RM plc

Technology and resources for education

Year to 30 November 2017

David Brooks
Chief Executive Officer

Neil Martin
Chief Financial Officer

HIGHLIGHTS

- A strong performance delivering increased revenues up 11% to £185.9m (2016: £167.6m)
- Increased adjusted operating profits up 17% at £22.1m (2016: £18.8m)
- Adjusted operating margin increased to 11.9% (2016: 11.2%)
- Acquisition of the Education & Care business of Connect Group plc (The Consortium) completed 30 June 2017
- Profit after tax increased 10% to £12.9m (2016: £11.6m)
- Strong cash conversion resulting in net debt of £13.4m (2016: net cash of £40.0m) following the acquisition
- Defined benefit pension deficit decreased to £20.2m (2016: £34.8m)
- Adjusted diluted EPS up 26% to 21.9 pence per share
- Full year proposed dividend increase by 10% to 6.60p

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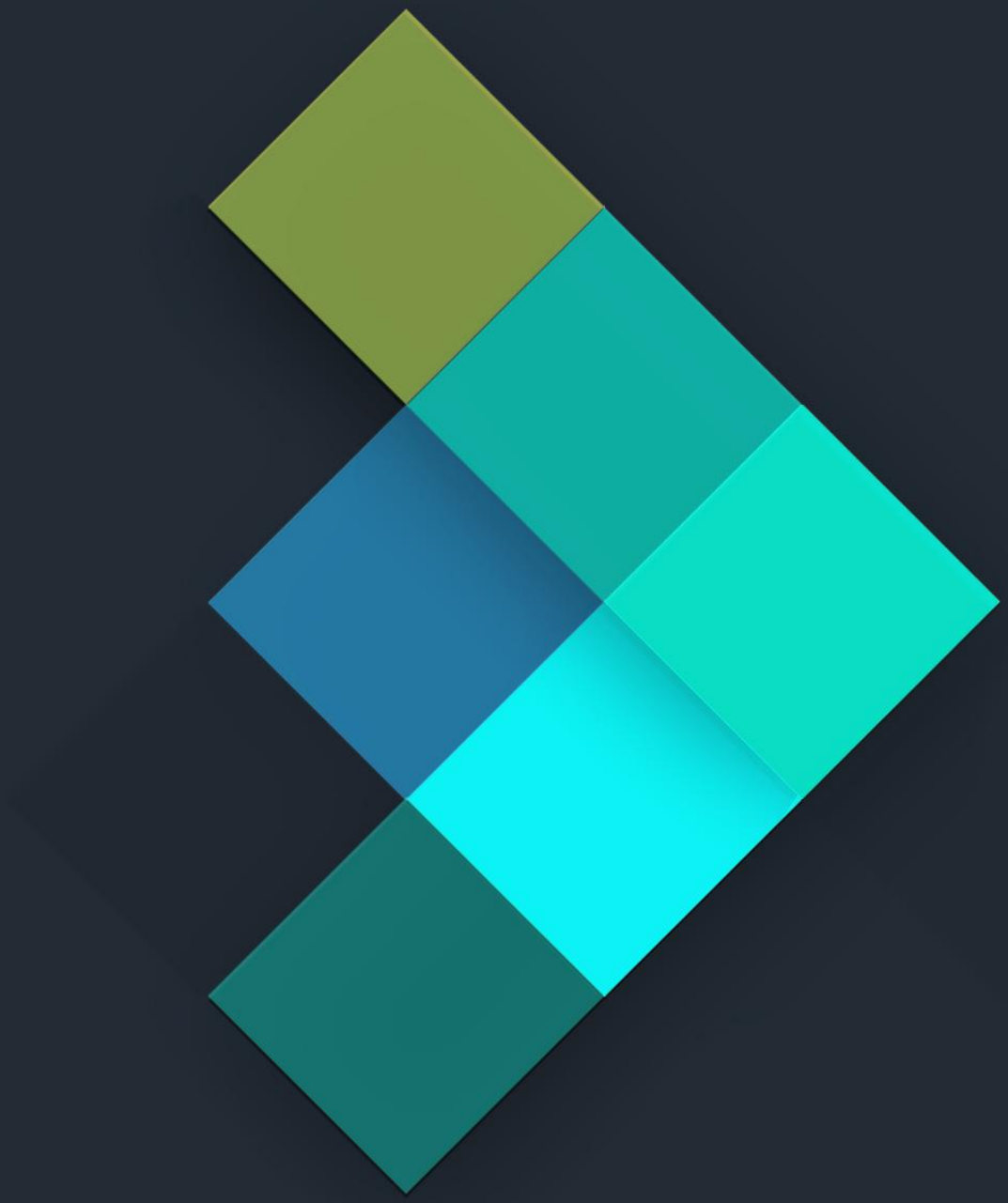
Financial Summary



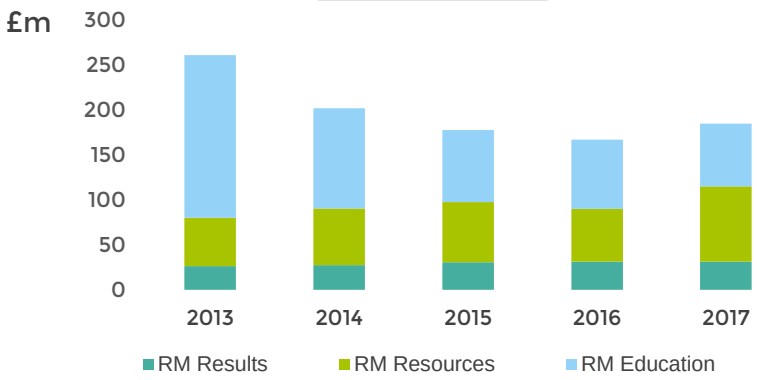
FINANCIAL SUMMARY

£m	FY17	FY16	Variance
Revenue	185.9	167.6	+10.9%
Organic revenue	158.1	167.6	-5.7%
Operating profit (adjusted*)	22.1	18.8	+17.4%
Operating margin (adjusted*)	11.9%	11.2%	0.7pp
Profit before tax (adjusted*)	20.5	18.1	+13.5%
Profit after tax (adjusted *)	17.9	14.2	+26.8%
Statutory profit after tax	12.9	11.6	+10.3%
Diluted EPS (adjusted *)	21.9p	17.4p	+26%
Paid and proposed dividend per share	6.60p	6.00p	+10%

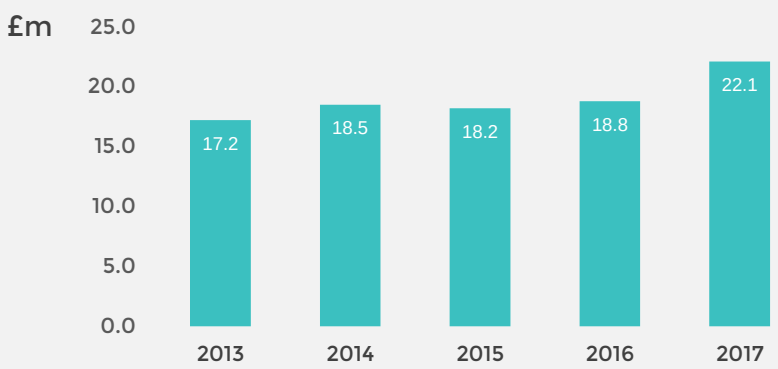
*Adjusted operating profit is before the amortisation of acquisition related intangible assets; costs associated with the acquisition of The Consortium and subsequent costs related with the delivery of synergies; share-based payment charges; and changes in the provision for onerous lease contracts.

