



## Interim Results

Technology and Resources for Education

23 August 2022

**Neil Martin**

Chief Executive Officer

**Emmanuel Walter**

Chief Financial Officer



# Agenda



H1 Overview

**Neil Martin**  
CEO



Financial Review

**Emmanuel Walter**  
CFO



Strategy & Outlook

**Neil Martin**  
CEO



Q&A

# 2022 H1 Summary

- > Revenue growth of 4% and encouraging wins across all Divisions which will benefit subsequent periods
- > Reduced profitability reflects required turnaround in RM Technology division, impacts related to the IT change programme and high inflation, notably freight costs
- > Implementation of new IT platform proving more challenging than anticipated
- > Net debt at £41.5m due to H1 seasonal working capital and elevated programme investment spend
  - > Bank covenant relaxed for May and Nov 2022
  - > Dividend payment paused, to be reviewed at prelim results
- > Despite near-term school budget headwinds, underlying market drivers continue to strengthen, and positive sales momentum supports long-term path to sustainable growth

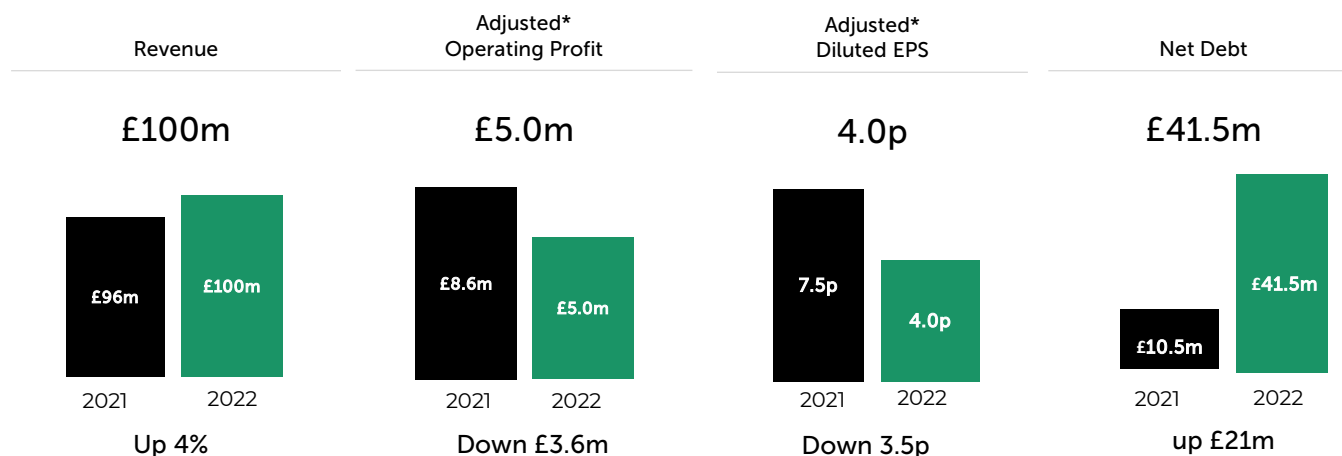




# Financial Summary

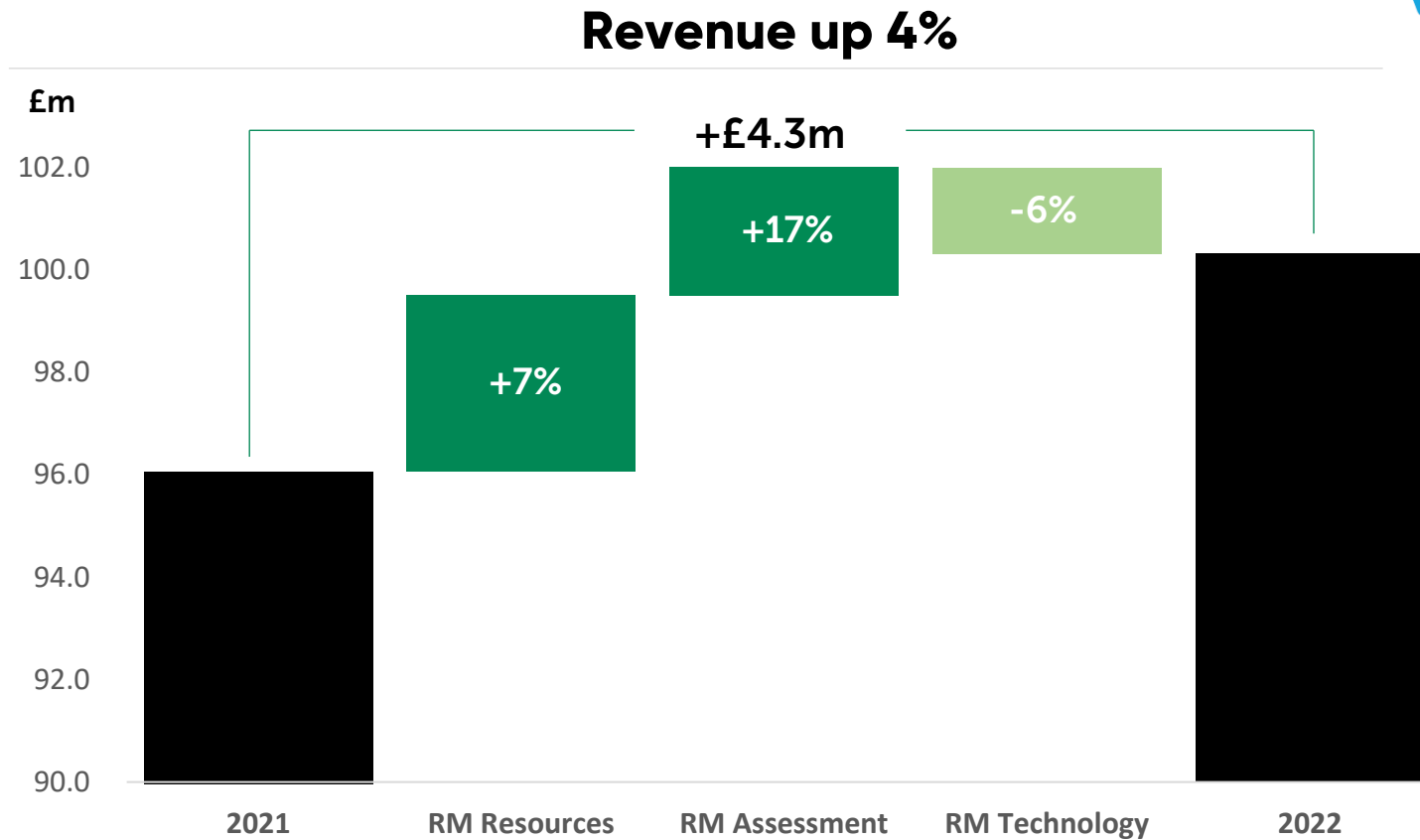


# H1 Financial Overview



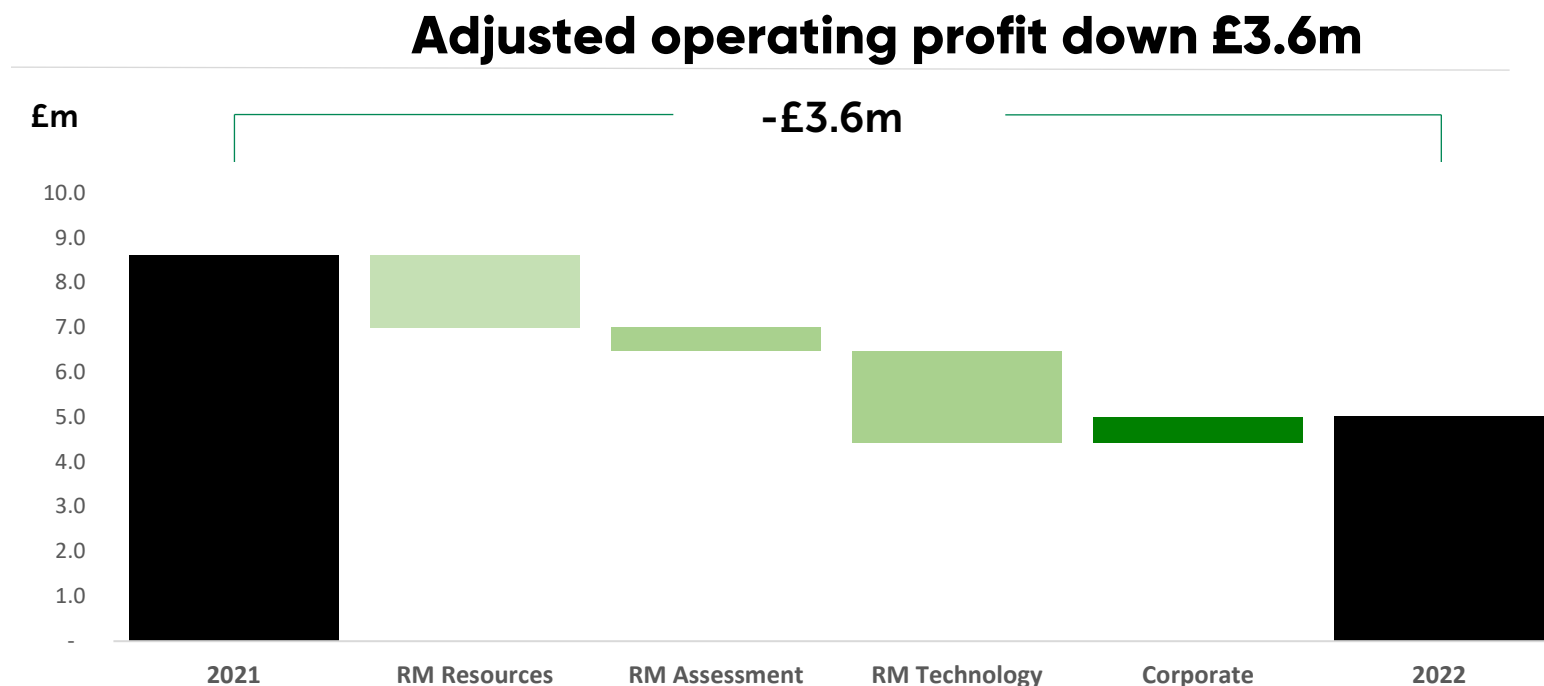
- > Revenues up 4% with good growth in the Resources and Assessment divisions offsetting a decline in RM Technology.
- > Operating profit decrease of £3.6m reflecting reduced profitability in RM Technology, impacts associated with the IT change programme and high inflation, notably in freight costs
- > Net debt increased to £41.5m with underlying cash generation offset by normal seasonal working capital outflows and spend on warehouse automation and IT platform investment programmes
- > No interim dividend payment due to elevated net debt levels

