

LON:LTG

Leading the Learning Revolution at Work



Learning Technologies Group plc | 2017 Final Results

Jonathan Satchell
Chief Executive

Neil Elton
Group Finance Director

19th March 2018

2017 Strategic and Operational Highlights

Strategic Highlights

- Acquisition of NetDimensions in March 2017 – annualised synergies target achieved, excellent customer retention rates and new sales wins
- 2013-2018 Strategic goals achieved ahead of plan
- 2020 Strategic goals set - £100m revenue and £25m adjusted EBIT on run-rate basis by end 2020 based on use of cash and debt resources only

Operational Highlights

- Strong organic revenue growth and margin improvements
- Successful account management approach to sales and client delivery
- Investment in IP; development of focused R&D roadmap
- Exit 2017 with record order book and strong sales pipeline

LTG in the corporate e-learning market



Content & Services (59%*)

LEO



PRELOADED

Platforms (41%*)



LEARNING



(27% associate holding)

A high growth fragmented market

Global e-learning market to grow at a CAGR of 17% to 2020 (IBIS June 2016 – ‘2016 EdTech Trends – a Map for Future of Education’)



Custom content



Generic content



Platforms/ Learning Systems

Large corporates	Eg: Accenture, PwC, Cornerstone, Skillsoft
One company strategically placed to bridge the gap in the market	Learning Technologies Group (LTG)
Small niche players	>3,000 content and platform providers in Europe

LTG is the only publicly listed aggregator in the fragmented and fast-growing corporate e-learning market

* 2017 Revenue split



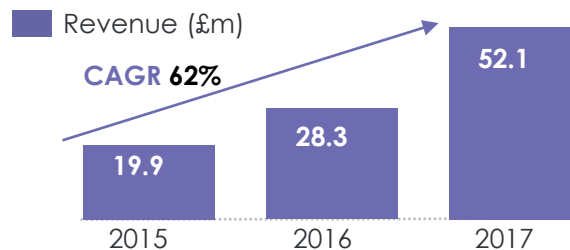
2017 Financial Highlights: strong delivery and balance sheet

Revenue

2017: £52.1m

+84%

(2016: £28.3m)



Underlying Organic Revenue *

2017: £34.6m

+20%

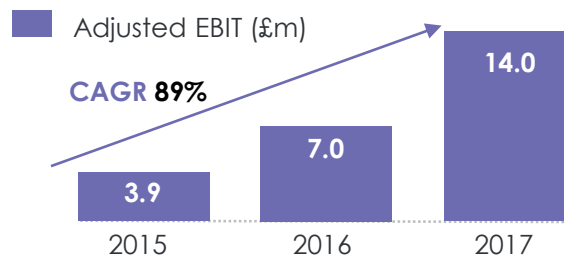
(2016: £28.7m)

Adjusted EBIT

2017: £14.0m

+102%

(2016: £7.0m)



Adjusted EBIT Margin

2017: 27.0%

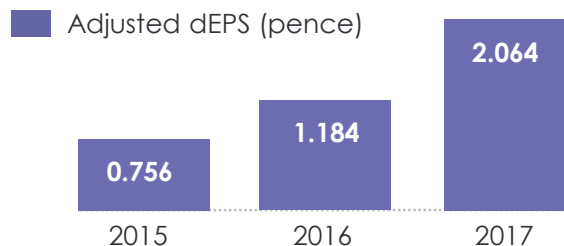
(2016: 24.6%)

Adjusted dEPS

2017: 2.064 pence

+74%

(2016: 1.184 pence)

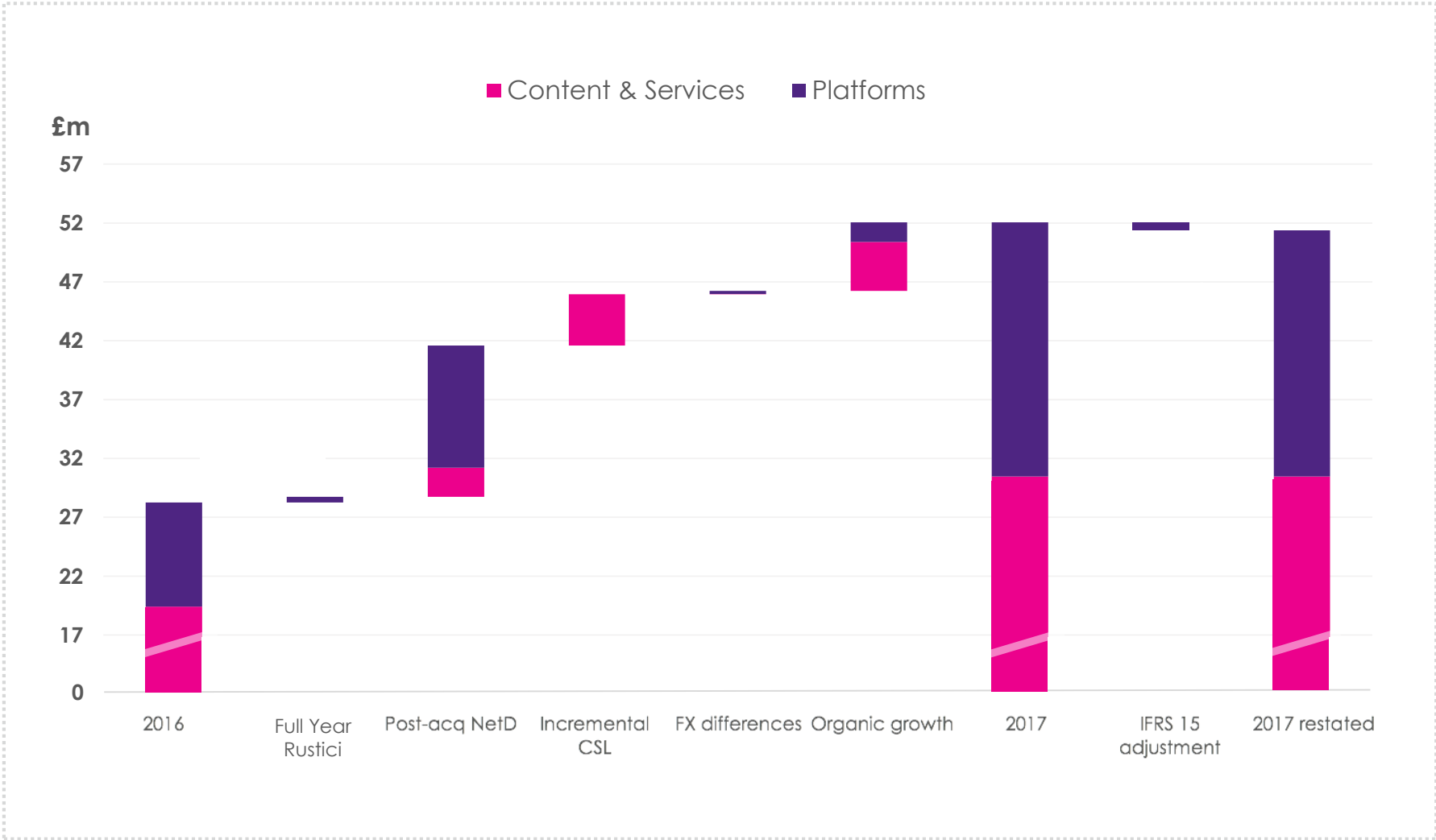


Net Cash/ (Debt)