RM HISTORICAL PERFORMANCE

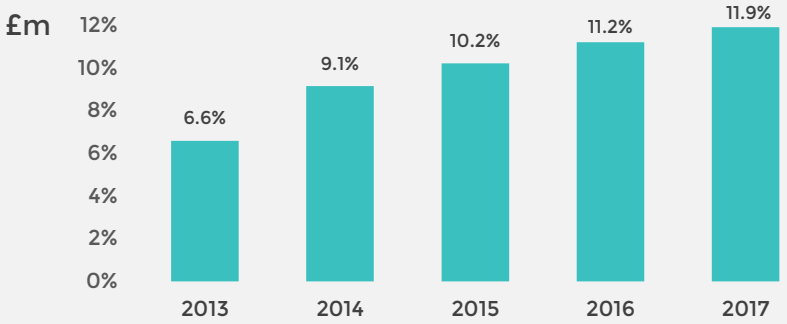
Revenue



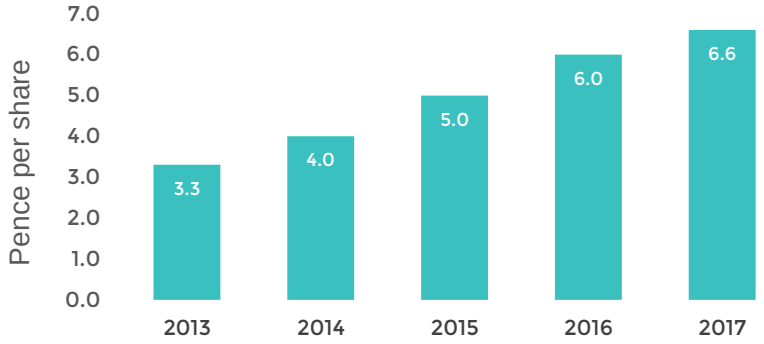
Adjusted Operating Profit



Adjusted Operating Margin

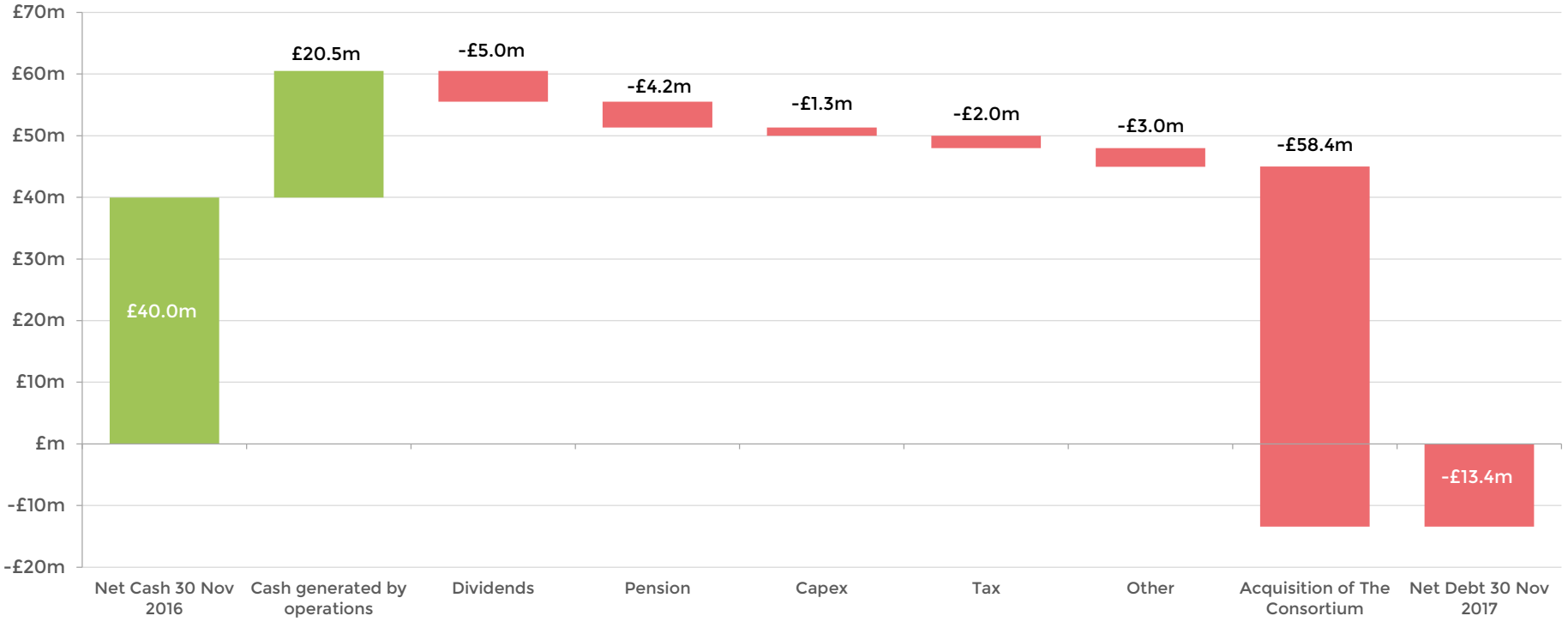


Ordinary Dividends



The table excludes the impact of the 16.0pps special dividend in 2014 and effect of related share consolidation.

