



TECHNOLOGY AND RESOURCES FOR EDUCATION

Six months to 31 May 2020

David Brooks
Chief Executive Officer

Neil Martin
Chief Financial Officer



AGENDA

© Highlights

David Brooks

© Financial Review

Neil Martin

© 2020 Divisional Review

Neil Martin

© Focus & Outlook

David Brooks

© Q&A

👁️ HIGHLIGHTS

COVID-19 drives school closures and exam cancellations



- 👁️ **Positive Q1 offset by COVID-19 dominated Q2** as improving momentum was materially impacted by school closures and exam cancellations
- 👁️ **Revenue down 17% and adjusted operating profits reduced by 57%** driven largely by the reduction in RM Resources which saw Q2 sales decline 48%
- 👁️ **Net debt of £14m** vs. £21m as at the same period last year resulting from cash conservation actions
- 👁️ **No interim dividend is proposed**
- 👁️ **Trading has begun to improve** as education systems start to reopen

© COVID-19 IMPACT - A STORY OF TWO QUARTERS



Entered year with clear focus

- Deliver major capital programmes
- Develop growing international opportunities
- Reshape Technology divisions focus on software and services
- Deliver further efficiencies

Q1 positive progress

- Capital programmes on track
- Growing pipeline of international opportunities building confidence
- Aligned RM Education and RM Results divisions under single leadership
- Restructuring executed delivering £3m of annualised savings
- Revenues up 2% YOY

COVID-19 on horizon

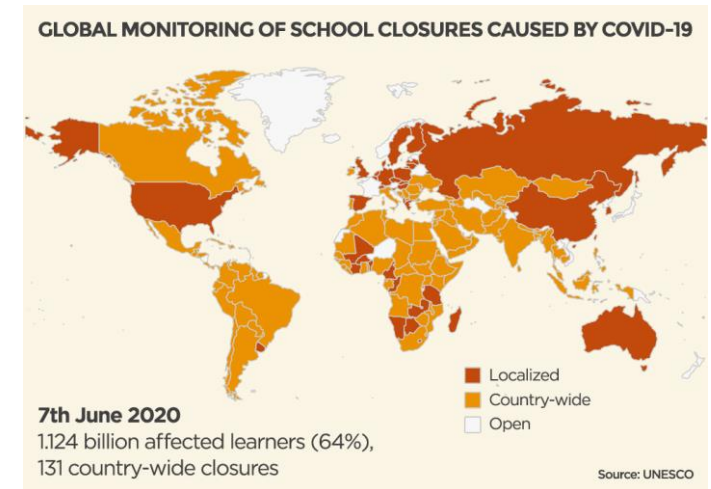
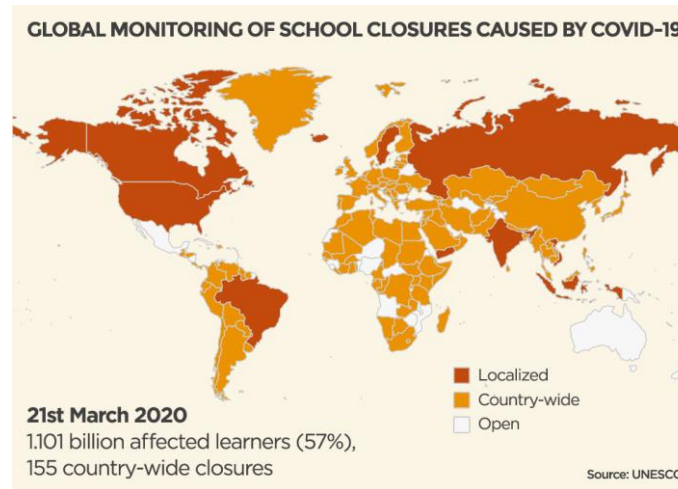
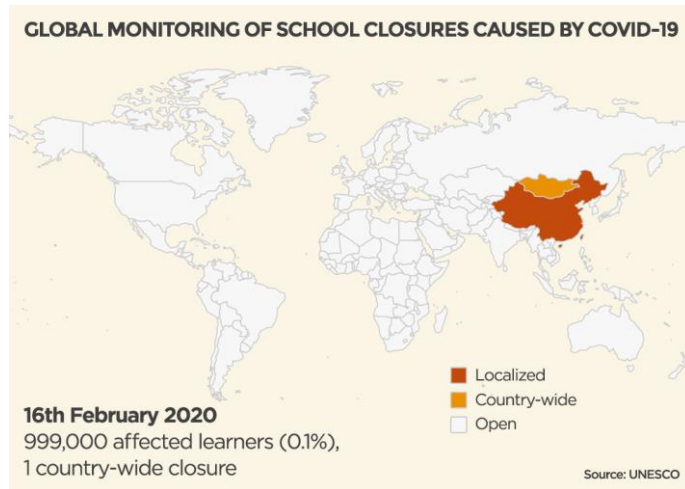
- International orders start to be impacted
- Business continuity planning assesses home working
- Emergency response initiated with daily meetings
- Cash conservation and cost saving activities begin