2017: £1.0m

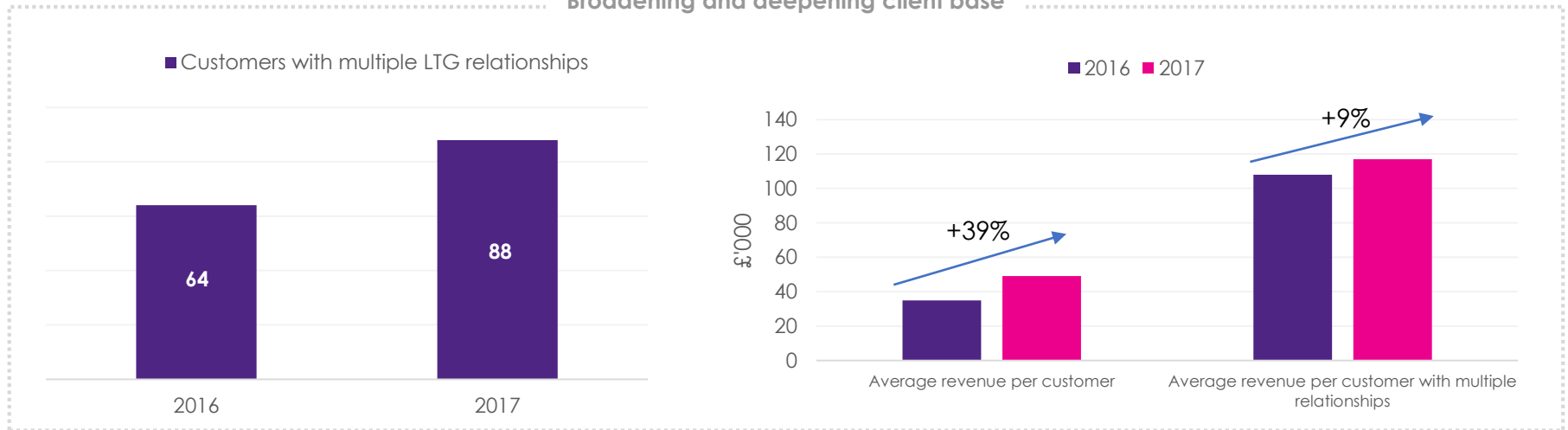
(2016: Net Debt -£8.5m)

