



TECHNOLOGY AND RESOURCES FOR EDUCATION

Year to 30 November 2019

David Brooks
Chief Executive Officer

Neil Martin
Chief Financial Officer





A G E N D A

Highlights

David Brooks

Financial Review

Neil Martin

2019 Divisional Review

Neil Martin

2020 Focus & Outlook

David Brooks

Q&A

👁️ HIGHLIGHTS

Steady progress and continued international momentum



- 👁️ **Revenue up 1%** supported by growth in Technology divisions offsetting decline in Resources and the adverse impact of IFRS15 adoption
- 👁️ **Adjusted operating profits increased 1%** driven by improvements in the two technology divisions
- 👁️ **International revenue growth of 18%** driven by increased RM Results assessment software revenues
- 👁️ **Acquisition of e-testing company** to augment RM Results software capability to enable full end-to-end digital assessment to customers
- 👁️ **Net debt of £15m** (2018: £6m) including the funding of the acquisition. New £70m credit facility signed.
- 👁️ **Paid and proposed dividend increased by 5% to 8.00p**

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



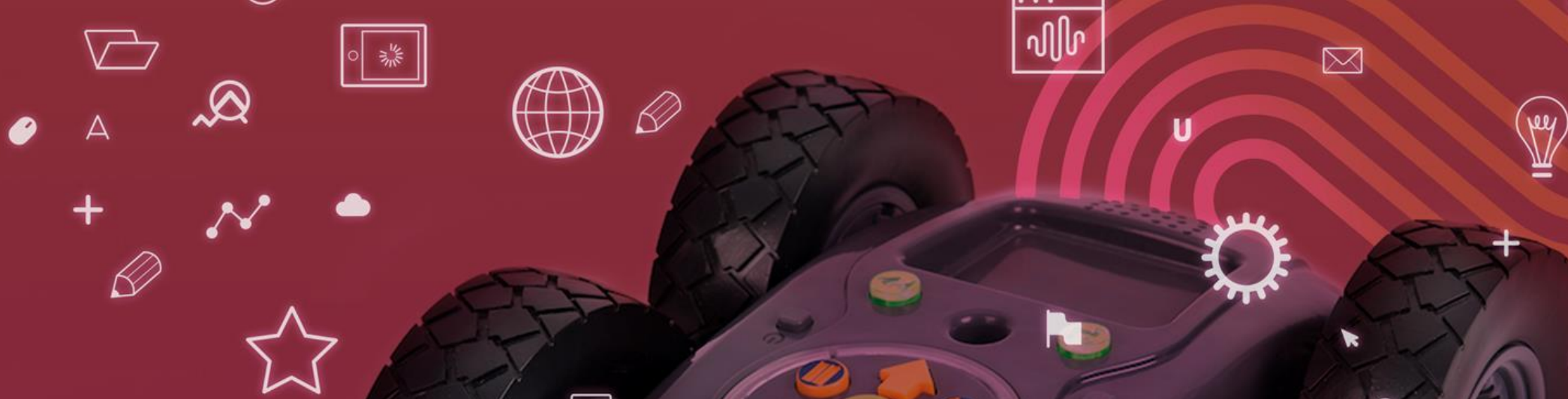
Growth in multi-academy trusts provides aggregated buying in fragmented market