Q2 lockdown

- Schools closed and exams cancelled around the world
- Staff working from home other than in distribution centres
- Dividend cancelled and capital programmes paused
- Trading impacted differently across divisions
- Revenues down 33% YOY

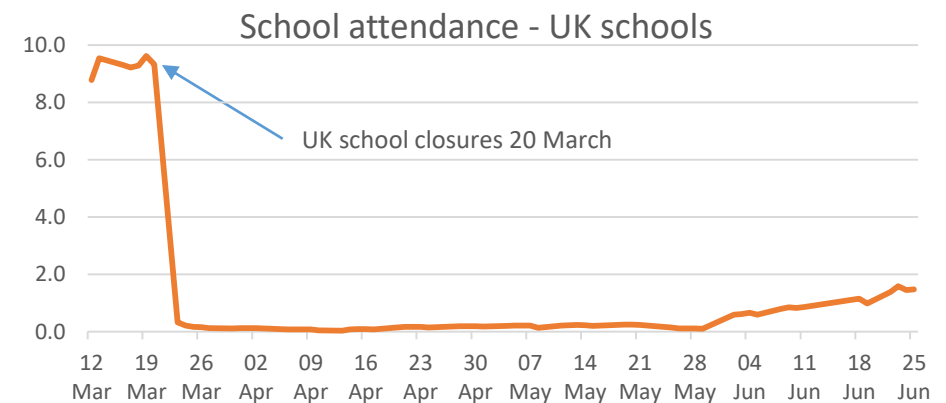
© COVID-19 IMPACT – MARKET BACKDROP

- Significant closures of schools across the world and widespread exam cancellations



- Phased school openings across UK home nations from 1 June

- **England** Nursery, Reception, years 1 and 6 from 1 June
 Remaining year groups from 1 September
- **Wales** All year group return 29 June on blended model
- **Scotland** All year Groups from 13 August
- **NI** Phased re-opening from 24 August



© COVID-19 IMPACT - THREE PHASE APPROACH



Plan & Stabilise

- Business continuity planning supported all office staff working from home immediately on lockdown
- Initial focus on safeguarding our people and supporting customers and suppliers
- Stress tests established and plans and activities initiated to manage funding and cost base
- Dividend cancelled and capital programmes deferred



Run Lean

- Permanent staff recruitment stopped, temporary staffing levels and discretionary spend materially reduced
- Board & Executive team reduced salaries by up to 25% and bonuses forgone
- Banks increased covenants and wider cash conservation activities put in place. Additional funding not deemed necessary
- Government job retention scheme used cautiously with focus on RM Resources. Company maintained 100% employee pay