2017 Revenue Bridge

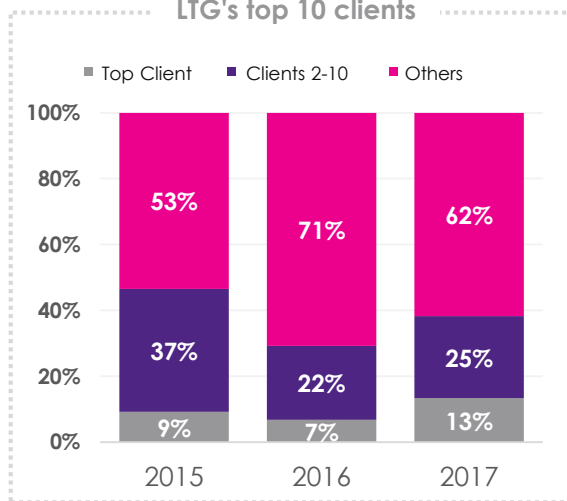


Revenue: strong growth and diversification

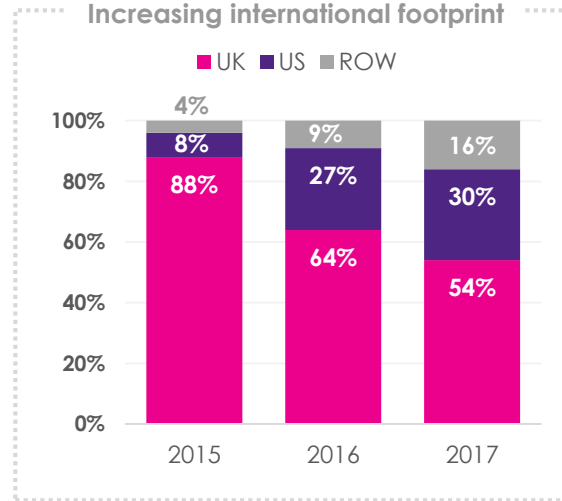
Broadening and deepening client base



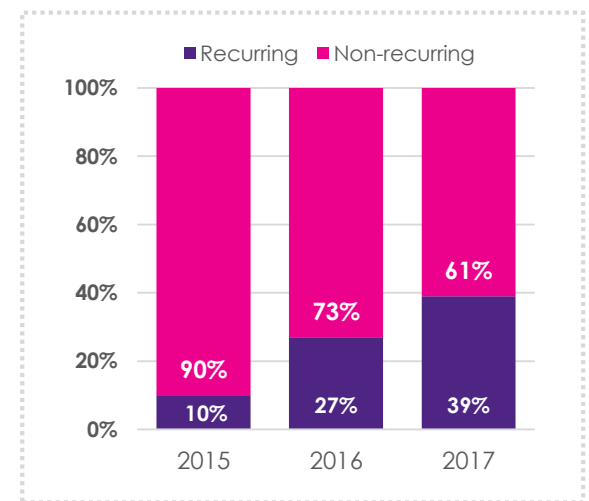
LTG's top 10 clients



Increasing international footprint

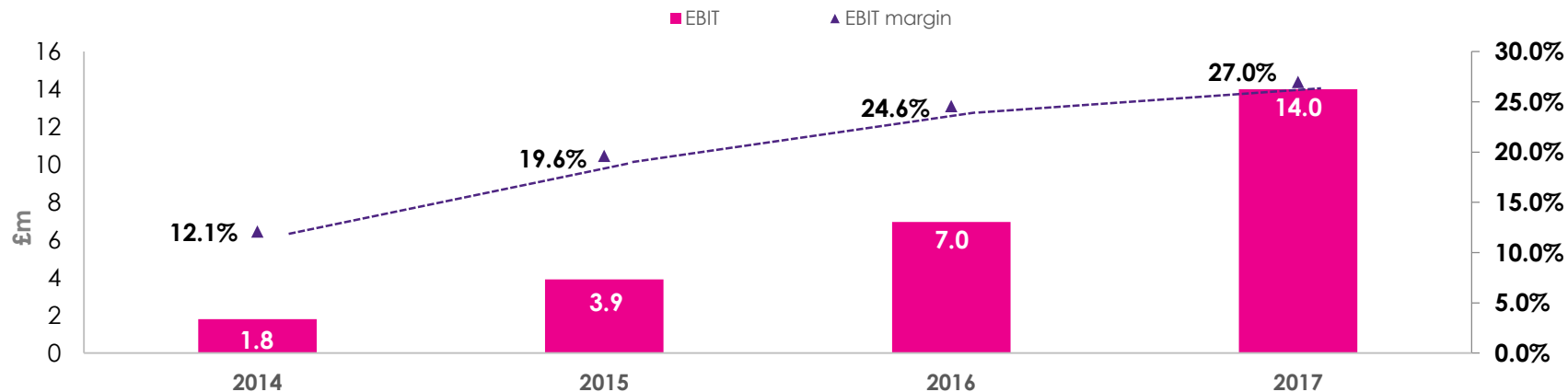


Increasing recurring revenue

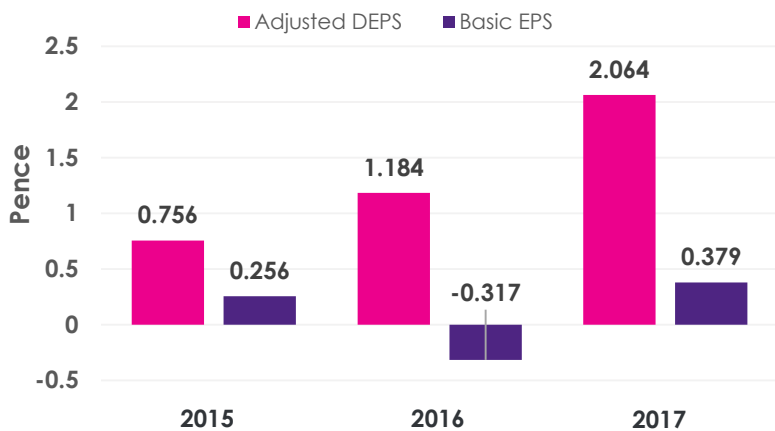


Quality of Earnings: strong margins and EPS growth

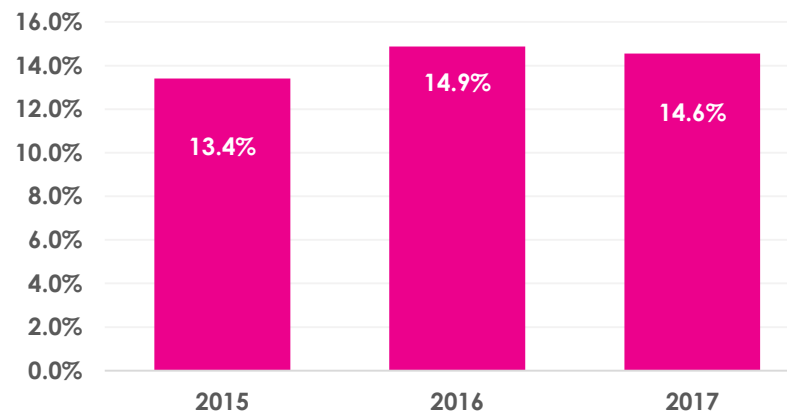
Strong margin growth



Strong EPS growth



ROCE*



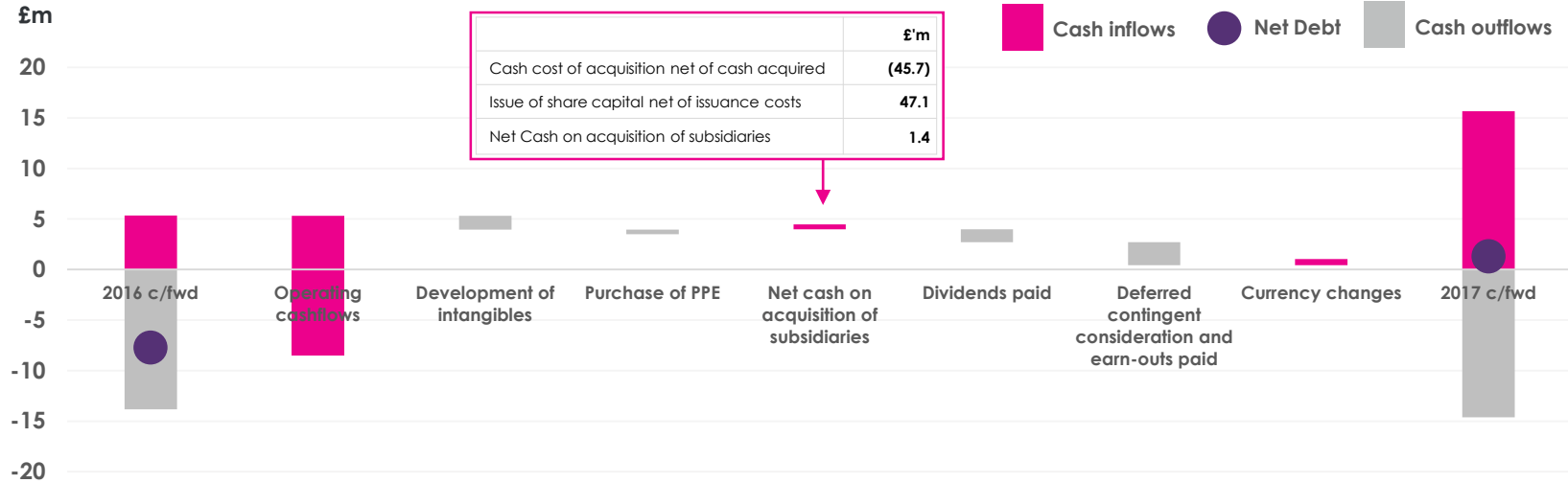
*Return On Capital Employed ('ROCE') = Adjusted EBIT / (Assets - Current Liabilities)

Consolidated Statement of Comprehensive Income

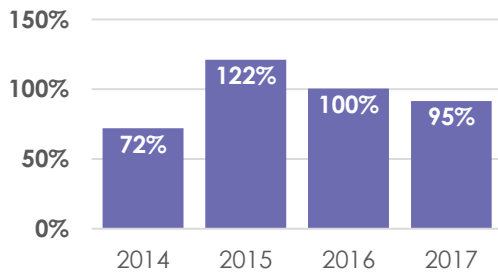
£'000	2017	2016	% Change
Revenue	52,056	28,263	84%
Operating Expenses	(49,458)	(28,405)	
Operating profit / (loss)	2,598	(142)	
Adjusted EBIT	14,047	6,952	102%
Adjusted EBIT margin	27.0%	24.6%	
Amortisation of acquired intangibles	(7,756)	(3,205)	
Acquisition related deferred consideration and earn-outs	(1,853)	(3,211)	
Share based payment costs	(675)	(605)	
Integration costs	(1,165)	(73)	
Operating profit / (loss)	2,598	(142)	
Costs of acquisition	(920)	(99)	
Share of losses of associates / joint ventures	(201)	(205)	
Profit/(loss) on disposal of fixed assets	(36)	-	
Fair value movement on contingent consideration	52	-	
Charge on contingent consideration	(41)	(57)	
Finance charge on unwinding onerous lease	(11)	-	
Interest payable on borrowings	(605)	(358)	
Net foreign exchange differences on borrowings	(151)	(333)	
Interest receivable	7	1	
Profit / (loss) before taxation	692	(1,193)	
Taxation	1,171	(133)	
Profit / (loss) for the period	1,863	(1,326)	

