

LON:LTG

Learning Technologies Group plc

2020 Interim Results



Closing the gap between current and future workforce capability

Jonathan Satchell
Chief Executive

Neil Elton
Chief Financial Officer

22 September 2020

2020 Interim Results: Highlights

Highlights

- Resilient performance driven by high recurring revenue and growth in SaaS licences
- Robust margin performance facilitated by flexible operating model
- Successful Open LMS acquisition integrating and growing well
- Acquisition of eCreators to complement Open LMS and build market-leader in open-source LMS
- Excellent cash generation; net cash of £77.8 million
- £81.8 million placing to capture growth in digital learning and talent management
- Strong acquisition pipeline
- Reconfirming 2022 exit run-rate target; c.£230 million revenues and c.£66 million Adjusted EBIT

H1 2020 Financial Highlights: robust performance

Revenue

H1 2020: £64.1m

+2%

(H1 2019: £62.6m)



Underlying Organic Revenue *

-6.7%

inc: Software licence revenue +c.7%
C&S revenue – c.22%

Adjusted EBIT

H1 2020: £18.4m

-5%

(H1 2019: £19.4m)



Adjusted EBIT Margin

H1 2020: 28.7%

(H1 2019: 31.1%)

Adjusted dEPS

H1 2020: 2.251 pence

+1%

(H1 2019: 2.228 pence)



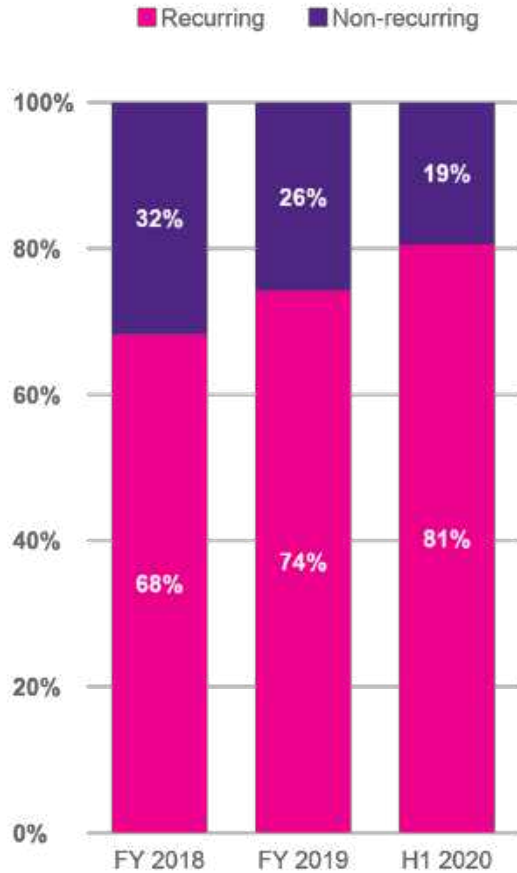
- **Reclassification of expenses** – operating expenses and profit stated inclusive of acquisition costs and loss on disposal of fixed assets.

*On a constant currency basis, excluding acquired Open LMS and with annualised BreezyHR revenue

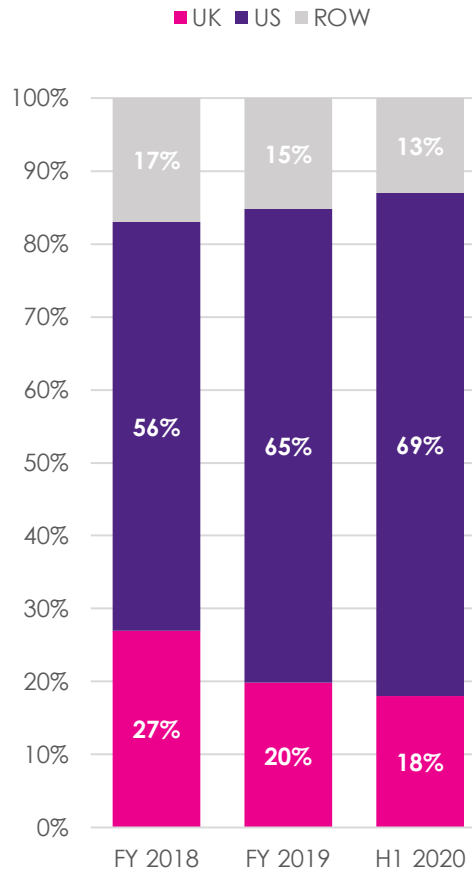
Open LMS acquisition completed on 31 March 2020

