

LON:LTG

Leading the Learning Revolution at Work



Learning Technologies Group plc |

2019 Interim Results

Jonathan Satchell
Chief Executive

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Chief Financial Officer

16 September 2019

2019 Interim Results: Highlights and Outlook

Highlights

- Strong sales performance and margin improvement
- Cross-selling initiatives driving sales momentum
- PeopleFluent progressing well – confident of return to growth in 2020
- BreezyHR integrated swiftly and delivering impressive revenue growth
- Continued operational progress - launch of Instilled Learning Experience Platform

Outlook

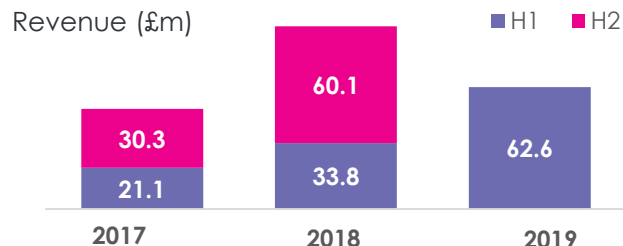
- FY 2019 in line with upgraded expectations
- Content & Services expected to deliver organic growth of c8% in 2019
- Active pipeline of strategic acquisition opportunities with significant funding capacity

H1 2019 Financial Highlights: on track; significant margin increase

Revenue

H1 2019: £62.6m

+85 %
(H1 2018: £33.8m)



Underlying Organic Revenue *

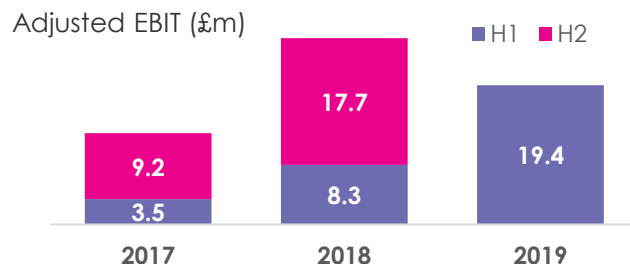
+ 2.2%

Adjusted EBIT

H1 2019: £19.4m

+134%
(H1 2018: £8.3m)

Pre restatement: H1 2019: £20.0m (H1 2018: £8.9m)



Adjusted EBIT Margin

H1 2019: 31.1%

(H1 2018: 24.5%)

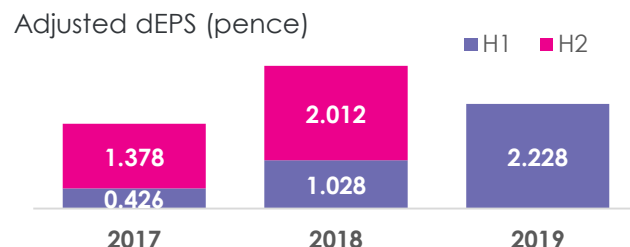
Pre restatement: H1 2019: 32.0% (H1 2018: 26.3%)

Adjusted dEPS

H1 2019: 2.228 pence

+117%
(H1 2018: 1.028 pence)

Pre restatement: H1 2019: 2.446p (H1 2018: 1.122p)



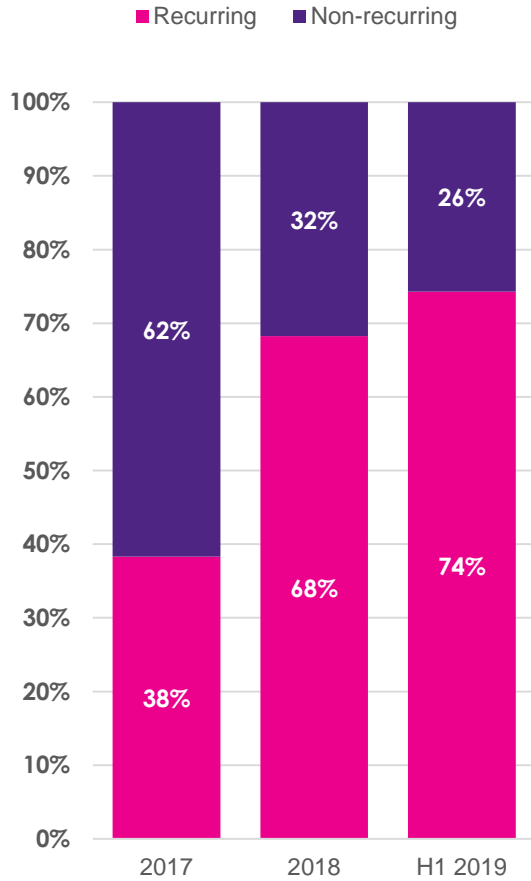
- **Accounting policy changes** - Adoption of IFRS16 and Adjusted EBIT and EPS restated inclusive of share based payment charge
- **PeopleFluent** – acquired business on track to return to sales and revenue growth in 2020

*On a constant currency basis, excluding acquired PeopleFluent and BreezyHR businesses and CSL contract

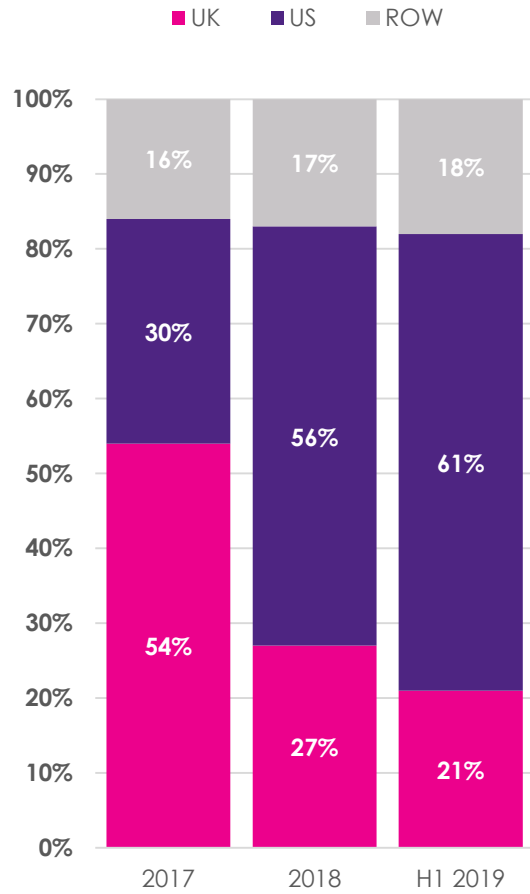
BreezyHR acquisition completed on 17 April 2019