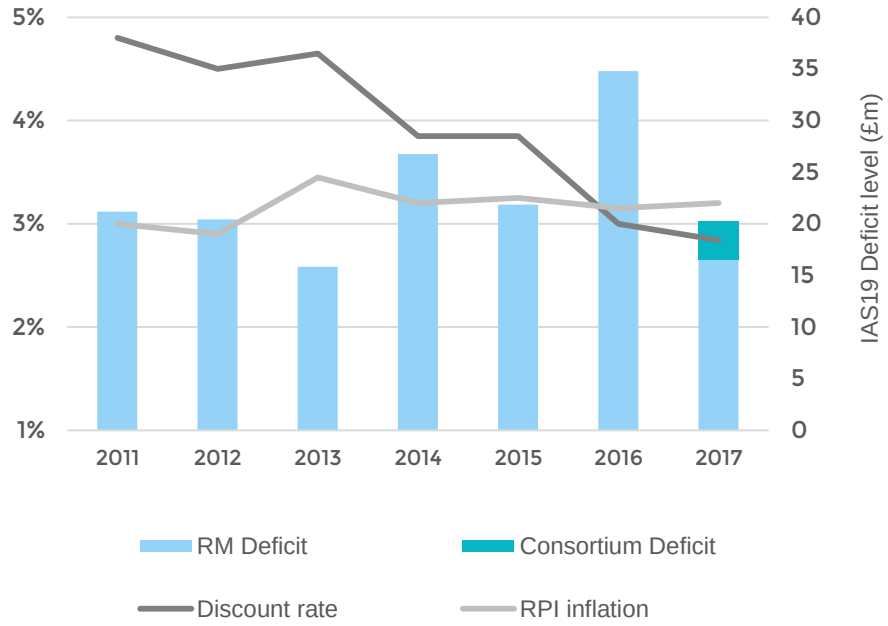
CASH FLOW



- Cash generated from operations of £20.5m resulting in cash conversion in excess of 100%
- Acquisition expenditure of £58.4m represents cash paid for acquisition of £59.0m net of cash acquired resulting from agreed price of £56.5m plus net working capital benefits within the entity at the time of acquisition

PENSIONS

- IAS19 deficit reduced to £20.2m (Nov 2016: £34.8m)
  - Increase in scheme assets of £15.9m
  - Decrease in scheme liabilities of £2.4m driven by updated mortality assumptions
  - Net deficit associated with 2 new schemes of £3.7m acquired with The Consortium
- Discount methodology revised to better reflect long dated credit risk of the scheme cash flows
- Deficit recovery plan cash-flow requirements across all schemes are £4.4m per annum
  - Triennial review due on RM scheme in May 2018
  - The Consortium has two schemes with next triennial review dates of Dec 2018 and Dec 2019



FINANCIAL SUMMARY

Revenue £M

	FY17	FY16	Variance
RM Resources	83.6	58.8	+42.1%
RM Results	31.6	31.6	+0.1%
RM Education	70.6	77.0	-8.4%
Group	185.9	167.6	+10.9%

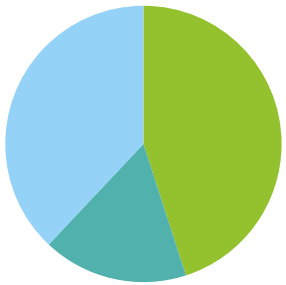
Adjusted* Operating Margin

	FY17	FY16	Variance
RM Resources	13.9%	17.3%	-3.4pp
RM Results	24.5%	21.5%	+3.0pp
RM Education	9.3%	7.6%	+1.7pp
Group	11.9%	11.2%	+0.7pp

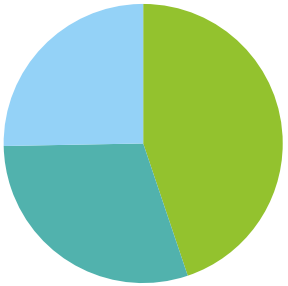
Adjusted* Operating Profit £M

	FY17	FY16	Variance
RM Resources	11.6	10.2	+14.3%
RM Results	7.8	6.8	+14.2%
RM Education	6.6	5.8	+12.6%
Corporate	(3.8)	(3.9)	+2.7%
Group	22.1	18.8	+17.4%

Revenue



Adjusted Operating Profit*

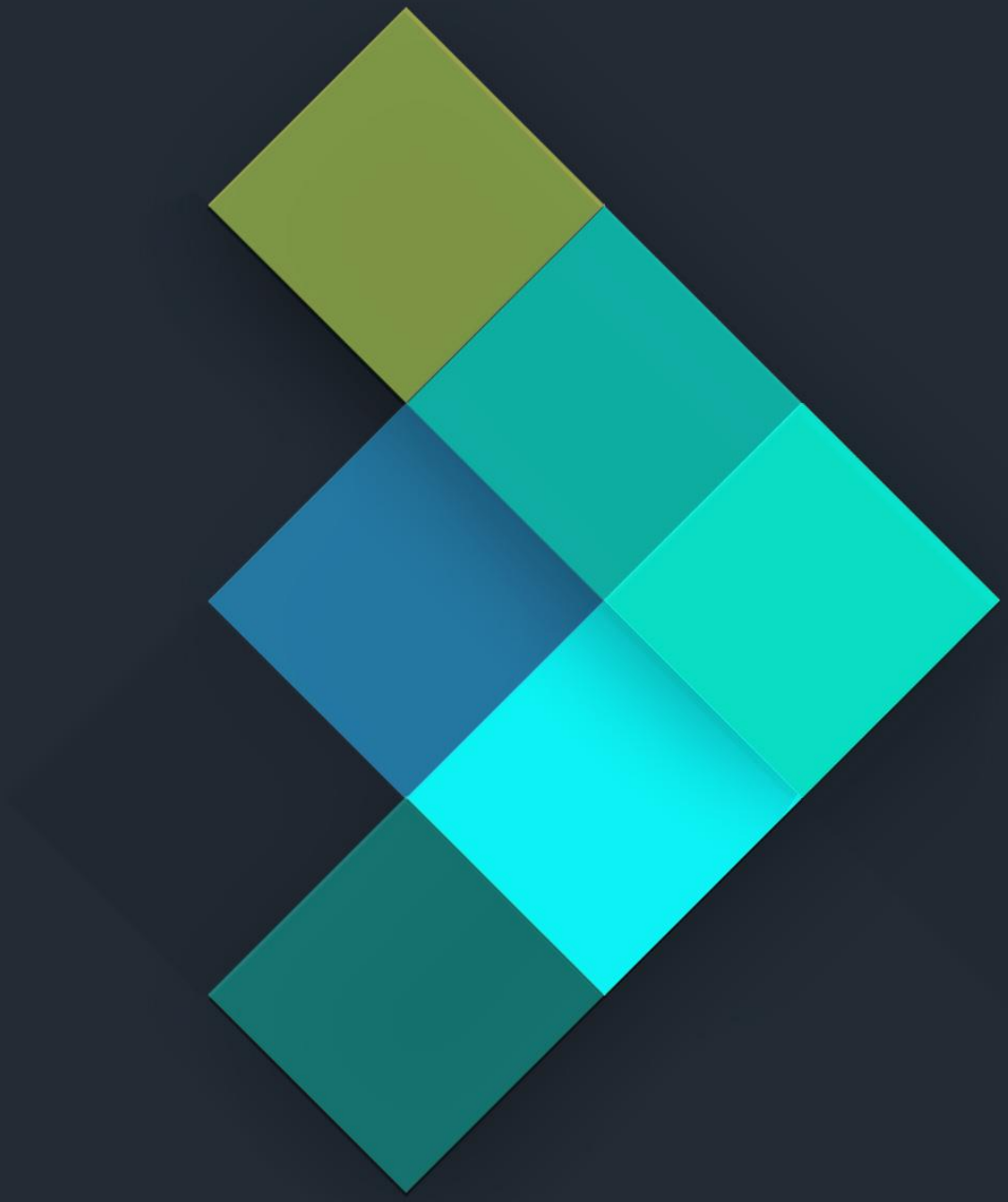


RM Resources RM Results RM Education

*Adjusted operating profit is before the amortisation of acquisition related intangible assets; costs associated with the acquisition of The Consortium and subsequent costs related with the delivery of synergies; share-based payment charges; and changes in the provision for onerous lease contracts.