Cash Flow and Financing

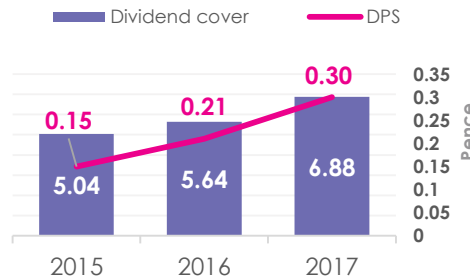
2017 Cash Flow Bridge



Operating cash conversion* as % of adjusted EBIT



Dividend Cover



New Bank Debt Facility

- **5 year loan** with Silicon Valley Bank from March 2017
- **£30m facility** includes £10m term loan, £10m RCF and £10m accordion
- **Net cash of £1.0m** at end 2017
- **Substantial capacity for M&A**

* Operating cash conversion % is calculated by dividing operating cash flows (adjusted for acquisition-related deferred consideration payments, transaction costs, interest and tax paid and the movement of deferred upfront investment outflows relating to the CSL project) by adjusted EBIT.

Platforms: NetDimensions supporting business expansion strategy

The analytics division of a global credit rating agency

Supporting the customer's business as they implement their global strategy

What we did

- **NetDimensions** has been supplying talent and learning management services to a global company. Our client offers learning solutions and certifications to major financial institutions.
- The company implemented **NetDimensions Talent Suite** to meet its strategic goals of growth into new markets (supported by **NetDimensions'** superb multi-language capabilities, which include support for character-based and right-to-left languages) and improve service with a fresh, modern user interface.

The result

- After its successful implementation in EMEA, the organisation has extended its partnership with **NetDimensions** for an additional 36 months to support business expansion globally.
 - Initial integration saw a consolidation of three older platforms into a new, unified **NetDimensions** instance
 - The migration was achieved in excellent time with positive feedback

Content & Services: Preloaded showcasing LTG's capabilities

Modigliani VR

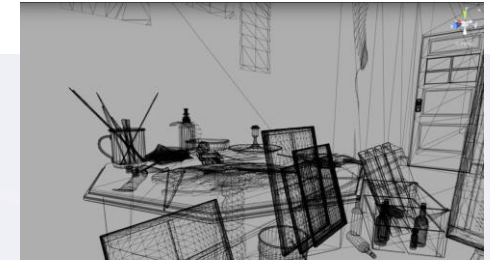
An immersive virtual reality (VR) experience recreates a lost piece of history

What we did

- **Preloaded** worked with **Tate Modern** and **HTC VIVE** to design a VR 'first' – recreating renowned artist Amedeo Modigliani's final studio in immersive virtual reality for an audience of art lovers.

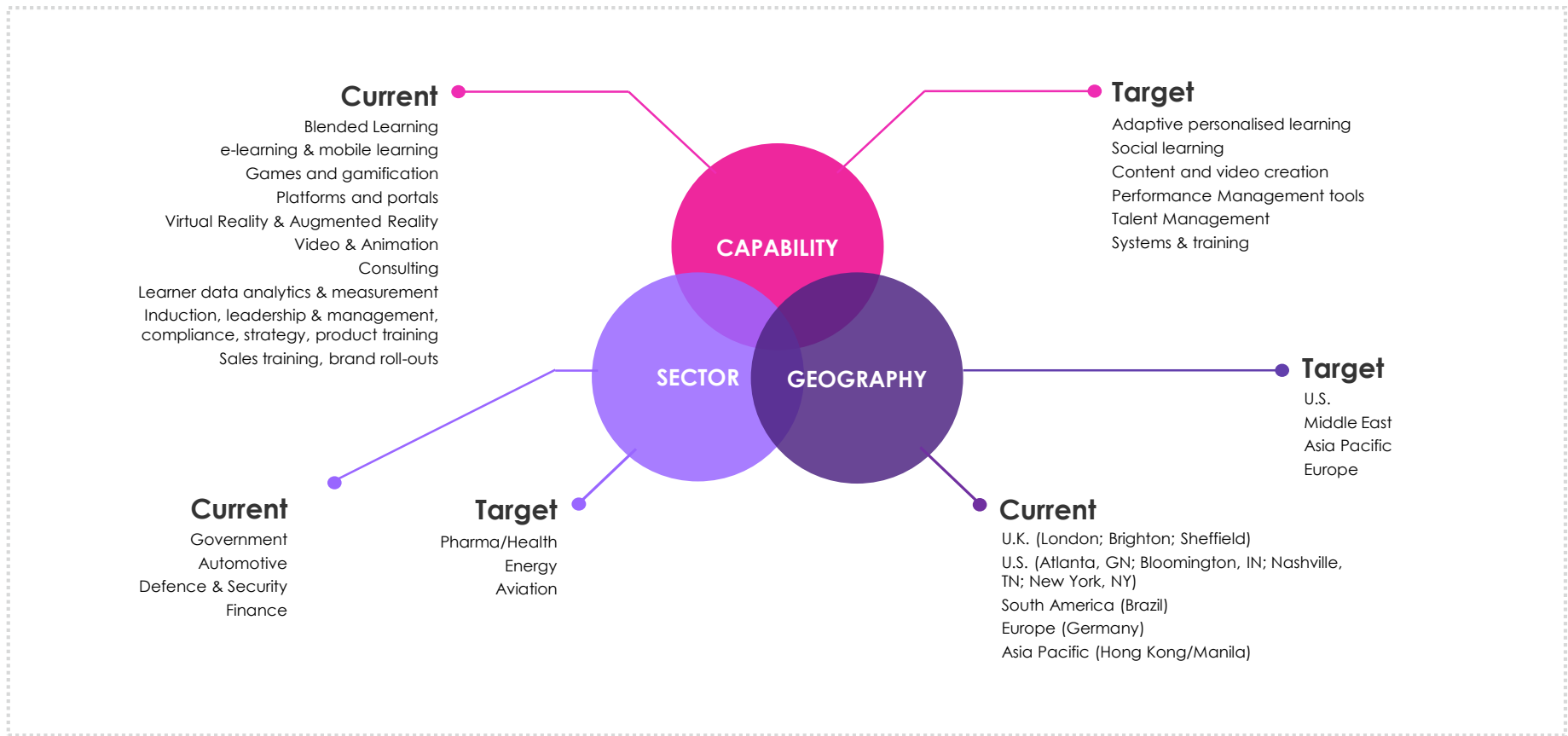
The result

- The in-gallery experience reimagines Modigliani's early 20th century studio through a combination of artworks made in-studio, archive records and historical research to bring this hitherto unseen and unphotographed space meticulously back to life through immersive experience.
 - 60+ objects, materials and artworks created in VR, including Modigliani's iconic final self-portrait, recreated by Preloaded alongside Tate researchers, entirely in 3D.
 - Since launching in November 2017, around 3,500 visitors per week have seen the Modigliani VR: The Ochre Atelier experience.