# H1 Revenue



- > **RM Resources** up 7% with International revenues growing 41% and UK 2% despite revenue delayed into H2 due to IT implementation
- > **RM Assessment** up 17% on prior year benefitting from full exam sessions in the UK and improving volumes
- > **RM Technology** down 6% driven by reduced Hardware and Managed Services revenues

# H1 Adjusted profit



- > **RM Resources** down £1.6m with revenue growth held back by impacts associated with the IT implementation which delayed shipments and drove cost inefficiencies alongside higher than anticipated freight costs
- > **RM Assessment** down £0.5m with the return of normal exam seasonality offset by inflation, increased service delivery costs and absence of prior year one-time benefits
- > **RM Technology** down £2.0m with lower revenues and elevated service delivery costs ahead of the change programme under new leadership

# H1 Divisional Summary

## Revenue £M

	2022	2021	Variance
RM Resources	51.6	48.2	+3.4
RM Assessment	18.2	15.5	+2.7
RM Technology	30.4	32.3	-1.9
Group	100.3	96.1	+4.3

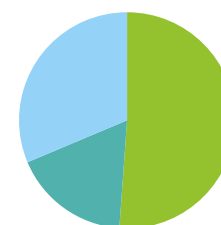
## Adjusted Operating Margin

	2022	2021	Variance
RM Resources	2.3%	5.9%	-3.6pp
RM Assessment	15.1%	21.1%	-5.9pp
RM Technology	8.3%	14.2%	-5.8pp
Group	5.0%	9.0%	-4.0pp

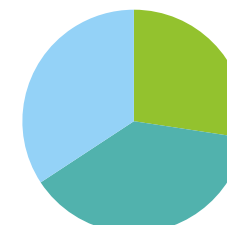
## Adjusted Operating Profit £M

	2022	2021	Variance
RM Resources	1.2	2.9	-1.7
RM Assessment	2.8	3.3	-0.5
RM Technology	2.5	4.6	-2.0
Corporate	-1.5	-2.1	+0.6
Group	5.0	8.6	-3.6

## Revenue



## Adjusted Operating Profit



■ RM Resources ■ RM Assessment ■ RM Technology

\*Adjusted operating profit is before the amortisation of acquisition related intangible assets, dual run costs, configuration of SaaS licenses (ERP) and restructuring costs



# H1 Income Statement

£m	2022	2021	Variance
Revenue	100.3	96.1	+4%
Adjusted Operating Profit	5.0	8.6	-42%
Adjusted Operating Margin	5.0%	9.0%	-4.0pp
Interest	(0.8)	(0.6)	-24%
Adjusted Profit before tax	4.2	8.0	-47%
Tax	(0.8)	(1.7)	+49%
Adjusted Profit after Tax	3.4	6.2	-46%
Adjustments (after tax)	(9.3)	(4.3)	-116%
Loss after tax	(5.9)	2.0	-401%
Adjusted diluted EPS	4.0p	7.5p	-47%
Dividend per share	0.0p	1.7p	-

- > Interest costs reflect debt facility charges and finance costs related to the defined benefit pension schemes
- > Adjusted effective tax rate of 20.0 % (2021: 21.8%).
- > Adjustments (after tax) comprise:
  - (i) £6.1m (2021: £2.8m) of costs incurred during H122 in relation to the implementation of new IT platform have been expensed.
  - (ii) £2.3m (2021: £0.6m) Dual running costs associated with investment programs.
  - (iii) £0.8m (2021: £0.9m) amortisation of Acquisition Intangibles

\*Adjusted operating profit is before the amortisation of acquisition related intangible assets, dual run costs, configuration of SaaS licenses (ERP) and restructuring costs