Revenue: sustainability and diversification of earnings

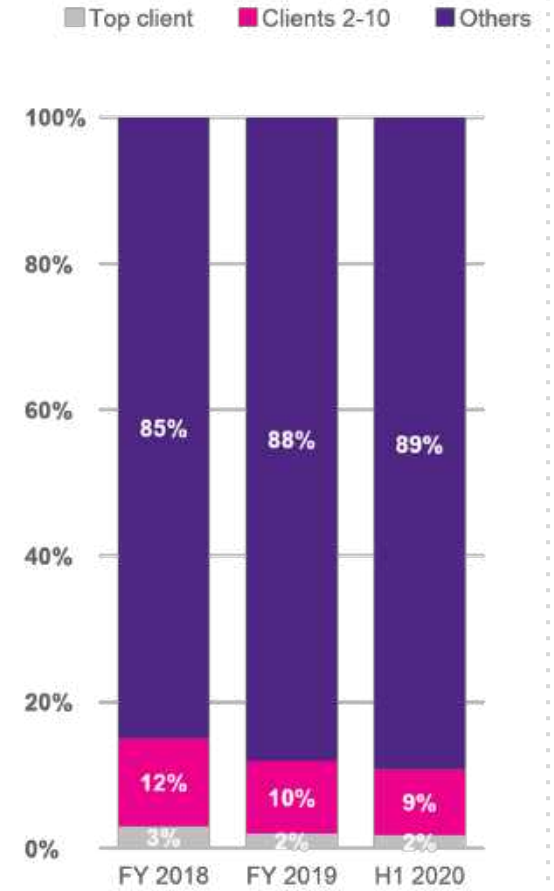
Increasing recurring revenue



Increasing international footprint

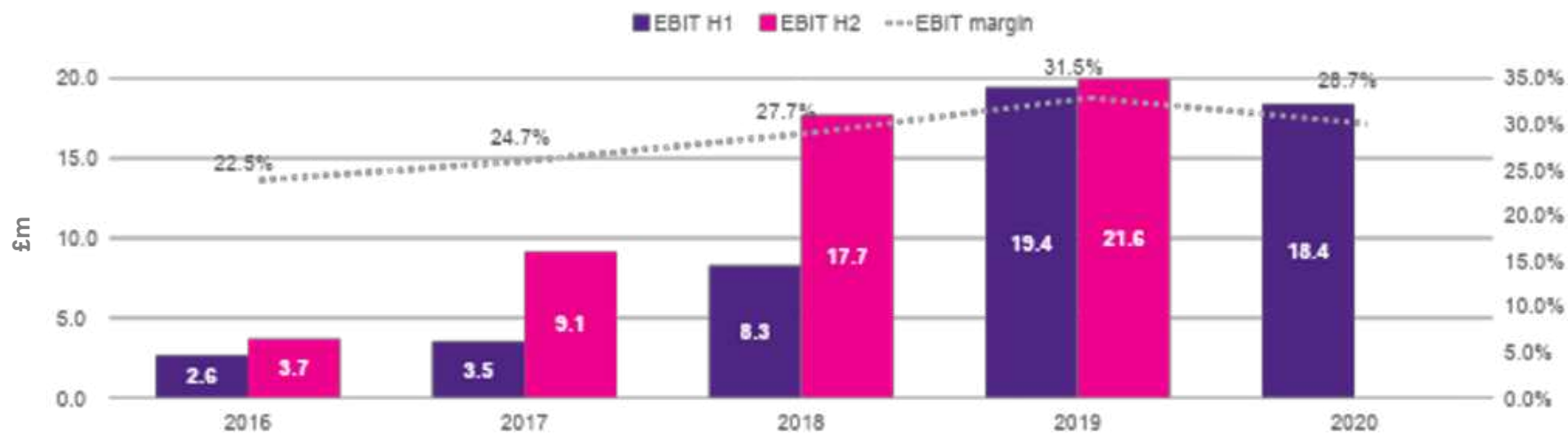


Low client concentration

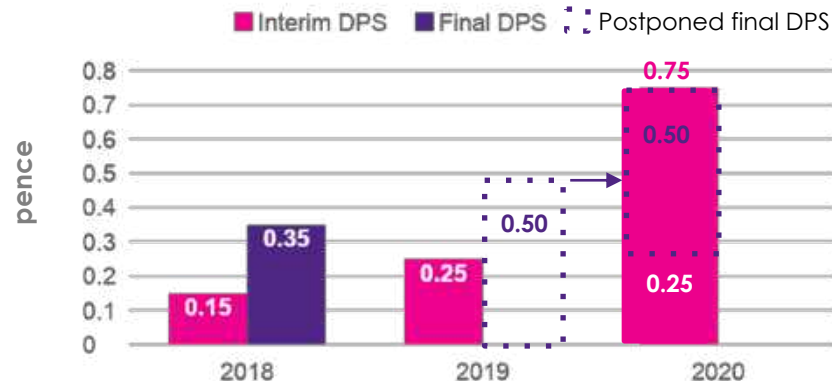
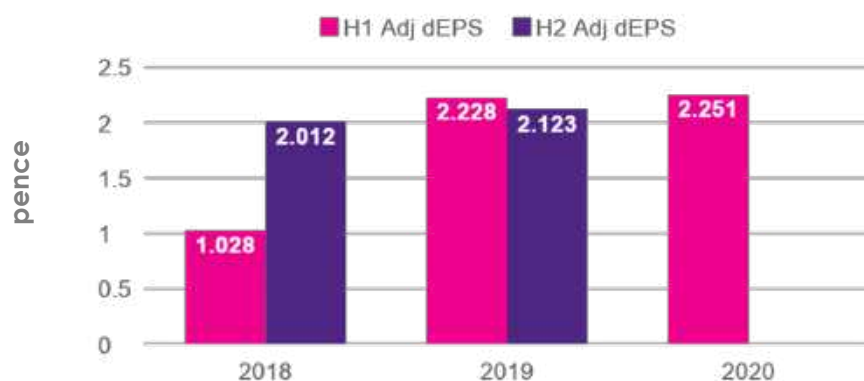


