

LON:LTG

Leading the Learning Revolution at Work



Learning Technologies Group plc | 2018 Interim Results

Jonathan Satchell
Chief Executive

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Chief Financial Officer

25 September 2018

2018 Interim Results

Highlights

- Fundamental shift in business to high margin recurring software and platform revenues following acquisition of PeopleFluent in May 2018
- Successful integration of PeopleFluent – 100 day plan complete
- PeopleFluent and NetDimensions to be merged to offer integrated talent/learning platform solution
- Promising cross-sell initiatives showing early success
- Strong Group EBIT margin performance and cash generation
- Active pipeline of strategic acquisition opportunities with significant funding capacity
- **Outlook:** FY18 EBIT will be significantly ahead of expectations

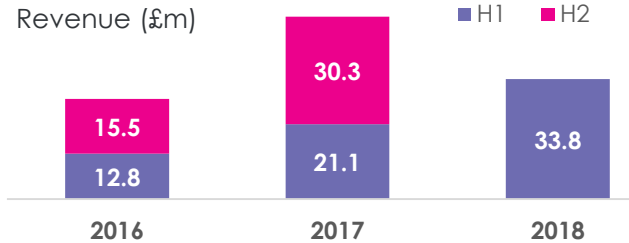
H1 2018 Financial Highlights: significant margin increase

Revenue

H1 2018: £33.8m

+60%

(H1 2017: £21.1m)



Underlying Organic Revenue *

H1 2018: £25.8m

+10%

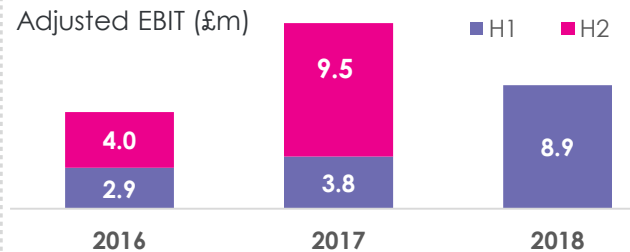
(H1 2017: £23.5m)

Adjusted EBIT

2017: £8.9m

+137%

(H1 2017: £3.8m)



Adjusted EBIT Margin

H1 2018: 26.3%

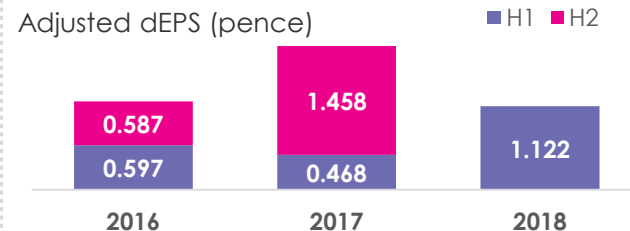
(H1 2017: 17.8%)

Adjusted dEPS

H1 2018: 1.122 pence

+140%

(H1 2017: 0.468 pence)



- **Prior Year restatement** - Adoption of new accounting policies
- **IFRS15** - £0.7m PY adjustment to revenue
- **IFRS9** - immaterial
- **PeopleFluent** - capitalisation of R&D (c\$2m per year)

*On a constant currency basis and excluding CSL contract

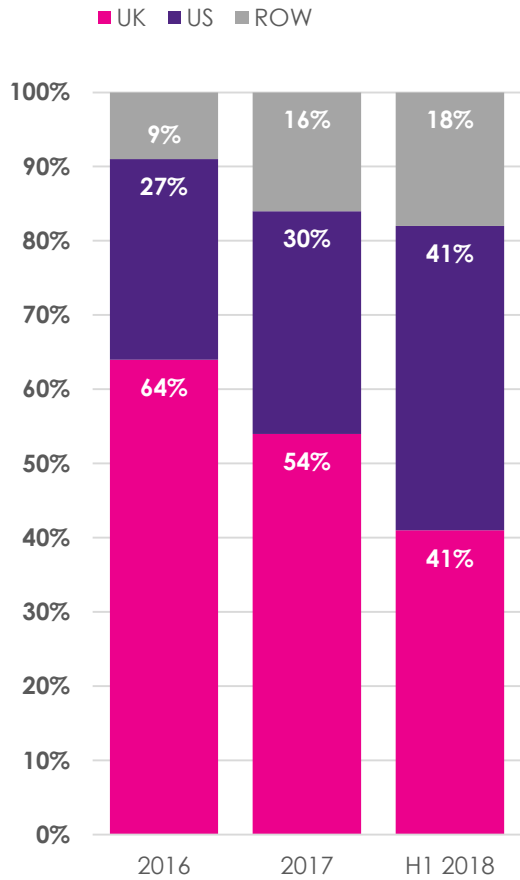
PeopleFluent acquisition completed on 31 May 2018

