



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

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Software,  
services and  
resources for  
education

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**Year to**  
**30 November 2015**

**David Brooks**  
Chief Executive Officer

**Neil Martin**  
Chief Financial Officer

## Highlights

- **A good year of progress in line with expectations**
  - Revenue down 12% to £178.2m as growth in RM Results and RM Resources is more than offset by phased transition in RM Education
  - Adjusted operating margin increased from 9.1% to 10.2%
  - Adjusted operating profit of £18.2m (£18.5m in 2014)
- **Statutory PBT improves 22% to £19.2m (£15.8m in 2014)**
  - Positive adjustments of £2.1m
- **Disposal of SpaceKraft business from RM Resources division in Dec 2015<sup>1</sup>**
- **Cash remains strong at £48.3m (£47.9m as at 30 Nov 2014)**
- **Pension triennial valuation agreed with 9 year deficit recovery plan and £8m one-off additional contribution in 2016**
- **Proposed final dividend increased by 25% to 3.80p**
  - Full year paid and proposed dividend increases 25% to 5.00p

# Financial Summary

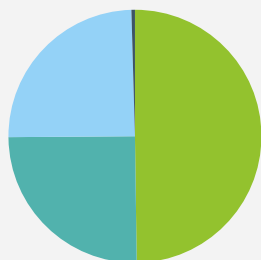
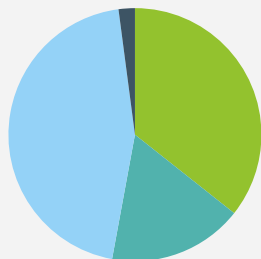


# Financial Summary

| £m                                   | FY15  | FY14  | Variance |
|--------------------------------------|-------|-------|----------|
| Revenue                              | 178.2 | 202.5 | -12%     |
| Operating profit (adjusted*)         | 18.2  | 18.5  | -2%      |
| Profit before tax (adjusted*)        | 17.1  | 18.1  | -5%      |
| Statutory profit before tax          | 19.2  | 15.8  | +22%     |
| Taxation                             | (4.3) | (4.2) | -3%      |
| Statutory profit after tax           | 15.0  | 11.6  | +29%     |
| Basic EPS (adjusted*)                | 16.2p | 16.4p | -1%      |
| Basic EPS                            | 18.5p | 13.9p | +33%     |
| Paid and proposed dividend per share | 5.00p | 4.00p | +25%     |
| Dividend cover (adjusted*)           | 3.2x  | 4.1x  | -        |

- **Adjustments at PBT level were £+2.1m vs £-2.3m in 2014 principally benefiting from sale of investment in the Newham LEP and release of property and restructuring provisions**
- **Full year adjusted effective tax rate 23.3%**
- **Adjusted diluted EPS 15.6p (15.4p in 2014)**

# Financial Summary



- RM Resources
- RM Results
- RM Education
- Held for Sale

## Revenue £m

|               | FY15  | FY14  | Variance |
|---------------|-------|-------|----------|
| RM Resources  | 63.5  | 59.1  | +7.6%    |
| RM Results    | 30.7  | 27.8  | +10.4%   |
| RM Education  | 80.2  | 111.9 | -28.3%   |
| Held for Sale | 3.7   | 3.7   | -0.7%    |
| Group         | 178.2 | 202.5 | -12.0%   |