Quality of Earnings: robust margins; EPS and dividend growth

Robust margin delivery

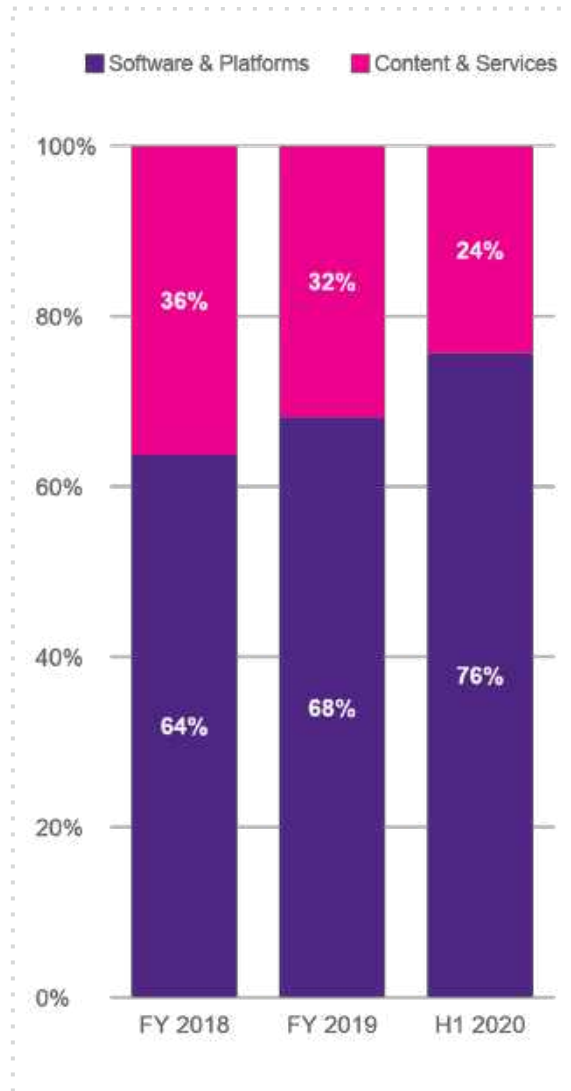


Strong performance underpins reinstatement of dividend

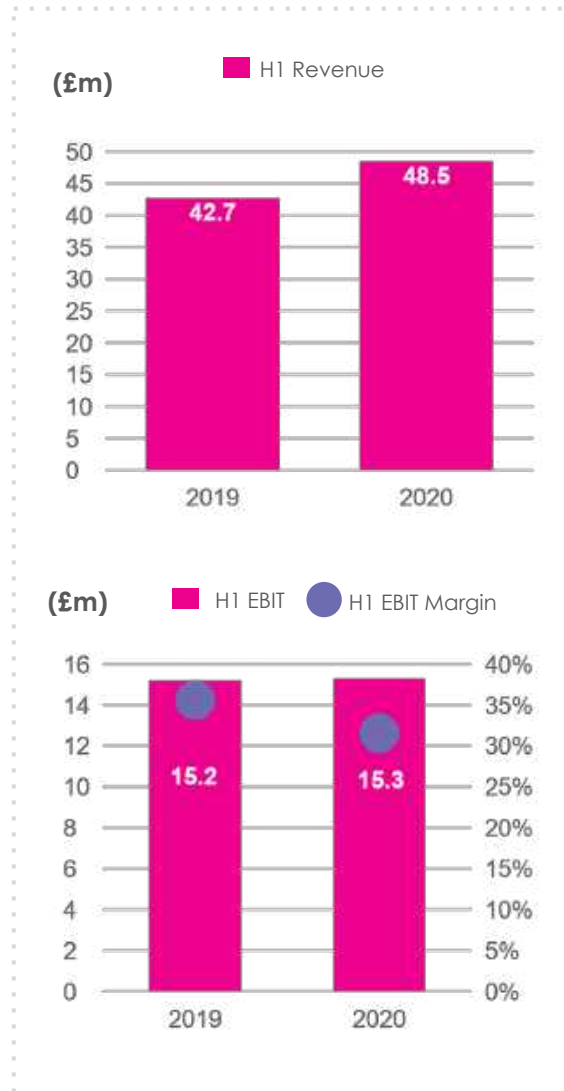


Divisional Performance: Software & Platforms / Content & Services

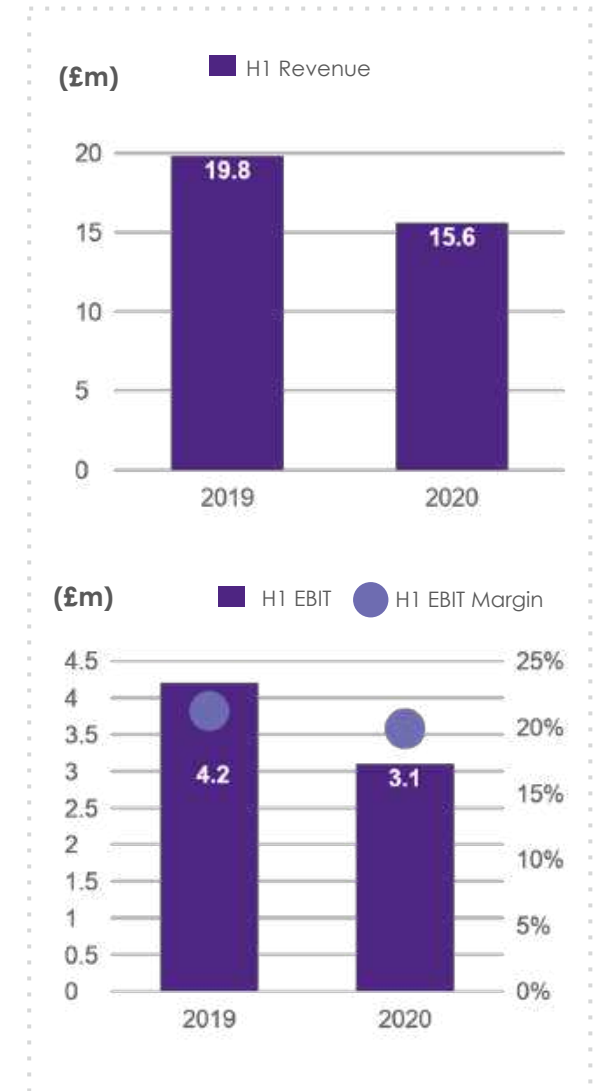
Revenue shift



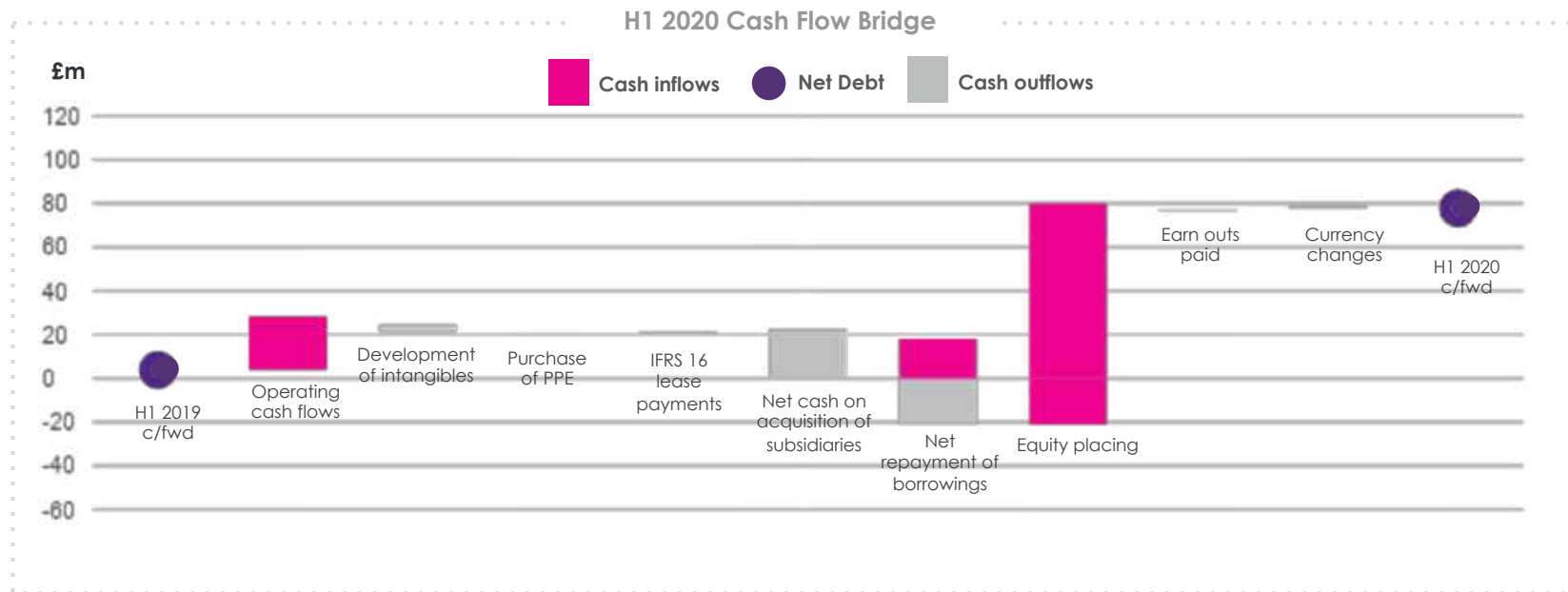
Software & Platforms