Committed increases in education funding in the UK

Increasing technology adoption in education

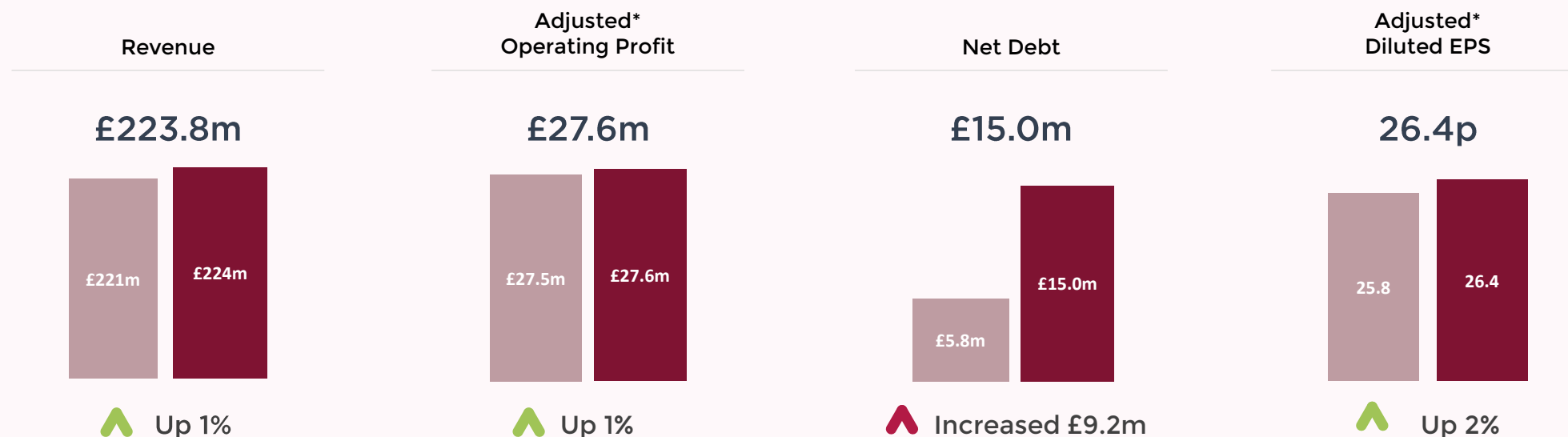




FINANCIAL SUMMARY

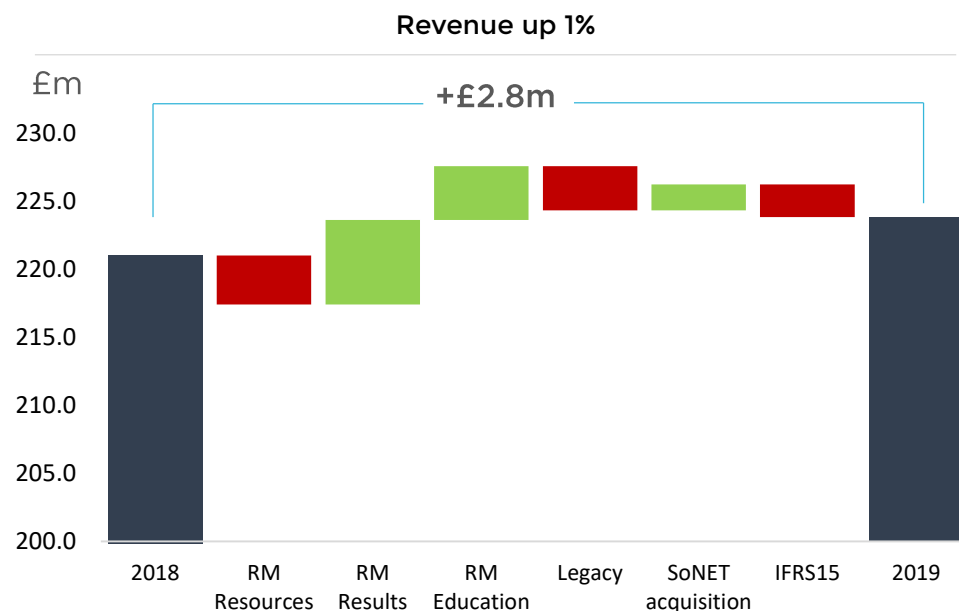
FINANCIAL OVERVIEW

Steady underlying progress across key financial measures

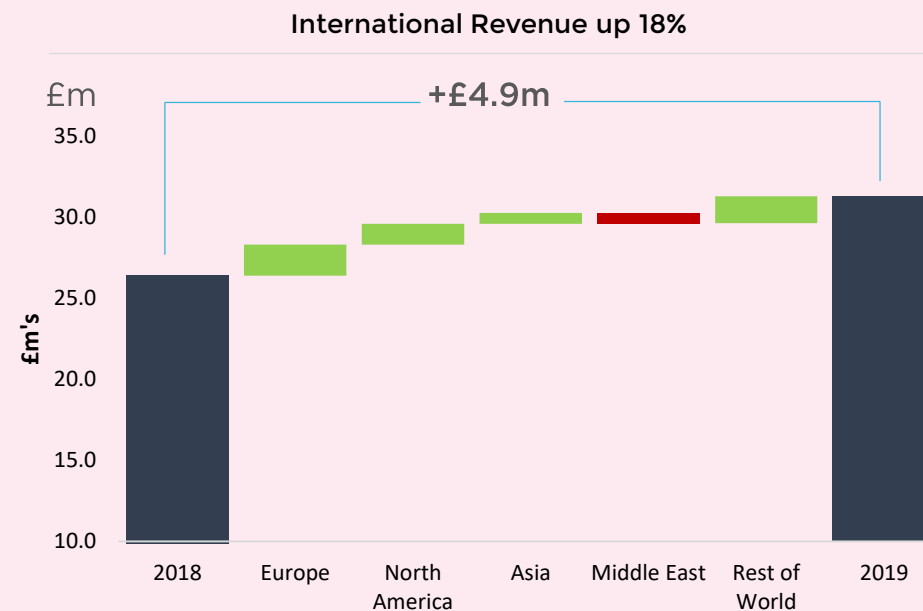


- Reported revenues up 1% despite £2.4m reduction related to the adoption of the accountancy standard IFRS15
- Adjusted operating profit up 1% driven by underlying growth in Technology divisions more than offsetting lower Resources profits and a £1.5m reduction related to IFRS15 adoption. Adjusted diluted EPS grew 2%.
- Net debt increased to £15.0m at 30 November 2019 following acquisition funding and increased capex. Credit facility increased to £70m with £30m accordion on 3 year agreement with option of 2 year extension.

REVENUE DEVELOPMENT

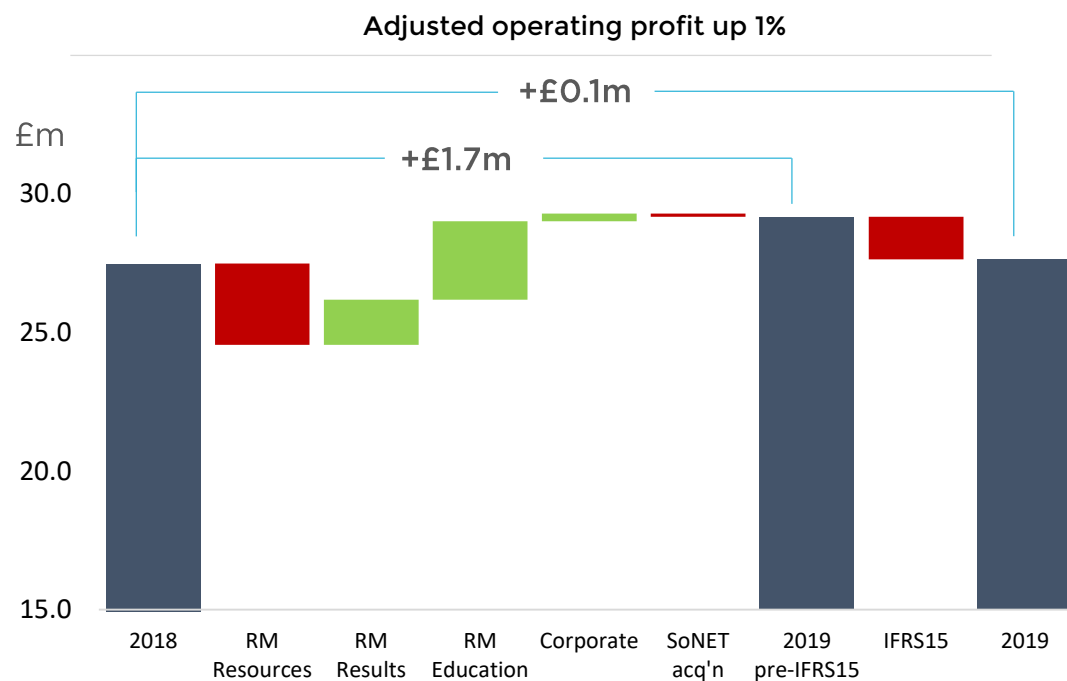


- RM Resources 4% UK decline partially offset by +2% international
- RM Results saw underlying growth of 20% driven by new client wins and development of existing client portfolio
- RM Education growth driven primarily by IT Services revenues
- Legacy unwind reflects the closure of the RM Resources UK trade channel and reduction in non-education revenue streams
- Acquisition H2 revenues of £1.9m with SoNET purchase
- IFRS15 adoption reduced revenues by £2.4m