# H1 Cashflow

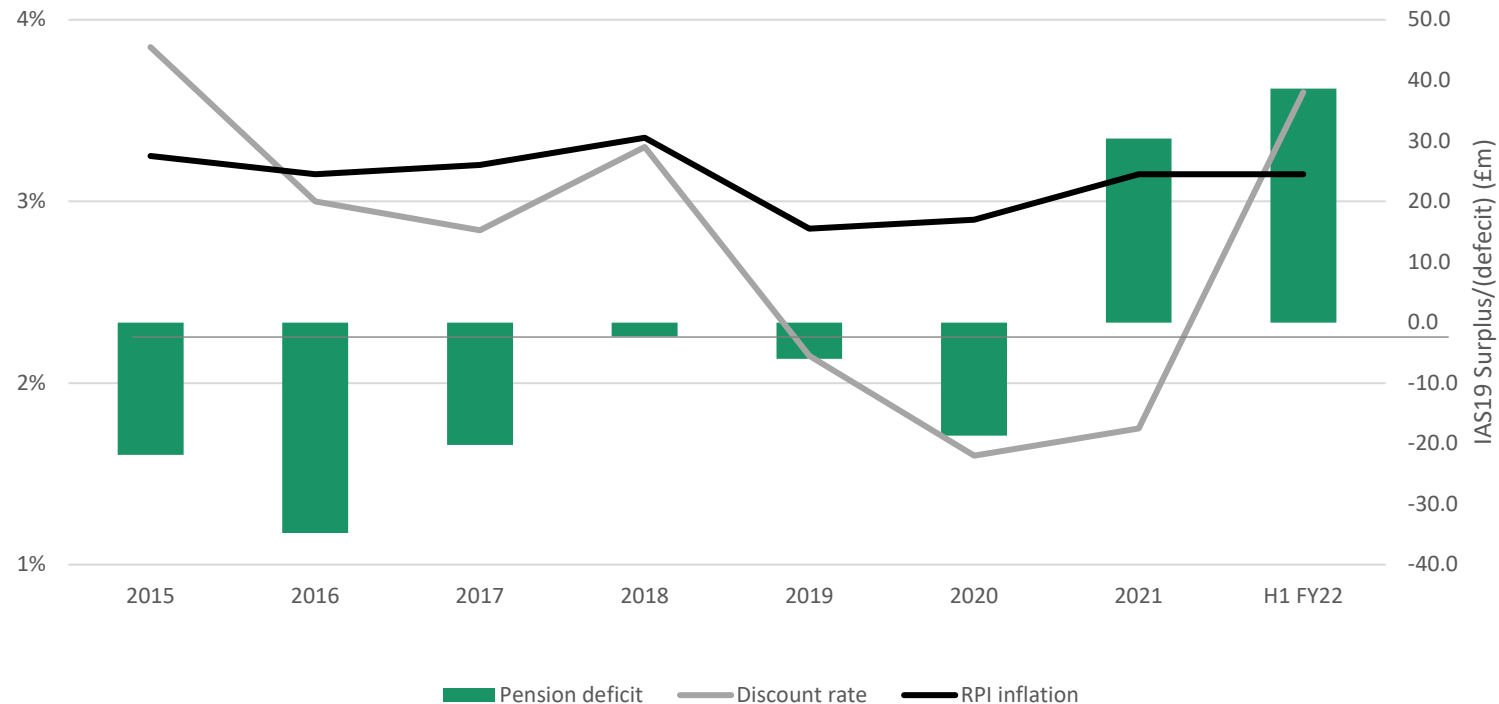
Consistent operating cash generation offset by programme investment spend

£m	2022	2021	Variance	2019	Variance
Adjusted operating profit	5.0	8.6	-3.6	9.9	-4.9
Non-cash items	2.3	1.4	+0.9	0.6	+1.7
Working capital outflow	(10.9)	(1.2)	-9.7	(11.7)	+0.8
Adjusted cash generated from operations	(3.6)	8.8	-12.4	(1.2)	-2.4
Financing and investing outflows**	(7.8)	(7.9)	+0.1	(12.4)	+4.7
Adjusted cash flow	(11.4)	0.9	-12.2	(13.7)	+2.3
Adjustments	(11.8)	(10.1)	-1.8	(1.7)	-10.1
Cash outflow	(23.2)	(9.2)	-14.0	(15.4)	-7.8

- > Net Debt £41.5m (November 2021: £18.3m, May 2021: £10.5m)
- > **Bank covenant relaxed for May and Nov 2022**
- > Adjusted operating cash inflows offset by normal seasonal working capital movements in inventory and revenue
- > Adjustments mainly comprise spend on IT platform and warehouse consolidation and dual running costs
- > Normal H2 seasonal cash inflow expected although partly offset by continuation of IT platform investment program

# Pension

Surplus driven by discount rate increase; triennial valuation concluded



- > IAS19 pension position improved by £8.3m from 30 Nov 2021 to a surplus of £38.7m
- > Movement mainly driven by an increased discount rate which is offset by adverse investment returns.
- > 31 May 2021 triennial concluded; scheme deficit reduced from £46.5m to £21.6m; annual deficit recovery payments maintained at £4.4m until 2024 then reduce to £1.2m until ceasing at the end of 2026



# Strategy & Outlook

Investment case for the future

# Taking RM Forward

Building a platform to unlock growth



## Market opportunity through change

Changing education landscape is creating opportunity in existing and adjacent markets



## Strategy reset

Building on strong market and brand foundations, improving execution and commercial focus



## Enablers to unlock growth

New technology platform, strengthened leadership team and investment in talent and culture



## Strong cash generation

Well positioned for sustainable growth and strong long-term cash generation

# Market opportunity affirming growth potential

Positive long-term trends with opportunity for RM to win



## Use of technology in Education

Accelerating as schools progress on long digital maturity journey with only 9% considered digitally mature by DfE

Long-term technology growth in Education despite normalizing post Covid



## Digital delivery in Assessment

Engagement building on digital solutions post COVID-19 disruption

Assessment will be digital "when not if"



## Aggregated School Procurement

Growth in larger school groups is key disrupter in buyer behaviour

Government academy plans will result in 70% of English schools (14,000) becoming part of a mid-sized buying group