Revenue: enhanced sustainability and diversification of earnings

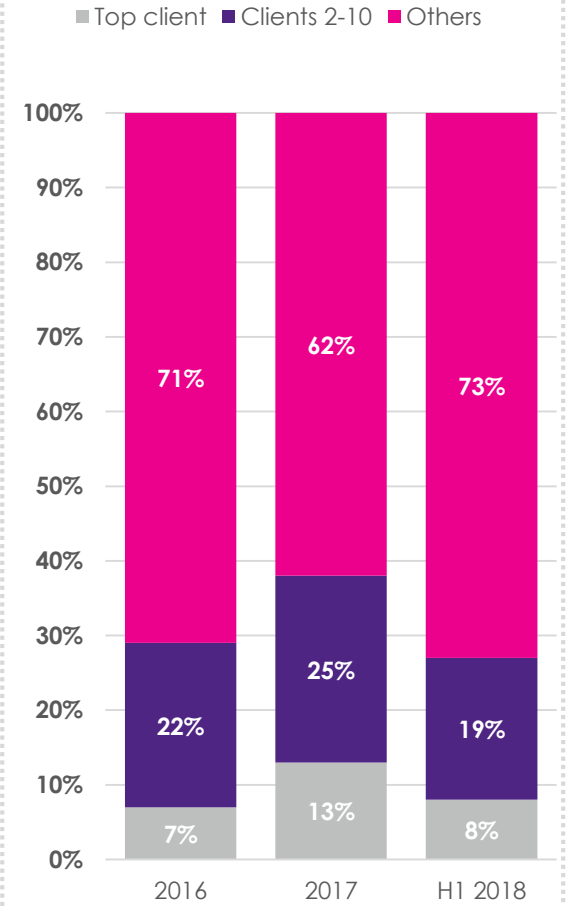
Increasing recurring revenue



Increasing international footprint

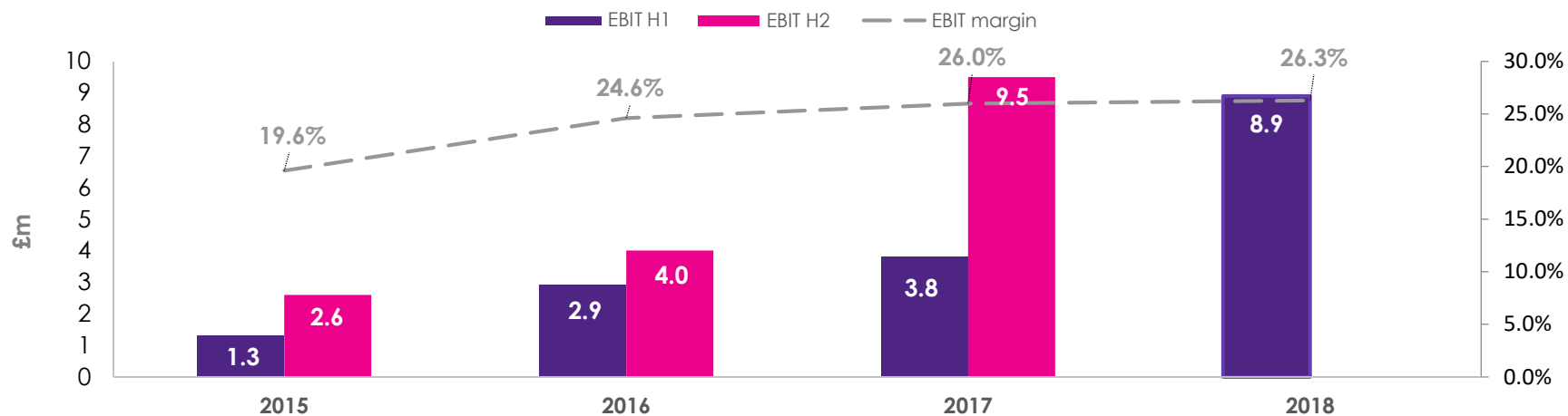


LTG's top 10 clients

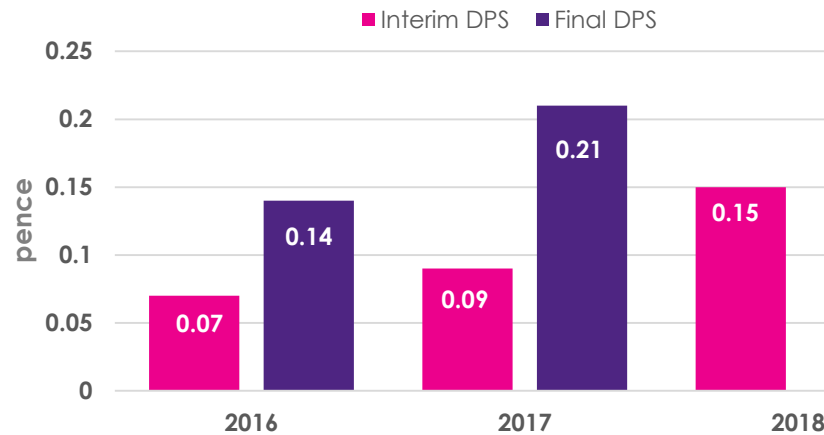
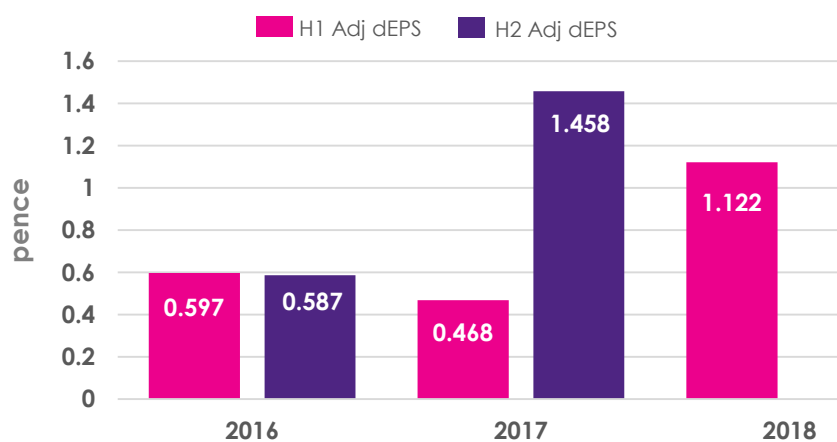


Quality of Earnings: strong margins and EPS growth

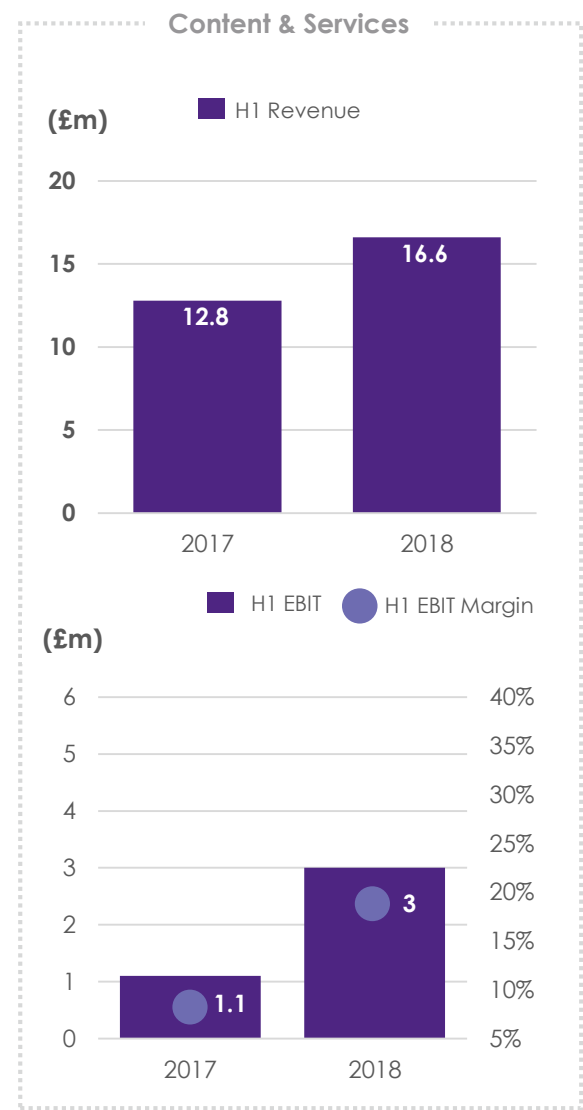
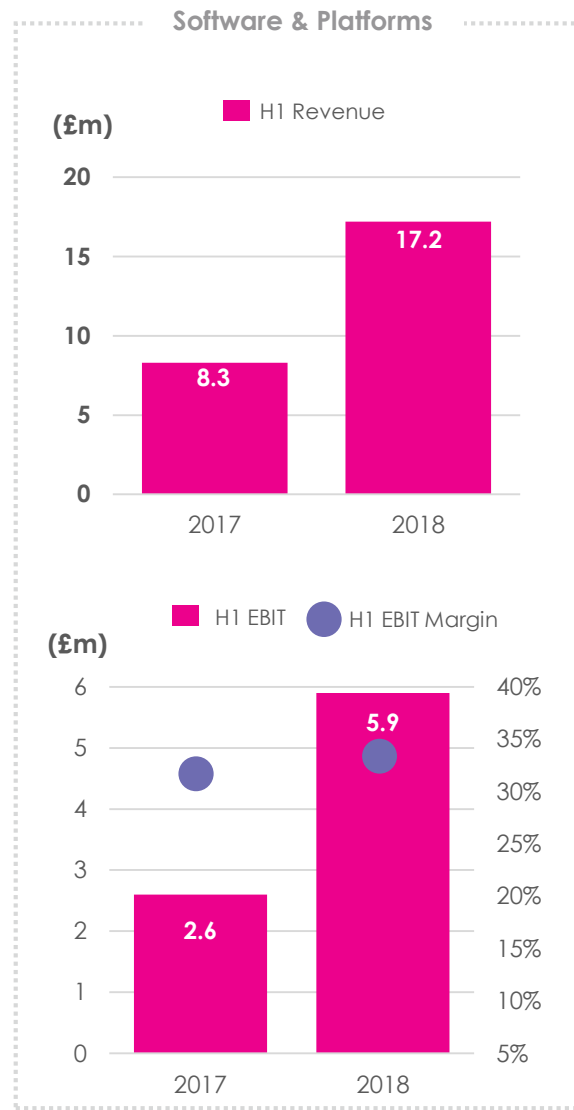
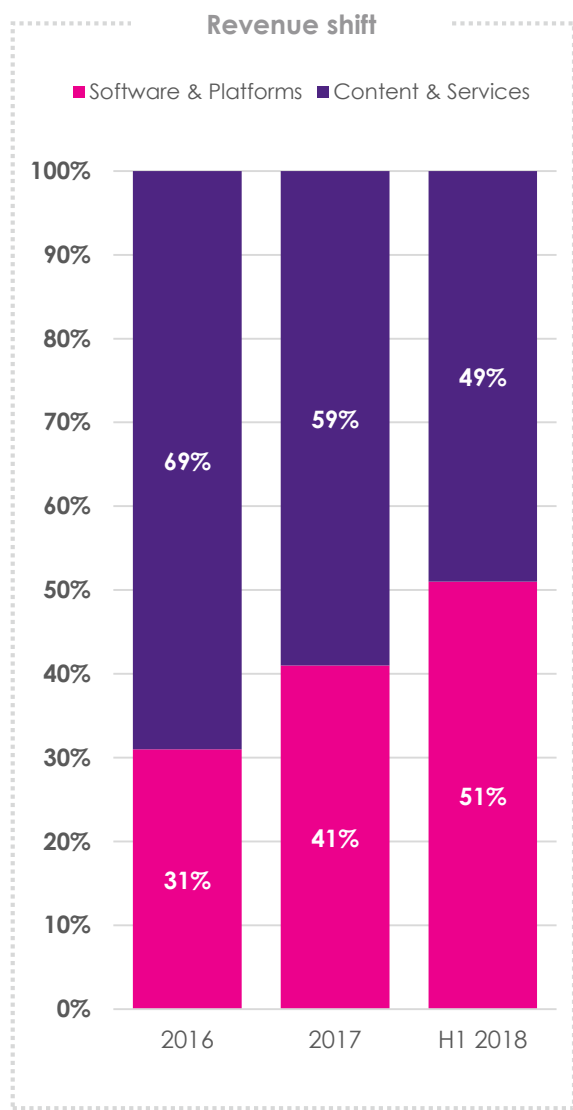
Robust margin delivery