RM plc

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

National curriculum resources specialist

c.555 FTE Staff

Multi-brand market leader

30.06.17 Acquired The Consortium

Strong national footprint

Regional education supplies generalist

Half UK orders online

One fifth of revenues from international sales

RM RESULTS

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

c.20 Customers

c.300 FTE Staff

#1

c.13m Exam scripts processed p.a.

>50% Staff 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 revenue

RM EDUCATION

Software, services and technology to UK schools and colleges

c.7,000 Customers

Complete range of technology offerings and support to schools & colleges

Direct sales model

#1 Trusted and established brand

c.800 FTE Staff

c.650 Outsourced IT customers

Save schools money on their IT Spend

>35% Staff based in India

Depth and breadth of technology understanding

68% Annuity revenue

Market leading education resources brands with curriculum innovation and complete product range

26%
International

Curriculum resources specialist

19,000
products

c. 255
FTE

Direct marketing model

12%
EarlyYears

36%
Own designed products

46%
Primary

1%
Secondary

RM Resources

c. 300
FTE

Education supplies specialist

4%
International

40,000
products

Sales and marketing model

10%
EarlyYears

41%
Own brand products

44%
Primary

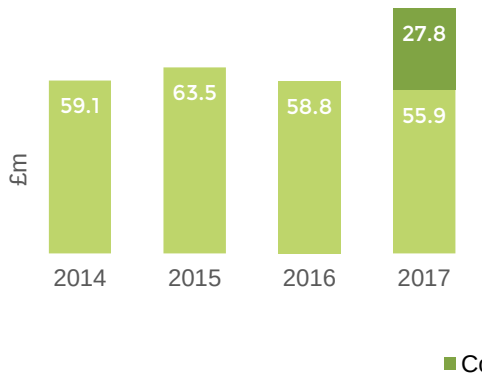
20%
Secondary

Supplying schools and early years establishments in the UK and internationally

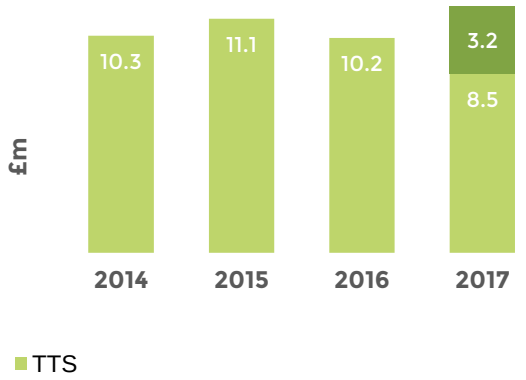
RM RESOURCES

- Revenue increased 42% to £83.6m resulting from the acquisition of The Consortium on 30 June 2017
- Organic revenue decline of 5%
  - UK revenues down 12% (H1 -20%, H2 -2%) as school budgets impacted by unfunded increases in staff pension and NI costs
  - International revenue growth of 23%
- Adjusted operating margins reduced to 13.9% with TTS margins of 15.1% diluted by margins of 11.3% in The Consortium.
  - TTS margins reduced by 1.7% due to exchange rate impacts

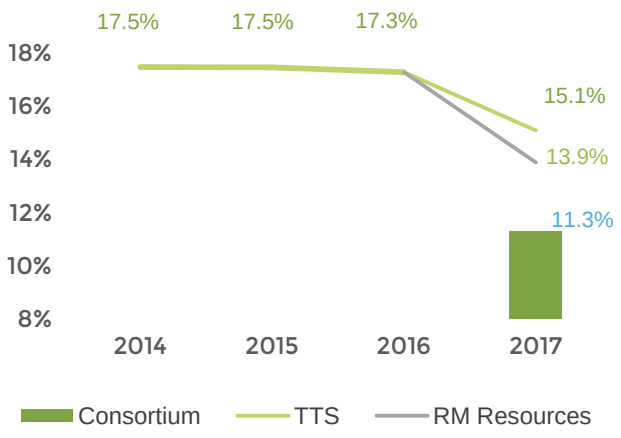
Revenue



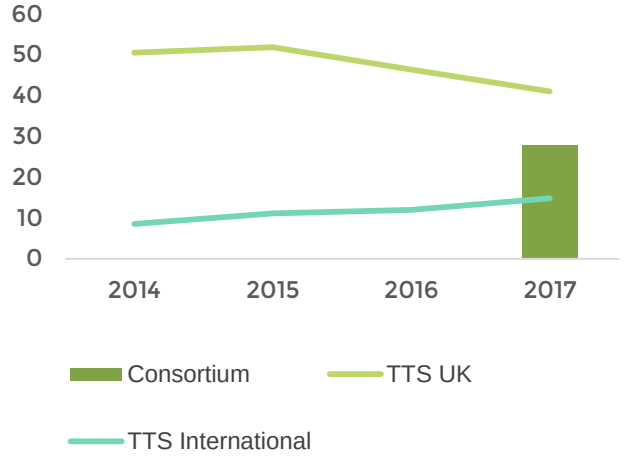
Adjusted Operating Profit

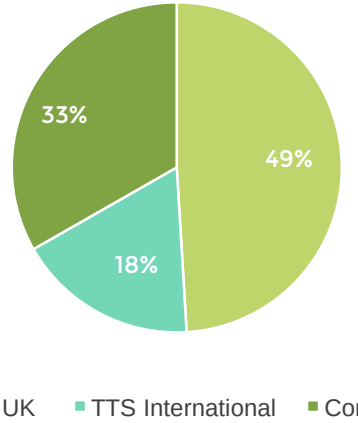


Adjusted Operating Margin



Revenues by Divison





Note: Consortium figures reflect 5 months post-acquisition results from July – November 2017
Organic revenue excludes any impact from the acquisition and is TTS only