Revenue: sustainability and diversification of earnings

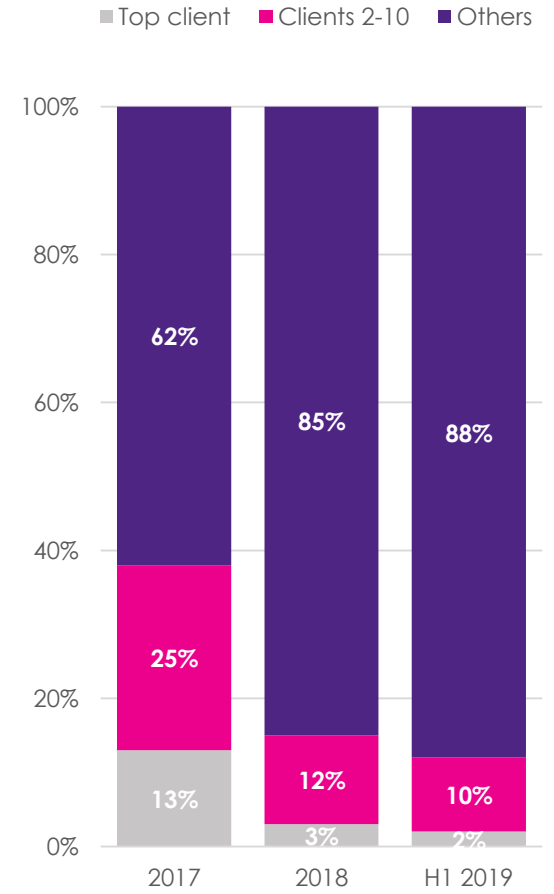
Increasing recurring revenue



Increasing international footprint



LTG's top 10 clients



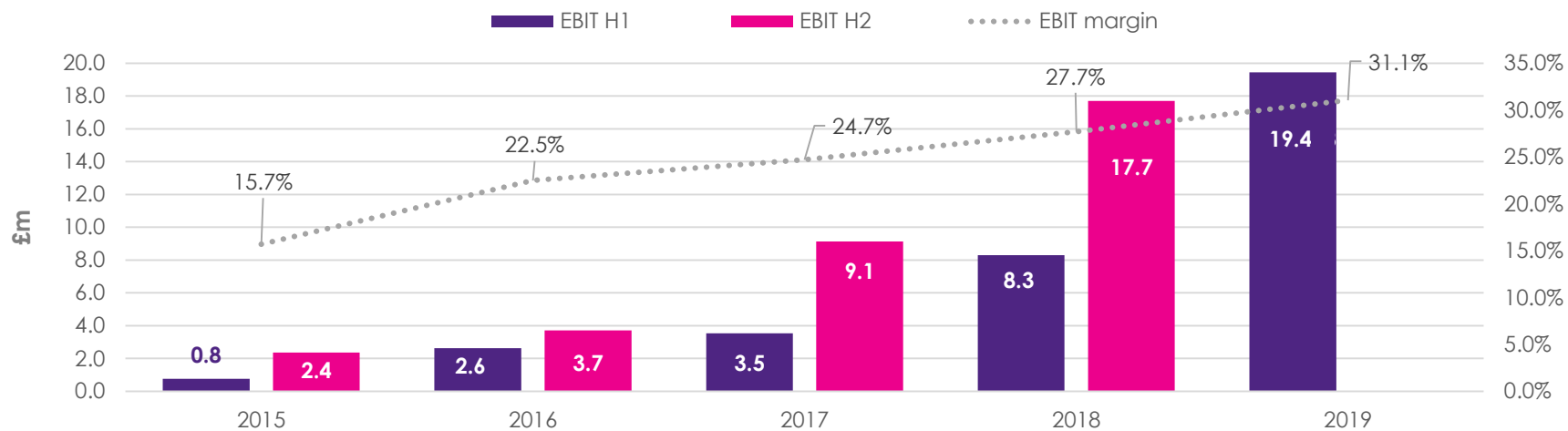
Accounting policy changes: IFRS16 and share based payment charge

With effect from 1 January 2019 the Group has adopted a new accounting standard: IFRS16 – Leases and has elected to report Adjusted EBIT and EPS inclusive of share based payment charge.