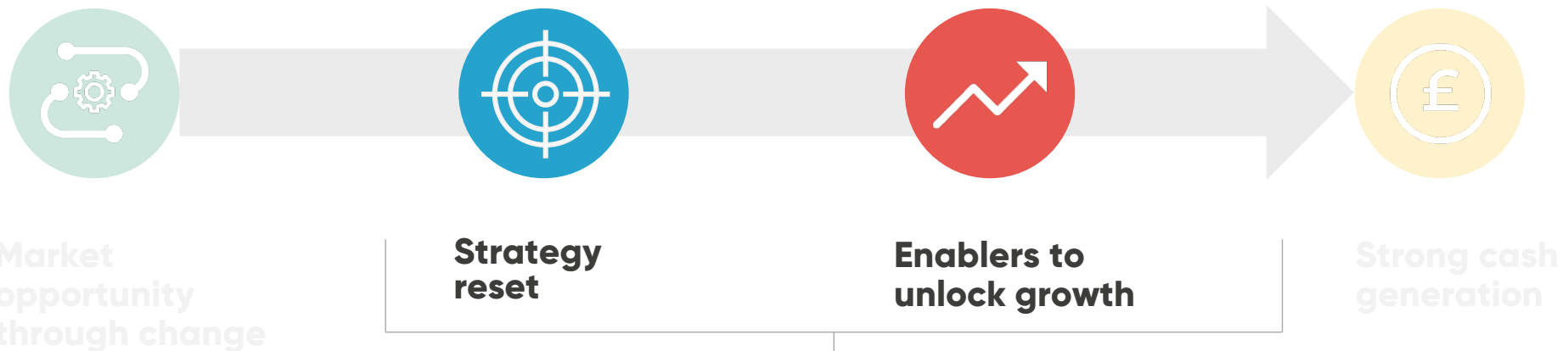
## Covid Recovery and normalisation

Global education priority to reduce impact of learning loss drives curriculum focus

Customers returning to pre-pandemic behaviours, but legacy of COVID-19 will be long-lasting



# Taking RM Forward requires transition



## Transition

### Strategy

Strategy reset driving execution changes

### Org & Leadership

Divisions to aligned to target markets  
Key Executive leadership hires made

### Systems & Process

New IT platform implementation timeline extended



# RM Resources



## Market Dynamics

- > Global Covid Recovery and focus on lost learning
- > Curriculum focus on STEM. Early Years development and 21<sup>st</sup> century skills



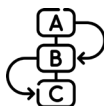
## Growth Potential

- > Channel strength leverage in UK through optimising digital channels
- > Continued international growth



## Progress

- > Highest H1 International sales recorded, exceeding pre-COVID-19 levels
- > TTS recorded strongest H1 revenue and June / July order intake months on record



## Execution Priorities

- > Complete systems change to build margins alongside benefits of automated warehouse
- > Manage market volatility, with focus on improving international logistics and supply chain



# RM Assessment



## Market Dynamics

- > Exams returning to pre COVID-19 levels
- > Broad customer segment demand improving



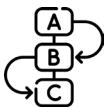
## Growth Potential

- > Assessment market will be fully digital “when not if”
- > Customer growth with focus on digital maturity development



## Progress

- > Sales pipeline building following COVID-19 disruption
- > 10 new customer contracts won or at preferred bidder stage
- > First win in new Higher Education target market



## Execution Priorities

- > Engineer products for scale with resultant improvement in operating margins
- > Manage inflation in long term contract frameworks
- > Develop go-to-market capability to optimise customer acquisition



## Market Dynamics

- > Schools market changing to significantly increase number of buying group “trusts”
- > Long term technology expansion and adoption in Education



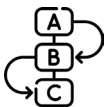
## Growth Potential

- > Leading provider in growing IT Managed Services market
- > Increase share of customer spend by leveraging leading customer channel position



## Progress

- > New Managing Director leading Division turnaround
- > Growth in mid-sized school trust contracts in target strategic IT partner market
- > Won largest infrastructure contract in the market with large multi-school trust



## Execution Priorities

- > Improve customer retention to support future growth
- > Narrow focus and deliver improvement to improve margins against inflation backdrop
- > Product review to expand solution set and school digital maturity model

# Building RM for the future

We enrich the lives of learners through resources and technology for schools and digital assessment