Strong EPS & DPS growth

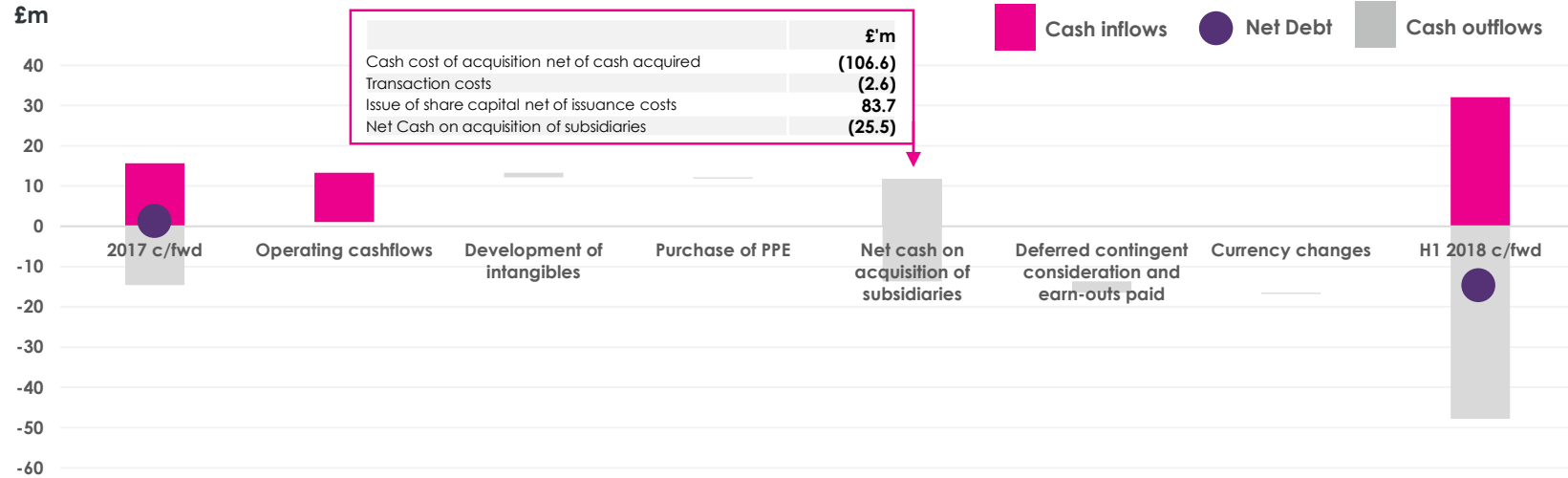


Divisional Performance: Software & Platforms / Content & Services

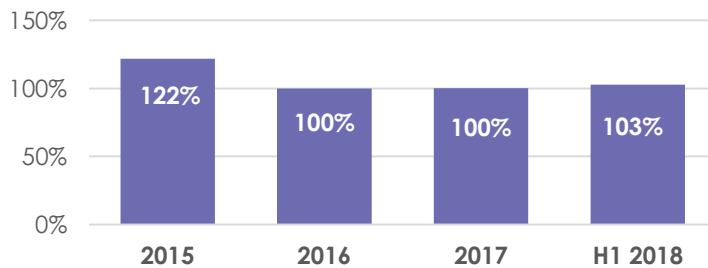


Cash Flow and Financing: continuing strong cash conversion

H1 2018 Cash Flow Bridge



Operating cash conversion* as % of adjusted EBIT

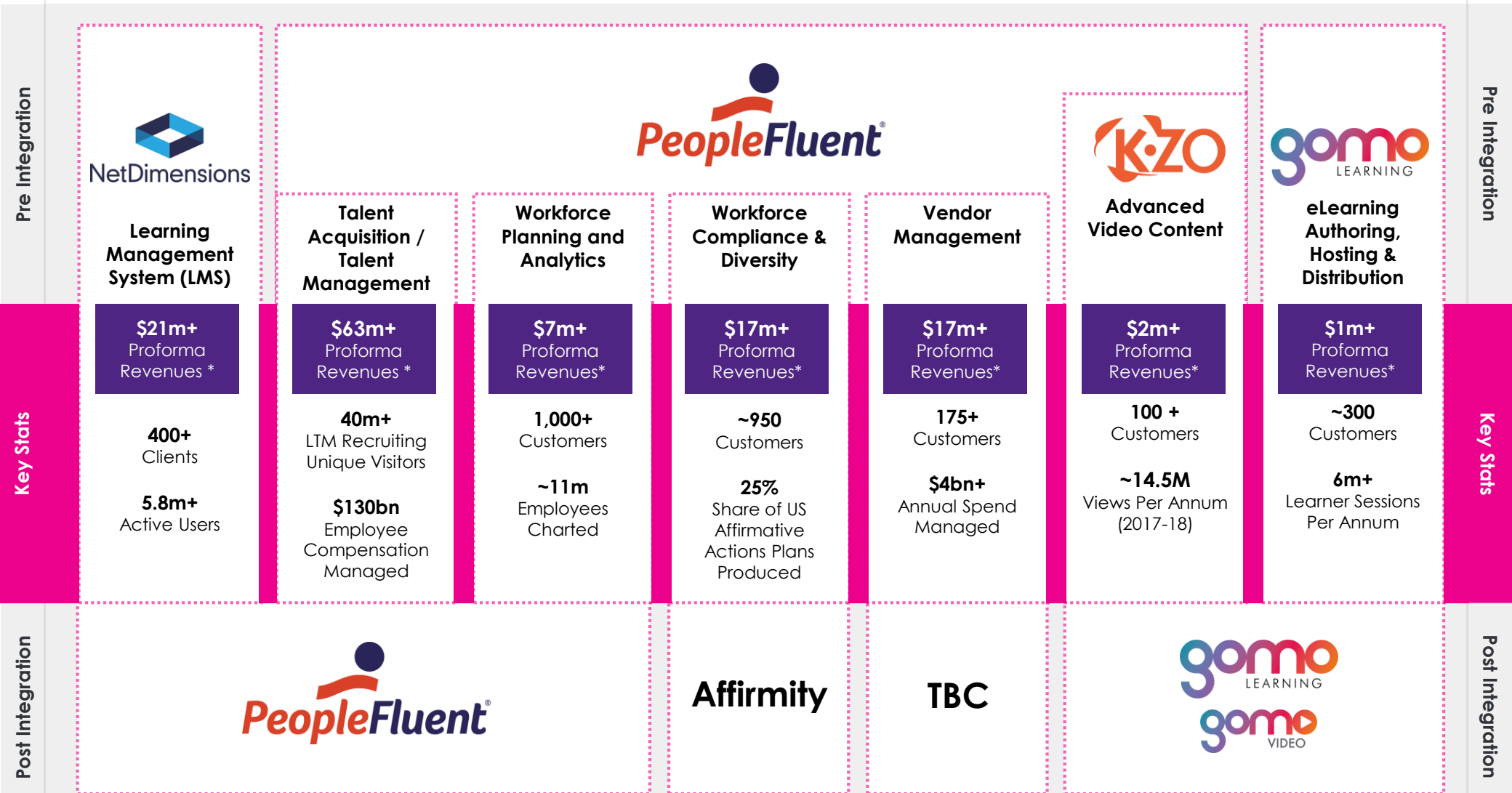


New Bank Debt Facility

- **5 year loan** with Silicon Valley Bank and Barclays Bank from May 2018
- **\$63m facility** includes \$42m term loan and \$21m RCF
- Financial covenants:
 - Cash Flow cover >1.0 / Leverage <2.75
- **Net debt of £15.7m** at 30 June 2018
- **Substantial capacity for M&A**

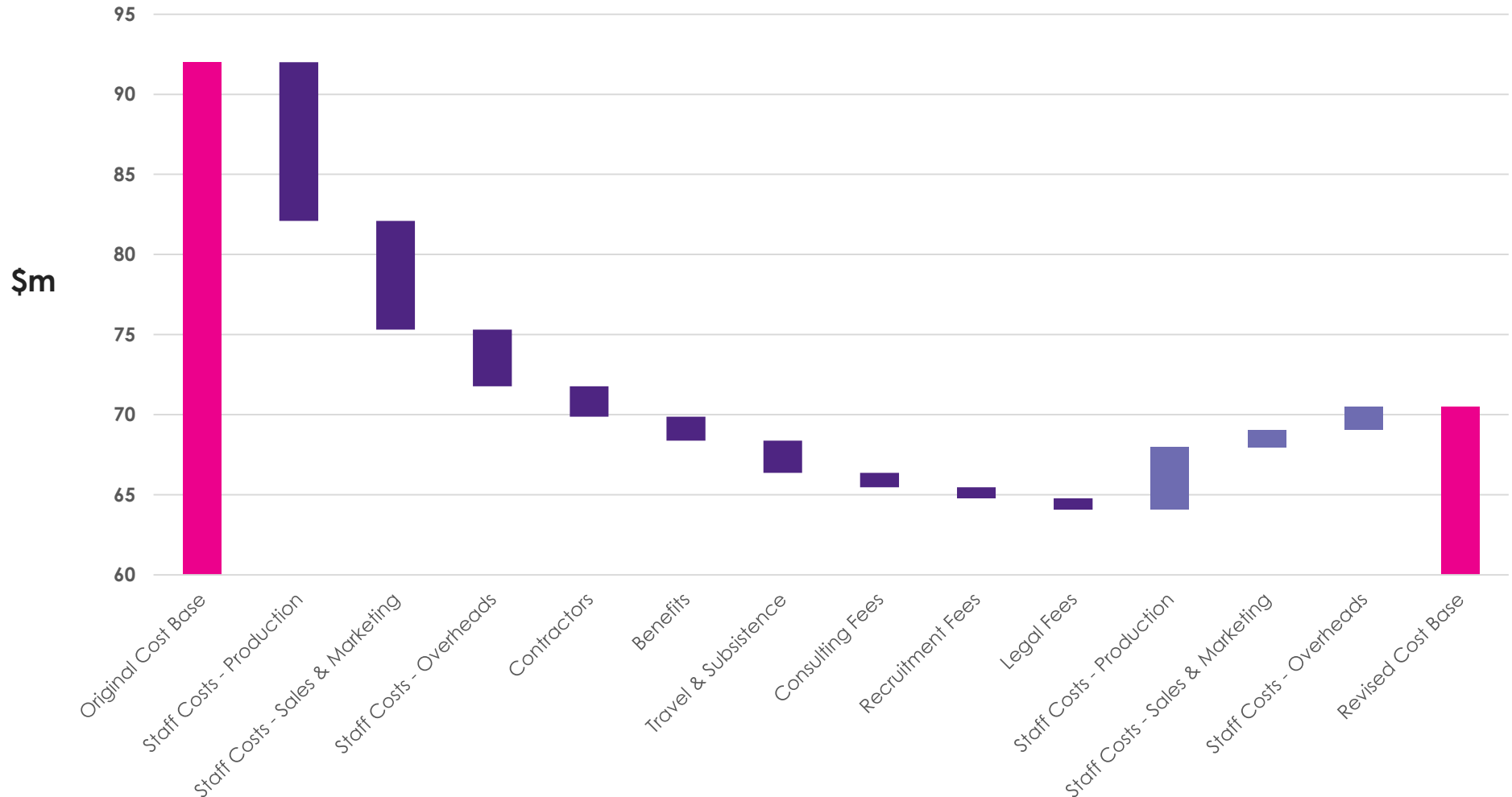
*Operating cash conversion % is calculated by dividing operating cash flows (adjusted for acquisition-related deferred consideration payments, transaction costs, interest and tax paid, exceptional realised FX gains and the movement of deferred upfront investment outflows relating to the CSL project)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