- Europe is largest international market with £14m of revenues with growth in year driven by client wins in RM Results
- North America growth of 41% to £4m revenues primarily through increased penetration of RM Resources ICT range
- Middle East decline of £0.6m led by lower international school revenues in RM Resources
- ROW increase driven by acquisition of SoNET with majority of the £1.7m H2 revenues from Australia and NZ


PROFIT DEVELOPMENT





- RM Resources reduction driven by lower revenues and flat costs
- RM Results underlying profit growth of 20% driven by 20% underlying revenue growth
- RM Education benefited from revenue growth and reduced operating costs
- IFRS15 adoption reduced operating profit by £1.5m

INCOME STATEMENT

£m	2019	2018	Variance
Revenue	223.8	221.0	+1%
Adjusted Operating Profit	27.6	27.5	+1%
Operating Margin	12.4%	12.4%	-
Interest	(1.0)	(1.5)	+33%
Adjusted Profit before tax	26.6	26.0	+3%
Tax	(4.7)	(4.7)	-
Adjusted Profit after Tax	21.9	21.2	+3%
Exceptional items (after tax)	(2.8)	(4.3)	+34%
Profit after tax	19.1	16.9	+13%
Adjusted diluted EPS	26.4p	25.8p	+2%
Paid and proposed dividend per share	8.00p	7.60p	+5%

 Interest costs reflect debt facility charges and finance costs related to the defined benefit pension schemes

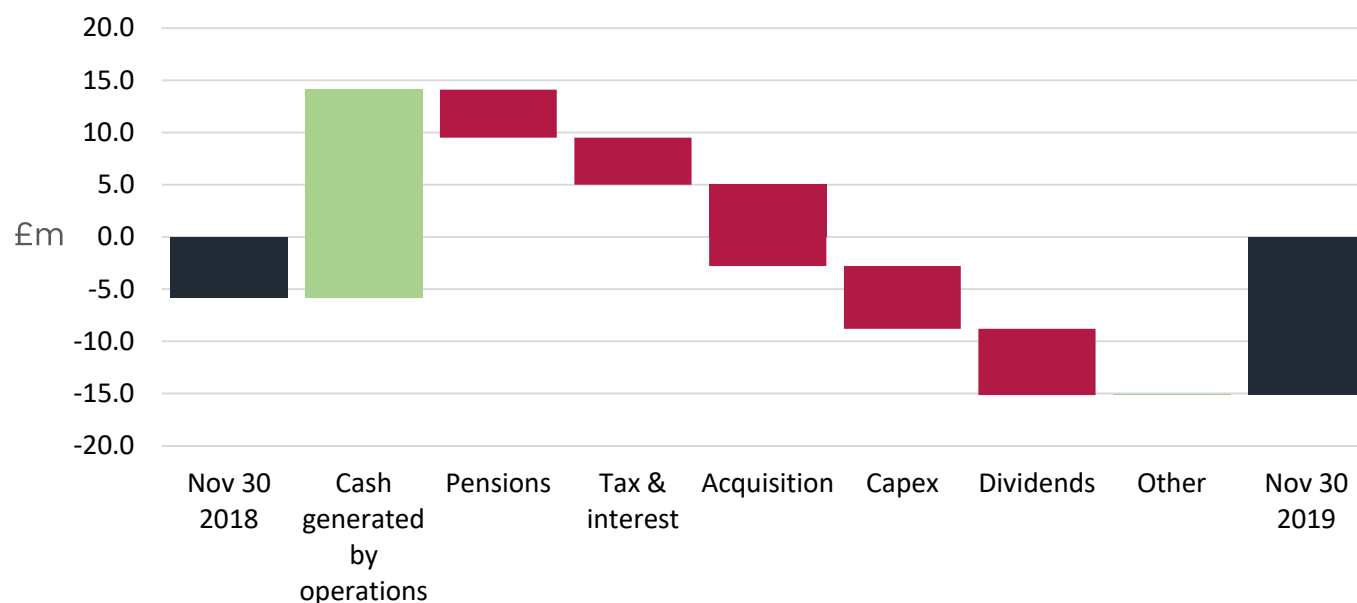
 Effective tax rate of 17.8% for adjusted earnings (2018: 18.2%)

 Exceptional items (after tax) include

- £1.3m amortisation of acquisition related intangibles
- £0.6m SoNET acquisition related costs
- £0.9m Restructuring and property related items

 Diluted EPS growth of 2% driven by modest profit growth and lower interest charges