Recovery Preparations

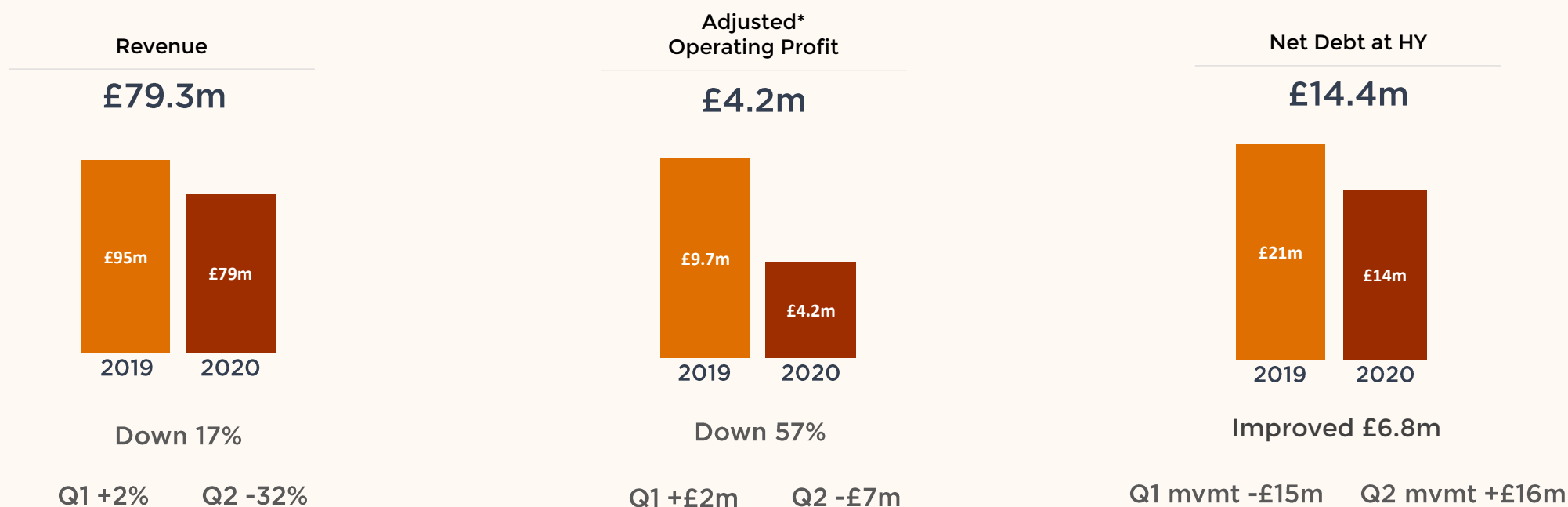
- Innovation teams assessing COVID-19 impact on market and customers
- Customers engaged to assess short and longer term needs
- Capital programmes set to restart alongside review of Target Operating Model and working practices
- Expect to repay furlough scheme receipts this financial year as a result of improved trading

RMTM plc

FINANCIAL SUMMARY

© H1 FINANCIAL OVERVIEW

Results materially impacted by COVID-19 Q2 impact



- Reported revenues down 17% as positive momentum in Q1 performance was materially offset by Q2 COVID-19 impacts
- Adjusted operating profit declined as cost savings were insufficient to offset the impact of school closures and exam cancellations
- Net debt was reduced to £14.4m at 31 May 2020 supported by a revolving credit facility of £70m.

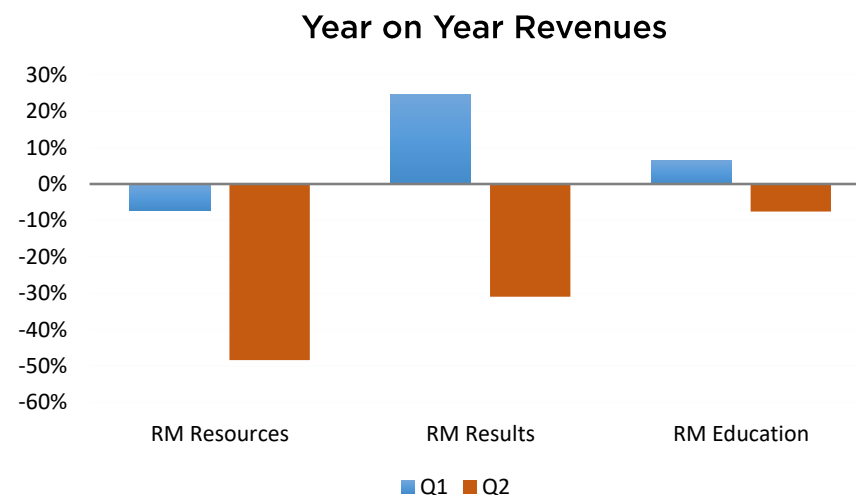
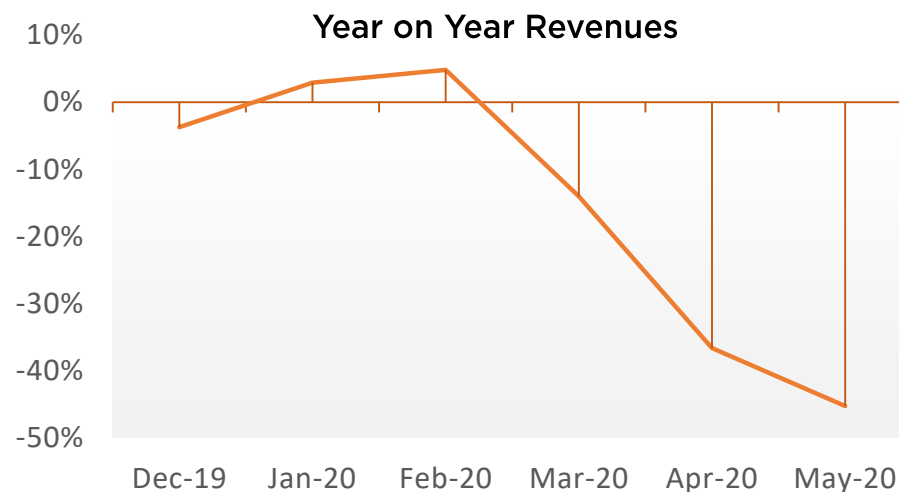
REVENUE DEVELOPMENT