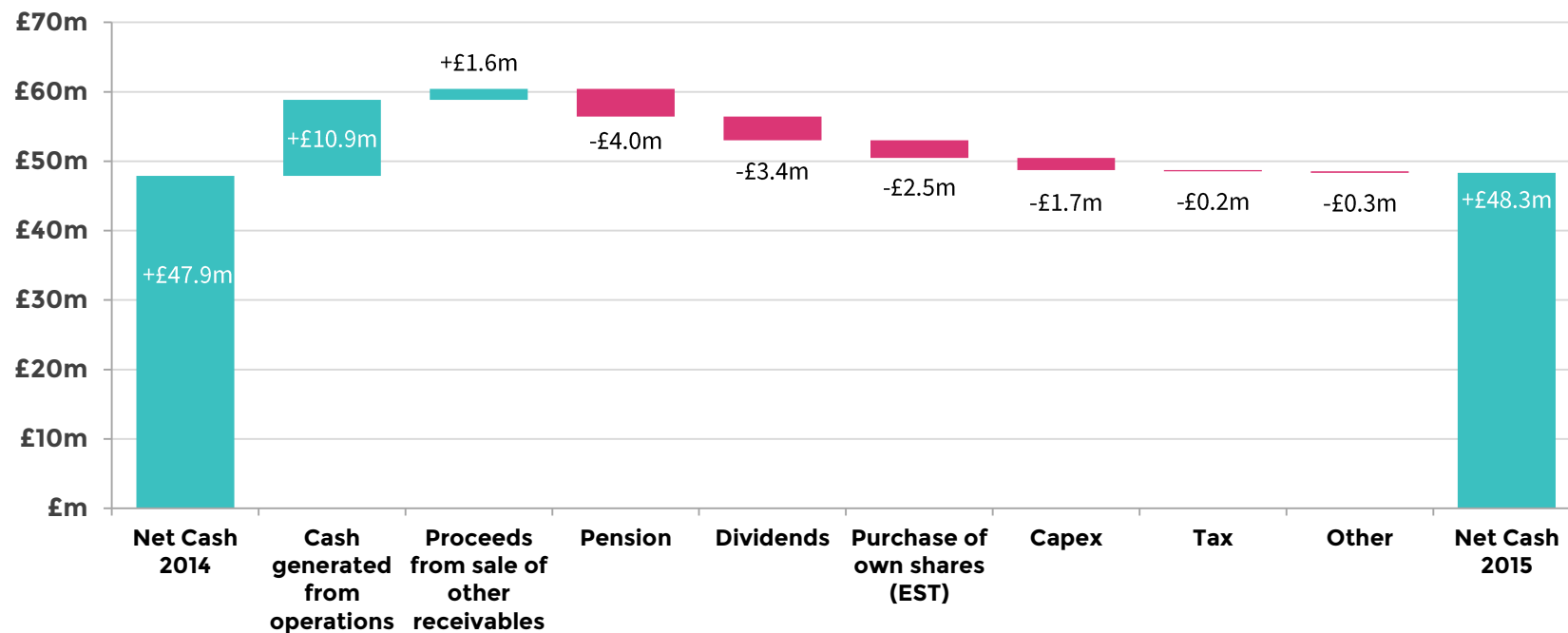
## Adjusted\* Operating Profit £m

|               | FY15  | FY14  | Variance |
|---------------|-------|-------|----------|
| RM Resources  | 11.1  | 10.3  | +7.7%    |
| RM Results    | 5.6   | 4.6   | +19.5%   |
| RM Education  | 5.5   | 7.7   | -28.7%   |
| Held for Sale | 0.2   | 0.0   | >100%    |
| Corporate     | (4.1) | (4.2) | +1.2%    |
| Group         | 18.2  | 18.5  | -1.8%    |

## Adjusted\* Operating Margin

|              | FY15  | FY14  | Variance |
|--------------|-------|-------|----------|
| RM Resources | 17.5% | 17.5% | -        |
| RM Results   | 18.1% | 16.7% | +1.4pp   |
| RM Education | 6.8%  | 6.9%  | -0.1pp   |
| Group        | 10.2% | 9.1%  | +1.1pp   |

# Cash flow



- Cash generated from operations +£10.9m resulting in cash conversion of 56%
  - Cash conversion at reduced levels as working capital positions unwind in long term contracts

# 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
- Sell to over 80 countries
- c. 300 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.2,000 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