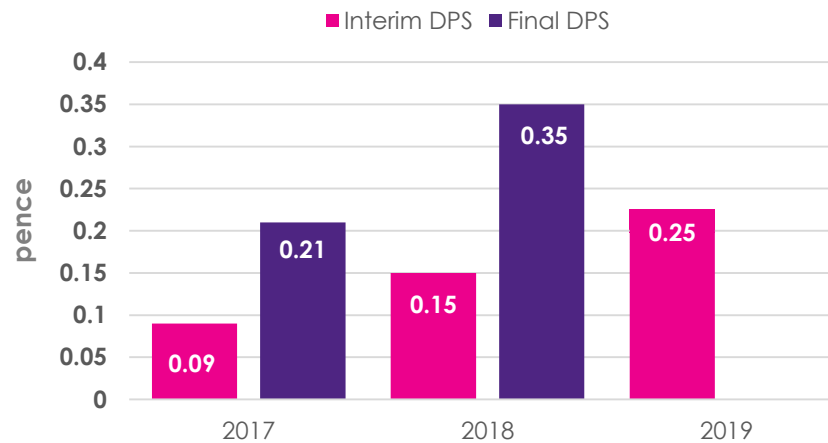
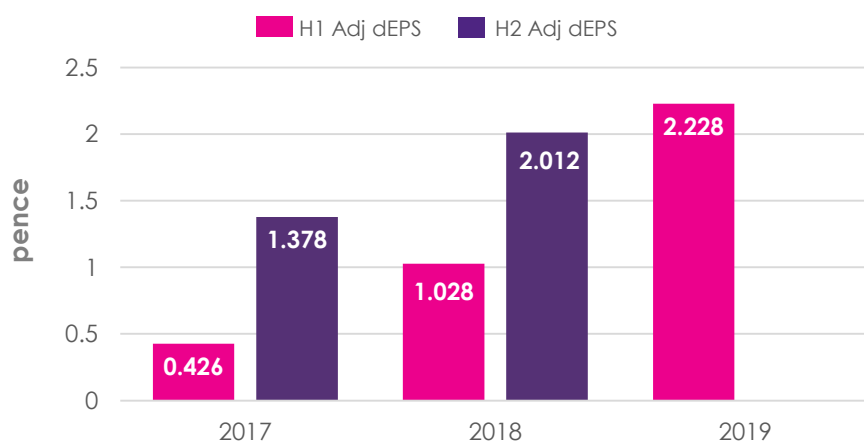
	H1 2018	H2 2018	FY 2018	H1 2019
	£'000	£'000	£'000	£'000
Adjusted EBIT pre accounting policy changes	8,885	18,360	27,245	20,012
Adjusted EBIT margin (%)	26.3%	30.6%	29.0%	32.0%
Share Based Payment charge adjustment	(588)	(666)	(1,254)	(997)
IFRS16 adjustment	-	-	-	433
Revised Adjusted EBIT	8,297	17,694	25,991	19,448
Revised Adjusted EBIT margin (%)	24.5%	29.4%	27.7%	31.1%
Adjusted diluted earnings per share (pence) pre accounting policy changes	1.122	2.110	3.232	2.466
Revised adjusted diluted earnings per share (pence)	1.028	2.012	3.040	2.228
	1 Jan 2019	H1 2019		
	£'000	£'000		
Right of use asset	11,847	10,871		
Lease liability	14,161	13,085		
Of which:				
Current liability	2,806	2,905		
Non-Current liability	11,355	10,180		

Quality of Earnings: strong margins, EPS and dividend growth

Robust margin delivery

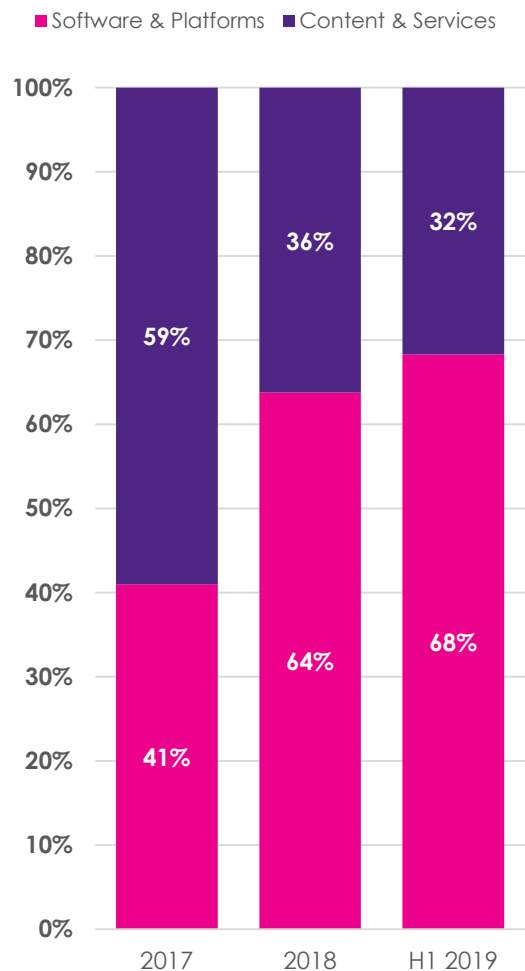


Strong EPS & DPS growth

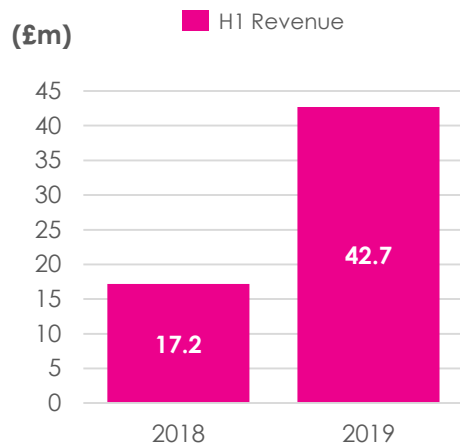


Divisional Performance: Software & Platforms / Content & Services

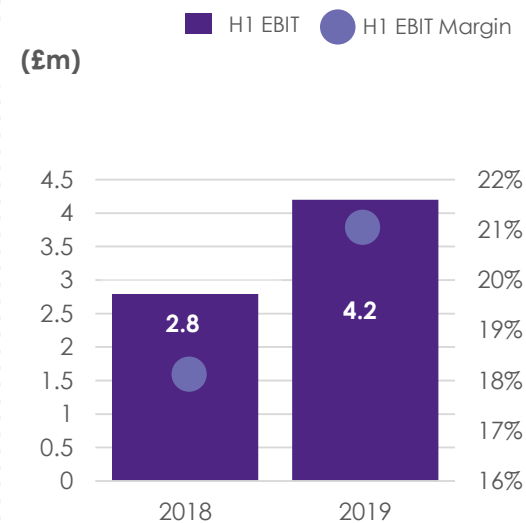
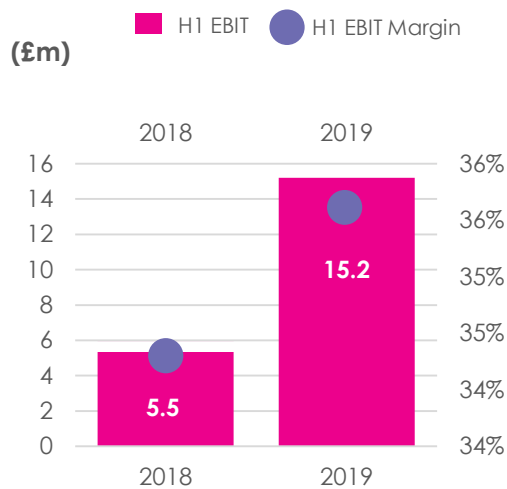
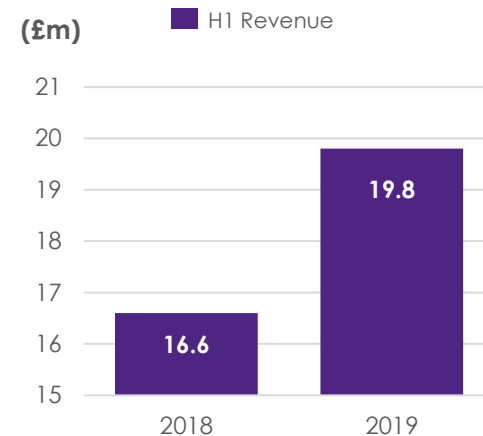
Revenue shift