GROUP IMPACT

- Year started solidly with positive momentum in Q1
 - Technology divisions revenue +12%
 - Resources stronger than feared with Q1 UK Education flat
- Q2 shows impact of lockdown and revised exam profile outlook

PORTFOLIO DYNAMICS

- Divisional resilience to a full lockdown:-
 - RM Resources most impacted due to transactional sales impact as schools are closed
 - RM Results has a mixture of recurring revenues and volume related fees that are only impacted in such extreme situations
 - RM Education is most resilient due to high recurring revenues



INCOME STATEMENT

£m	2020	2019	Variance
Revenue	79.3	95.5	-17%
Adjusted Operating Profit	4.2	9.7	-58%
Operating Margin	5.3%	10.2%	-50pp
Interest	(0.7)	(0.4)	-55%
Adjusted Profit before tax	3.5	9.3	-62%
Tax	(0.8)	(1.8)	+52%
Adjusted Profit after Tax	2.7	7.5	-64%
Exceptional items (after tax)	(1.2)	(0.7)	-60%
Profit after tax	1.5	6.8	-78%
Adjusted diluted EPS	3.2p	9.1p	-5.9p

Actions taken to reduce operating costs as a result of COVID-19, alongside a restructuring that took place in Dec 2019, reduced staff related costs and marketing spend by £7m - partially offset by SoNET acquisition, increased customer credit risk charges and higher property and IT charges

Net interest charge higher due to IFRS16 changes and absence of income following sale of investment in Essex LEP

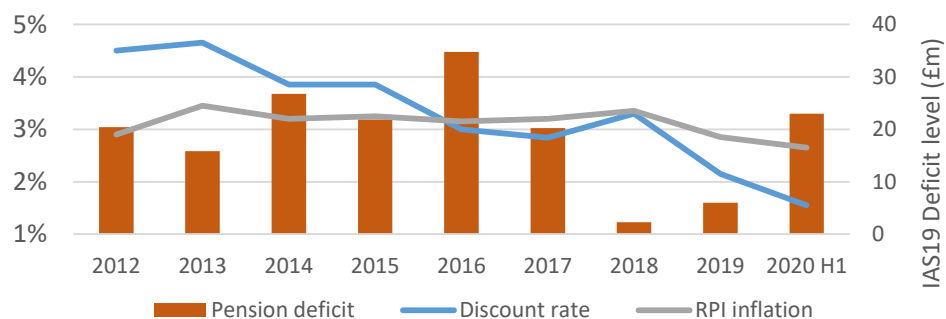
Effective tax rate of 23.7% for adjusted profit

Exceptional items (after tax) include:

- Amortisation of acquisition intangibles £(0.8)m
- December 19 restructuring charge £(0.8)m
- Group system design partial impairment £(0.6)m
- Profit on asset sales £1.2m

CASH FLOW AND PENSION

	2020	2019
Net debt at 30 Nov	15.0	5.8
Profit from operations	2.8	8.8
Adjustments	3.1	1.2
Operating cashflows	5.9	10.0
Working capital	(3.0)	(13.3)
Cash (used)/generated in operations	2.9	(3.3)
Pension contributions	(1.0)	(2.2)
Tax paid	(1.8)	(1.7)
Capital expenditure	(2.1)	(3.2)
Sale receipts	4.5	-
Dividends paid	-	(4.7)
Other	(2.0)	(0.2)
Net Movement	0.6	(15.4)
Net Debt at 31 May	14.4	21.2



Cash Flow

Net debt of £14m is £7m lower than prior year half year and £1m below the year end position.