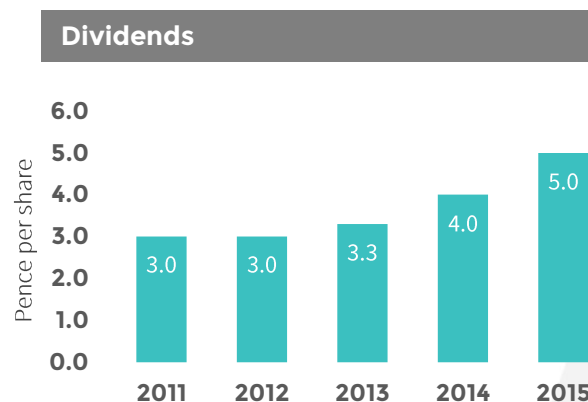
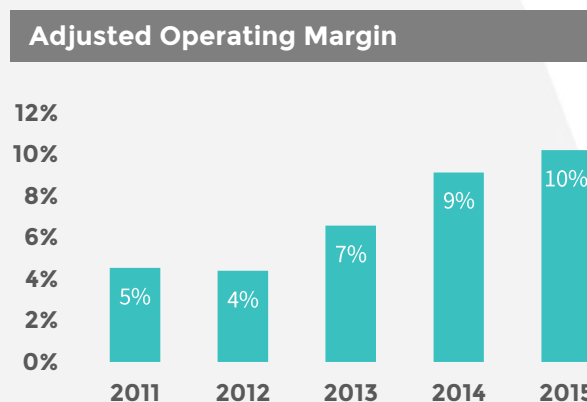
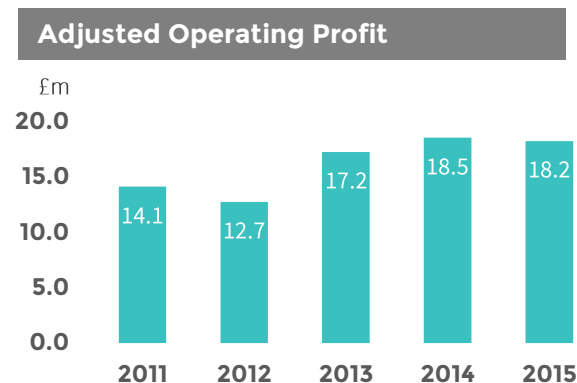
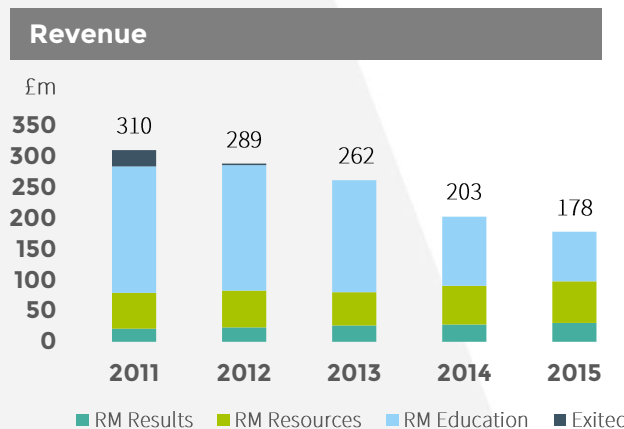
# RM Repositioning over 5 years

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

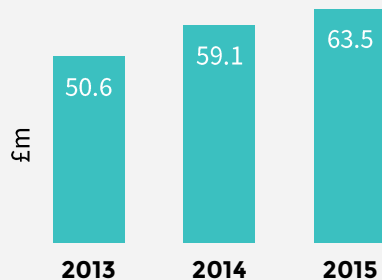
- Operating margins continue to improve through period going above 10% in 2015

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

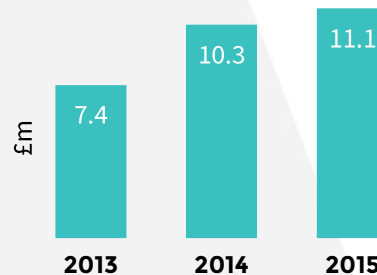
- Double digit margins and progressive dividend increases remain achievable going forward



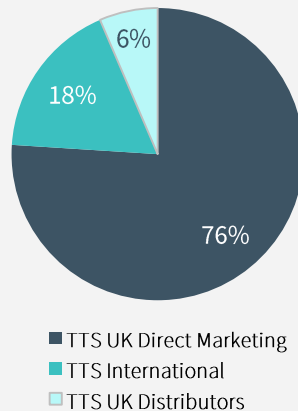
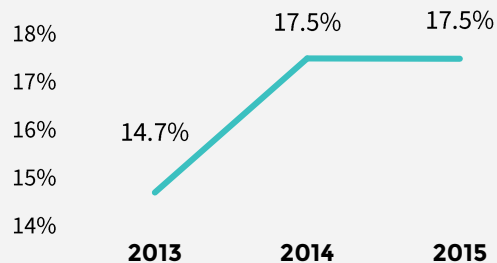
## Revenue



## Adjusted Operating Profit



## Adjusted Operating Margin



- **Revenue growth of 7.6%**
  - UK Direct Marketing revenues **+4.0%**
  - International revenues **+31.6%**
  - UK distributor revenues **-1.5%**
- **Adjusted operating profit growth of +7.7%**
- **Adjusted operating margins remain strong at 17.5%**
- **Disposal of SpaceKraft business in December 2015 for £0.8m**