Market leading positions in resilient markets

Leading Customer Reach and Channel Strength



## Resources

Resources to Improve Learning Outcomes

UK Market Leader

Global Customer Reach

STEM & Early Year Curriculum specialist



## Assessment

Assessment Partner accelerating digital adoption

Leading Global Partner

Multi sector, Global Customer base

Digital Assessment specialist



## Technology

Strategic Technology Partner to improve learning environment in UK School Trusts

UK Market Leader

Enabling digital maturity in Schools

Education technology specialist

Consistent mid single-digit, profitable revenue growth

Good cash generation

# Summary

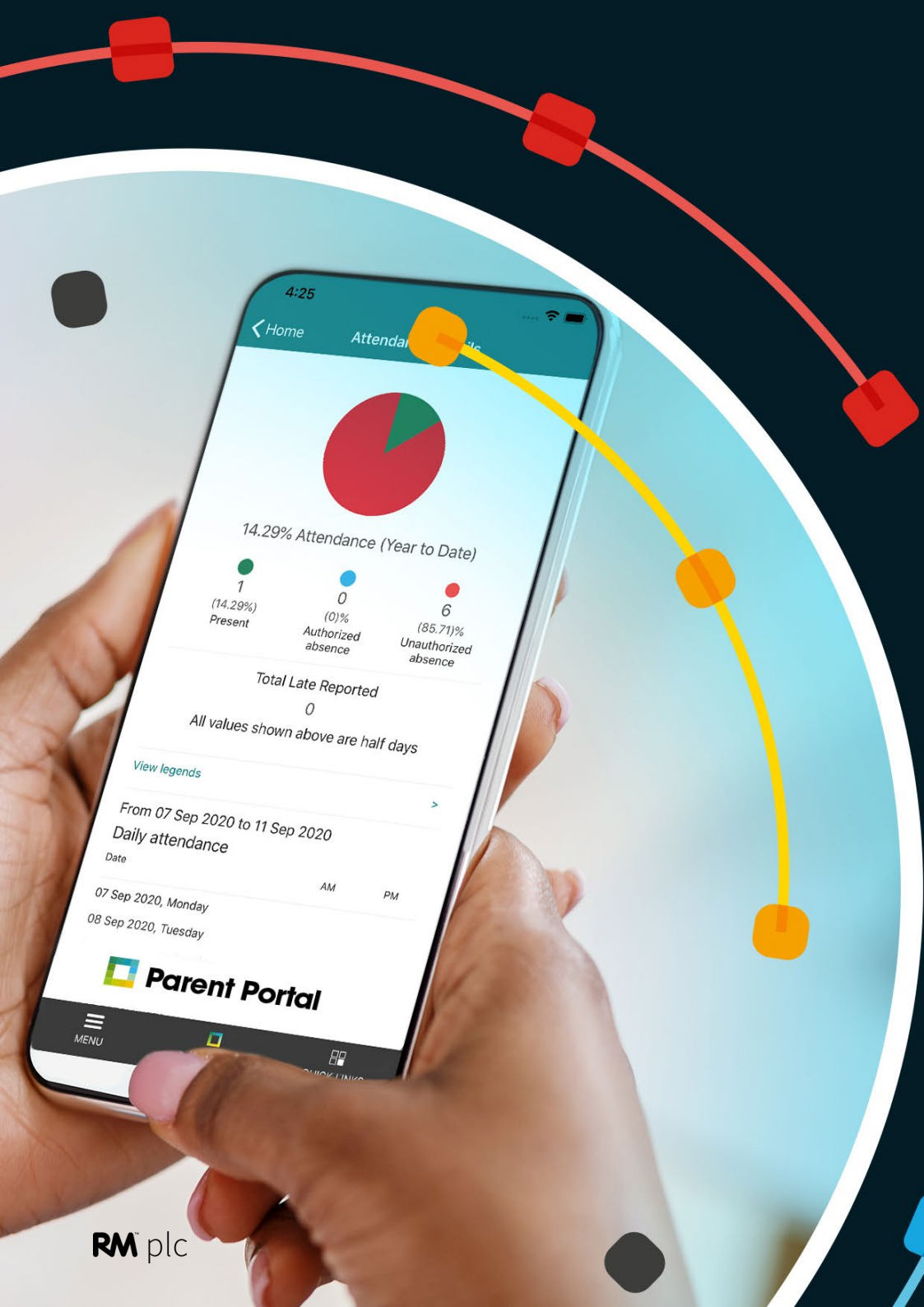
- > School funding increasing but near-term school budgets will be under pressure due to inflationary headwinds
- > Market drivers that underpin the strategy reset continue to strengthen and support long-term path to sustainable growth
- > Transition to deliver change is progressing with new leadership in key roles and positive sales pipeline development
- > Underlying revenue trends are building with each division looking to growth this year however profit conversion will remain subdued in the short term as we progress through transition







**Q&A**



# Appendix

# Income Statement

£ M	PERIOD TO 31 MAY					
	2022			2021		
	ADJUSTED	ADJUSTMENTS	TOTAL	ADJUSTED	ADJUSTMENTS	TOTAL
Revenue	100.3	-	100.3	96.1	-	96.1
Cost of sales	(66.2)	-	(66.2)	(63.1)	-	(63.1)
Gross profit	34.2	-	34.2	32.9	-	32.9
Gross profit %	34.1%	-	34.1%	34.3%	-	34.3%
Operating expenses	(29.2)	-	(29.2)	(24.3)	-	(24.3)
Amortisation of acquisition related intangibles		(1.0)	(1.0)		(1.0)	(1.0)
Restructuring costs		-	-		(0.1)	(0.1)
Dual running costs relating to investment strategy		(2.8)	(2.8)		(0.6)	(0.6)
Configuration of SaaS licenses		(7.7)	(7.7)		(3.4)	(3.4)
	(29.2)	(11.5)	(40.6)	(24.3)	(5.0)	(29.4)
Operating profit/(loss)	5.0	(11.5)	(6.5)	8.6	(5.0)	3.6
Operating profit %	5.0%	-	(6.4)%	9.0%	-	3.7%
Net investment income and finance costs	(0.8)	-	(0.8)	(0.6)	-	(0.6)
Profit/(loss) before tax	4.2	(11.5)	(7.2)	8.0	(5.0)	2.9
Tax	(0.8)	2.2	1.3	(1.7)	0.8	(1.0)
Profit/(loss) after tax	3.4	(9.3)	(5.9)	6.2	(4.3)	2.0
Diluted earnings per ordinary share	4.0p		(7.1)p	7.5p		2.3p
Dividend per share			1.70p			1.70p