CASH FLOW AND PENSION

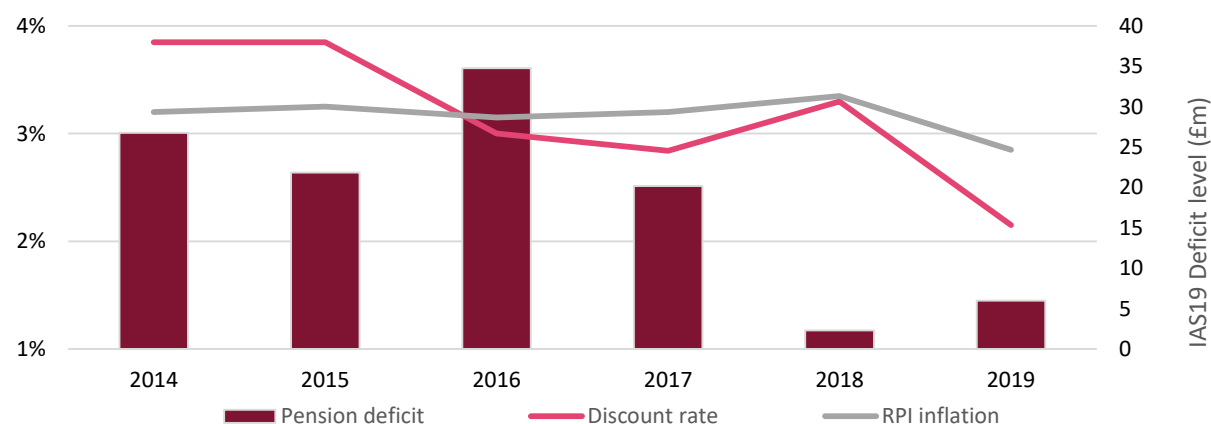


Cash Flow

Net debt of £15m is £9.2m higher than prior year (£5.8m)

Cash generated by operations of £20m down £4m on prior year due to higher inventories and utilisation of provisions

Capital spend in next two years in excess of £20m supporting two large capital programs



Pension

IAS19 net pension deficit increased to £6m driven by a significant reduction in the discount rate offset by a lower inflation outlook, growth in asset values and revised mortality assumptions



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2019 DIVISIONAL REVIEW



DIVISIONAL SUMMARY

Revenue £M

	2019	2018	Variance
RM Resources	114.5	121.6	-6%
RM Results	37.7	31.8	+19%
RM Education	71.6	67.6	+6%
Group	223.8	221.0	+1%

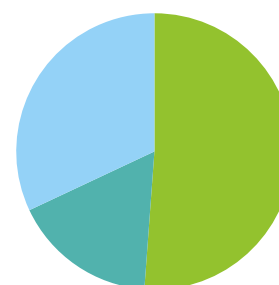
Adjusted Operating Margin

	2019	2018	Variance
RM Resources	12.0%	13.7%	-1.7pp
RM Results	23.2%	25.6%	-2.4pp
RM Education	14.5%	11.6%	+2.9pp
Group	12.4%	12.4%	+0.0pp

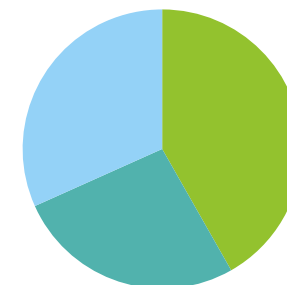
Adjusted Operating Profit £M

	2019	2018	Variance
RM Resources	13.7	16.6	-18%
RM Results	8.7	8.2	+7%
RM Education	10.4	7.8	+33%
Corporate	(5.2)	(5.1)	-2%
Group	27.6	27.5	+1%

Revenue



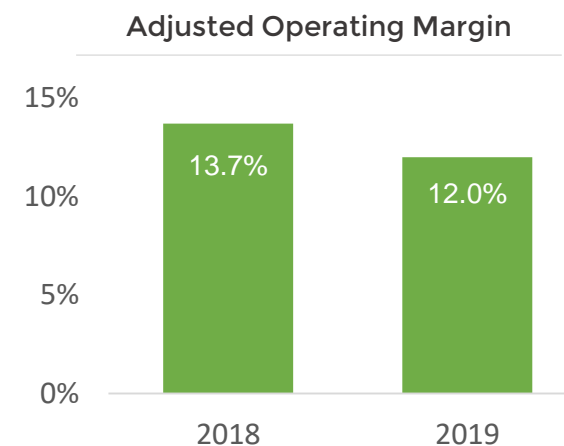
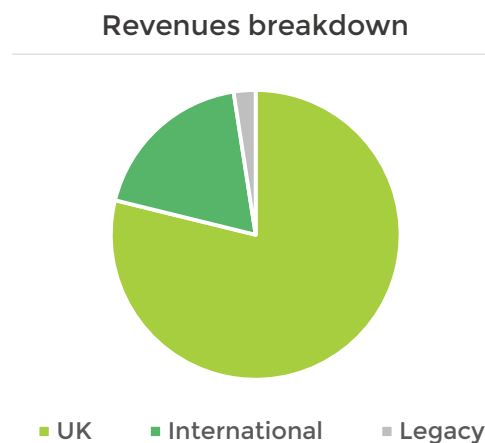
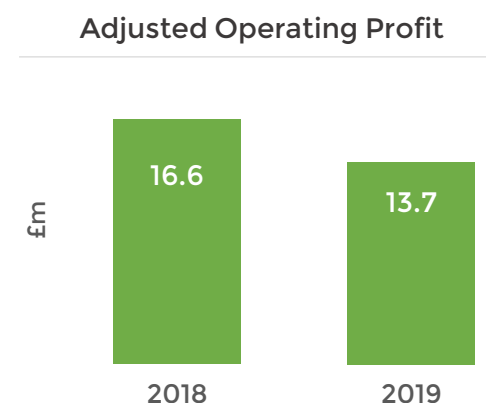
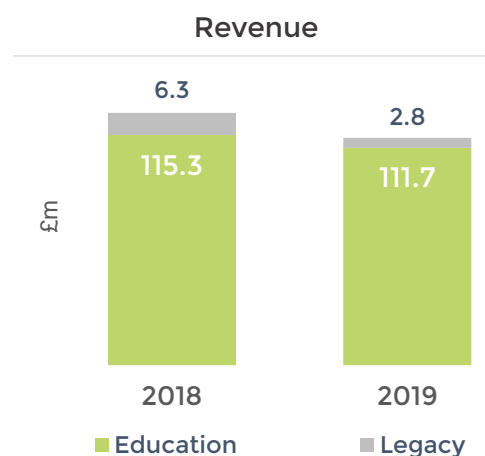
Adjusted Operating Profit