PeopleFluent Integration: Transformed Platform offering



*Based on approximate 2017 proforma revenues

PeopleFluent: cost synergies realised



*Represents approximate net annualised movements by category (1 January – 31 August 2018)

Associated integration costs of c.\$3m anticipated in 2018

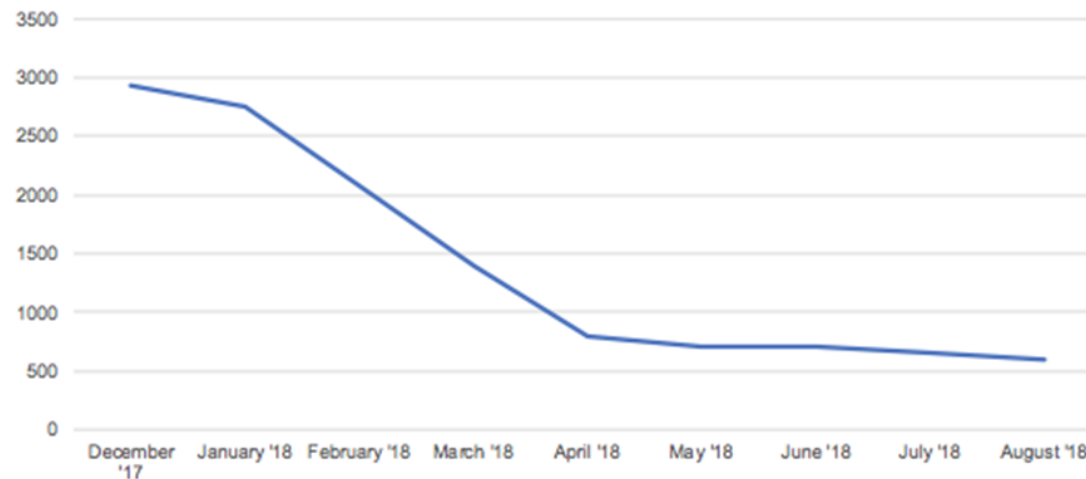
NetDimensions update

Highlights

Performance of NetDimensions ahead of expectations:

- Full year benefit of cost synergies realised in summer 2017
 - \$8m+ savings equivalent to c33% of pre-integration cost base
- Optimised operating model working well, customer satisfaction high
- Sales renewal rates increased to 103% from 95% in H1 2017
- Substantial new sales wins; up 500% on H1 2017
- Return to organic growth in H1 2018

NetD Case Backlog (2018 - Last Day of Month)



Our case backlog has decreased by 80% so far in 2018 and momentum has continued with a 17% decrease since backlog numbers at our NextSteps conferences in June.