RM RESOURCES

Integration process to date

Senior Management

One combined team established

Brands

All brands retained

Operational performance

Closed two storage facilities. Stablising operations

Organisational structure

Combined operating model announced

Strategy

Go to market strategy developed

Pension

Concluded triennial review

Combined proposition

National contract won and multi-brand access to existing frameworks

Supplier review

Initial supplier renegotiation concluded

Channel

630 own designed TTS products included in Consortium sales channels

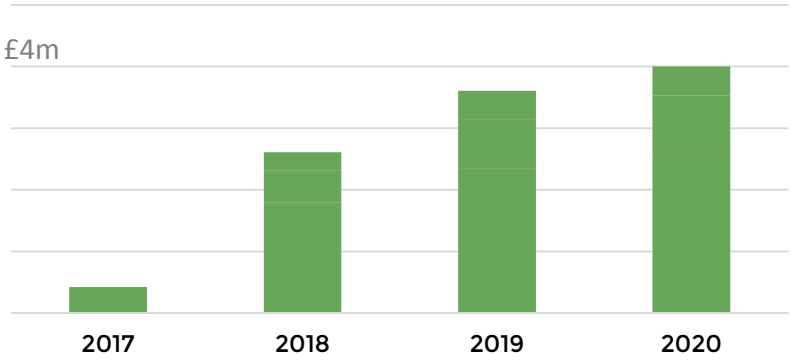
Control environment

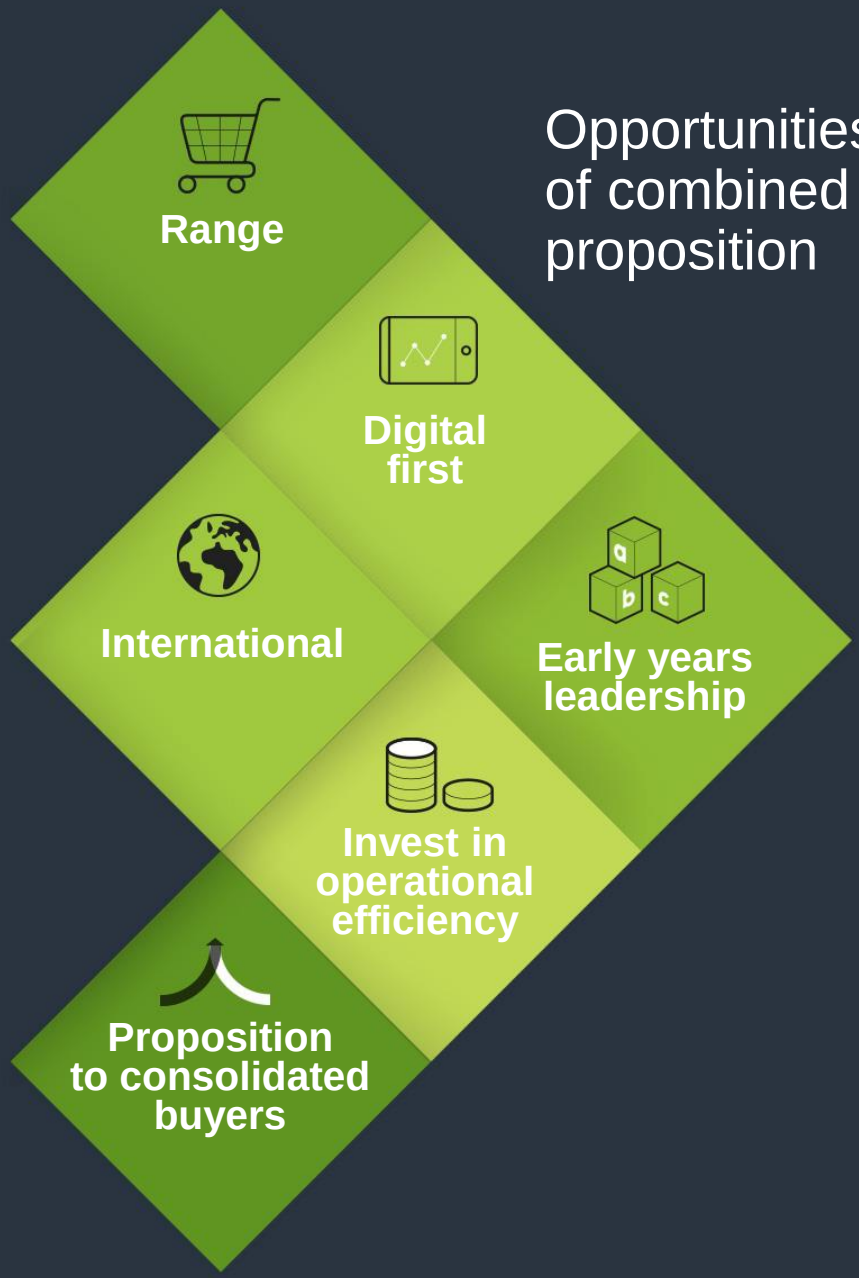
Alignment of governance and control framework

SYNERGIES

Synergy outlook increased from £2m to £4m

- Front office and core distribution locations retained
- Some back-office functions consolidated and some delivered from RM Group off-shore operations
- Systems strategy under review and outlook assumes consolidation rather than augmentation
- Current outlook assumes no changes to estate strategy





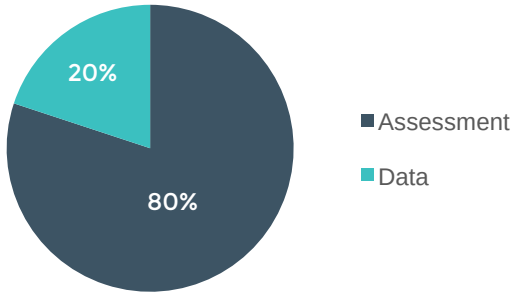
Opportunities of combined proposition

RM RESOURCES

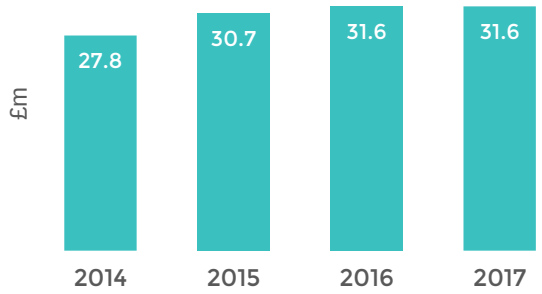
- UK trading outlook remains subdued due to funding pressures and uncertainty
  - Reducing investment in non-core operations in The Consortium (e.g. Care)
- International business continues to show strong growth prospects underpinned by own designed products
- Greater synergy opportunities and benefits of combined proposition underpin mid term confidence
- Increasing importance of online presence and usage

RM RESULTS

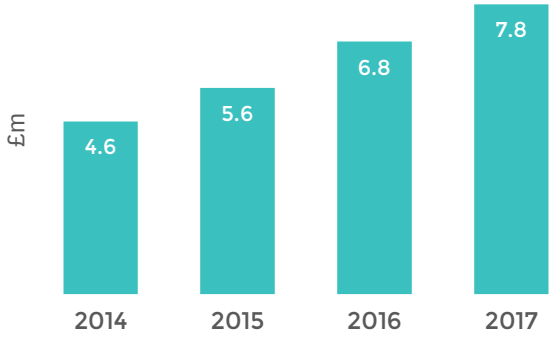
- Revenues in line with prior year with Assessment growth offsetting Data decline
  - +7% growth in e-Assessment driven by new e-testing contract
  - Data revenues down 21% in line with planned contract exits
- Adjusted operating profit growth of +14% to £7.8m
- Adjusted operating margins at 24.5%