Cash conservation activities improved the position by £16m

- Final dividend cancelled £5m
- Tax payments deferred £5m
- Capital expenditure paused £5m
- Pension deficit payments deferred £1m

Sales receipts from two assets sold

- Freehold property £2.9m
- Investment in Essex LEP £1.6m

Capital expenditure programmes will be restarted in H2 with c. £6m of expenditure in 2020

Pension

IAS19 net pension deficit increased to £23m driven by a reduction in the discount rate partially offset by a lower inflation outlook and growth in asset values

- Significant unutilised facility and increased debt leverage covenants to 3.5x for 2020
- Good cash generative characteristics
- Additional funding not deemed necessary at this stage
- Financial viability maintained through stress test scenarios

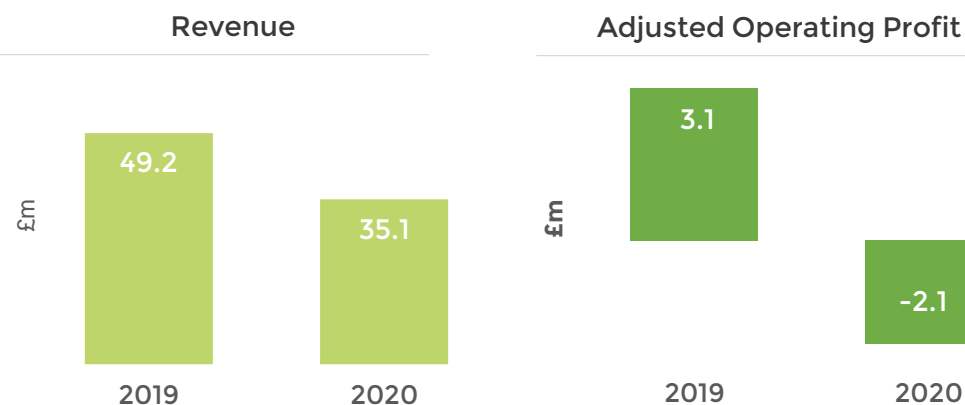
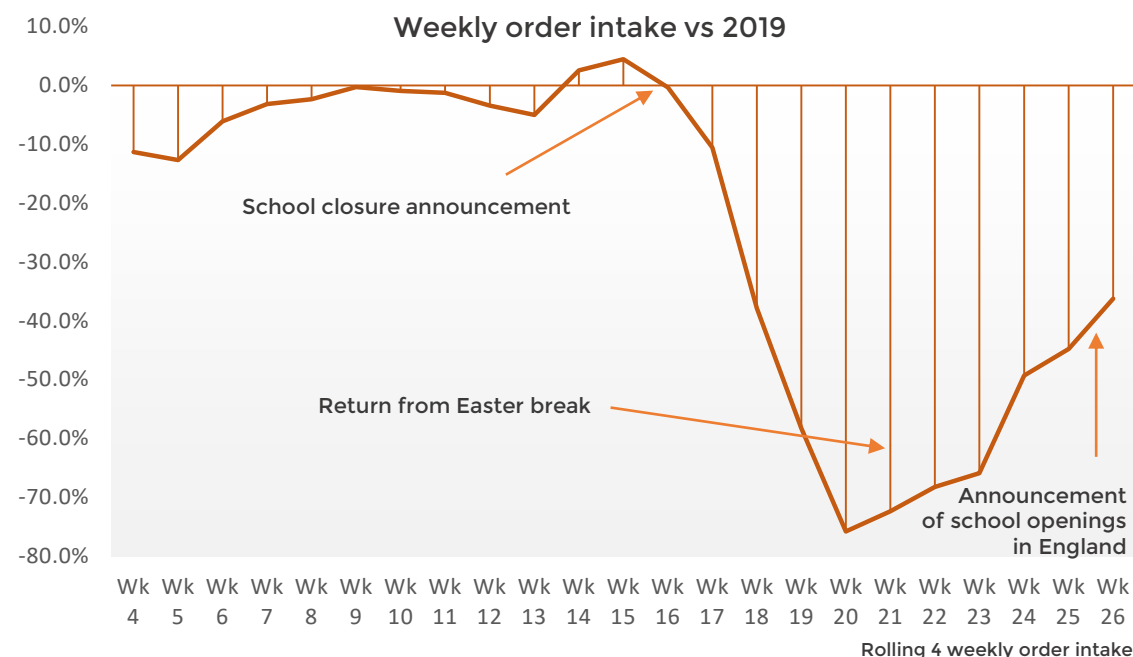