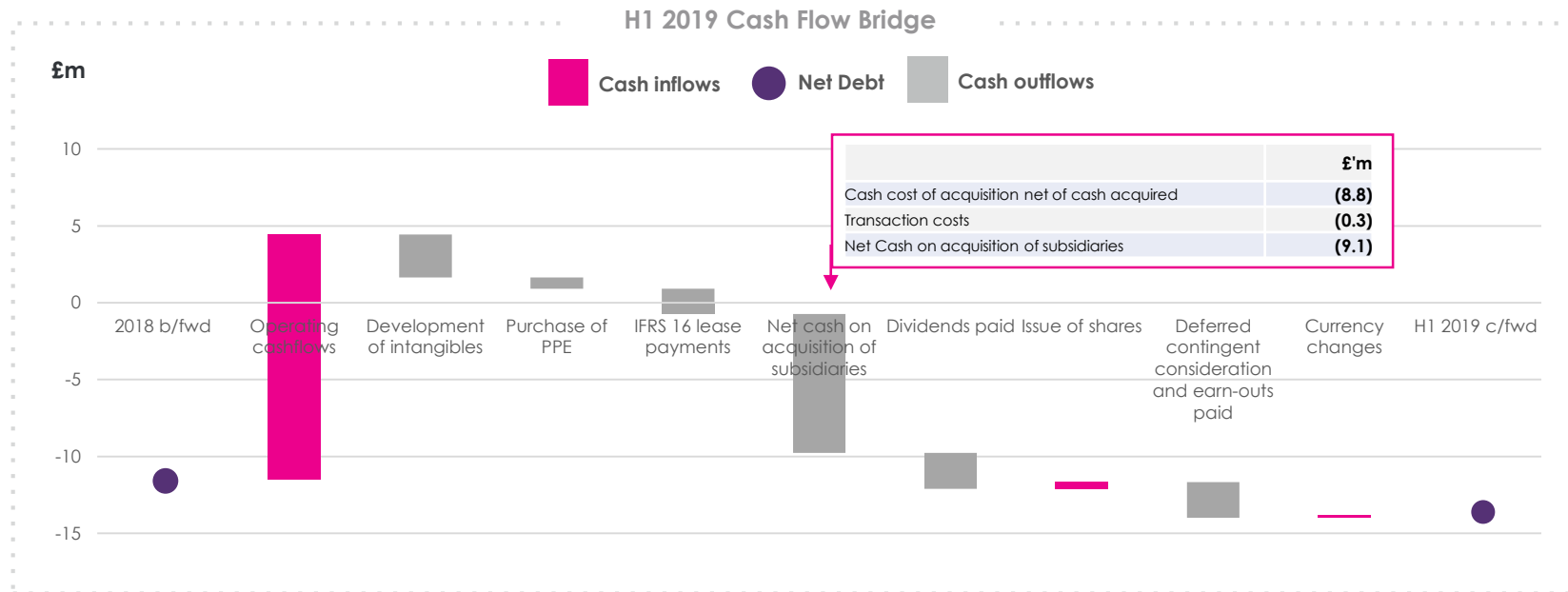
Software & Platforms



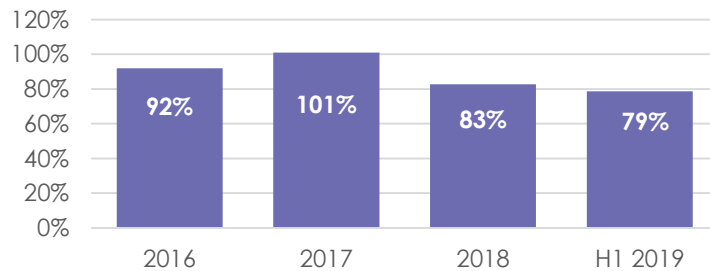
Content & Services



Cash Flow and Financing: continuing strong cash conversion



Operating cash conversion* as % of adjusted EBITDA



Bank Debt Facility

- **5 year loan** with Silicon Valley Bank and Barclays Bank from May 2018
- **\$63m facility** includes \$42m term loan, \$21m RCF and \$28m accordion
- Financial covenants:
 - Cash Flow cover >1.1 / Leverage <2.75
- **Net debt of £13.9m** at 30 June 2019; reduced to £7.8m by end August 2019
- **Significant capacity for M&A**