Prestigious, high-profile projects like this contribute to our credibility with corporate clients considering learning projects using the latest technologies.

LTG's strategy: the three drivers

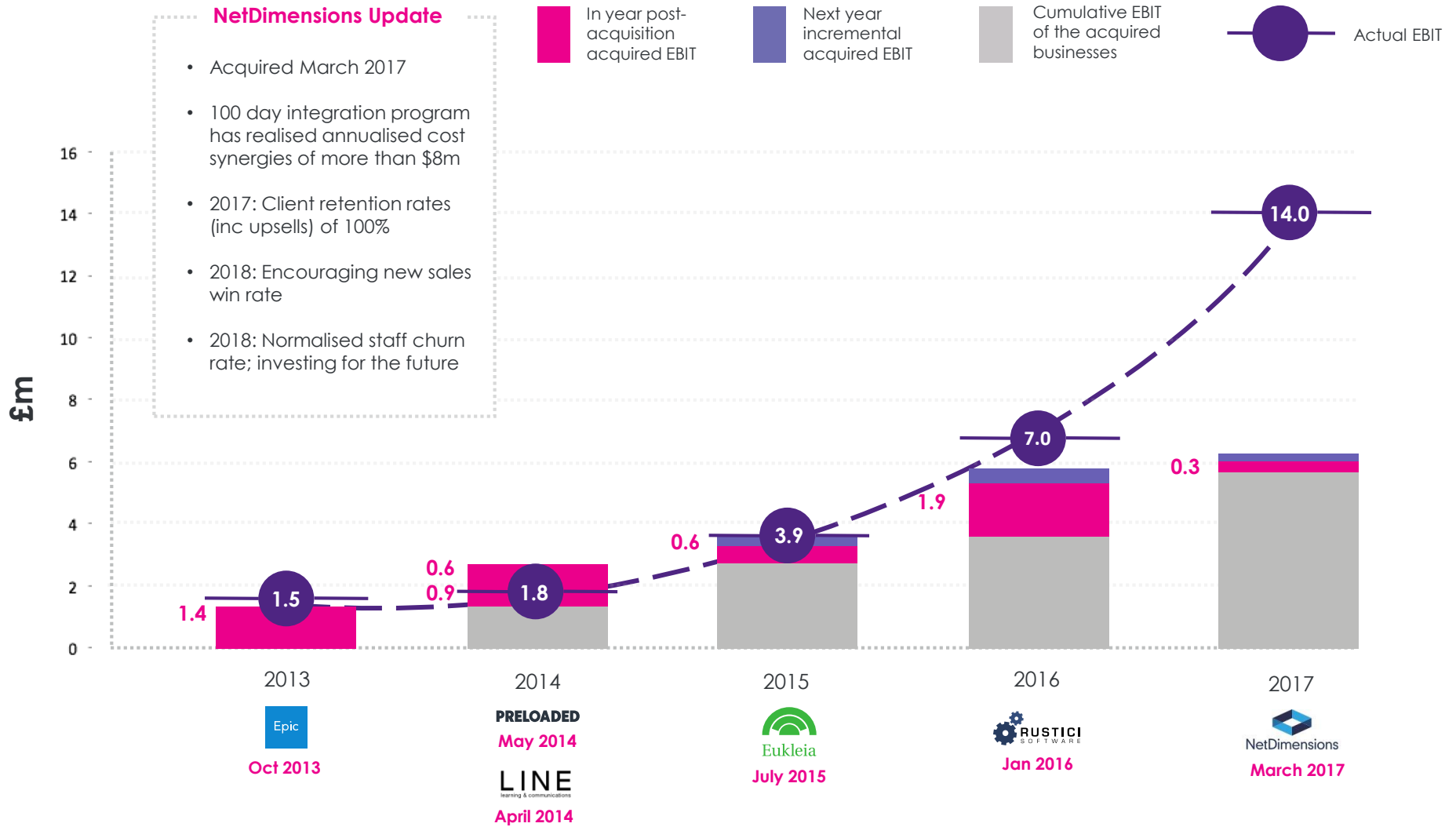


Partner programme: KPMG UK KPMG IE JMJ Brand Learning RWS Holdings Global Knowledge Lane 4

Acquisition target characteristics

- 1. Strong management:** Where owner/founder and management team want to scale
- 2. New market access:** ability for LTG to deliver current services in other regions
- 3. Complementary products/services:** with a focus on non-discretionary spend and leading technologies
- 4. New business models:** with focus on repeat revenues - content and software IP

Improving the operating models of the businesses we acquire



LTG Investment Case

Leader in a high growth market

- Leader in corporate e-learning
- High growth, fragmented market
- Increasing corporate demand for digital services to develop staff
- Track record of acquiring and improving growth businesses
- Significant organic growth
- Attractive cash generation – cash conversion typically more than 90%
- Achievable target to reach £25m run-rate EBIT by end 2020

Summary and Outlook

Summary

- Delivery against strategic targets
- Strong underlying growth and margin improvements
- Continued growth in recurring revenues
- Diversification of client base and revenues
- NetDimensions integrated successfully delivering synergy targets

Outlook

- Current trading ahead of management expectations
- Healthy order book, together with increased sales from compelling blended learning capability and strong margins, provide confidence for the financial year ahead
- Strong pipeline of strategic acquisition opportunities being actively pursued