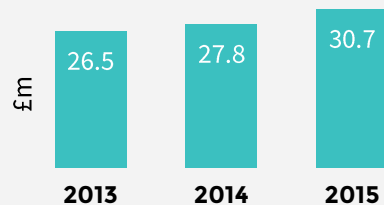
# RM Resources

RM<sup>TM</sup> plc

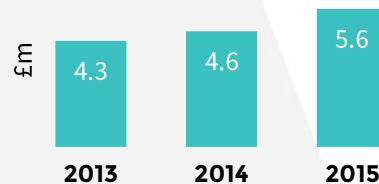
- **Discretionary spend in UK schools market will come under increased pressure**
  - **Significant growth from Primary curriculum change in last two years will not continue**
- **Continued investment in online channel critical with revenues doubling in the last two years from 15% to 30% of direct marketing sales**
- **Focus on significantly increased product range for UK channels**
- **Continued growth in International markets**
- **Focus on maintaining strong operating margins and market position in more difficult trading conditions**



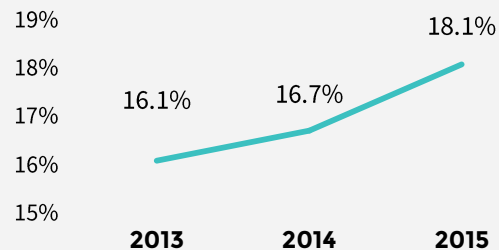
## Revenue



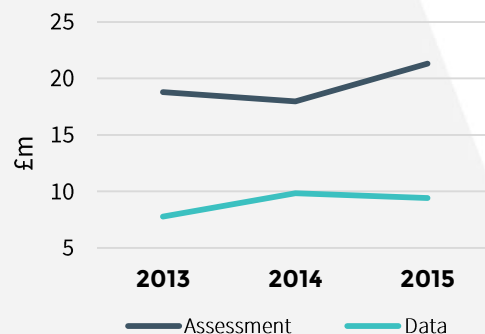
## Adjusted Operating Profit



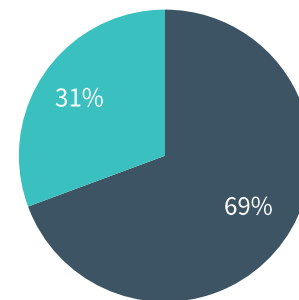
## Adjusted Operating Margin



## Revenues



- Revenue growth of 10.4%
  - 18.5% growth in Assessment
    - Signed contract with UK's largest schools awarding body
    - Growth in a number of existing clients
  - Data revenues decline -4.4%
- Adjusted operating profit growth of +19.5%
- Adjusted operating margins improved to 18.1%



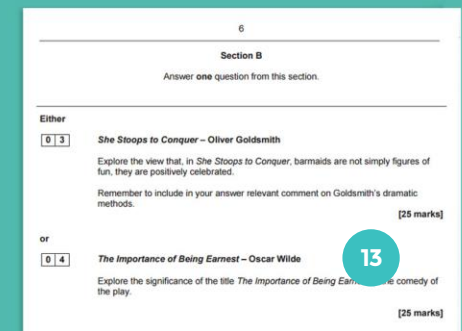
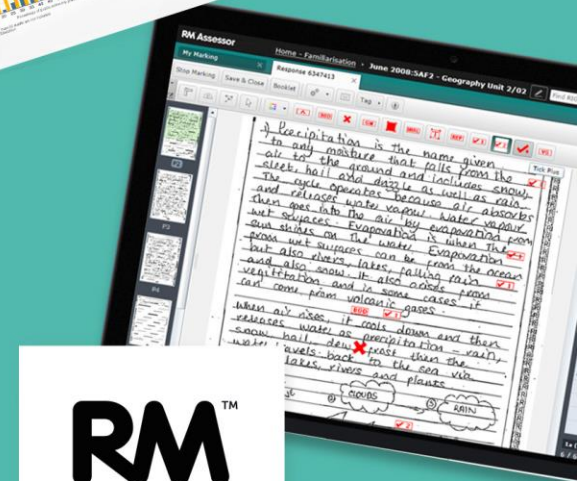
■ Assessment ■ Data

# RM Results

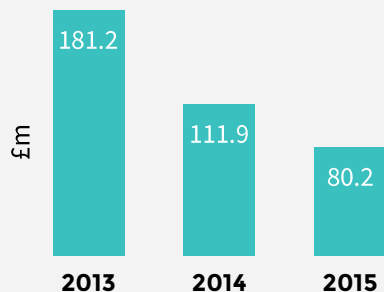
- Continued growth in Assessment expected
  - Signed new e-testing contract with Cambridge Assessment
  - Increased levels of e-marking in existing customers
  - Improving end to end (paper and computer based exam) opportunities in UK and International markets
- Growth in Assessment revenues expected to more than offset a reduced outlook in Data
  - Focus on key Data services customers while exiting less profitable contracts
- Good operating leverage and improving business mix to support stronger margins