RMTM plc

2020 DIVISIONAL REVIEW

Encouraging Q1 significantly impacted by schools closures

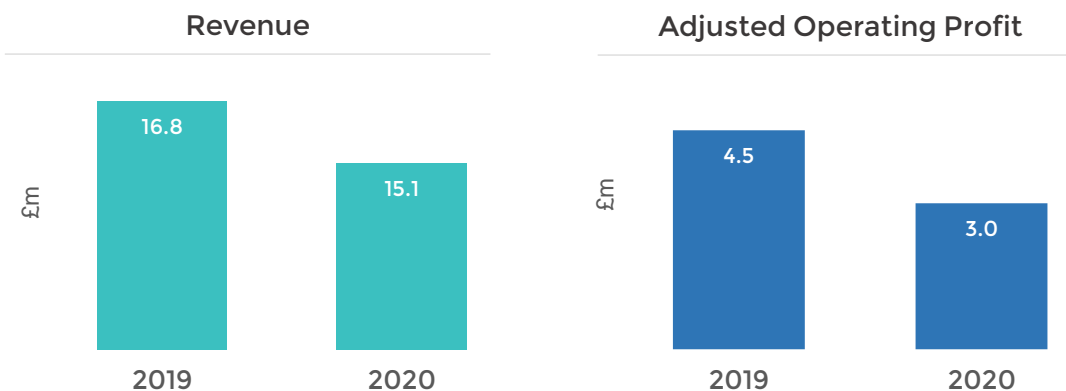
- Q1 saw flat UK education revenues but international revenues were lower due to the absence of a large Q1 2019 order in South America that was not repeated
- UK Schools lockdown had an immediate impact with orders dropping over 70%
- Cost management activities included:-
 - Utilisation of government furlough scheme whilst maintaining 100% staff pay.
 - Significant reductions in discretionary spend including marketing and temporary staff
 - Partially offset by charges associated with increased credit risk
- Order levels responding well to partial school opening announcements both in the UK and internationally
- Caution remains in H2 outlook as schools navigate journey to full capacity



Strong momentum impacted by cancellation of exams globally

- Q1 revenues up 25% benefiting from new clients, increased exam volumes and SoNET acquisition
- Q2 negatively impacted by significant exam cancellations
- New contract win with IEA to deliver the Trends in International Mathematics and Science Study across c.70 countries
- Broader development of sales pipeline restricted by COVID-19 disruption and travel restrictions

Geography	RM Customer Exam Bodies	Expected Exam Cancellations
UK General Exams	4	75%
UK Other	5	35%
EMEA	8	90%
Australia / NZ	5	0%
Asia	2	35%
ROW	3	70%