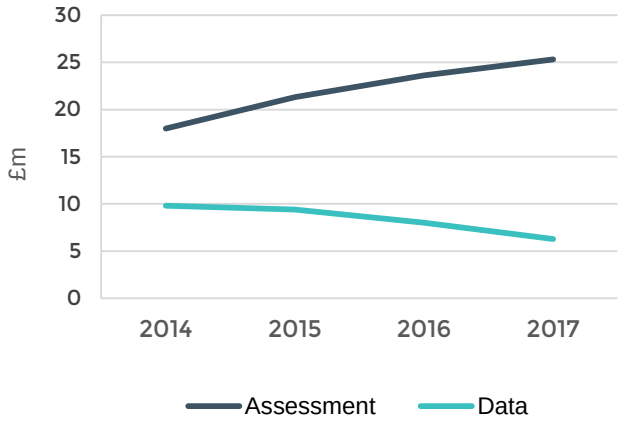
Revenue



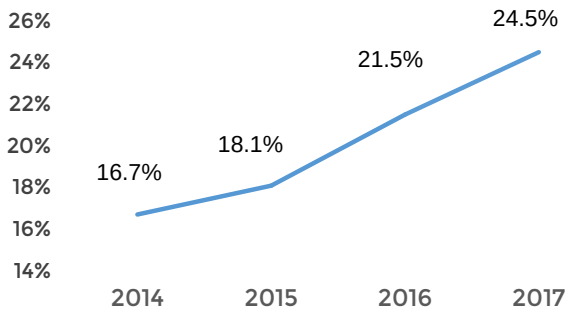
Adjusted Operating Profit



Revenues by Divison



Adjusted Operating Margin

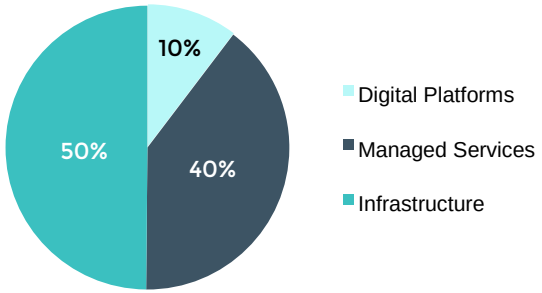


RM RESULTS

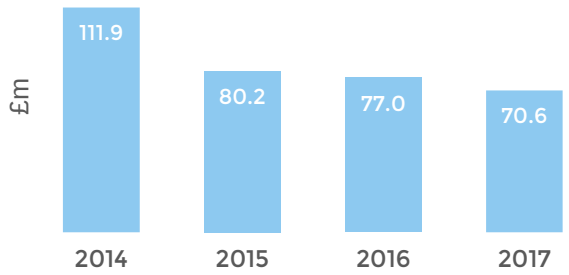
- **E-assessment business continues to grow with the addition of end to end e-assessment contracts**
  - New 5 year e-assessment contract signed with Oxford University Press to deliver a Global assessment platform
- **Renewal of key customer contracts in the year**
  - Caribbean awarding authority e-marking contract
  - AQA e-marking contract
  - Department for Education
    National Pupil Database data contract
- **Future growth focusses on four key sectors in the UK and Internationally**
  - General qualifications, language testing, professional qualifications, higher education
- **Investment to focus on technology enablement of the end-to-end exam delivery process**

RM EDUCATION

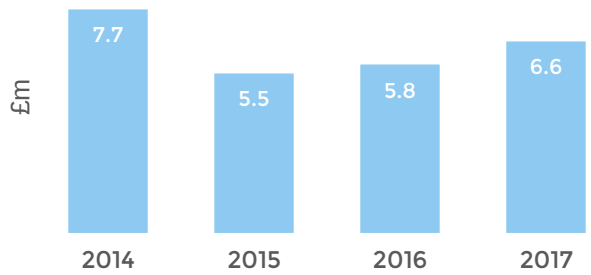
- Adjusted operating profits up 13% to £6.6m
- Revenues down 8%
  - Managed Services -15%. Reduced BSF spend (-£8m) partially offset by new contracts (+£3m)
  - Infrastructure -5% following 2016 restructure
  - Digital Platforms +4%
- Operating margins improve to 9.3% benefiting from 12% reduction in the cost base vs prior year
- Key contract wins
  - New 5 year contract with Glow Authentication & portal services for RM Unify
  - 3 year connectivity contract for over 500 schools in Hertfordshire following tender



Revenue



Adjusted Operating Profit



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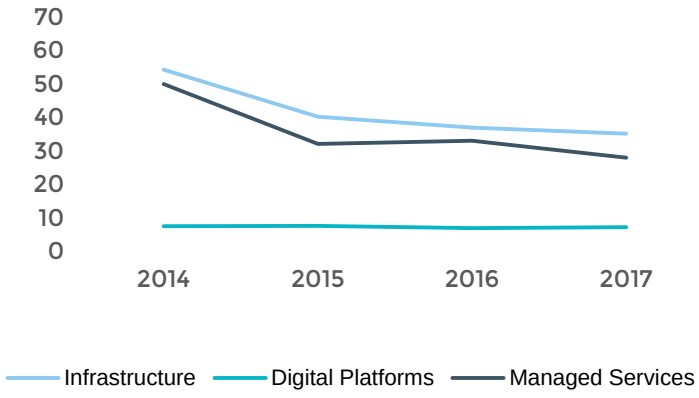
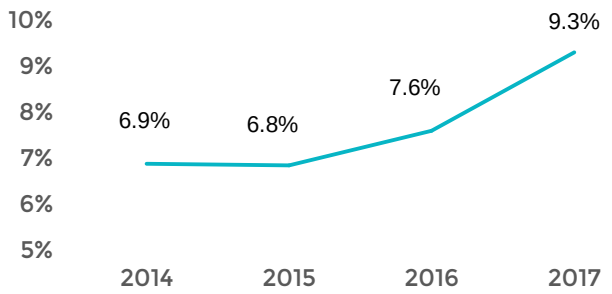


Adjusted Operating Margin



RM EDUCATION

- Unwind of legacy operations continues to more than offset underlying growth
  - Building Schools for the Future (BSF) contracts continue to trade through until 2019
- Continued growth in proportion of annuity revenues (68% in 2017 up from 61%)
- Focus on cost efficiency and development of the operating model will underpin operating margins
- Well positioned to take advantage of increase in consolidated buyers in the medium term but pace of change uncertain