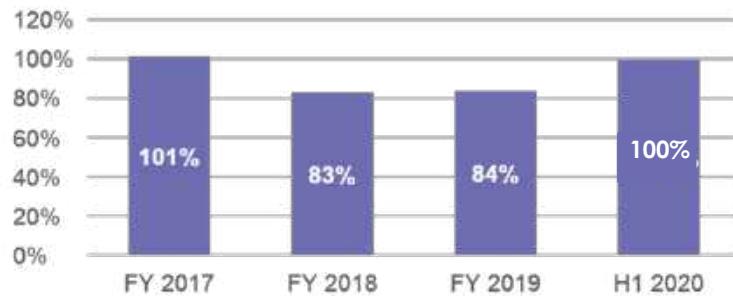
Content & Services



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 funds of £77.8m** at 30 June 2020.
- **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, payment of lease liabilities and exceptional realised FX gains and losses) by adjusted EBITDA excluding share based payments.

COVID-19: helping clients make a difference

PRELOADED



UNIVERSITY OF
OXFORD



Enabling young people to
have a voice in the mental
health debate

LEO



Resuscitation
Council UK

Supporting 20,000 returning NHS healthcare
workers in the fight against COVID-19

watershed

intuit.

Removing manual workarounds, outsourced technology
administration and broken processes for Intuit

Rustici
Software 

Supporting over **1500**
companies train online



ESG: supporting clients make a positive impact



Empowering our clients to achieve their ESG priorities