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

Investing in innovation: integrated solutions addressing market needs

Requirement identified	Solution	Launch Date	Status
A modern and intuitive user interface to access talent and learning modules	Development of PeopleFluent Productivity Platform allows for easy access to all elements of PeopleFluent product suite	Q2 2019	✓
Flexibility to integrate LTG software platforms with other business systems	Development of APIs to allow open access and integration of gomo authoring and Watershed as standard	Q2 2019 – Q2 2020	➔
A collaborative, intuitive, easily deployed LMS to complement LTG's PeopleFluent suite	Development of proprietary Learning Experience Platform ('LXP') to launch May 2019	Q2 2019	✓
Increased scrutiny and regulation of workforce compliance and diversity	Development of Affirmity consultancy to allow international corporates to record, monitor and action their compliance with corporate governance requirements	Q3 2019	➔
Improve the candidate user experience on PeopleFluent's Talent Acquisition enterprise solution	Integrate BreezyHR's acquired award winning candidate engagement functionality within the PeopleFluent solution	Q3 2019	➔
Provide simple elearning creation ability within Instilled	User interface overhaul for gomo	Q2 2020	➔



breezy

Attract → Engage → Hire

Modern Recruiting Software

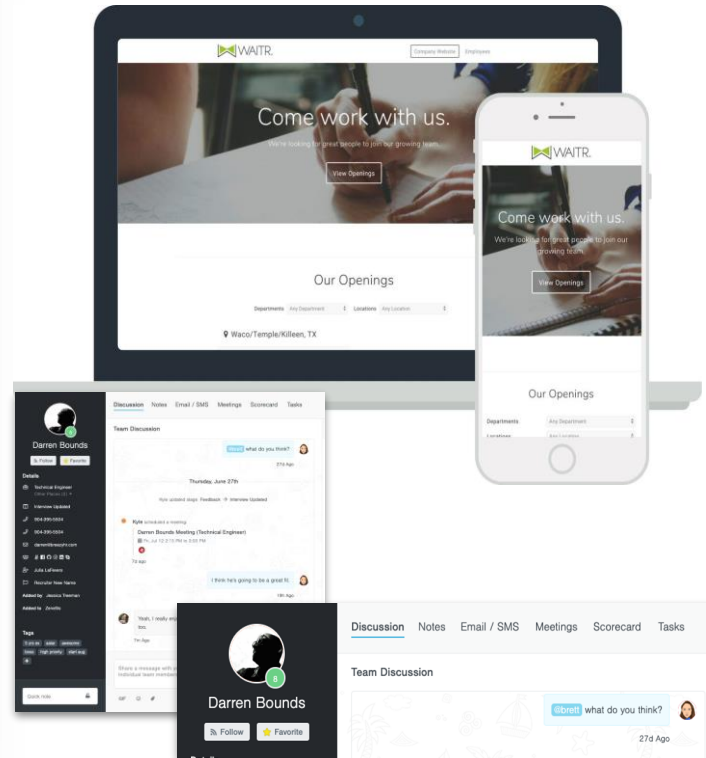
Feature-rich, intuitive and user-friendly functionality addressing SMB market

15M+
Candidates managed

10,000 Clients
In 72 countries

Acquired: April 2019

\$12.7 million cash consideration on completion; up to \$18.0 million contingent deferred consideration based on ambitious revenue growth until end 2021



- Good **strategic fit** and potential for growth
- Attractive **extension of LTG's talent acquisition software**
 - New Market: SMB
 - New Model : self-service
 - New Channels: voted best candidate engagement platform on mobile by Gartner
- Investment to sustain long-term growth
 - Increased pay- per-click
- **Swift integration**
- Impressive performance since joining LTG

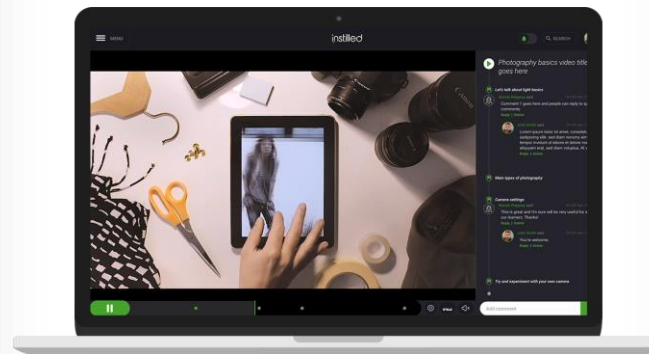


L'ORÉAL



instilled

Powered by



Learning Experience Platform ('LXP')

Supports modern learning objectives by delivering content, when and where learners need it – no distractions

Launched:

May 2019

3 award-winning technologies

In one platform

Analytics

Explore purposeful reports that help you analyse learning, discover trends, and identify content gaps in real time.



Delivery

Provide relevant and timely content in an environment that supports an efficient learning culture.



Creation

Easily create, curate, and share collections of interactive, media-rich content with just a few clicks



Cross-selling and partnerships: leveraging the power of LTG's talent and learning solutions

US Smart Home Solutions



Product Genius

LEO

instilled

PRELOADED

Watershed



Shell Academy

LEO

instilled

gomo LEARNING

Rustici Software

Summary and Outlook

Summary

- Strong sales performance and margin improvement
- Continued operational progress – increased cross-selling and launch of Instilled
- PeopleFluent progressing well and confident of return to growth in 2020
- Continued success integrating and improving businesses we acquire
- Sustainable, diversified earnings

Outlook

- FY 2019 in line with upgraded expectations
- Software & Platforms performing well aided by high growth acquisitions and new product developments
- Content & Services expected to deliver organic growth of 8% in 2019
- Strong pipeline of acquisition opportunities



Appendices

Consolidated Statement of Comprehensive Income

£'000	6 mths to 30 June 2019	6 mths to 30 June 2018	YE to 31 Dec 2018
Revenue	62,628	33,805	93,891
Operating Expenses	(54,412)	(32,857)	(89,932)
Operating profit	8,216	948	3,959
Adjusted EBIT	19,448	8,297	25,991
Adjusted EBIT margin	31.1%	24.5%	27.7%
Amortisation of acquired intangibles	(10,177)	(5,745)	(15,193)
Acquired intangibles written down	-	-	(681)
Acquisition related deferred consideration and earn-outs	(1,055)	(1,504)	(3,761)
Integration costs	-	(100)	(2,397)
Operating profit	8,216	948	3,959
Costs of acquisition	(270)	(2,628)	(2,621)
Share of losses of associates / joint ventures	-	(69)	(132)
Profit/(loss) on disposal of fixed assets	(2)	-	-
Fair value movement on contingent consideration	-	-	183
Charge on contingent consideration	-	(15)	(54)
Interest payable on borrowings	(921)	(530)	(1,512)
Net foreign exchange differences	-	3,591	3,608
Interest receivable	30	9	10
Finance charge IFRS 16	(235)	-	-
Profit before taxation	6,818	1,306	3,441
Taxation	(61)	43	730
Profit for the period	6,757	1,349	4,171