■ RM Resources ■ RM Results ■ RM Education

Challenging year with UK market decline and legacy revenue unwind

- 🕒 Revenues down 6% driven by planned reduction in legacy revenue and decline in UK education
 - UK education down 4% in line with competitive set
 - Growth in TTS brand
 - Consortium decline impacted by integration effects
 - International revenue growth of 2%
- 🕒 Reduced operating profit results from lower revenues and flat costs as savings offset by additional integration and warehouse spend
- 🕒 High level of transition activities
 - Consolidation of head offices complete
 - Accelerated consolidation of one warehouse
- 🕒 Progress on single automated warehouse
 - Scope increase to consolidate additional freehold property
 - Agreement for lease signed with development partners
 - Warehouse automation contract signed
- 🕒 Committed increases in UK government education spend

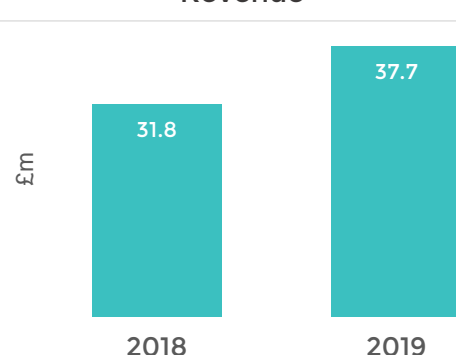


RM RESULTS

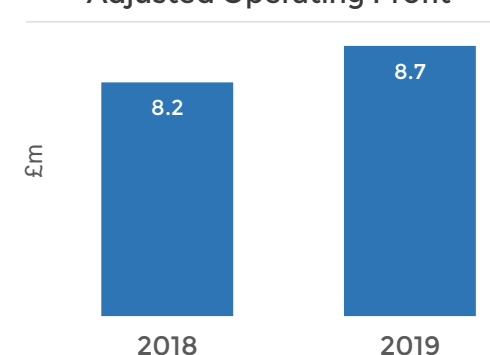
Strong revenue growth driven by new and existing customers

- Revenue growth of 19% despite £2.2m negative impact of IFRS15 adoption
 - Growth driven by new client wins, existing customer growth and acquisition of SoNET
- Operating margins diluted by impact of IFRS15 adoption and lower margins within SoNET acquisition
- Continued client and pipeline development
 - New contract wins and existing portfolio development with new contract phases and options signed
 - Extensions signed with largest two customers
 - One client has given notice to insource e-marketing activities at the end of 2020
- SoNET addition progressing well with strong interest in end-to-end digital assessment software capability

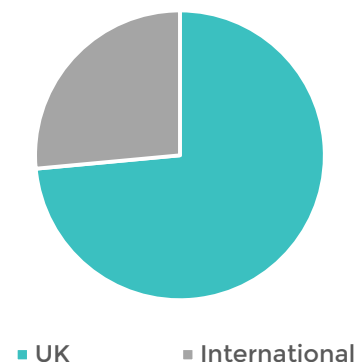
Revenue



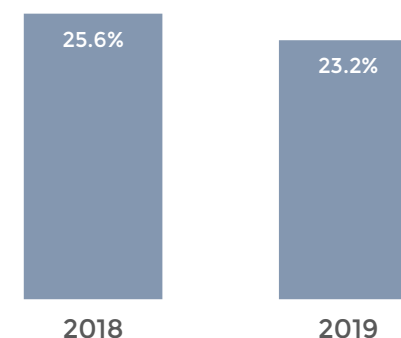
Adjusted Operating Profit



Revenues breakdown

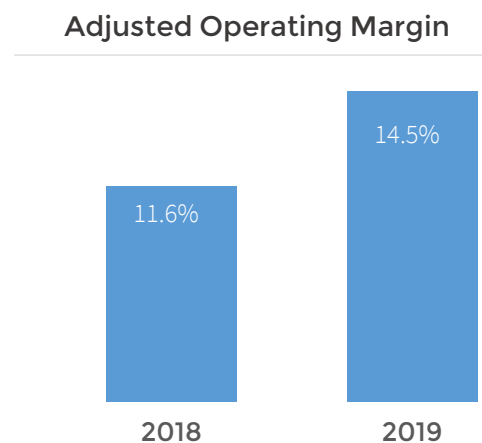
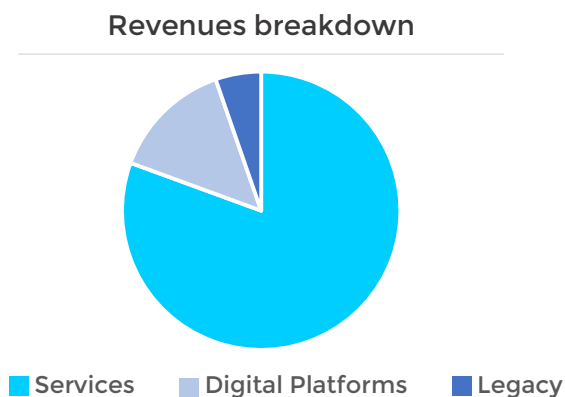
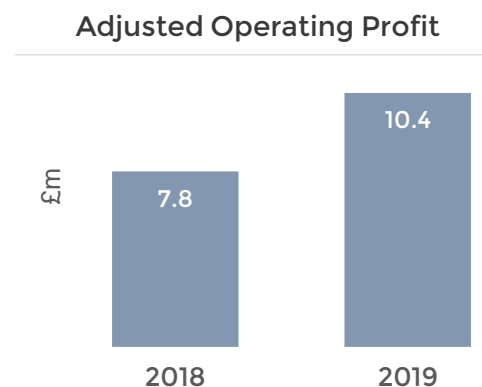
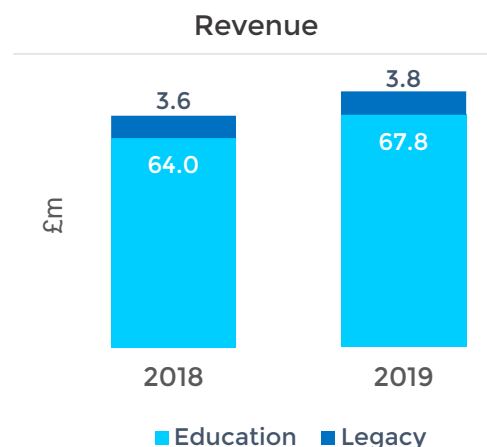