Combining PeopleFluent & NetDimensions

Compelling synergies

- Combined platform brings together talent and learning
- Many leadership, operational and cost synergies
- Focused R&D investment in respective leading software solutions
- Plan to increase recurring revenue retention rates and drive new sales
 - Expected medium term decline in revenues; return to growth in 2020
- Early cross-sell success:
 - PeopleFluent clients moving to NetDimensions' LMS
 - Improved retention
 - Cross-sell opportunities

Summary and Outlook

Summary

- Transformative shift to recurring software revenues
- Broad range of products, services, clients and geographies
- Deepened presence in US market
- Solid organic growth delivered and relentless focus on margins and cash
- NetDimensions increased retention rates and new sales ahead of expectations
- PeopleFluent integration ahead of expectations

Outlook

- FY 2018 EBIT will be significantly ahead of expectations
- Healthy order book, together with high recurring revenue and strong margins, underpins confidence for 2019
- Strong pipeline of acquisition opportunities being actively pursued

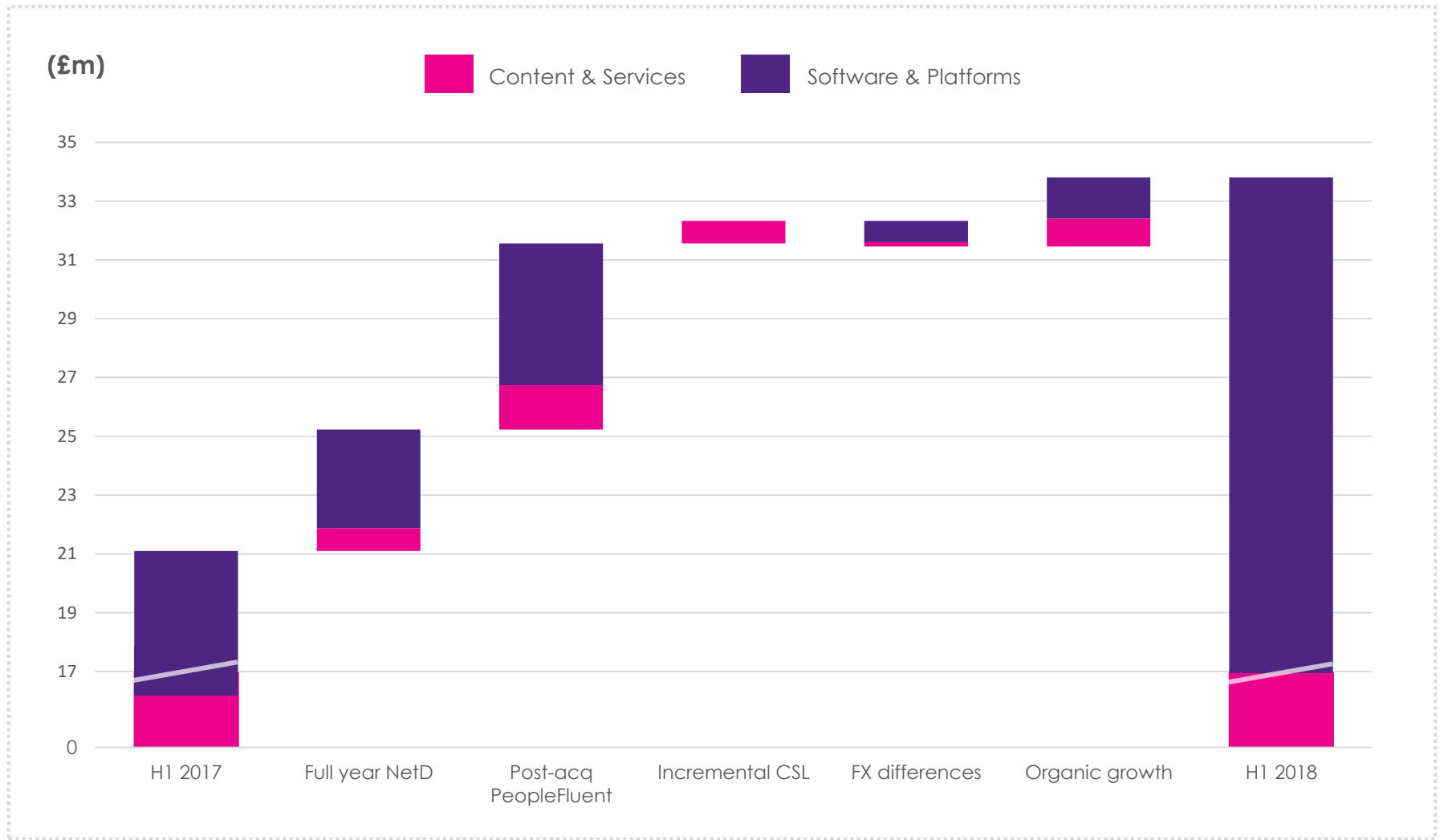


Appendices

Consolidated Statement of Comprehensive Income

£'000	6 mths to 30 June 2018	6 mths to 30 June 2017 (restated)	YE to 31 Dec 2017 (restated)
Revenue	33,805	21,095	51,353
Operating Expenses	(32,857)	(21,991)	(49,458)
Operating loss	948	(896)	1,895
Adjusted EBIT	8,885	3,750	13,344
Adjusted EBIT margin	26.3%	17.8%	26.0%
Amortisation of acquired intangibles	(5,745)	(3,042)	(7,756)
Acquisition related deferred consideration and earn-outs	(1,504)	(683)	(1,853)
Share based payment costs	(588)	(218)	(675)
Integration costs	(100)	(703)	(1,165)
Operating loss	948	(896)	1,895
Costs of acquisition	(2,628)	(958)	(920)
Share of losses of associates / joint ventures	(69)	(80)	(201)
Profit/(loss) on disposal of fixed assets	-	-	(36)
Fair value movement on contingent consideration	-	-	52
Charge on contingent consideration	(15)	(24)	(41)
Unwinding onerous lease	-	-	(11)
Interest payable on borrowings	(530)	(343)	(605)
Net foreign exchange differences	3,591	22	(151)
Interest receivable	9	4	7
Loss before taxation	1,306	(2,275)	(11)
Taxation	43	12	1,108
Loss for the period	1,349	(2,263)	1,097

H1 2018 Revenue Bridge



Consolidated Statement of Financial Position

£'000	30 June 2018	30 Jun 2017 (restated)	31 Dec 2017 (restated)
ASSETS			
NON-CURRENT ASSETS			
Property, Plant and equipment	2,352	815	842
Intangible assets	238,851	87,492	83,409
Deferred tax	2,605	1,344	2,205
Investments	1,619	1,809	1,689
Other receivables	173	497	-
	245,600	91,957	88,145
CURRENT ASSETS			
Trade receivables	21,205	8,454	12,067
Other receivables, deposits and prepayments	5,335	5,584	2,363
Amounts recoverable on contracts	4,561	4,744	4,242
Amounts due from related parties	6	-	-
Cash and bank balances	32,062	11,498	15,662
Restricted cash balances	323	-	-
	63,492	30,280	34,334
TOTAL ASSETS	309,092	122,237	122,479
CURRENT LIABILITIES			
Trade and other payables	68,182	22,106	25,444
Borrowings	6,499	1,922	1,849
Corporation tax	526	1,072	50
Amounts owing to related parties	-	-	20
	75,207	25,100	27,363
NON CURRENT LIABILITIES			
Deferred tax	26,338	8,235	6,477
Borrowings	41,304	15,663	12,765
Other long term liabilities	3,117	185	192
Provisions	273	224	257
	71,032	24,307	19,691
TOTAL LIABILITIES	146,239	49,407	47,054
Non-controlling interests	-	810	-
Total Equity Attributable to the Owners of the Parent	162,853	72,020	75,425