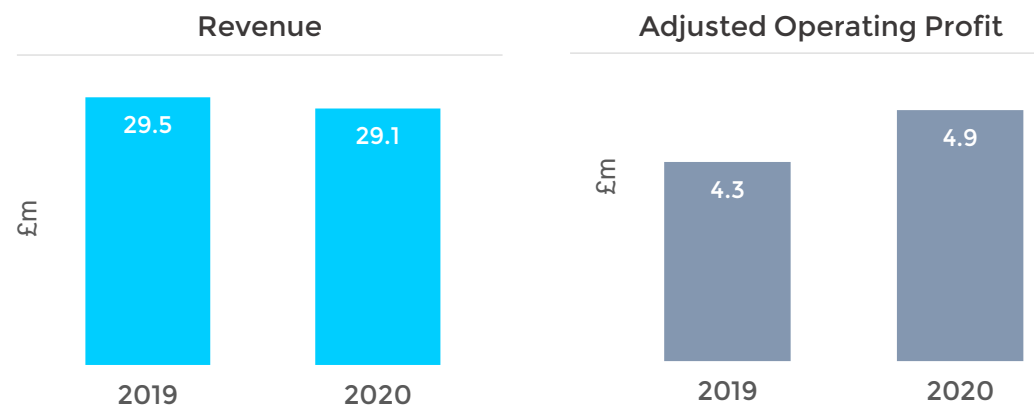


Resilient recurring revenue performance supporting UK schools

- Revenues broadly maintained as software and services recurring revenues continue to support remote learning and essential school technology requirements
- Cost saving programme delivered pre COVID-19 and some one-time benefits help improve profitability
- Despite challenges to progress key sales activities, two Multi Academy Trust wins concluded covering transformative IT programmes across 14 schools
- Well-positioned to support UK schools transition to the Cloud and support blended learning and school infrastructure resilience

Initiatives launched since COVID-19 lockdown

19th Apr	DfE laptop and WiFi scheme for disadvantaged children
20th Apr	Oak National Academy launches, providing video lessons to 4m pupils
25th Apr	DfE fund programme for Remote Learning platforms for schools in England
19th Jun	DfE £1 billion fund to support 'lost learning'
2nd Jul	Government re-opening guidance requires schools to have remote education access



RM[™] plc

FOCUS & OUTLOOK

© Potential shift in education market

Technology-enabled blended learning is here to stay

The move to digitising education will accelerate change

Role of technology in assessment will increase

The widening attainment gap will be a concern and focus

These changes are aligned to our existing strategic themes



OUTLOOK



- Trading is starting to improve as schools open. Exam boards planning how to deliver assessments in 2021
- We expect to remain profitable in H2
- Major capital programmes set to re-start
- Education needs support and innovation more than ever

Q&A

20





RMTM plc

APPENDIX

INCOME STATEMENT

£ M	6 MONTHS TO 31 MAY					
	2020			2019		
	ADJUSTED	ADJUSTMENTS	TOTAL	ADJUSTED	ADJUSTMENTS	TOTAL
Revenue	79.3	-	79.3	95.5	-	95.5
Cost of sales	(45.7)	-	(45.7)	(54.7)	-	(54.7)
Gross profit	33.5	-	33.5	40.7	-	40.7
<i>Gross profit %</i>	42.3%	-	42.3%	42.7%	-	42.7%
Operating expenses	(29.3)	-	(29.3)	(31.0)	-	(31.0)
Amortisation of acquisition related intangibles		(1.0)	(1.0)		(0.6)	(0.6)
Restructuring costs		(1.0)	(1.0)		-	-
Impairment		(0.7)	(0.7)		-	-
Sale of Assets		1.3	1.3		-	-
Acquisition costs		-	-		(0.2)	(0.2)
Property related costs		-	-		(0.1)	(0.1)
	(29.3)	(1.3)	(30.7)	(31.0)	(0.9)	(31.9)
Operating profit	4.2	(1.3)	2.8	9.7	(0.9)	8.8
<i>Operating profit %</i>	5.3%	-	3.6%	10.2%	-	9.3%
Net investment income and finance costs	(0.7)	-	(0.7)	(0.4)	(0.0)	(0.4)
Profit before tax	3.5	(1.3)	2.2	9.3	(0.9)	8.4
Tax	(0.8)	0.2	(0.7)	(1.8)	0.2	(1.6)
Profit after tax	2.7	(1.2)	1.5	7.5	(0.7)	6.8
Diluted earnings per ordinary share	3.2p		1.8p	9.1p		8.2p
Dividend per share			0.00p			2.00p

CASH FLOW

OPERATING CASH FLOWS - £M	2020	2019
Profit from operations	2.8	8.8
Amortisation & impairment of intangibles	2.3	1.1
Depreciation & impairment of PPE	2.0	0.9
Share-based payments	0.4	0.2
Provisions	0.7	(1.2)
Other adjustments	(2.2)	0.2
Operating cash flows before movements in working capital	5.9	10.0
(Increase)/decrease in inventories	(0.4)	(6.9)
(Increase)/decrease in receivables	6.3	0.2
(Increase) in contract fulfilment assets	(0.8)	(0.8)
Decrease in payables & other liabilities	(8.1)	(5.8)
Cash generated / (used) by operations	2.9	(3.3)
NON-OPERATING CASH FLOWS - £M		
Defined benefit pension contribution	(1.0)	(2.2)
Tax paid	(1.8)	(1.7)
Net capital expenditure less proceeds on disposal	2.4	(3.2)
Dividends paid	-	(4.7)
(Repayment)/drawdown of borrowings	(1.0)	14.0
Other	(1.9)	(0.2)
Net decrease in cash and cash equivalents	(0.3)	(1.2)