DIVISIONS

Managed Services

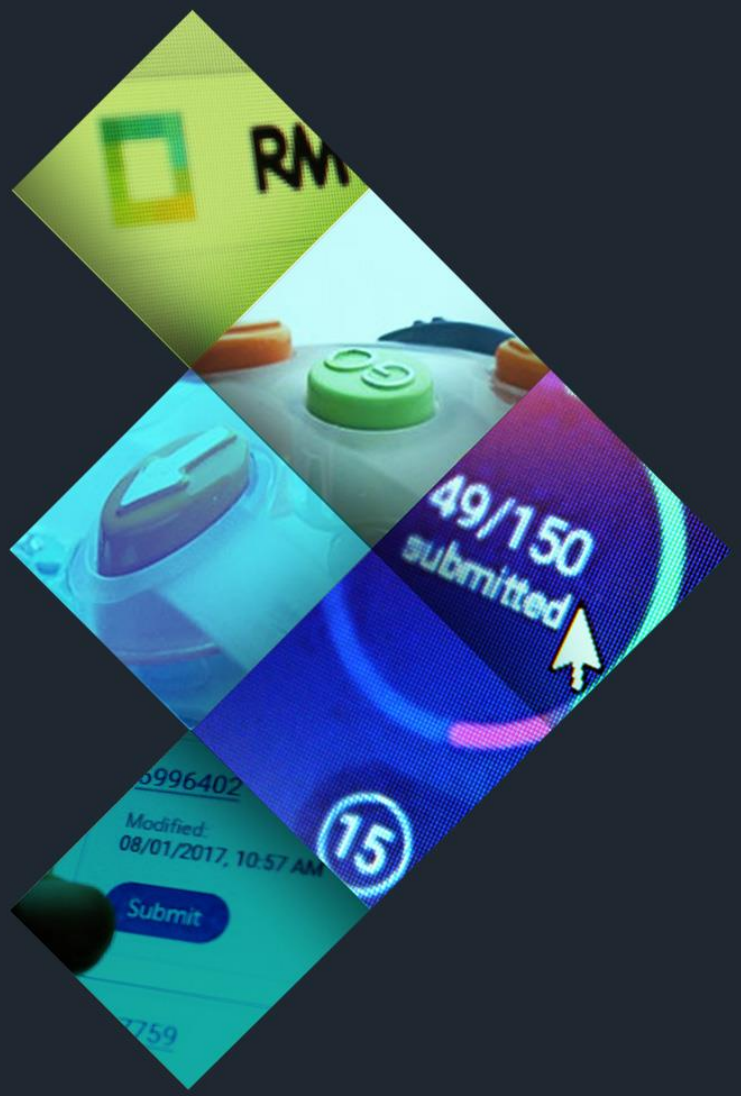
- Retention rates of 94%
- BSF revenues reduced to 40% of managed services portfolio in 2017 (£11m) from 57% in 2016 (£19m)

Digital Platforms

- Retention rates 97%
- Outlook flat as underlying growth offset by unwind of legacy software and RM Unify long term contract renewal

Infrastructure

- Retention rates 94%
- Revenues more resilient following restructure, but remains low margin transactional market



SUMMARY & OUTLOOK

- Strong results delivering 17% increase in adjusted operating profits
- Acquisition of The Consortium completed with synergy outlook now double initial estimate
- Strong growth in operating margins
- Good cash generation
- Robust balance sheet
- Earnings per share growth
- Capacity for dividend growth

RM plc

Appendix

INCOME STATEMENT

	12 MONTHS TO 30 NOVEMBER					
	2017			2016		
£ M	ADJUSTED	ADJUSTMENTS	TOTAL	ADJUSTED	ADJUSTMENTS	TOTAL
Revenue	**185.9**	**-**	**185.9**	**167.6**	**-**	**167.6**
Cost of sales	(112.9)	-	(112.9)	(100.4)	-	(100.4)
Gross profit	73.0	-	73.0	67.3	-	67.3
Gross profit %	**39.3%**	**-**	**39.3%**	**40.1%**	**-**	**40.1%**
Operating expenses	(50.9)	-	(50.9)	(48.4)	-	(48.4)
Amortisation of acquisition related intangible assets		(0.5)	(0.5)	-	(0.0)	(0.0)
Net gain on disposal of operations		-	-	-	0.1	0.1
Share-based payment charges		(0.8)	(0.8)	-	(1.0)	(1.0)
Restructuring provision		-	-	-	(1.6)	(1.6)
Cost to deliver synergy		(1.6)	(1.6)	-	-	-
Acquisition costs		(2.6)	(2.6)	-	(0.5)	(0.5)
Release/(increase) of property related provisions		(0.4)	(0.4)	-	0.1	0.1
	(50.9)	(5.9)	(56.8)	(48.4)	(2.9)	(51.3)
Operating profit	**22.1**	**(5.9)**	**16.2**	**18.8**	**(2.9)**	**15.9**
Operating profit %	***11.9%***	***-***	***8.7%***	***11.2%***	***-***	***9.5%***
Net investment income and finance costs	(1.6)	(0.0)	(1.6)	(0.7)	(0.1)	(0.8)
Profit before tax	**20.5**	**(5.9)**	**14.6**	**18.1**	**(3.0)**	**15.1**
Tax	(2.6)	0.9	(1.7)	(3.9)	0.5	(3.5)
Profit after tax	**17.9**	**(5.1)**	**12.9**	**14.2**	**(2.5)**	**11.6**
Diluted earnings per ordinary share	**21.9p**		**15.7p**	**17.4p**		**14.4p**
Dividend per share			**6.60p**			**6.00p**