Consolidated Statement of Cash Flows

£'000	6 mths to 30 June 2018	6 mths to 30 June 2017 (restated)	YE to 31 Dec 2017 (restated)
Profit/(loss) before taxation	1,306	(2,275)	(11)
Adjustments for:			
Share based payments	588	218	675
Amortisation and depreciation	6,425	3,527	8,826
Acquisition-related deferred consideration and earn-outs	1,504	683	1,853
Payment of acquisition-related deferred consideration and earn-outs	(2,613)	(2,211)	(2,211)
Others	622	421	950
OPERATING CASH FLOWS BEFORE WORKING CAPITAL CHANGES	7,832	363	10,082
Net Working Capital changes	467	747	1,922
Interest received and income tax paid	73	(935)	(1,210)
NET CASH FLOWS FROM OPERATING ACTIVITIES	8,372	175	10,794
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of subsidiaries net of cash acquired	(106,585)	(44,222)	(45,704)
PPE and IP development	(1,457)	(780)	(1,817)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(108,042)	(45,002)	(47,521)
CASH FLOWS FROM/(USED) IN FINANCING ACTIVITIES			
Issue of share capital net of share issue costs	83,662	46,720	47,101
Proceeds from borrowings	47,219	18,000	18,000
Repayment of bank loans	(14,871)	(13,578)	(16,193)
Contingent consideration payments	(193)	(59)	(59)
Dividends paid	-	-	(1,279)
NET CASH FLOWS FROM/(USED) IN FINANCING ACTIVITIES	115,817	51,083	47,570
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	16,147	6,256	10,843
Exchange gains on cash	253	(106)	(529)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	32,062	11,498	15,662

Five-year financial summary

Year ended 31 December	2013	2014	2015	2016	2017 (restated)
REVENUE (£'000)					
Existing business	7,557	8,320	17,409	22,004	38,894
Acquisitions in period	-	6,600	2,496	6,259	12,459
	7,557	14,920	19,905	28,263	51,353
Growth		97%	33%	42%	82%
ADJUSTED EBIT (£'000)	1,330	1,965	3,908	6,952	13,344
Growth		48%	99%	78%	92%
Margin	18%	13%	20%	25%	26%
EPS (PENCE)					
Basic	(0.429)	(0.049)	0.256	(0.317)	0.235
Diluted	(0.429)	(0.049)	0.239	(0.317)	0.225
ADJUSTED / DILUTED	0.303	0.375	0.756	1.184	1.926
Growth		24%	102%	57%	63%
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

LTG in the corporate e-learning market



Content & Services (32%*)

LEO



PRELOADED

Software & Platforms (68%*)



(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

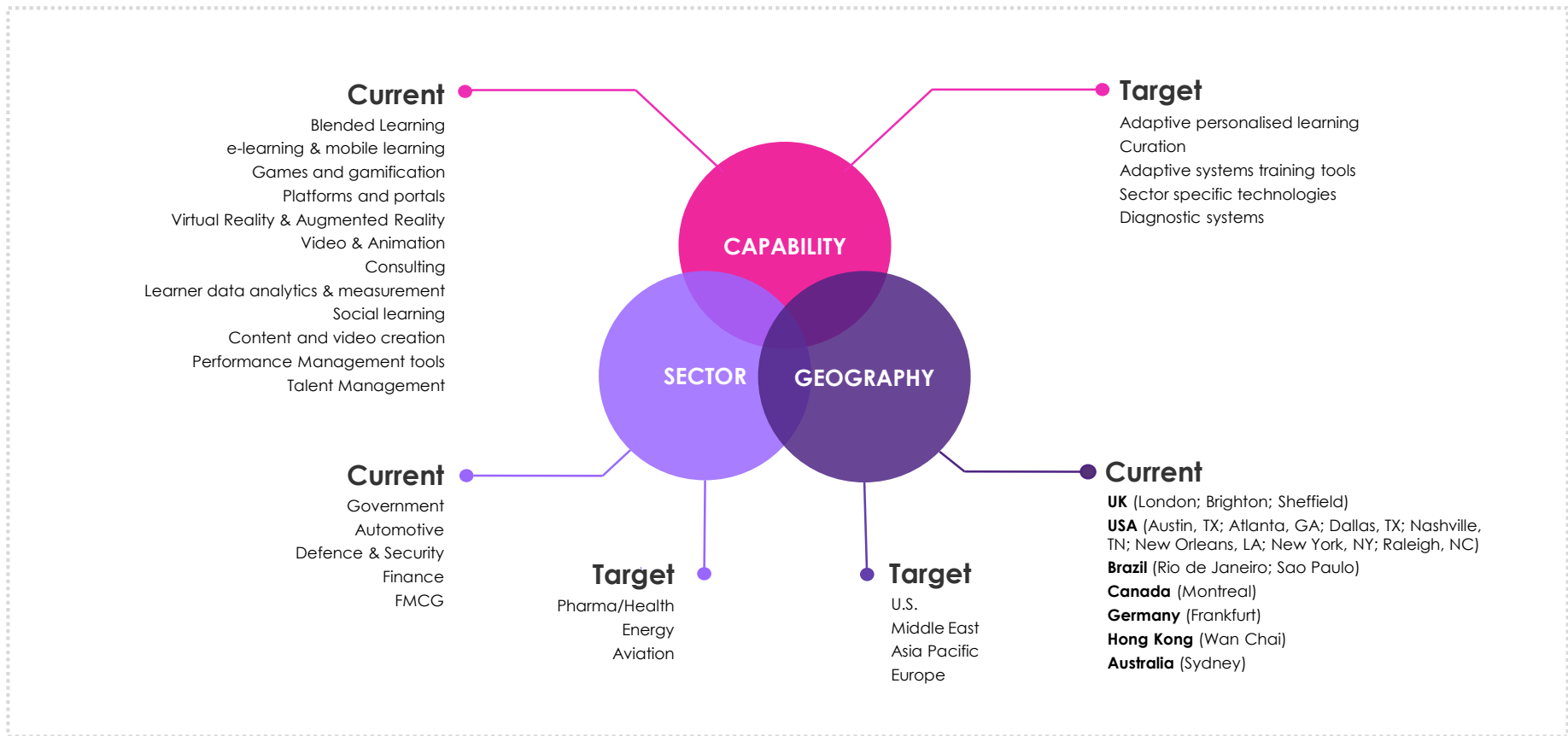
* Based on 2017 proforma revenue split



Acquisitions

	LINE †	Preloaded	Eukleia	Rustici	Watershed	NetDimensions	PeopleFluent
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	TA/TM/charting, workforce compliance, and vendor management solutions provider
Location	London and Sheffield	London	London	Nashville, USA	Nashville, USA	Hong Kong	Boston, USA
Ownership	100%	100%	100%	100%	27% - Investment	100%	100%
Acquisition Date	April 2014	May 2014	July 2015	January 2016	January 2016	March 2017	May 2018
Consideration	£'000	£'000	£'000	\$'000	\$'000	£'000	\$'000
Initial - cash	5,130	1,605	6,822	20,509‡	3,000	53,600	143,100#
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	143,100#
Total (capped)	9,000	5,614	11,822	37,695	-	53,600	143,100#
* 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							
# Subject to post-completion review per merger agreement							