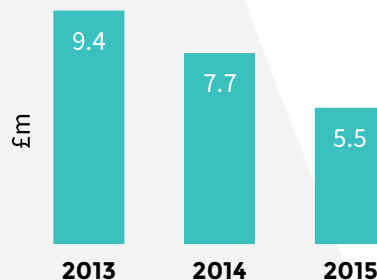
RM plc



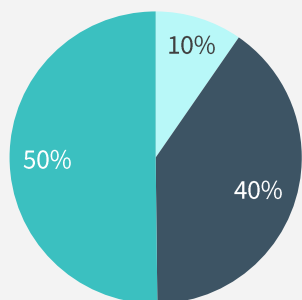
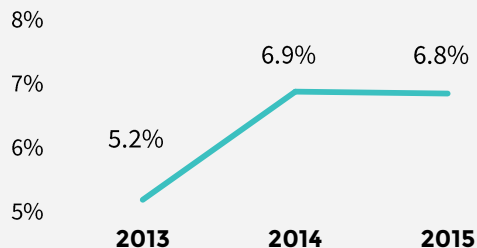
## Revenue



## Adjusted Operating Profit



## Adjusted Operating Margin

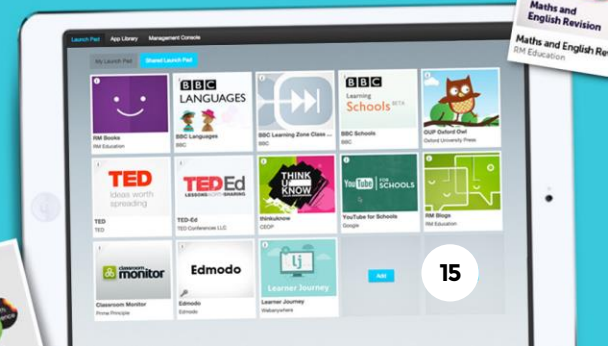


■ Digital Platforms  
■ Managed Services  
■ Infrastructure

- **Revenue decline of -28.3% in line with phased transition from manufacturing hardware devices and rundown of the government's Building Schools for the Future programme**
- **Margins remain stable**
- **Significant progress in key digital platform contracts**
  - **RM Unify contract with all Scottish schools extended to Q1 2018**
  - **RM Integris win with Derbyshire County Council covering 368 schools**
- **Managed services contract renewal rates improved to over 80%**
  - **44 new Managed Services school contract wins**
  - **Signed 5 year framework agreement with UK's largest Multi Academy Trust**

# RM Education

- **More challenging schools market can benefit RM Education proposition designed to improve efficiency and effectiveness at reduced cost**
- **Managed Services will continue to transition to a single site and multi-academy trust (MAT) offering**
  - Retention rates and new wins improving
- **Infrastructure business**
  - Internet Connectivity renewal rates improving
  - Network offering moving more to support contracts
  - Provision of 3<sup>rd</sup> party hardware still necessary to build strong partnerships with schools
- **Growth in Digital Platforms can continue**
  - RM Integris new Secondary school / MAT product
  - RM Unify usage rates increasing



# Summary & Outlook





## RM<sup>™</sup> Resources


**Maintain strong margins and market position despite pressure on school budgets**

## RM<sup>™</sup> Results

**Strong pipeline supports continued growth and good operating margins**

## RM<sup>™</sup> Education

**Stabilised platform established**



The image shows a financial accounts table with columns for FY15 and FY16. The table includes rows for Revenue, Operating Profit, Profit Before Tax, Profit After Tax, and Dividends. The data is presented in a structured format with numerical values for each year.

|                   | FY15  | FY16  |
|-------------------|-------|-------|
| Revenue           | 1,111 | 1,111 |
| Operating Profit  | 111   | 111   |
| Profit Before Tax | 111   | 111   |
| Profit After Tax  | 111   | 111   |
| Dividends         | 111   | 111   |