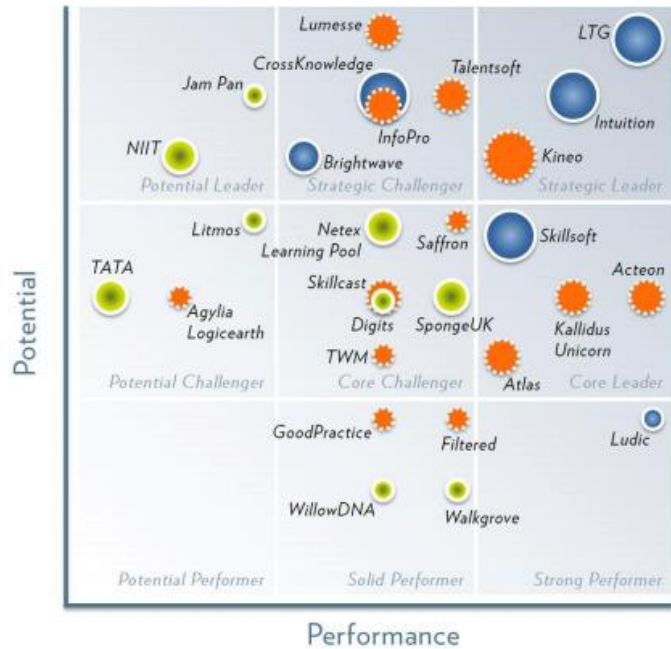
Appendices

Independent market analysis



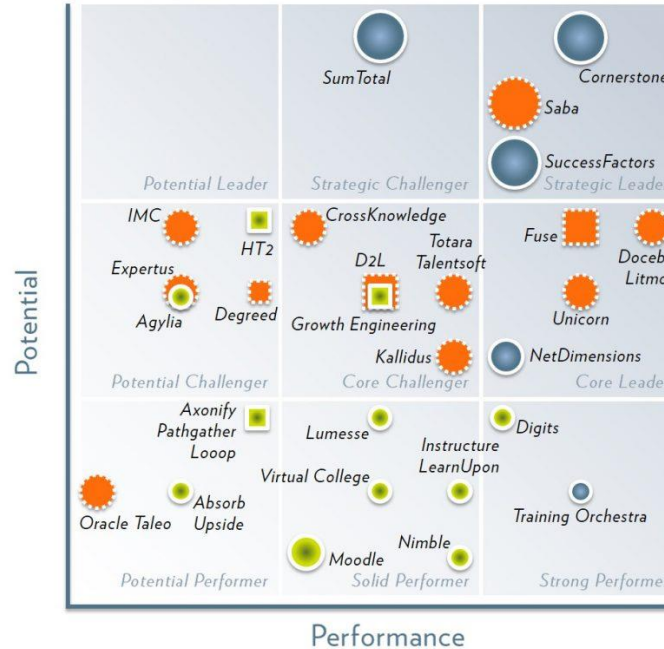
LTG: Leading the learning revolution at work

Fosway 9-Grid™ - Digital Learning



LTG - Strategic Leader

Fosway 9-Grid™ - Learning Systems



NetDimensions - Core Leader

January 2018

Key

Type

- LMS: Blue circle
- NGLE: Orange starburst

Presence

- Higher: Large circle
- Mid: Medium circle
- Lower: Small circle

Total Cost of Ownership

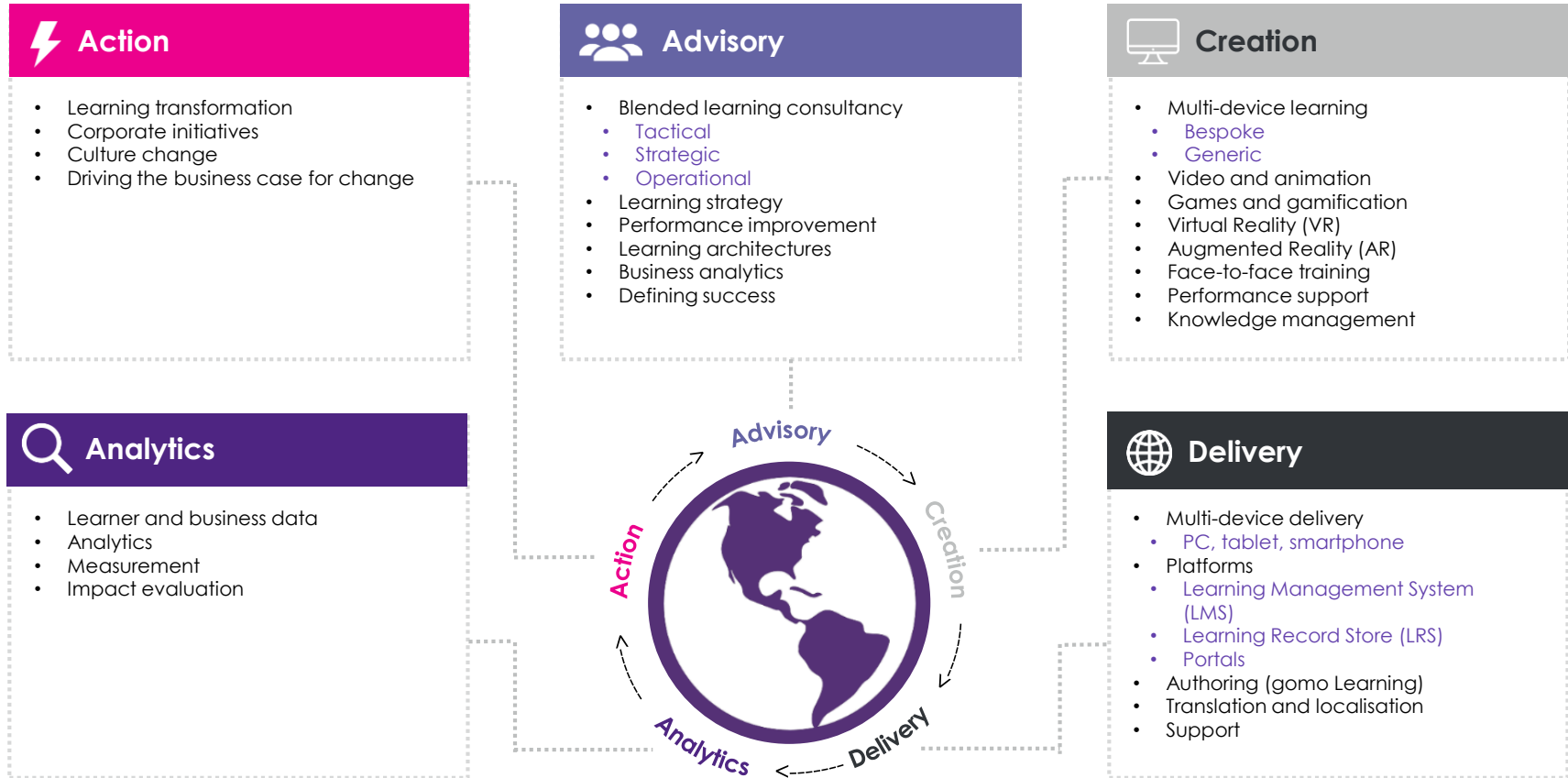
- Higher: Blue circle
- Mid: Orange starburst
- Lower: Green circle

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*Fosway Group: Europe's #1 learning analyst, Glossary – see appendix