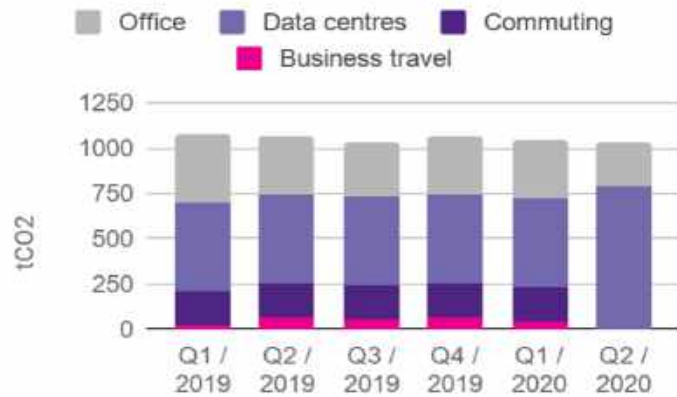




ESG: measuring to change



CO2 emissions



Benchmarking study

- Extensive ESG benchmarking exercise undertaken.
- Detailed report available on LTG website.
- Next steps: consultation, prioritisation, communication.

Voluntary staff churn

12 months till Q3 2020

Pre-COVID (annualised)

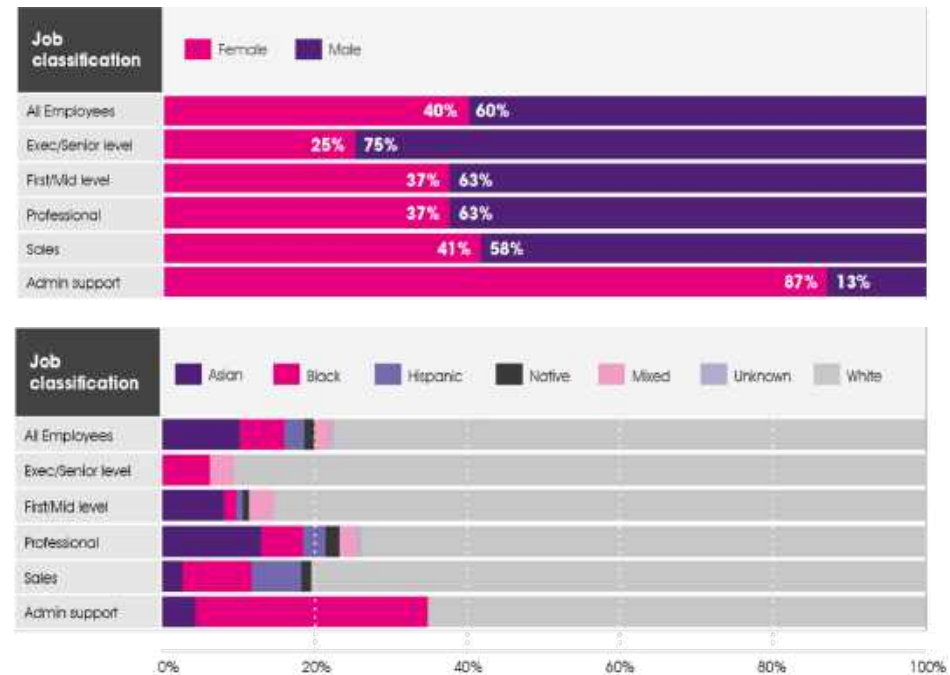
13.4%

11.4%

Post-COVID (annualised)