BALANCE SHEET

£M	31 MAY 2020	31 MAY 2019
Goodwill	49.2	45.2
Intangible assets	22.7	18.6
Property, plant & equipment	5.6	10.3
Right of use asset	6.0	-
Defined benefit pension surplus	0.6	0.7
Other receivables	0.3	0.9
Contract fulfilment assets	2.7	1.5
Deferred tax assets	6.5	5.7
Total non-current assets	93.7	82.9
Inventories	22.6	25.0
Trade & other receivables	24.6	38.6
Contract fulfilment asset	1.1	0.7
Held for sale asset	3.1	-
Tax assets	1.8	0.4
Cash & short-term deposits	3.9	1.7
Total current assets	57.1	66.4
Total assets	150.8	149.3
Current liabilities, including tax liabilities	(50.6)	(62.5)
Borrowings	(15.7)	(20.7)
Retirement benefit obligation	(24.0)	(18.5)
Other non-current liabilities	(13.7)	(5.9)
Total liabilities	(103.9)	(107.5)
Net assets / total equity	46.8	41.8

Helping teachers to teach and learners to learn by developing engaging and inspiring resources

WHAT WE DO



Provide education supplies and curriculum products for schools and nurseries in the UK and internationally



HOW WE ADD VALUE



Unique own designed curriculum resources focused on improving learning outcomes

Offering the whole classroom proposition



THE OPPORTUNITY



Committed increases in education funding in UK



Strong differentiation of own developed products and brand pedigree in growing international market

Investment in automated warehouse program provides path to significantly improved efficiency



Driving the global modernisation of assessment

WHAT WE DO



A global leader in providing digital assessment solutions that support lifelong learning



HOW WE ADD VALUE



Improve the quality, efficiency and speed of our customer's assessment lifecycle

Secure, seamless and hassle free e-assessment and data analysis



THE OPPORTUNITY



Market with strong structural growth opportunity in global assessment

End to end digital capability opens new channels and opportunities

Increasing technology and automation adoption in global assessment



Helping UK schools to improve the impact of technology on teaching and learning

WHAT WE DO



Software, services and technology
provider to UK schools and colleges



HOW WE ADD VALUE



Delivering cost effective,
reliable, secure technology

Helping schools to make the
most of their IT investment



THE OPPORTUNITY



Growth in multi-
academy trusts provides
aggregated buying in
fragmented market



Committed
increases in
education funding
in the UK

Increasing
technology
adoption in
education



© DIVISIONAL SUMMARY

Revenue £M

	2020	2019	Variance
RM Resources	35.1	49.2	-29%
RM Results	15.1	16.8	-10%
RM Education	29.1	29.5	-1%
Group	79.3	95.5	-17%

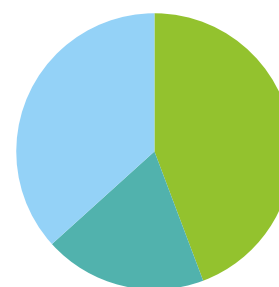
Adjusted Operating Margin

	2020	2019	Variance
RM Resources	-5.8%	6.3%	-12.1pp
RM Results	19.7%	27.1%	-7.4pp
RM Education	16.8%	14.7%	+2.1pp
Group	5.3%	10.2%	-4.9pp

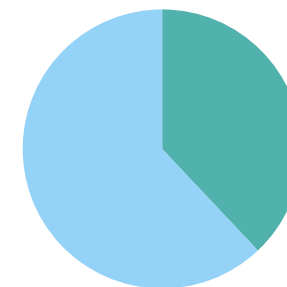
Adjusted Operating Profit £M

	2020	2019	Variance
RM Resources	(2.1)	3.1	-166%
RM Results	3.0	4.5	-35%
RM Education	4.9	4.3	+12%
Corporate	(1.6)	(2.2)	+29%
Group	4.2	9.7	-57%

Revenue



Adjusted Operating Profit



■ RM Resources ■ RM Results ■ RM Education