Consolidated Statement of Financial Position

£'000	30 June 2019	30 Jun 2018	31 Dec 2018
ASSETS			
NON-CURRENT ASSETS			
Property, Plant and equipment	1,910	2,352	2,144
Right of use assets	10,871	-	-
Intangible assets	244,237	238,851	242,458
Deferred tax	3,398	2,605	2,858
Investments	-	1,619	-
Other receivables	421	173	582
	260,837	245,600	248,042
CURRENT ASSETS			
Trade receivables	30,971	21,205	34,314
Other receivables, deposits and prepayments	4,217	5,335	3,897
Amounts recoverable on contracts	5,282	4,561	3,397
Amounts due from related parties	12	6	7
Cash and bank balances	21,067	32,062	26,794
Restricted cash balances	215	323	336
	61,764	63,492	68,745
TOTAL ASSETS	322,601	309,092	316,787
CURRENT LIABILITIES			
Trade and other payables	63,573	68,182	72,470
Borrowings	6,587	6,499	6,602
Lease liabilities	2,905	-	-
Corporation tax	2,377	526	1,631
Net restricted CIP	335	-	-
	75,777	75,207	80,703
NON CURRENT LIABILITIES			
Deferred tax	25,229	26,338	26,299
Borrowings	28,333	41,304	31,657
Lease liabilities	10,181	-	-
Other long term liabilities	10,318	3,390	9,309
	74,061	71,032	67,265
TOTAL LIABILITIES	149,838	146,239	147,968
Total Equity Attributable to the Owners of the Parent	172,763	162,853	168,819

Consolidated Statement of Cash Flows

£'000	6 mths to 30 June 2019	6 mths to 30 June 2018	YE to 31 Dec 2018
Profit/(loss) before taxation	6,818	1,306	3,441
Adjustments for:			
Share based payments	997	588	1,254
Amortisation and depreciation	13,016	6,425	17,300
Acquisition-related deferred consideration and earn-outs	1,055	1,504	3,761
Payment of acquisition-related deferred consideration and earn-outs	(2,321)	(2,613)	(3,166)
Others	1,128	622	2,186
OPERATING CASH FLOWS BEFORE WORKING CAPITAL CHANGES	20,693	7,832	24,776
Net Working Capital changes	(4,959)	467	(4,252)
Interest received and income tax paid	(2,507)	73	(792)
NET CASH FLOWS FROM OPERATING ACTIVITIES	13,227	8,372	19,732
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of subsidiaries net of cash acquired	(8,764)	(106,585)	(107,436)
PPE and IP development	(3,524)	(1,457)	(4,082)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(12,288)	(108,042)	(111,518)
CASH FLOWS FROM/(USED) IN FINANCING ACTIVITIES			
Issue of share capital net of share issue costs	443	83,662	83,708
Proceeds from borrowings	-	47,219	47,110
Repayment of bank loans	(3,248)	(14,871)	(25,803)
Contingent consideration payments	-	(193)	(193)
Dividends paid	(2,337)	-	(2,395)
Cash payments for the principle portion of lease liabilities	(1,655)	-	-
NET CASH FLOWS FROM/(USED) IN FINANCING ACTIVITIES	(6,797)	115,817	102,427
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(5,858)	16,147	10,641
Exchange gains on cash	131	253	491
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	21,067	32,062	26,794











Five-year financial summary

Year ended 31 December	2014	2015	2016	2017	2018
Revenue (£'000)					
Existing business	8,320	17,409	22,004	38,894	51,813
Acquisitions in period	6,600	2,496	6,259	12,459	42,078
	14,920	19,905	28,263	51,353	93,891
Growth	97%	33%	42%	82%	83%
Adjusted EBIT (£'000)	1,382	3,132	6,347	12,669	25,991
Growth	23%	127%	103%	100%	105%
Margin	9%	16%	22%	25%	28%
EPS (pence)					
Basic	(0.049)	0.256	(0.317)	0.235	0.655
Diluted	(0.049)	0.239	(0.317)	0.225	0.641
Adjusted - Diluted	0.207	0.562	1.051	1.804	3.040
Growth	(47%)	171%	87%	72%	69%
Dividend (pence)					
Interim	0.03	0.05	0.07	0.09	0.15
Final	0.07	0.10	0.14	0.21	0.35
Total	0.10	0.15	0.21	0.30	0.50
Growth		50%	40%	43%	67%
Net Cash/(Debt) (£'000)	4,358	7,305	(8,486)	1,048	(11,465)

Acquisitions

	LINE †	Preloaded	Eukleia	Rustici	Watershed	NetDimensions	PeopleFluent	Breezy HR
Description	Blended elearning solutions	Developer of 'games with purpose'	E-learning GRC services to financial services sector	Digital learning interoperability solutions	Learning analytics developer (xAPI)	Solutions provider of talent and learning management systems	Solutions provider of talent, workforce compliance and vendor management systems	Talent acquisition SaaS solutions
Location	London and Sheffield	London	London	Nashville, USA	Nashville, USA	Hong Kong	Waltham, USA	Jacksonville, USA
Ownership	100%	100%	100%	100%	100%	100%	100%	100%
Acquisition Date	April 2014	May 2014	July 2015	January 2016	Nov 2018	March 2017	May 2018	April 2019
Consideration	£'000	£'000	£'000	\$'000	\$'000	£'000	\$'000	\$'000
Initial - cash	5,130	1,605	6,822	20,509‡	2,509	53,600	142,102	12,700
Initial - shares	3,870	609	1,500	6,186‡	-	-	-	-
Deferred (Balance sheet)	-	2,226	§	§	2,981	-	-	§ - tbc
Deferred (capped) *	-	3,400	3,500	11,000	7,527	-	-	18,000
Fair value of previously held investment	-	-	-	-	2,021	-	-	-
Total (per Balance sheet)	9,000	4,440	8,322	24,078	7,511	53,600	142,102	12,000
Total (capped)	9,000	5,614	11,822	37,695	12,057	53,600	142,102	30,000
* 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								