# Cashflow

PERIOD TO 31 MAY						
	2022			2021		
OPERATING CASH FLOWS - £M	ADJUSTED	ADJUSTMENTS	TOTAL	ADJUSTED	ADJUSTMENTS	TOTAL
Profit/(loss) from operations	5.0	(11.5)	(6.5)	8.6	(5.0)	3.6
Amortisation & impairment of intangibles	-	1.0	1.0	0.4	1.0	1.4
Depreciation & impairment of PPE	2.2	-	2.2	1.8	-	1.8
Gain on disposal of assets	0.1	-	0.1	-	-	-
Share-based payments	(0.1)	-	(0.1)	(0.4)	-	(0.4)
(Decrease)/increase in provisions	0.2	-	0.2	(0.4)	-	(0.4)
Other adjustments	-	-	-	-	-	-
<b>Operating cash flows before movements in working capital</b>	<b>7.3</b>	<b>(10.5)</b>	<b>(3.2)</b>	<b>10.0</b>	<b>(4.0)</b>	<b>6.0</b>
Increase in inventories	(4.1)	-	(4.1)	(1.4)	-	(1.4)
Increase in receivables	(4.5)	(0.1)	(4.6)	2.7	(0.3)	2.4
Increase in contract fulfilment assets	(1.3)	-	(1.3)	(0.4)	-	(0.4)
Decrease in payables	(1.0)	1.3	0.3	(2.0)	0.6	(1.5)
Utilisation of provisions	-	(0.3)	(0.3)	(0.1)	(0.1)	(0.2)
<b>Cash generated by operations</b>	<b>(3.6)</b>	<b>(9.6)</b>	<b>(13.2)</b>	<b>8.8</b>	<b>(3.8)</b>	<b>5.0</b>
<b>NON-OPERATING CASH FLOWS – £M</b>						
Defined benefit pension contribution	(2.3)	-	(2.3)	(2.2)	-	(2.2)
Tax paid	(0.2)	-	(0.2)	(0.2)	-	(0.2)
Net capital expenditure	(0.3)	(2.2)	(2.5)	(0.6)	(6.2)	(6.9)
Dividends paid	(2.5)	-	(2.5)	(2.5)	-	(2.5)
Drawdown/(repayment) of borrowings	24.0	-	24.0	7.0	-	7.0
Other	(2.5)	-	(2.4)	(2.4)	-	(2.3)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>12.6</b>	<b>(11.8)</b>	<b>0.8</b>	<b>7.9</b>	<b>(10.1)</b>	<b>(2.2)</b>


# Balance Sheet


£M	31 MAY 2022	31 MAY 2021
Goodwill	49.5	49.3
Intangible assets	24.1	19.4
Property, plant & equipment	16.6	13.5
Defined benefit pension surplus	39.7	10.1
Other receivables	0.1	0.1
Right of use Asset	17.0	17.7
Contract fulfilment assets	4.7	2.7
Deferred tax assets	0.2	1.5
<b>Total non-current assets</b>	<b>151.8</b>	<b>114.3</b>
Inventories	23.1	20.0
Trade & other receivables	38.5	28.9
Contract fulfilment assets	2.2	1.8
Held for sale asset	3.0	4.8
Tax assets	6.1	3.1
Cash & short-term deposits	4.3	4.3
<b>Total current assets</b>	<b>77.2</b>	<b>62.9</b>
<b>Total assets</b>	<b>229.0</b>	<b>177.2</b>
Current liabilities, including tax liabilities	(64.9)	(61.6)
Borrowings	(43.8)	(11.8)
Retirement benefit obligation	(1.1)	(4.6)
Other non-current liabilities	(35.7)	(29.9)
<b>Total liabilities</b>	<b>(145.5)</b>	<b>(108.0)</b>
<b>Net assets / total equity</b>	<b>83.5</b>	<b>69.2</b>

# RM Resources


Innovative curriculum resources, inspiring content and outstanding service


WHAT WE DO





UK Market leader with 2 distinctive brands, TTS and Consortium, RM Resources improves learning outcomes by providing unique and innovative teaching resources and education supplies to schools and nurseries worldwide





MARKET CHARACTERISTICS

UK Resources		
Market	Growth	Share
c.£1bn	0-3%	c.9%

International Resources		
Market	Growth	Share
>£1bn	2-5%	<2%

UK Digital Content		
Market	Growth	Share
c.£81m	5-10%	0%

OPPORTUNITY

Sales to c.90% of UK Primary Schools and c30% of Nurseries

1/3 of existing customers buy both brands  
60% of orders online

Further develop the International channel

Improve operational efficiency

APPROACH

Opportunities to leverage strong customer reach

New e-commerce and CRM platform will improve digital buying experience

Follow post COVID-19 global funding initiatives

New IT platform and automated warehouse



# RM Assessment

Enhancing the role digital assessment solutions play throughout lifelong learning journey

## WHAT WE DO



We help our customers accelerate their adoption of digital and transform assessments to unlock teaching and learning benefits.  
We don't just provide a technology platform



## MARKET CHARACTERISTICS

### Global Assessment Services

Market	Growth	Share
>£1bn	>5%	<5%

Addressable market primarily digital development of paper-based processes.