Adjusted Operating Margin



Continued profit development through revenue growth and good operating leverage

- Revenues increase by 6% driven by growth in Services
 - New contract signed with largest multi-academy trust for full ICT provision
- Adjusted operating margins up to 14.5% benefiting from increased revenues, lower costs and some one time benefits delivering good operating leverage
- 2019 saw final year of building schools for the future program
 - Legacy revenues of £3.8m in 2019 now materially concluded
- Further operating efficiency opportunities in 2020 identified through separation of software and services offerings and conclusion of legacy streams





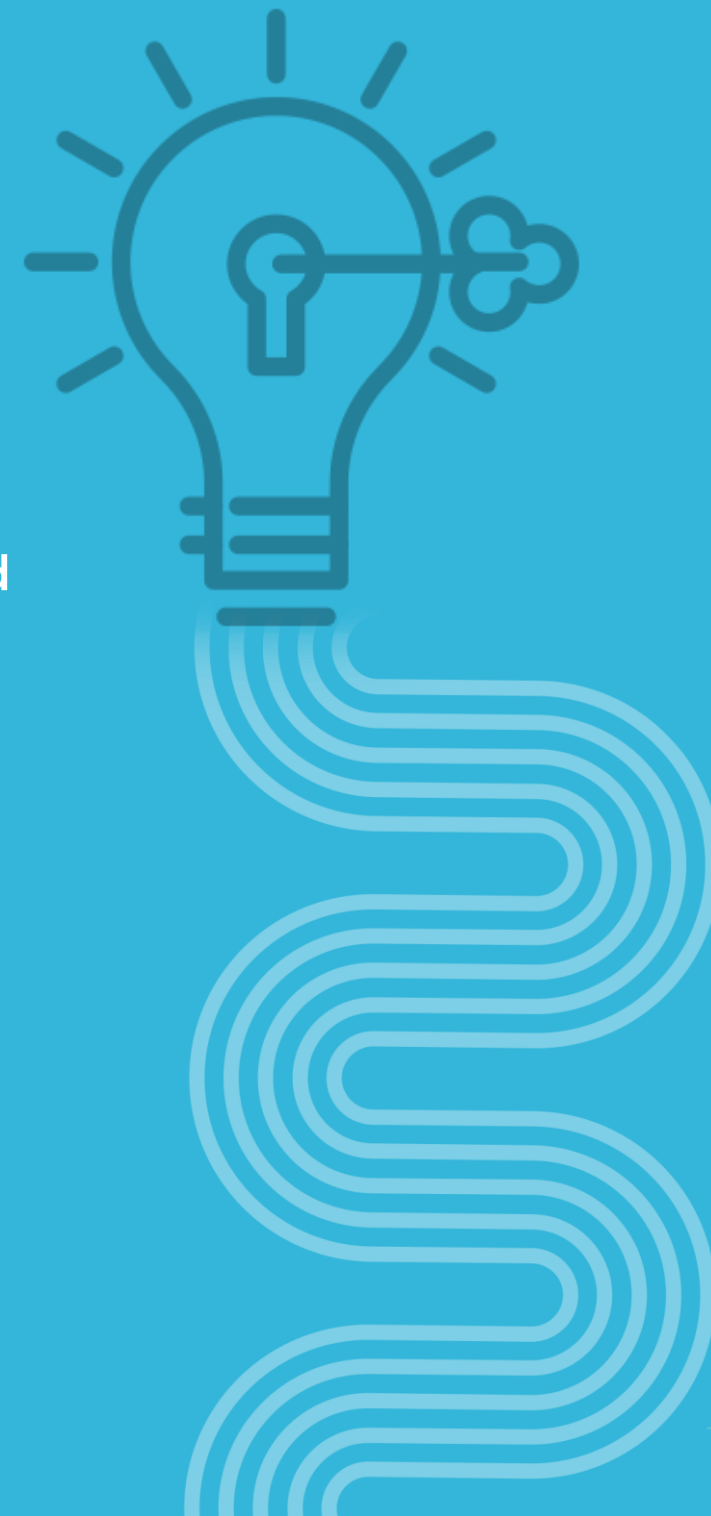
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FOCUS & OUTLOOK

Four strategic themes to deliver profitable growth



1 IP and technology development



© **An opportunity**

There's strong growth in technology being used in high-stakes assessment globally.

© **Our approach**

Provide customers with an end-to-end digital assessment offering where the complete exam life-cycle can be delivered without paper.

Evidence of progress

- © The acquisition of SoNET has accelerated us bringing end-to-end digital assessment to the market.

2 International growth

📍 An opportunity

A growing trend in international education systems is to include programming within their early years and primary school curriculum.

📍 Our approach

A unique range of programmable floor robots that teach control, directional language and coding.