Moving learning to the heart of business strategy

Our approach



Key Clients



Case study: Cross-selling L'ORÉAL

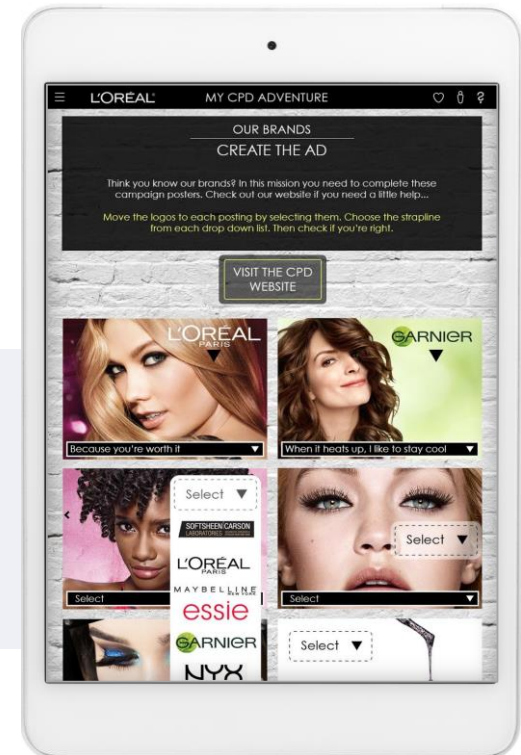
A trusted consultancy partnership leading to blended learning success

What we did

- **LEO Learning** experts worked with **L'Oréal** as a trusted consultancy partner to devise learning content strategy and build internal capability in instructional design and elearning module development
- **gomo** was selected as the **L'Oréal** global learning authoring tool and delivery platform
 - enterprise licence – 65+ seats to date
 - enables **L'Oréal** staff to design and develop content in-house

The result

- **LTG** internal collaborations enabled blended learning for thousands of global **L'Oréal** teams in retail, head offices, salons and academies



Case study: Cross-selling

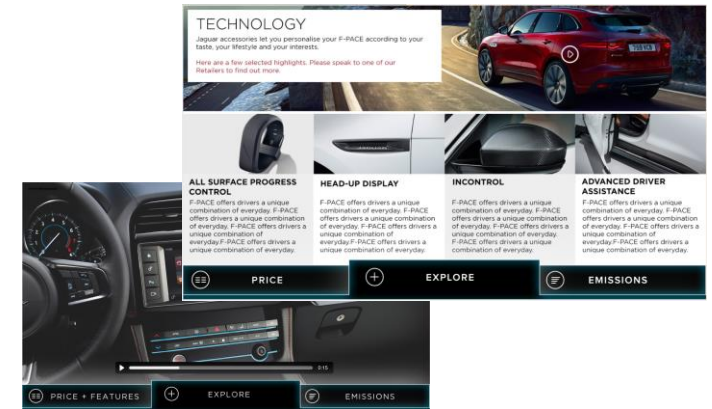
Revolutionising the customer experience for a global automotive organisation

What we did

- **LEO Learning** experts worked with a global automotive company on the strategy and delivery of several key learning outcomes. This included vehicle electrification and a revolutionary strategy to support, inform and empower customers in retail outlets using brand new learning technologies.
 - **gomo** Learning suite selected for content authoring and delivery
 - Content is dynamically pulled from the organisation's website, enabling dealerships to update content instantly from anywhere in the world
 - Content available in 12 different languages for use in a variety of markets

The result

- **LTG** collaboration enabled the creation of a revolutionary digital platform, allowing customers to view the specifics of a particular vehicle model and triggering a conversation with the retailer.



Consolidated Statement of Financial Position

£'000	31 Dec 2017	31 Dec 2016
ASSETS		
NON-CURRENT ASSETS		
Property, Plant and equipment	842	708
Intangible assets	83,409	39,950
Deferred tax	1,933	1,717
Investments	1,689	1,890
Other receivables	-	1,293
	87,873	45,558
CURRENT ASSETS		
Trade receivables	12,067	4,229
Other receivables, deposits and prepayments	2,363	1,995
Amounts recoverable on contracts	4,242	2,642
Amounts due from related parties	-	-
Cash and bank balances	15,662	5,348
	34,334	14,214
TOTAL ASSETS	122,207	59,772
CURRENT LIABILITIES		
Trade and other payables	23,756	9,215
Borrowings	1,849	3,252
Corporation tax	50	546
Amounts owing to related parties	20	45
	25,675	13,058
NON CURRENT LIABILITIES		
Deferred tax	6,477	3,897
Borrowings	12,765	10,852
Other long-term liabilities	192	1,426
Provisions	257	99
	19,691	16,004
TOTAL LIABILITIES	45,366	29,062
Total Equity Attributable to the Owners of the Parent	76,841	30,710

Consolidated Statement of Cash Flows

£'000	2017	2016
Profit / (Loss) before taxation	692	(1,193)
Adjustments for:		
Share-based payments	675	605
Amortisation and depreciation	8,826	3,925
Acquisition related deferred consideration and earn-outs	1,853	3,211
Payment of acquisition-related deferred consideration and earn-outs	(2,211)	-
Others	950	952
OPERATING CASH FLOWS BEFORE WORKING CAPITAL CHANGES	10,785	7,500
Net Working Capital changes	1,219	(4,578)
Interest received and income tax paid	(1,210)	(919)
NET CASH FLOWS FROM OPERATING ACTIVITIES	10,794	2,003
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of subsidiaries net of cash acquired	(45,704)	(12,389)
PPE and IP development	(1,817)	(1,218)
Others	-	(2,095)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(47,521)	(15,702)
Issue of share capital net of share issue costs	47,101	647
Proceeds from borrowings	18,000	13,909
Repayment of bank loans	(16,193)	(2,278)
Contingent consideration payments	(59)	-
Dividends paid	(1,279)	(712)
NET CASH FLOWS FROM/(USED) IN FINANCING ACTIVITIES	47,570	11,566
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	10,843	(2,133)
Exchange gains on cash	(529)	176
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	15,662	5,348

Five-year financial summary

Year ended 31 December	2013	2014	2015	2016	2017
Revenue (£'000)					
Existing business	7,557	8,320	17,409	22,004	39,204
Acquisitions in period	-	6,600	2,496	6,259	12,852
	7,557	14,920	19,905	28,263	52,056
Growth		97%	33%	42%	84%
Adjusted EBIT (£'000)	1,330	1,965	3,908	6,952	14,047
Growth		48%	99%	78%	102%
Margin	18%	13%	20%	25%	27%
EPS (pence)					
Basic	(0.429)	(0.049)	0.256	(0.317)	0.379
Diluted	(0.429)	(0.049)	0.239	(0.317)	0.363
Adjusted - Diluted	0.303	0.375	0.756	1.184	2.064
Growth		24%	102%	57%	74%
Dividend (pence)					
Interim	-	0.03	0.05	0.07	0.09
Final	-	0.07	0.10	0.14	0.21
Total	-	0.10	0.15	0.21	0.30
Growth			50%	40%	43%
Net Cash/(Debt) (£'000)	1,170	4,358	7,305	(8,486)	1,048