CASH FLOW

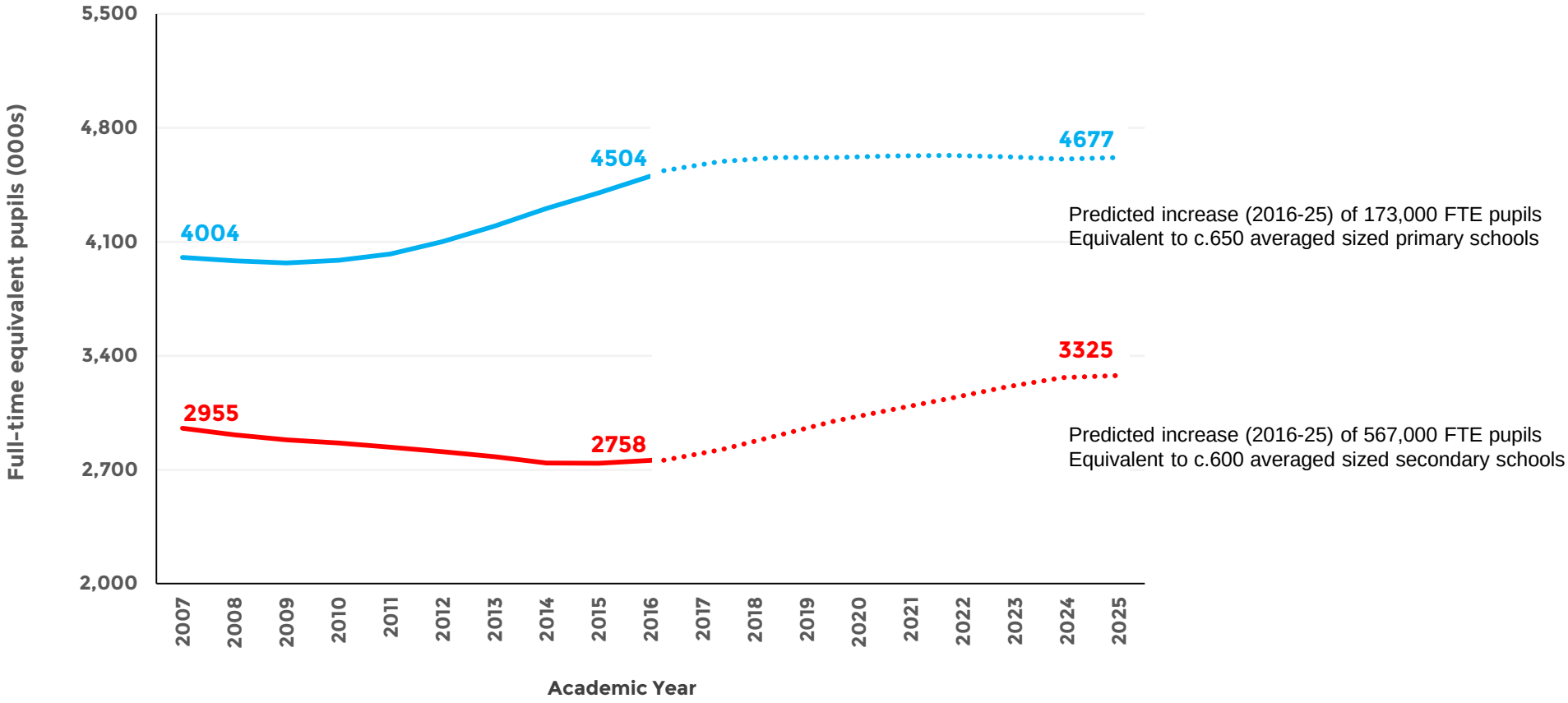
OPERATING CASH FLOWS - £M	2017	2016
Profit from operations	**16.2**	**15.9**
Amortisation & impairment of intangibles	1.1	0.3
Acquisition related costs	2.6	0.5
Depreciation & impairment of PPE	2.3	2.2
Share-based payments	0.8	1.0
Provisions	2.0	2.6
Other adjustments	(0.6)	1.4
Operating cash flows before movements in working capital	**24.5**	**23.9**
Increase/(decrease) in inventories	(0.0)	0.2
Decrease in receivables	5.4	1.1
Decrease in payables & other liabilities	(9.4)	(11.8)
Cash generated by operations	**20.5**	**13.4**
NON-OPERATING CASH FLOWS – £M		
Defined benefit pension contribution	(4.2)	(12.0)
Tax paid	(2.0)	(3.6)
Net capital expenditure less proceeds on disposal	(1.3)	(1.7)
Dividends paid	(5.0)	(4.3)
Acquisition of Consortium (net of cash acquired)	(58.4)	-
Acquisition related expenditure	(2.8)	-
Drawdown of borrowings	14.0	-
Amounts transferred from short-term deposits	3.0	3.0
Other	(1.0)	(0.3)
Net decrease in cash and cash equivalents	**(37.2)**	**(5.5)**

BALANCE SHEET

£M	30 NOV 2017	30 NOV 2016
Goodwill	45.2	14.1
Intangible assets	20.4	0.7
Property, plant & equipment	10.4	6.2
Defined benefit pension surplus	0.5	-
Other receivables	1.1	1.2
Deferred tax assets	6.5	8.8
Total non-current assets	**84.0**	**30.9**
Inventories	19.4	10.7
Trade & other receivables	29.1	24.4
Cash & short-term deposits	1.8	40.0
Total current assets	**50.4**	**75.1**
Total assets	**134.4**	**106.0**
Current liabilities, including tax liabilities	(63.7)	(59.3)
Loan	(13.2)	-
Retirement benefit obligation	(20.7)	(34.8)
Other non-current liabilities	(6.9)	(4.1)
Total liabilities	**(104.5)**	**(98.2)**
Net assets / total equity	**29.9**	**7.8**

PUPIL PROJECTIONS

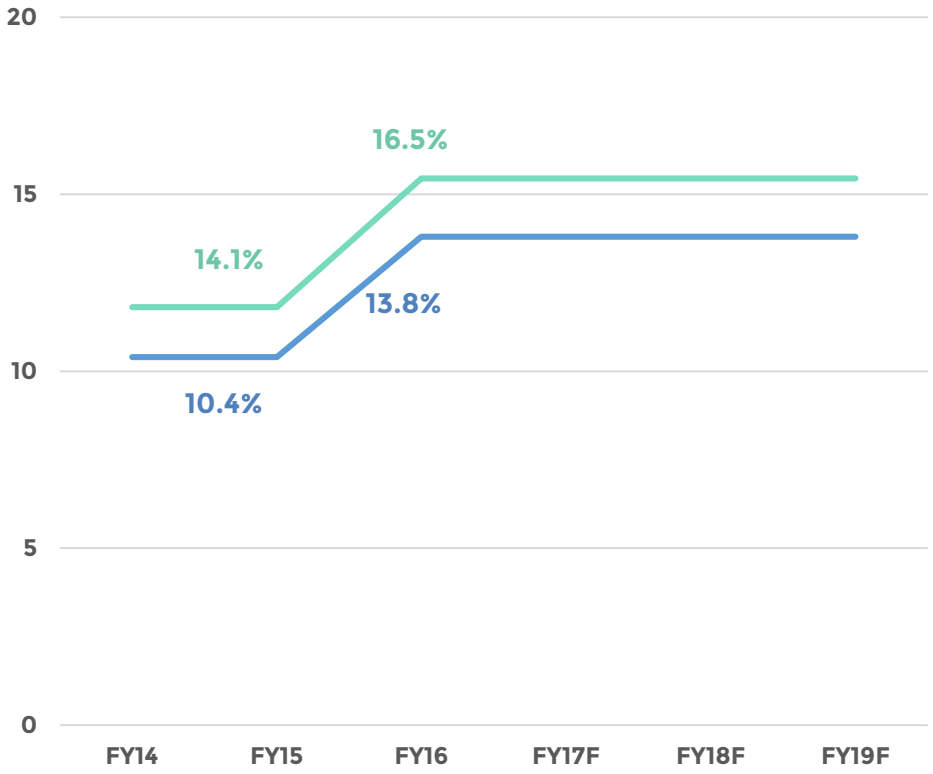
Full time equivalent pupil projections for state schools in England 2007 to 2025



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.

SCHOOL STAFF COSTS

Employer State Pension and NI contributions as % of employee earnings, FY14 – FY19



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%