**Robust balance sheet with stronger cash conversion levels returning in 2017**



**Pension triennial valuation concluded with 9 year deficit recovery plan**

**Commitment to progressive dividend policy and reduced cover**

# Appendix



# Income Statement

| £m  | 12 months to 30 November |             |         |               |             |         |
|---|--------------------------|-------------|---------|---------------|-------------|---------|
|   | 2015                     |             |         | 2014          |             |         |
|   | Adjusted                 | Adjustments | Total   | Adjusted      | Adjustments | Total   |
| <b>Revenue</b>  | <b>178.2</b>             | -           | 178.2   | <b>202.5</b>  | -           | 202.5   |
| Cost of sales   | (109.3)                  | -           | (109.3) | (127.0)       | -           | (127.0) |
| Gross profit  | <b>68.9</b>              | -           | 68.9    | <b>75.6</b>   | -           | 75.6    |
| <i>Gross profit %</i>                                 | <b>38.7%</b>             | -           | 38.7%   | <b>37.3%</b>  | -           | 37.3%   |
| Operating expenses                                    | (50.7)                   | -           | (50.7)  | (57.0)        | -           | (57.0)  |
| Amortisation of acquisition related intangible assets | -                        | (0.3)       | (0.3)   | -             | (0.3)       | (0.3)   |
| Impairment of held for sale assets & related costs    | -                        | (0.3)       | (0.3)   | -             | -           | -       |
| Net gain on disposal of operations                    | -                        | 0.1         | 0.1     | -             | 0.4         | 0.4     |
| Share-based payment charges                           | -                        | (0.9)       | (0.9)   | -             | (0.9)       | (0.9)   |
| Exceptional credit on pension scheme                  | -                        | 0.2         | 0.2     | -             | -           | -       |
| Restructuring provision                               | -                        | 0.2         | 0.2     | -             | (0.5)       | (0.5)   |
| Release of property related provisions                | -                        | 2.4         | 2.4     | -             | (0.8)       | (0.8)   |
|   | <b>(50.7)</b>            | 1.4         | (49.3)  | <b>(57.0)</b> | (2.1)       | (59.1)  |
| <b>Operating profit</b>                               | <b>18.2</b>              | 1.4         | 19.6    | <b>18.5</b>   | (2.1)       | 16.5    |
| <b>Operating profit %</b>                             | <b>10.2%</b>             | N/A         | 11.0%   | <b>9.1%</b>   | N/A         | 8.1%    |
| Net investment income and finance costs               | <b>(1.1)</b>             | 0.7         | (0.4)   | <b>(0.4)</b>  | (0.3)       | (0.7)   |
| <b>Profit before tax</b>                              | <b>17.1</b>              | 2.1         | 19.2    | <b>18.1</b>   | (2.3)       | 15.8    |
| Tax   | <b>(4.0)</b>             | (0.3)       | (4.3)   | <b>(4.4)</b>  | 0.2         | (4.2)   |
| <b>Profit after tax</b>                               | <b>13.1</b>              | 1.8         | 15.0    | <b>13.7</b>   | (2.1)       | 11.6    |
| <b>Diluted earnings per ordinary share</b>            | <b>15.6p</b>             | 2.2p        | 17.8p   | <b>15.4p</b>  | (2.4)p      | 13.0p   |
| <b>Dividend per share</b>                             |                          |             | 5.00p   |               |             | 4.00p   |

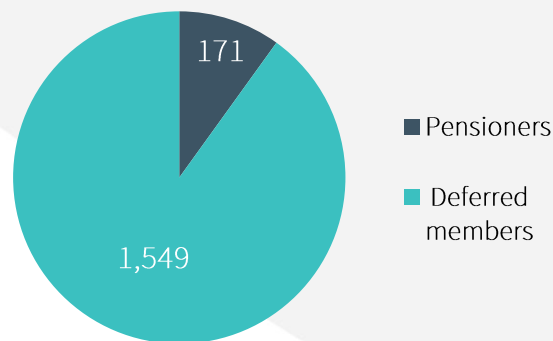
# Cash Flow

| <b>Operating cash flows – £m</b>                                | <b>2015</b> | <b>2014</b>   |
|---|-------------|---------------|
| <b>Profit from operations</b>                                   | <b>19.6</b> | <b>16.5</b>   |
| Amortisation & impairment                                       | 0.8         | 0.7           |
| Depreciation  | 2.4         | 3.4           |
| Share-based payments  | 0.9         | 0.9           |
| Other adjustments   | (0.3)       | 1.0           |
| <b>Operating cash flows before movements in working capital</b> | <b>23.4</b> | <b>22.5</b>   |
| Increase in inventories   | (0.7)       | (0.1)         |
| Decrease in receivables   | 6.1         | 2.8           |
| Decrease in payables & other liabilities                        | (17.9)      | (6.2)         |
| <b>Cash generated by operations</b>                             | <b>10.9</b> | <b>19.1</b>   |
| <b>Non-operating cash flows – £m</b>                            |             |               |
| Defined benefit pension contribution                            | (4.0)       | (11.8)        |
| Tax paid  | (0.2)       | (2.5)         |
| Net capital expenditure less proceeds on disposal               | (1.7)       | (1.9)         |
| Dividends paid  | (3.4)       | (17.7)        |
| Proceeds from sale of other receivables                         | 1.6         | -             |
| Purchase of own shares  | (2.5)       | -             |
| Other   | (0.3)       | (0.4)         |
| <b>Net increase / (decrease) in cash and cash equivalents</b>   | <b>0.4</b>  | <b>(15.3)</b> |