LTG's unique offering: specialist talent management and learning solutions

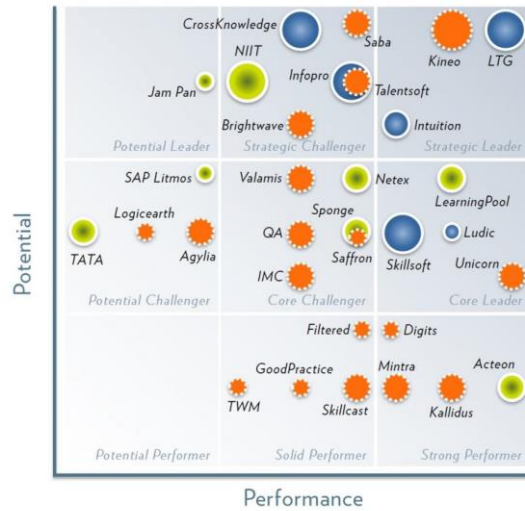
CONTENT & SERVICES			
	Learning services - content and blends, learning campaigns, capability building and system implementation.	30+ Years Experience	175+ Separate Clients sold to in 2018 alone
	Learning services for global risk and compliance - specialists in training for financial services and investment banking.	1m+ eLearning users per year	9 out of the top 10 European banks served
PRELOADED	Immersive learning - play with purpose, learning games, augmented and virtual reality.	300m Game Plays	8 Major Global Awards in 2018
SOFTWARE & PLATFORMS			
	Integrated talent management in the cloud - recruitment, performance, succession, compensation and learning solutions.	400+ Clients	5.8m+ Active Users
	Talent acquisition software - feature-rich, intuitive and user-friendly functionality addressing SMB market	15m Candidates Managed	10,000 Clients in 72 Countries
	Learning experience platform - supports modern learning objectives by delivering content, when and where learners need it -- no distractions.	20 Years Experience	3 award-winning technologies in one platform
	Learning creation and distribution - feature-rich, intuitive and user-friendly functionality addressing SMB market	40m+ LTM Recruiting Unique Visitors	5.8m+ Active Users
	Technical interoperability - world leader in system interoperability and technical standards.	200+ Vendor Clients	75+ Government Agencies
	Analytics and measurement - industry-leading learning record store with powerful visualisation for management decision-making.	114% Annual Growth of Subscription Revenues	225m+ Learning Experiences Analyzed
	Workforce compliance and diversity - U.S. market-leader for affirmative action planning.	~950 Customers	25% Share of US Affirmative Action Plans Produced
	Contingent workforce management system - to control costs, maintain compliance, and drive efficiency.	175+ Customers	\$4bn+ Annual Spend Managed