📍 Evidence of progress

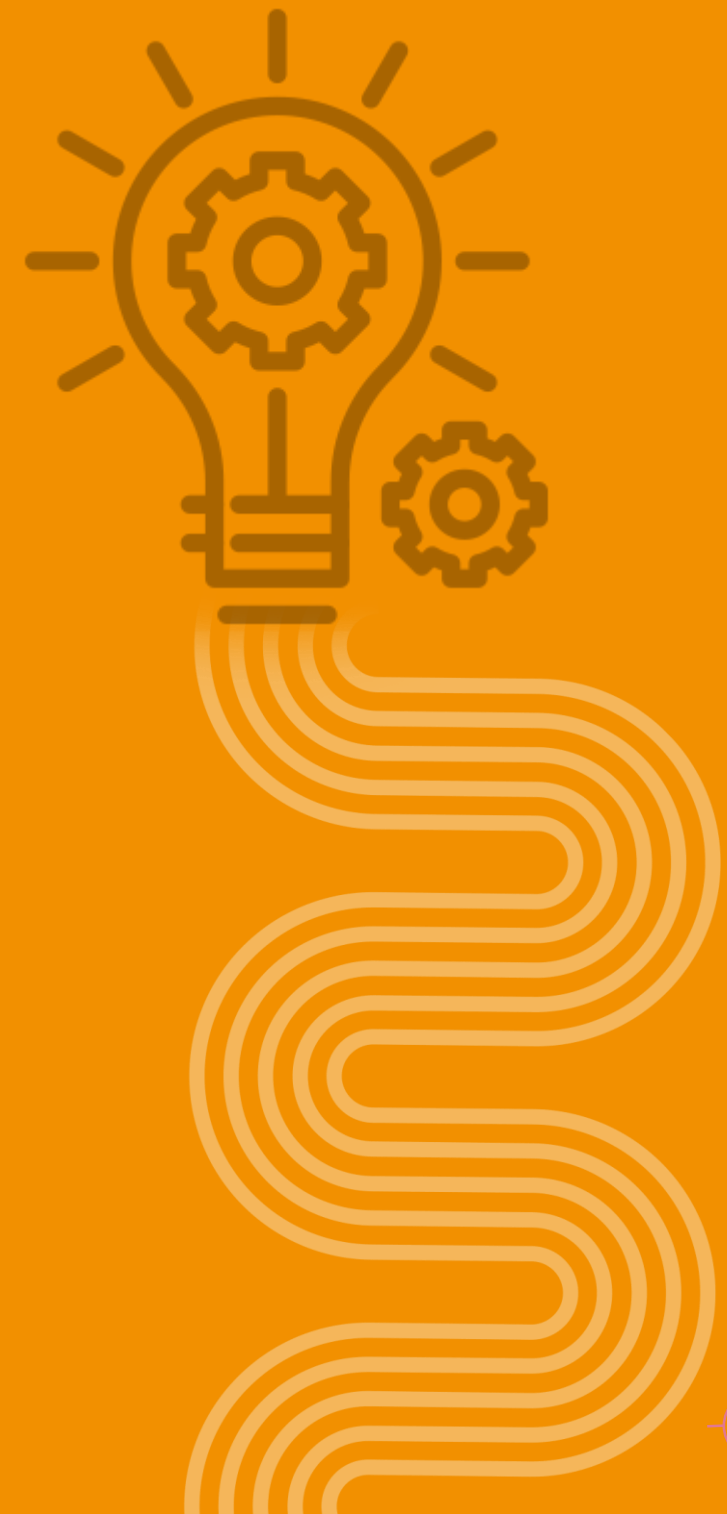
Sales of our robotics range helped drive a 12% revenue increase through international distributors in 2019.





© STRATEGIC FOCUS

3 Innovate with our customers



© **An opportunity**

UK schools are turning into academies and joining multi-academy trusts (MATs). MATs are increasingly buying products and services centrally for all their schools.

© **Our approach**

We provide improved quality of service and savings to MATs when they buy our fully outsourced IT service across their estate

© **Evidence of progress**

In 2019 we signed a contract with the largest MAT to provide a full IT managed service to all their schools. This service includes moving their ICT delivery in their schools to the cloud.

4 Efficiency and simplicity



⦿ **An opportunity**

Our resources division has five separate distribution centres that service our customers in the UK and internationally. This footprint of warehouses is costly and inefficient.

⦿ **Our approach**

We are running a programme to consolidate our distribution centres into a single, automated facility leading to significant cost savings and an improved service to our customers.

⦿ **Evidence of progress**

In 2019 we completed some major milestones on this programme including gaining planning permission for the new site and signing the lease with the developer.



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2020 OUTLOOK

👁 2020 OUTLOOK & FOCUS



- 👁 Deliver against key milestones for our two major capital projects
- 👁 Making the most of a growing international opportunity with broadening Intellectual Property
- 👁 Our Technology divisions reshaping to focus on distinct software and services market opportunities
- 👁 Delivering on our efficiency targets
- 👁 Improving UK market backdrop with committed education spend increase

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Q&A



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APPENDIX

INCOME STATEMENT

	12 MONTHS TO 30 NOVEMBER					
	2019			2018		
£ M	ADJUSTED	ADJUSTMENTS	TOTAL	ADJUSTED	ADJUSTMENTS	TOTAL
Revenue	223.8	-	223.8	221.0	-	221.0
Cost of sales	(132.1)	-	(132.1)	(129.7)	-	(129.7)
Gross profit	91.6	-	91.6	91.3	-	91.3
<i>Gross profit %</i>	40.9%	-	40.9%	41.3%	-	41.3%
Operating expenses	(64.0)	-	(64.0)	(63.8)	-	(63.8)
Amortisation of acquisition related intangibles		(1.6)	(1.2)		(1.2)	(1.2)
Restructuring provision		(0.8)	(2.5)		(2.5)	(2.5)
Pension GMP charge		-	(1.2)		(1.2)	(1.2)
Acquisition related costs		(0.8)	-		-	-
Property related costs		(0.3)	-		-	-
	(64.0)	(3.5)	(67.4)	(63.8)	(4.9)	(68.7)
Operating profit	27.6	(3.5)	24.2	27.5	(4.9)	22.6
<i>Operating profit %</i>	12.4%	-	10.8%	12.4%	-	10.2%
Net investment income and finance costs	(1.0)	(0.0)	(1.0)	(1.5)	(0.0)	(1.5)
Profit before tax	26.6	(3.5)	23.2	26.0	(5.0)	21.0
Tax	(4.7)	0.6	(4.1)	(4.7)	0.6	(4.1)
Profit after tax	21.9	(2.8)	19.1	21.2	(4.3)	16.9
Diluted earnings per ordinary share	26.4p		23.0p	25.8p		20.6p
Dividend per share			8.00p			7.60p