# Pensions

| Deficit at 30 Nov 2014                      |         | (26.8)m |
|---|---------|---------|
| Deficit net of tax                          | (21.4)m |         |
| Cash Contributions                          |         | 4.0m    |
| Effect of experience adjustments            |         | 5.7m    |
| Impact of market assumptions on liabilities |         | (4.9)m  |
| Interest on liabilities                     |         | (7.4)m  |
| Asset returns less administration expense   |         | 7.5m    |
| Deficit net of tax                          | (17.9)m |         |
| Deficit at 30 Nov 2015                      |         | (21.9)m |

| Investments at Nov 2015        |      |
|--------------------------------|------|
| Equities                       | 50%  |
| Fixed Income                   |      |
| Fixed Income – Gilts           | 19%  |
| Fixed Income – Corporate bonds | 15%  |
| Insurance contract             | 14%  |
| Cash including escrow          | 2%   |
| Total                          | 100% |



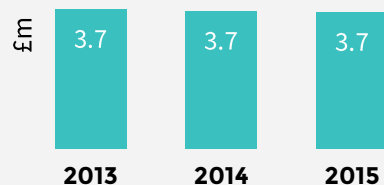
- **IAS 19 balance sheet deficit decreased £-4.9m to £21.9m**
- **Triennial valuation agreed with cash deficit recovery payments set at £3.6m p.a. plus scheme running costs from 1 June 2015 as part of 9-year recovery plan**
- **Commitment to pay £4m into the Scheme in H1 2016**
- **Commitment to pay £4m into the escrow account in H1 2016 (increasing balance to £7.3m) to fund further risk mitigation initiatives**

# Balance Sheet

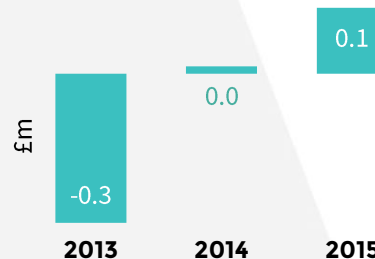
| £m   | 30 Nov<br>2015 | 30 Nov<br>2014 |
|--|----------------|----------------|
| Goodwill and acquisition intangibles                 | 14.1           | 14.5           |
| Property, plant & equipment and software intangibles | 7.6            | 8.6            |
| Other receivables                                    | 1.2            | 1.9            |
| Deferred tax assets                                  | 6.1            | 8.1            |
| <b>Total non-current assets</b>                      | <b>29.0</b>    | <b>33.1</b>    |
| Inventories  | 10.9           | 10.6           |
| Trade & other receivables                            | 25.6           | 32.9           |
| Tax assets   | -              | 0.8            |
| Assets held for sale                                 | 1.2            | -              |
| Cash & short-term deposits                           | 48.3           | 47.9           |
| <b>Total current assets</b>                          | <b>85.9</b>    | <b>92.2</b>    |
| <b>Total assets</b>                                  | <b>114.9</b>   | <b>125.4</b>   |
| Current liabilities, including tax liabilities       | (70.4)         | (83.3)         |
| Retirement benefit obligation                        | (21.9)         | (26.8)         |
| Other non-current liabilities                        | (3.5)          | (7.2)          |
| <b>Total liabilities</b>                             | <b>(95.8)</b>  | <b>(117.3)</b> |
| <b>Net assets / total equity</b>                     | <b>19.1</b>    | <b>8.1</b>     |

## RM Resources – Held for sale (SpaceKraft)

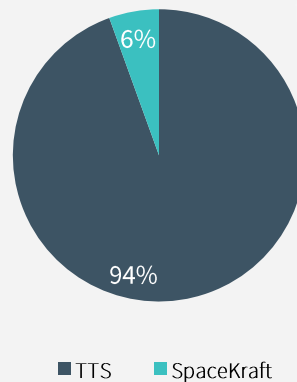
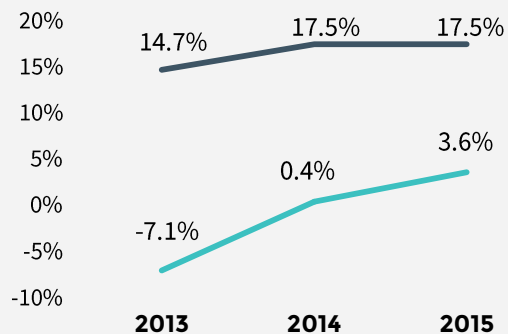
### Revenue



