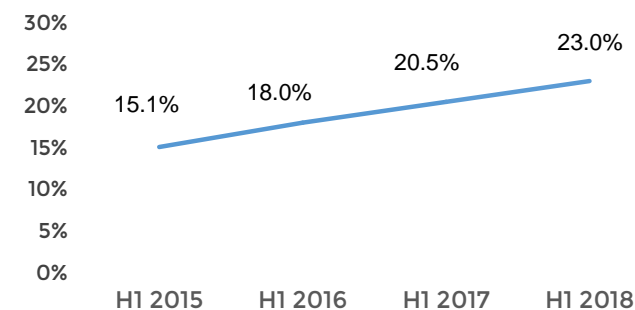
Adjusted Operating Profit



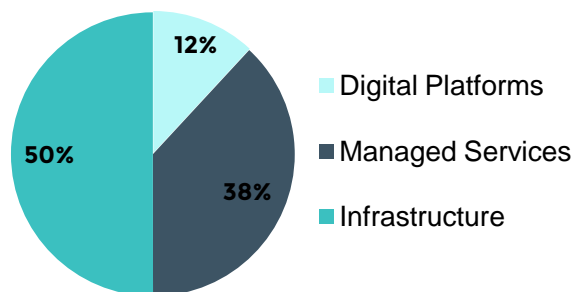
Revenues by Division



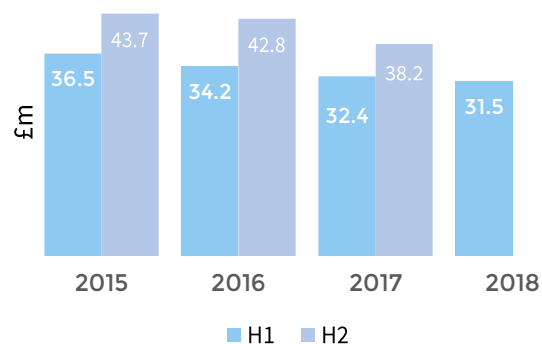
Adjusted Operating Margin



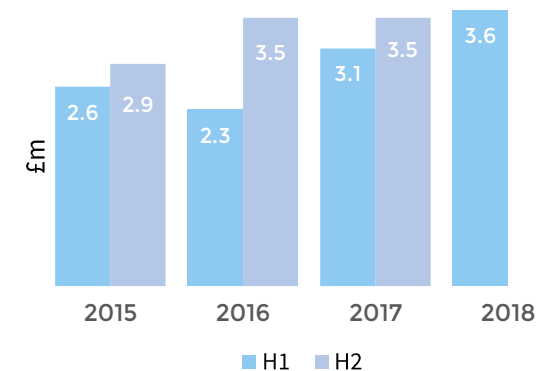
- Adjusted operating profits up 18% to £3.6m
- Revenues down 2.6%
  - Managed Services down 14% following Building Schools for Future contract conclusions in 2017
  - Infrastructure up 7% with growth in Connectivity and Hardware
  - Digital Platforms up 2% driven by 9% growth in School Management Systems
- Operating margins improve 200 bps to 11.6% (2017: 9.6%) benefiting from a further 8% reduction in the cost base