LTG's strategy: the three drivers



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

Acquisition target characteristics

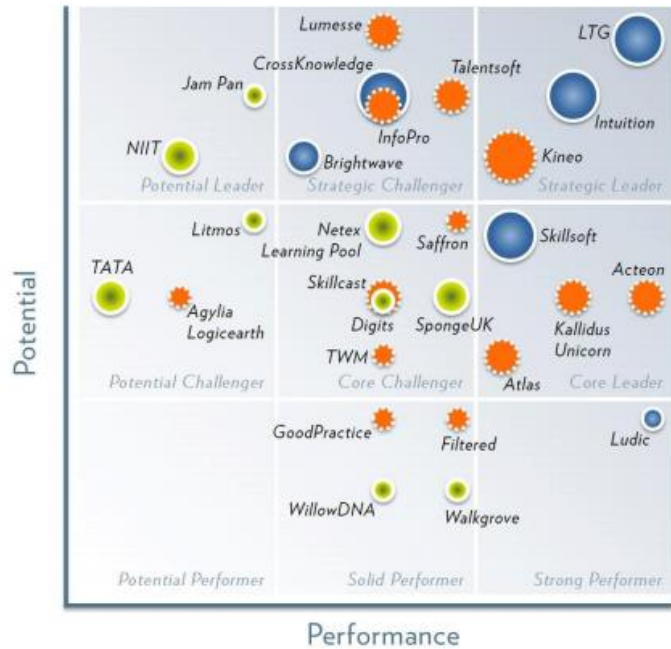
- 1. Strong management:** Where owner/founder and management team want to scale
- 2. New market access:** ability for LTG to deliver current services in other regions
- 3. Complementary products/services:** with a focus on non-discretionary spend and leading technologies
- 4. New business models:** with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

Independent market analysis



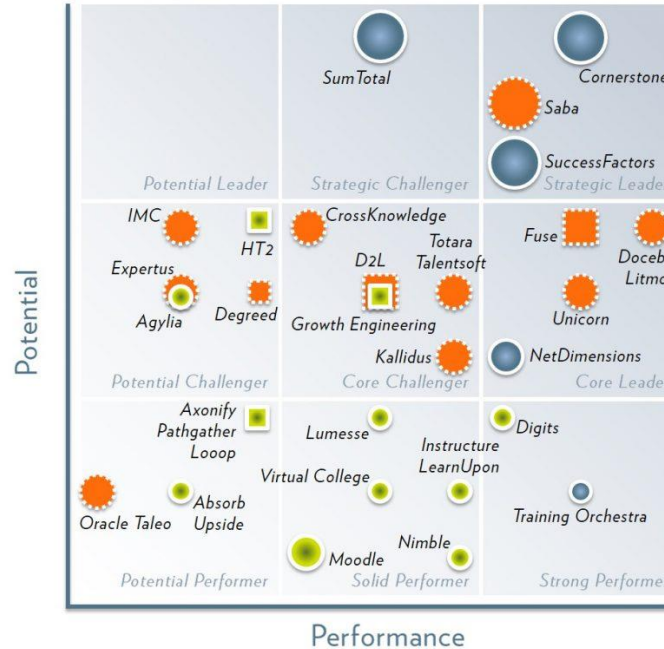
LTG: Leading the learning revolution at work

Fosway 9-Grid™ - Digital Learning



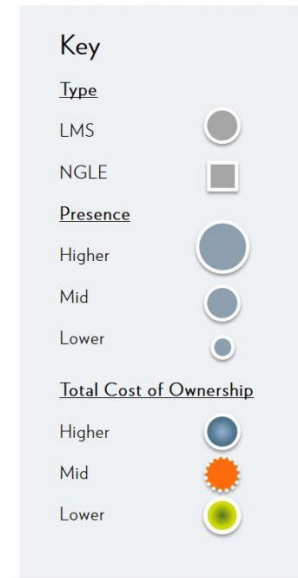
LTG - Strategic Leader

Fosway 9-Grid™ - Learning Systems



NetDimensions - Core Leader

January 2018



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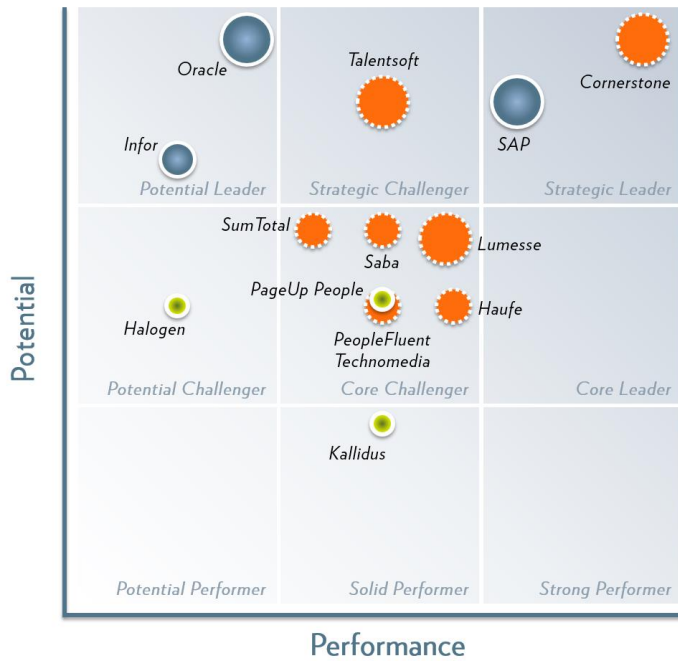
*Fosway Group: Europe's #1 learning analyst

Independent market analysis



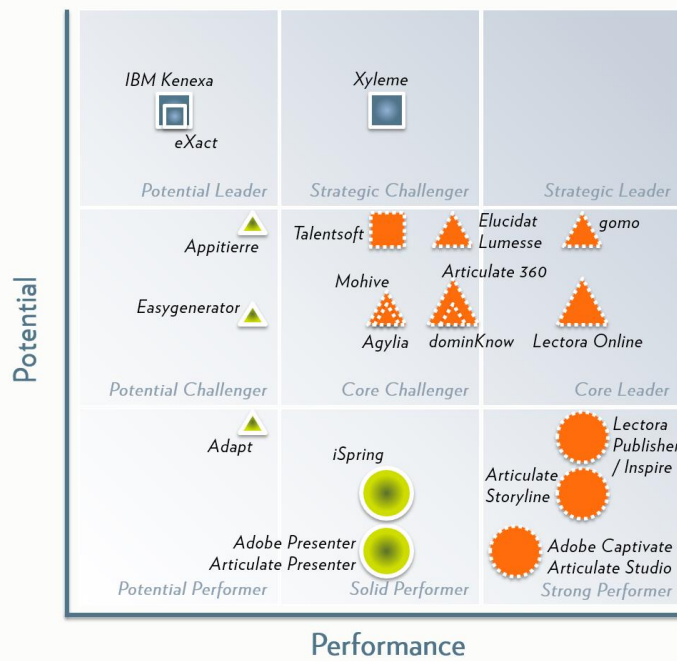
LTG: Leading the learning revolution at work