CASH FLOW

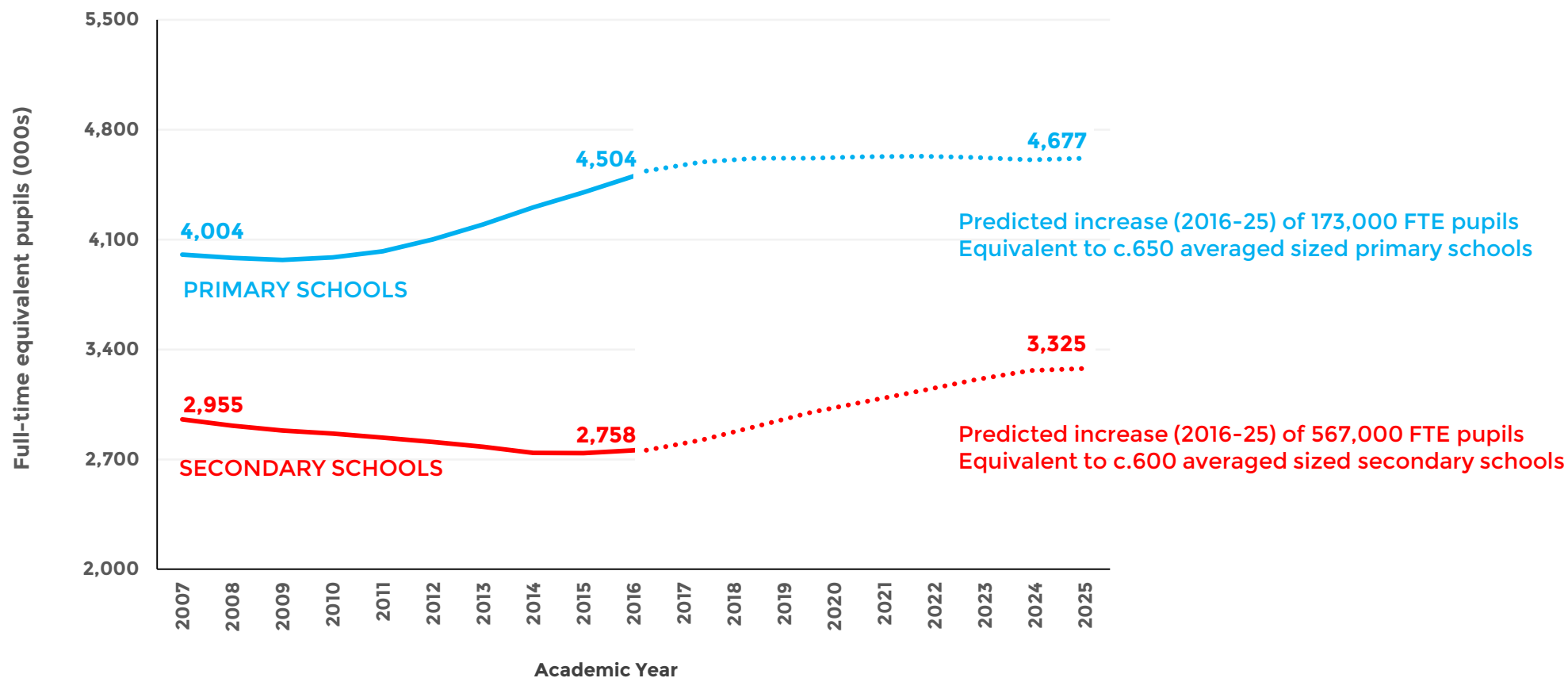
OPERATING CASH FLOWS - £M	2019	2018
Profit from operations	24.2	22.6
Amortisation & impairment of intangibles	2.7	2.2
Depreciation & impairment of PPE	1.6	1.9
Share-based payments	0.7	1.0
(Decrease)/Increase in provisions	(0.8)	3.6
Other adjustments	0.3	2.0
Operating cash flows before movements in working capital	28.6	33.3
(Increase)/decrease in inventories	(4.1)	1.6
(Increase)/decrease in receivables	7.6	(5.7)
(Increase) in contract fulfilment assets	(1.6)	-
Decrease in payables	(7.5)	(2.8)
Utilisation of provisions	(3.2)	(2.3)
Cash generated by operations	19.9	24.2
NON-OPERATING CASH FLOWS - £M		
Defined benefit pension contribution	(4.6)	(4.6)
Tax paid	(3.6)	(3.1)
Net capital expenditure less proceeds on disposal	(6.0)	(1.1)
Dividends paid	(6.3)	(5.6)
Acquisition costs net of cash acquired	(7.8)	-
(Repayment)/drawdown of borrowings	10.0	(7.0)
Other	(0.9)	(1.8)
Net increase in cash and cash equivalents	0.6	0.9

BALANCE SHEET

£M	30 NOV 2019	30 NOV 2018
Goodwill	49.1	45.2
Intangible assets	23.3	18.5
Property, plant & equipment	9.2	9.2
Defined benefit pension surplus	1.0	1.3
Other receivables	0.9	0.9
Contract fulfilment assets	2.2	-
Deferred tax assets	3.5	3.4
Total non-current assets	89.1	78.4
Inventories	22.2	17.8
Trade & other receivables	31.2	34.9
Contract fulfilment assets	0.8	-
Held for sale asset	1.4	-
Tax assets	0.4	0.4
Cash & short-term deposits	5.5	2.6
Total current assets	61.6	55.7
Total assets	150.7	134.1
Current liabilities, including tax liabilities	(56.9)	(63.2)
Borrowings	(16.5)	(6.5)
Retirement benefit obligation	(7.0)	(3.6)
Other non-current liabilities	(10.7)	(5.8)
Total liabilities	(91.1)	(79.1)
Net assets / total equity	59.6	55.0

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