Acquisitions

	LINE †	Preloaded	Eukleia	Rustici	Watershed	NetDimensions
Description	Blended elearning solutions	Developer of 'games with purpose'	E-learning GRC services to financial services sector	Digital learning inter-operability solutions	Learning analytics developer (xAPI)	Global enterprise solutions provider of talent and learning management systems
Location	London and Sheffield	London	London	Nashville, USA	Nashville, USA	Hong Kong
Ownership	100%	100%	100%	100%	27% - Investment	100%
Acquisition Date	April 2014	May 2014	July 2015	January 2016	January 2016	March 2017
Consideration	£'000	£'000	£'000	\$'000	\$'000	£'000
Initial - cash	5,130	1,605	6,822	20,509‡	3,000	53,600
Initial - shares	3,870	609	1,500	6,186‡	-	-
Deferred (Balance sheet)	-	2,226	-\$	-\$	-	-
Deferred (capped) *	-	3,400	3,500	11,000	-	-
Total (per Balance sheet)	9,000	4,440	8,322	24,078	3,000	53,600
Total (capped)	9,000	5,614	11,822	37,695	-	53,600
* Includes earn-out bonuses						
† Merged with Epic in July 2014 to form LEO						
‡ Includes transaction bonus payable to staff						
§ Treated as post-combination remuneration so not capitalised on acquisition						

Board of Directors: Experienced executive team



Jonathan Satchell
Chief Executive

Jonathan Satchell has worked in the education and training industry since 1992. In 1997 he acquired EBC, which he transformed from a provider of training videos to a bespoke e-learning company. The company was sold to Futuremedia in 2006. He became interim MD of Epic in 2007 and the following year he acquired the Company with Andrew Brode. He oversaw the transformation of Epic from a custom content e-learning company to an international and growing learning technologies service provider.



Neil Elton
Group Finance Director

Neil Elton is a Chartered Accountant and was appointed as Group Finance Director of LTG in November 2014. An experienced Finance Director, he has helped successfully build a number of fast-growing listed companies. He joined from Science Group plc, a Cambridge-based technology research and development company, where he was FD from 2010 to 2014. Before that he was FD at Concateno plc, the European leader in drugs-of-abuse testing (2007-2010) and Mecom Group plc, the European media group (2005-2007).



Piers Lea
Chief Strategy Officer

Piers Lea founded LINE Communications Holdings Limited in 1989, which was acquired by LTG in April 2014. He has over 30 years' experience in distance learning and communications and is widely considered a thought leader in the field of e-learning. He sits on the advisory boards of ELIG ('European Learning Industry Group') and the LPI ('Learning and Performance Institute').



Dale Solomon
Chief Operating Officer

Dale Solomon was appointed Commercial Director of Epic in 2010. Prior to this, he spent 12 years as a learning consultant for global organisations. He was appointed to the Board of LTG in 2014 and as COO oversees a number of the Group's central service departments, as well as being responsible for many aspects of the Group's post-acquisition integrations and change programmes. In addition to his COO role, he has acted as MD of LEO from 2015 to 2017, and at NetDimensions from 2018.

Board of Directors: Proven non-executive directors



Andrew Brode

*Independent Non-executive Chairman
/ Remuneration Committee Chair /
Audit Committee*

Andrew Brode is a Chartered Accountant and a former chief executive of Wolters Kluwer (UK) plc. In 1990, he led the management buy-out of the Eclipse Group, which was sold to Reed Elsevier in 2000. In 1995, he led the management buy-in, and is Executive Chairman of RWS Group plc, Europe's largest technical translations group, listed in the Top 10 of AIM companies.

He is also Non-executive Director of AIM quoted GRC International Group. He acquired Epic Group Limited ('Epic') together with Jonathan Satchell in 2008.



Harry Hill

*Independent Non-executive Deputy
Chairman / Remuneration Committee*

Harry Hill qualified as a Chartered Surveyor and spent his executive life in various public and private property businesses including Countrywide plc where he was CEO for 21 years and Rightmove plc, which he helped create, and of which he was the first Chairman.

He now holds a small portfolio of Non-exec directorships in various public and private companies across a variety of industries.



Leslie-Ann Reed

*Independent Non-executive Director /
Audit Committee Chair*

Leslie-Ann Reed is a Chartered Accountant and was formerly CFO of the online auctioneer Go Industry plc from 2010 to 2012. Prior to this she served as CFO of the B2B media group Metal Bulletin plc and as an adviser to Marwyn Investment Management.

After a career at Arthur Andersen, she held senior finance roles at Universal Pictures, Polygram Music, Warner Communications Inc. and EMI Music. Her current directorships include ZEAL Network SE and Quarto Group Inc.

Glossary

Augmented Reality	A technology that superimposes a computer-generated image on a user's view of the real world.
Authoring tool	Computer software which allows its user to create multimedia applications capable of manipulating one or more multimedia objects allowing a non-programmer to easily create software with programming features.
Blended learning	A solution which combines multiple delivery methods, including elearning, face-to-face training, resources, video and any other type of learning technology.
Civil Service Learning ('CSL')	Provides learning and development for all civil servants.
Cloud-based authoring	elearning authoring that is free from the constraints of typical desktop solutions. Users access authoring software over the Internet via a secure, affordable hosted system with no worries about software set-up, IT configurations, desktop installs, or missing software licenses.
e-learning	The use of electronic media and information and communication technologies in education and includes all forms of educational technology in learning and teaching.
e-learning interoperability standards	Interoperability is the ability of different information technology systems and software applications to communicate, exchange data, and use the information that has been exchanged.
Gamification	The application of typical elements of game playing (e.g. point scoring, competition with others, rules of play) to other areas of activity, typically as an online marketing technique to encourage engagement with a product or service.
GRC	Governance, risk and compliance.
Learning Management System	A learning management system is a software application for the administration, documentation, tracking, reporting and delivery of electronic educational technology (also called e-learning) courses or training programme.
Learning Record Store	A data store system that serves as a repository for learning records of individual learners. This includes formal and informal learning such as activity and social learning.
Learning technologies	The broad range of communication, information and related technologies that can be used to support learning, teaching, and assessment.
Moodle	An open-source Learning Management System used across private, public and not-for-profit organisations to deliver and track their learning. Highly customisable and benefits from the contributions of the open source community.
EPIC and LINE	LINE was merged with the original business, Epic, to form LEO, a market-leading learning technologies firm with unrivalled capability to provide custom solutions to its corporate and government clients.
Big Data	Collecting vast amounts of information to predict the movements of market segments.
Rich data	Collecting vast amounts of information to predict consumer behaviour.
SaaS	Software as a Service, sometimes referred to as "software on demand" is software that is deployed over the internet and/or is deployed to run behind a firewall on a local area network or personal computer.
SCORM	The de facto industry standard for e-learning interoperability, which enables online learning content and management systems to communicate and work together.
Tin Can API	The Experience API (xAPI), also known as the Tin Can API, is a software specification that allows learning content and learning systems to speak to each other to record and track learning experiences.
xAPI	As above; increasingly used as the official name of this new standard.

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