Fosway 9-Grid™ - Talent Management



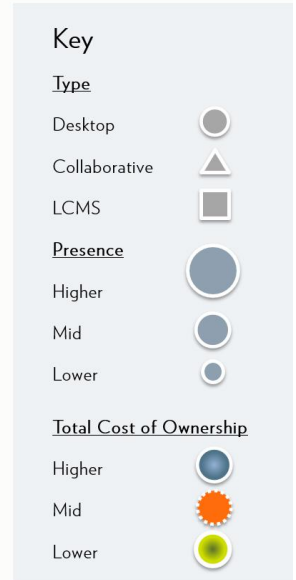
PeopleFluent – Core Challenger

Fosway 9-Grid™ - Authoring Systems



gomo - Core Leader

October / January 2017

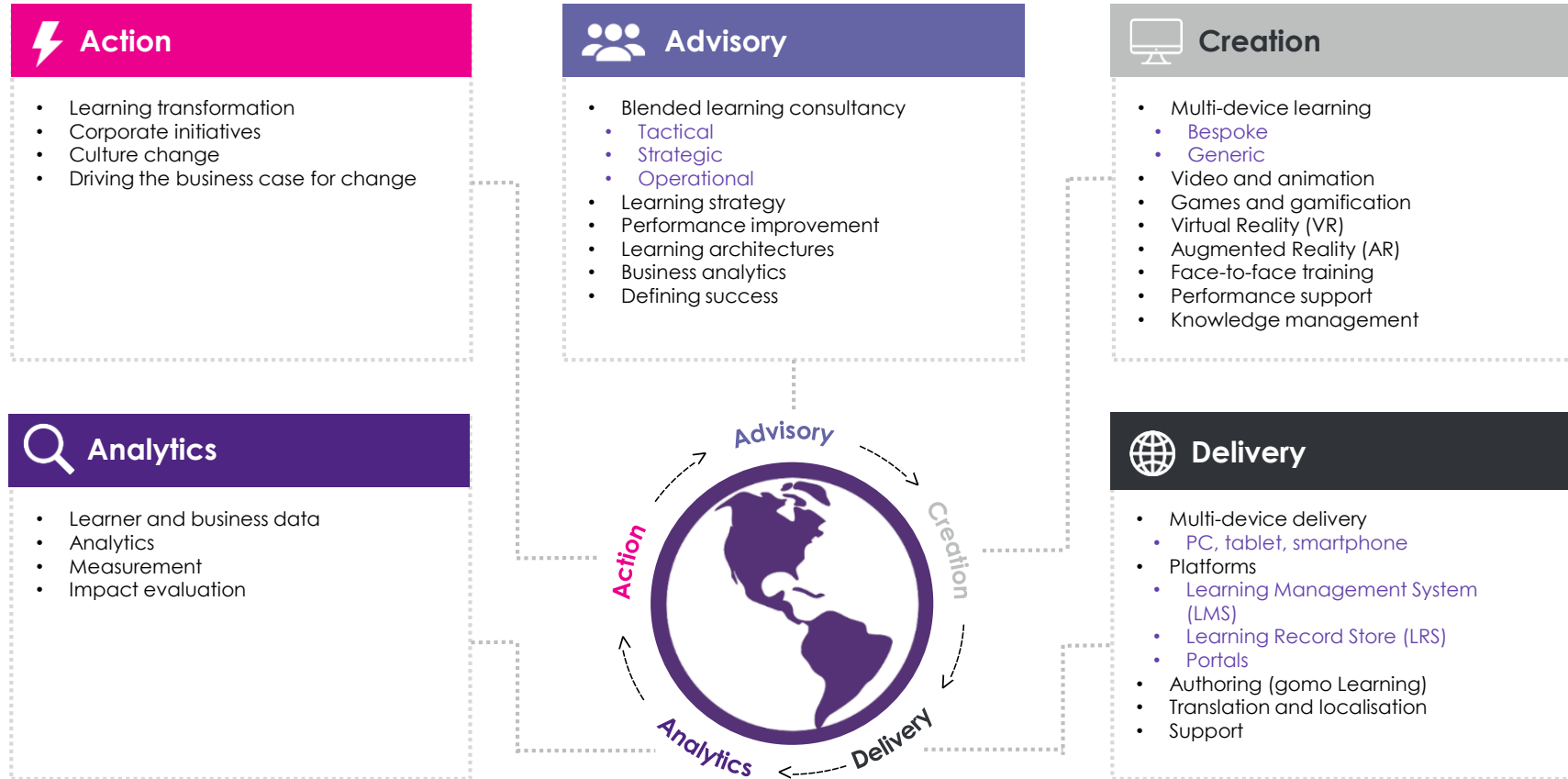


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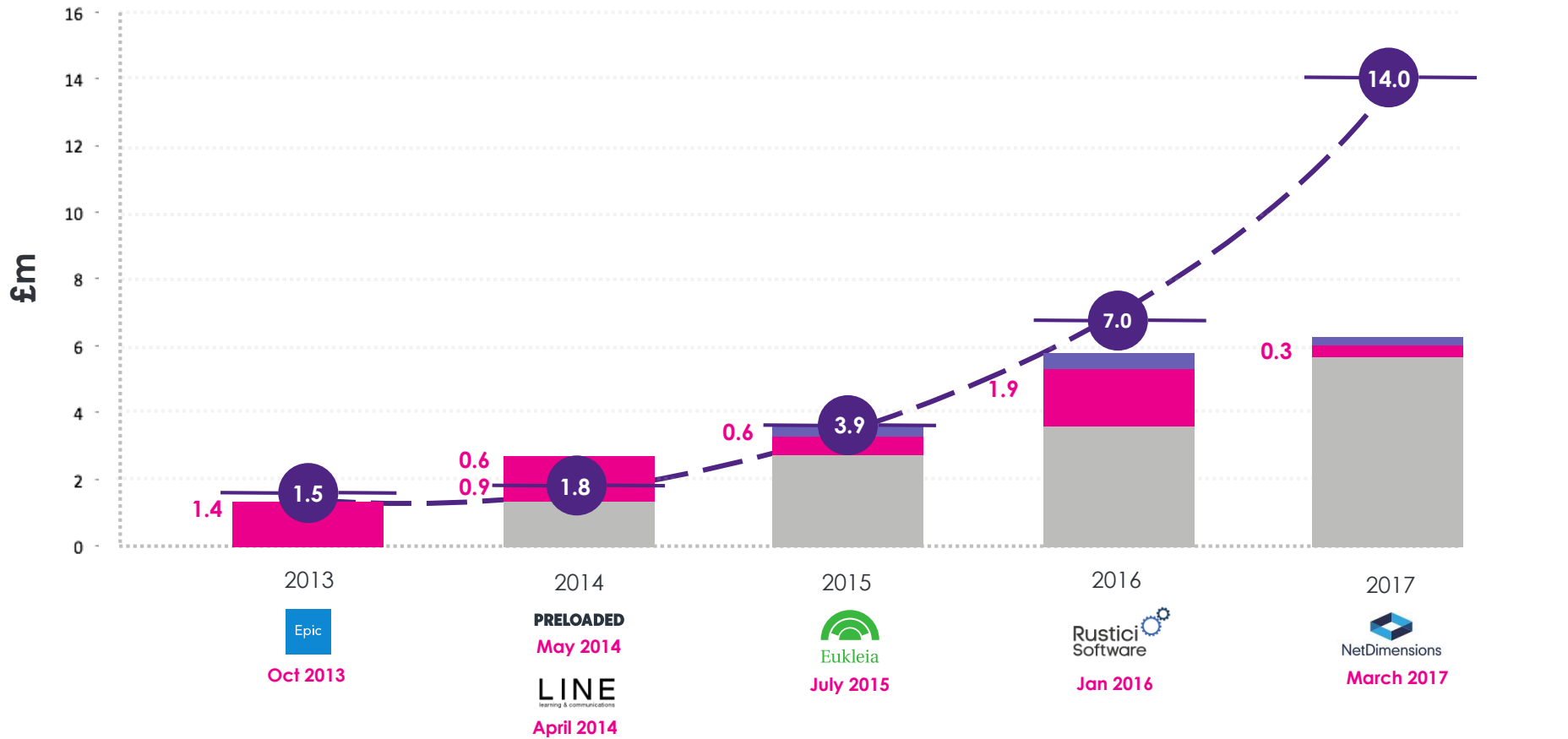
*Fosway Group: Europe's #1 learning analyst

Moving learning to the heart of business strategy

Our approach



Improving the operating models of the businesses we acquire



Key Clients



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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