### Adjusted Operating Profit

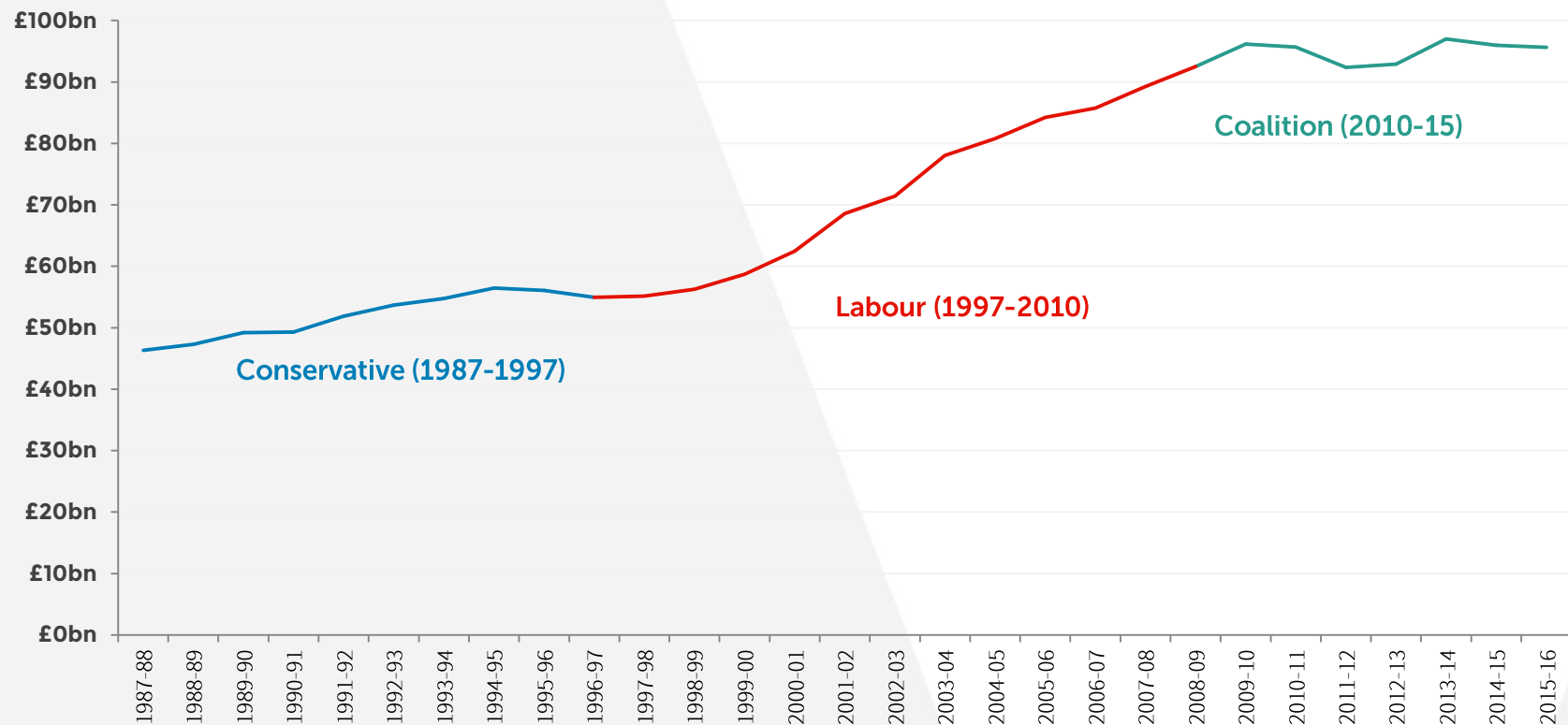


### Adjusted Operating Margin



- SpaceKraft was sold in December 2015 (post balance sheet date) for a consideration of £0.8m
- SpaceKraft is a manufacturer and distributor of special needs products

# UK Education Spend



Source: HoC Library 2010, HM Treasury Budget 2014

Figures adjusted for inflation