RM supports 2.5m online tests and 21m online marked tests across 180 countries

## OPPORTUNITY

Global review of assessment delivery following the disruption of COVID-19

Digital assessment solutions have a growing role in the learning process

RM support the leading global assessment brands today

## APPROACH

Increase sales capacity to target existing and adjacent market opportunity

Re-position RM as a leading provider of digital assessment solutions

Leverage the experience of working with the leading global assessment brands

# RM Technology

Helping educators harness technology to improve the learning environment

## WHAT WE DO



Strategic IT services partner for schools and colleges to deliver a technology environment that improves learning outcomes and make the most of their IT investments



## MARKET CHARACTERISTICS

### UK IT Services in Education

Market	Growth	Share
£500m	2-5%	c12%

Current market size excludes proportion of market where schools run IT services in-house

## OPPORTUNITY

COVID-19 has increased the requirement for effective and accessible technology in schools

19% of UK schools buy at least one product category  
Only 2% currently have an RM Managed IT Service

Growth in larger school groups is changing the market need

## APPROACH

Reposition RM as the strategic technology partner

Improve share of customer spend

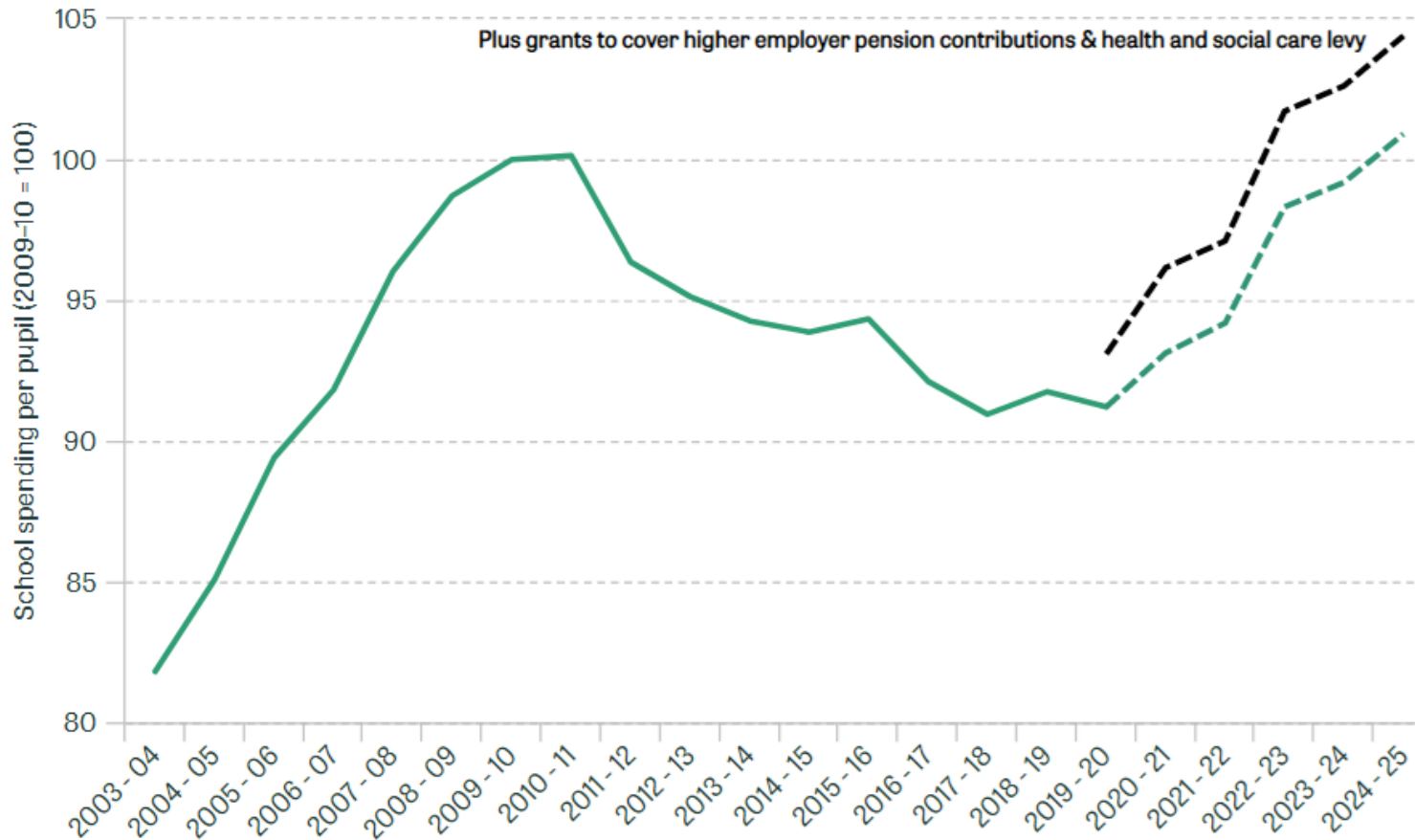
New technology platform to improve operational efficiency, customer acquisition and retention



# UK Education Funding

## Total school spending per pupil, relative to level in 2009-10

- Relative to 2009-10
- - - Projected core spending per pupil
- - - Plus grants to cover higher employer pension contributions & health and social care levy



# Path to Academisation

Schools in England by type

Source: RM