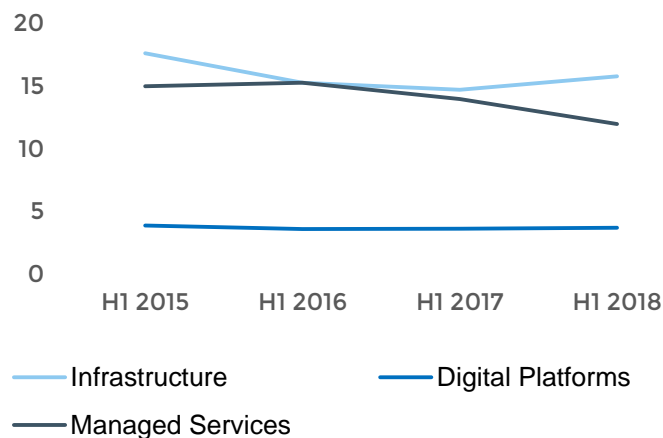
Revenue



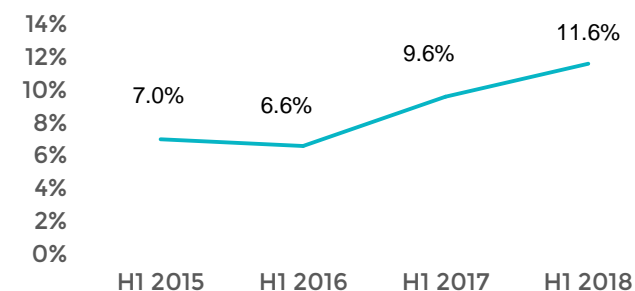
Adjusted Operating Profit

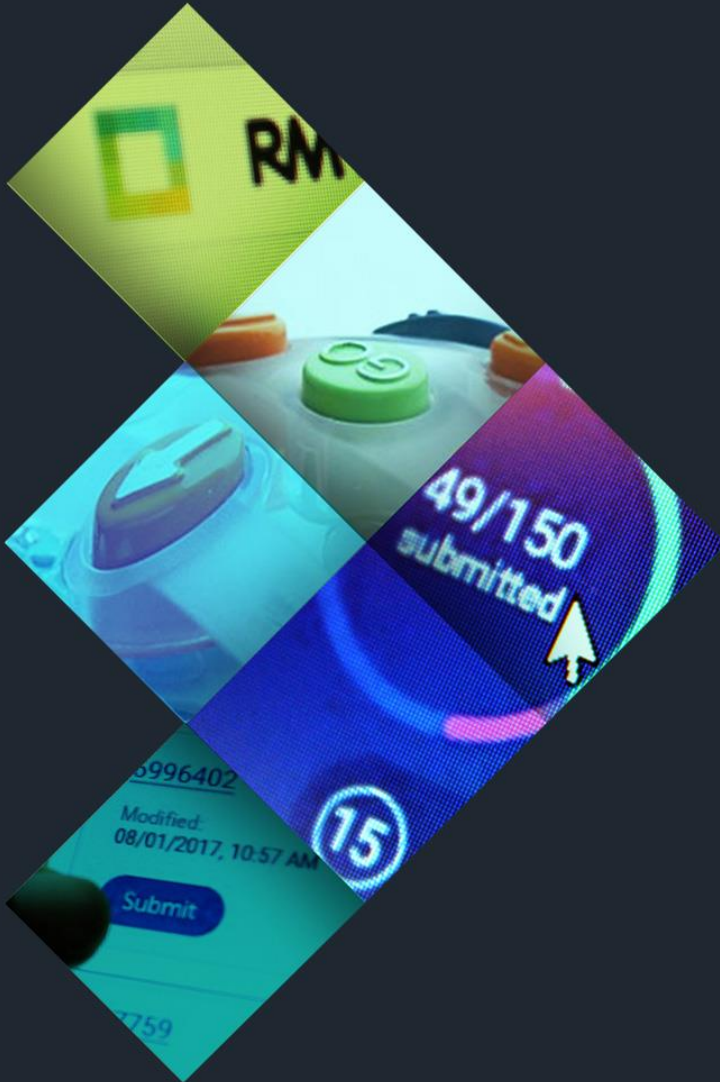


Revenues by Division



Adjusted Operating Margin





## ■ SUMMARY & OUTLOOK

- Revenue and profitability performance shows strong progress towards delivering at least full year expectations

### **RM Resources**

Integration synergies progress as planned and sales momentum in H2 underpinned by significant international order

### **RM Results**

Improving e-Assessment sales pipeline with success in International contract wins