LTG in the corporate digital talent management and learning markets



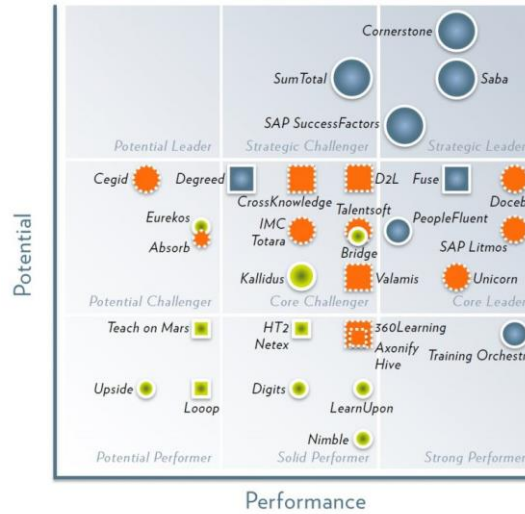
Leading the learning revolution at work

Fosway 9-Grid™ - Digital Learning



LTG - Strategic Leader
Jan 2019

Fosway 9-Grid™ - Learning Systems



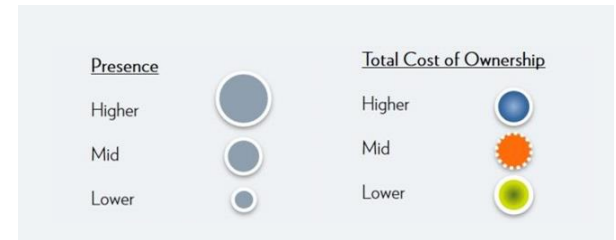
PeopleFluent - Core Leader
Jan 2019

Fosway 9-Grid™ - Talent Management



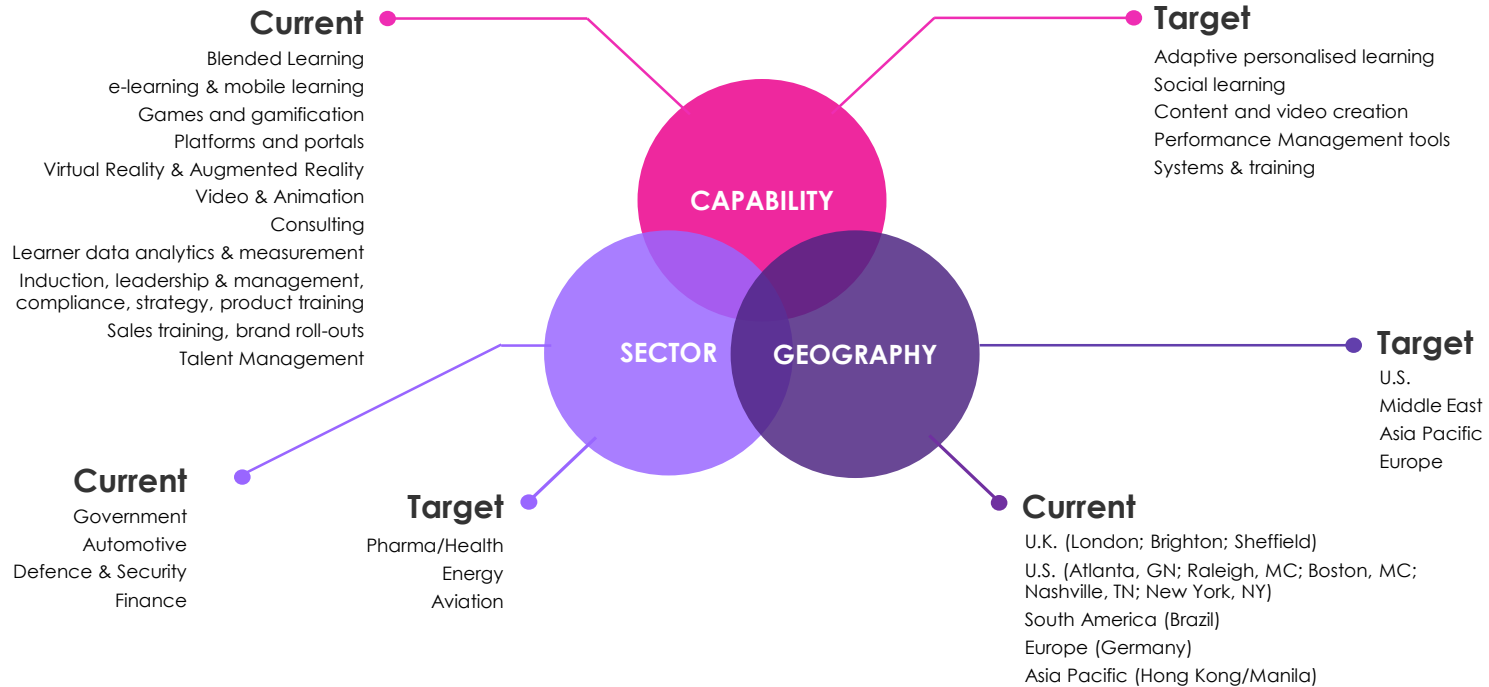
PeopleFluent - Core Challenger
Oct 2018

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

LTG's strategy: the three drivers

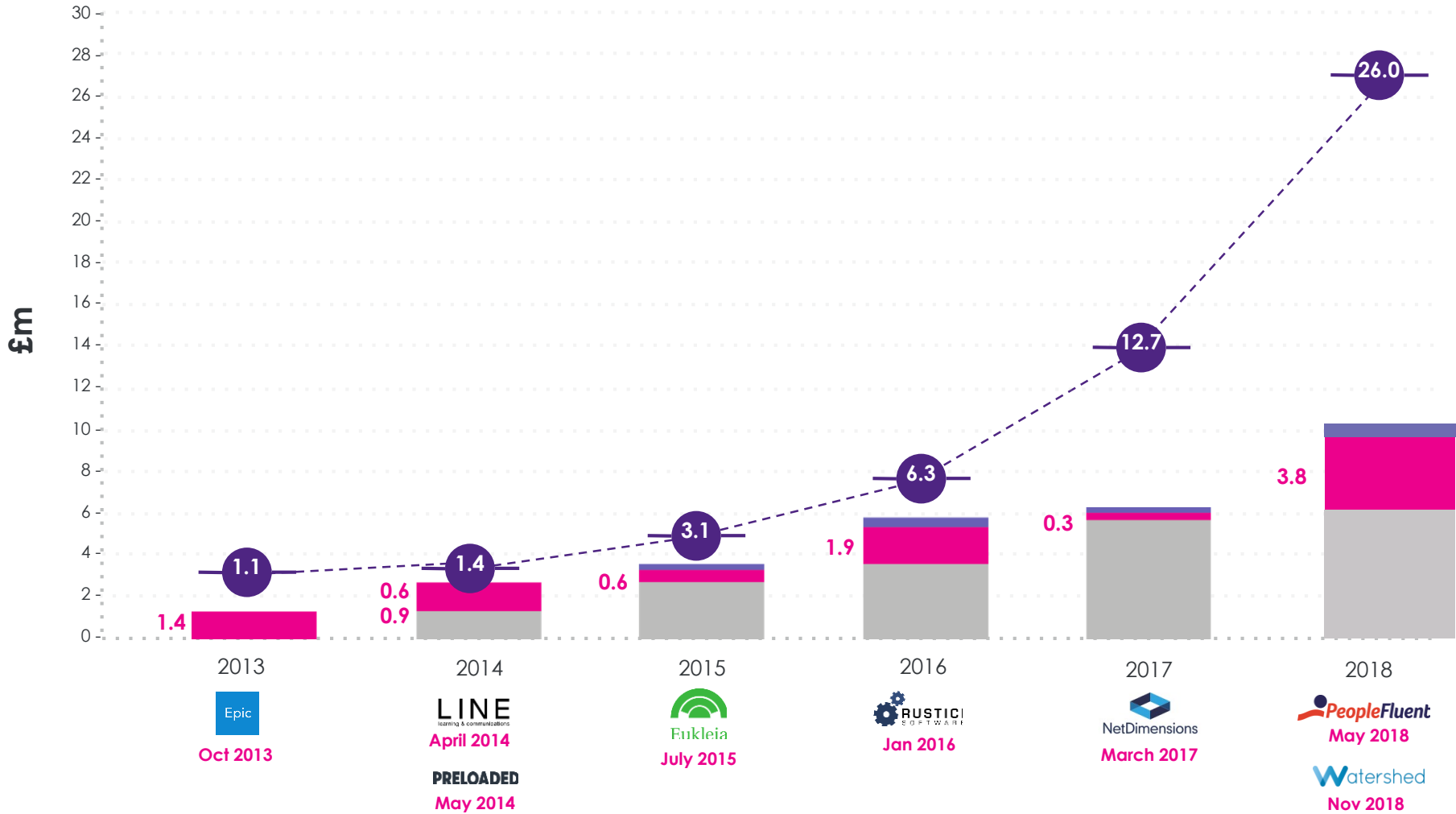


Partner Programme: KPMG UK Babcock JMJ Quintiq RWS Holdings Centerprise Lane 4

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



2013
Epic
Oct 2013

2014
LINE
learning & communications
April 2014
PRELOADED
May 2014

2015
Eukleia
July 2015

2016
RUSTIC
E-SPORTS
Jan 2016

2017
NetDimensions
March 2017

2018
PeopleFluent
May 2018
Watershed
Nov 2018

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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