### **RM Education**

Good progress in repositioning the business and delivering margin improvement

- Balance sheet remains strong
- Interim dividend increased by 15%

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# Appendix

## INCOME STATEMENT

£ M	6 MONTHS TO 31 MAY					
	2018			2017		
	ADJUSTED	ADJUSTMENTS	TOTAL	ADJUSTED	ADJUSTMENTS	TOTAL
<b>Revenue</b>	<b>94.9</b>	-	<b>94.9</b>	<b>71.3</b>	-	<b>71.3</b>
Cost of sales	(56.2)	-	(56.2)	(41.6)	-	(41.6)
Gross profit	38.6	-	38.6	29.7	-	29.7
<b>Gross profit %</b>	40.7%	n/a	40.7%	41.6%	n/a	41.6%
Operating expenses						
Amortisation of acquisition related intangible assets	-	(0.6)	(0.6)	-	-	-
Increase of provisions for onerous lease contracts	-	-	-	-	(0.9)	(0.9)
Acquisition costs	-	-	-	-	(1.3)	(1.3)
	(30.3)	(0.6)	(30.9)	(23.1)	(2.2)	(25.3)
<b>Operating profit</b>	<b>8.3</b>	(0.6)	<b>7.7</b>	<b>6.5</b>	(2.2)	<b>4.3</b>
<b>Operating profit %</b>	8.8%	n/a	8.2%	9.2%	n/a	6.1%
Net investment income and finance costs	(0.8)	(0.0)	(0.8)	(0.5)	(0.0)	(0.6)
<b>Profit before tax</b>	<b>7.6</b>	(0.6)	<b>6.9</b>	<b>6.0</b>	(2.2)	<b>3.8</b>
Tax	(1.5)	0.1	(1.3)	(0.4)	0.4	0.1
<b>Profit after tax</b>	<b>6.1</b>	(0.5)	<b>5.6</b>	<b>5.6</b>	(1.8)	<b>3.8</b>
<b>Diluted earnings per ordinary share</b>	<b>7.3p</b>		<b>6.7p</b>	<b>6.8p</b>		<b>4.6p</b>
<b>Dividend per share</b>			<b>1.90p</b>			<b>1.65p</b>



## CASH FLOW

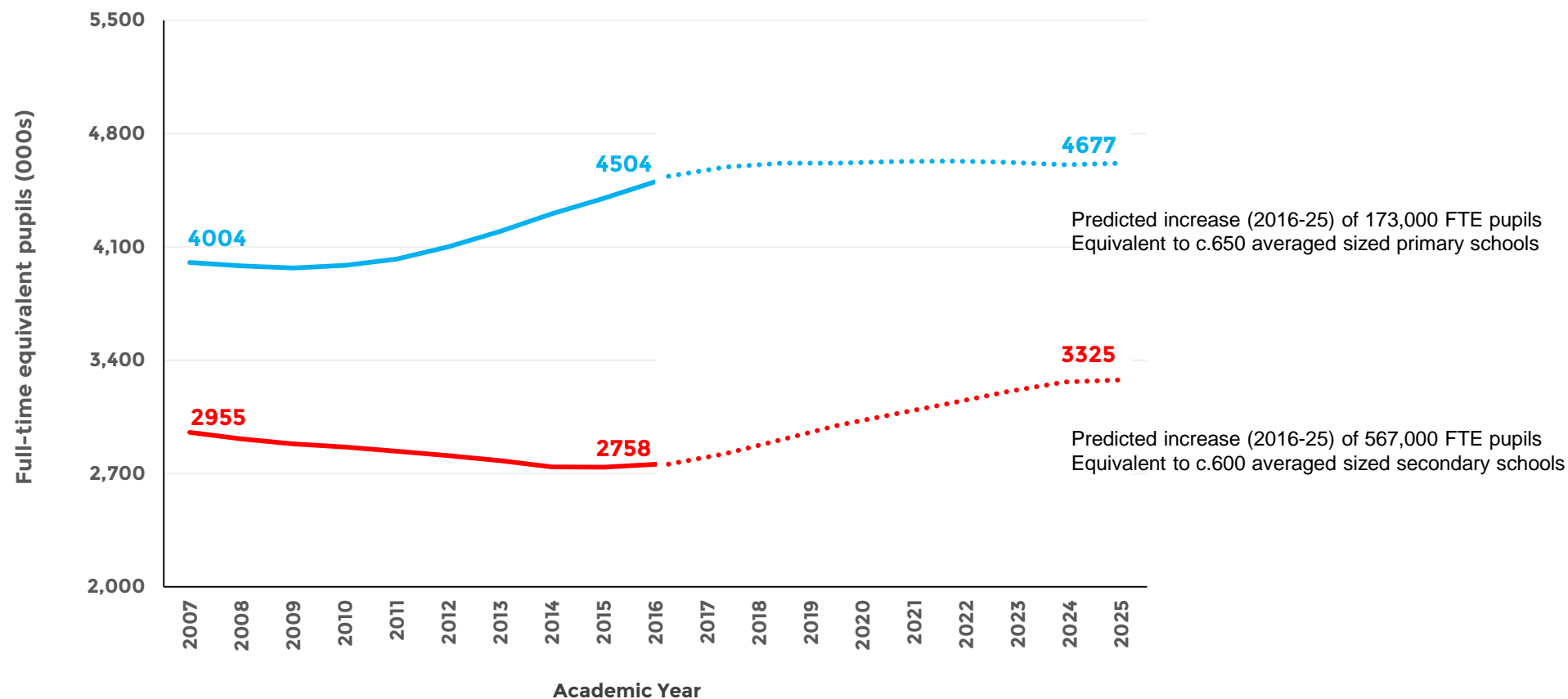
OPERATING CASH FLOWS - £M	2018	2017
<b>Profit from operations</b>	<b>7.7</b>	<b>4.3</b>
Amortisation & impairment of intangibles	1.1	0.1
Depreciation & impairment of PPE and gain on disposal	1.0	1.2
Acquisition related costs	0.0	1.3
Share-based payments	0.6	0.6
Provisions	0.5	0.5
Other adjustments	0.5	(0.1)
<b>Operating cash flows before movements in working capital</b>	<b>11.4</b>	<b>7.9</b>
Increase in inventories	(2.7)	(1.8)
Increase in receivables	(1.3)	(0.4)
Decrease in payables	(7.5)	(7.6)
Utilisation of provisions	(1.2)	(2.1)
<b>Cash used by operations</b>	<b>(1.3)</b>	<b>(4.1)</b>
NON-OPERATING CASH FLOWS - £M		
Defined benefit pension contribution	(2.3)	(2.0)
Tax paid	(1.0)	(0.6)
Net capital expenditure	(0.6)	(0.3)
Dividends paid	(4.0)	(3.7)
Loan draw downs / amounts transferred from short-term deposits	9.0	3.0
Other	(0.6)	(0.1)
<b>Net decrease in cash and cash equivalents</b>	<b>(0.8)</b>	<b>(7.7)</b>

## BALANCE SHEET

£M	31 MAY 2018	31 MAY 2017
Goodwill and other intangibles	64.6	14.8
Property, plant & equipment	9.8	5.1
Other receivables	1.5	1.1
Deferred tax assets	4.8	6.7
<b>Total non-current assets</b>	<b>80.8</b>	<b>27.8</b>
Inventories	22.1	12.5
Trade & other receivables	31.0	24.9
Cash & short-term deposits	1.2	29.3
<b>Total current assets</b>	<b>54.3</b>	<b>66.7</b>
<b>Total assets</b>	<b>135.1</b>	<b>94.5</b>
Current liabilities, including tax liabilities	(56.4)	(50.3)
Retirement benefit obligation	(9.7)	(22.2)
Other non-current liabilities	(6.3)	(4.4)
Bank loan	(22.3)	-
<b>Total liabilities</b>	<b>(94.8)</b>	<b>(76.9)</b>
<b>Net assets / total equity</b>	<b>40.3</b>	<b>17.5</b>

# PUPIL PROJECTIONS

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.



**RM**<sup>TM</sup>  
Resources





**RM**<sup>TM</sup>  
Results





**RM**<sup>TM</sup>  
Education