9.1%

Diversity & inclusion



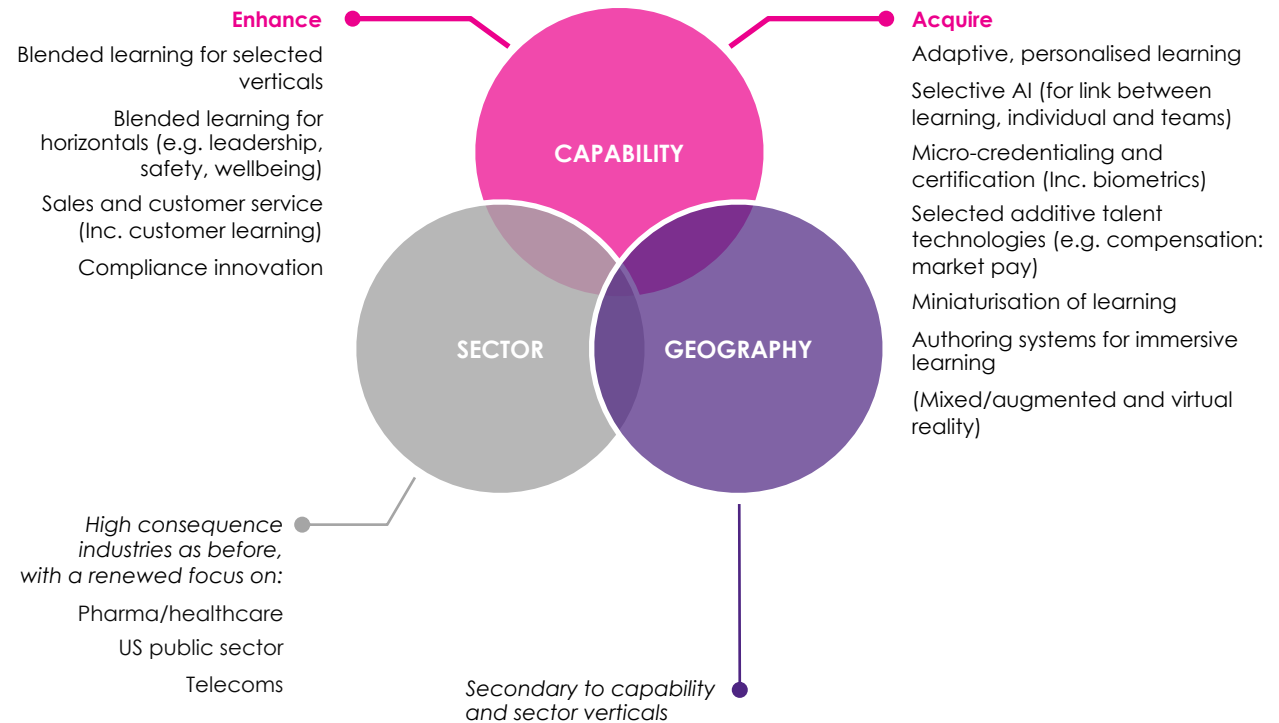
The LTG Strategy for Growth

LTG's Consistent Focus on Three Fundamental Drivers that Benefit from Structural Tailwinds

LTG's Acquisition Approach

- Technological innovation with a focus on:
 - Systems that thread into existing LTG capabilities
 - Innovative software that LTG can accelerate either through access to the market or by combining with existing technologies
- Innovation in the learning and talent agenda (new thinking)
- Improved speed to market
- Superior access to markets and customers
- Profitable growth with strong management team in place (or fixable in the absence of these)
- Mix of product and service:
 - Emphasis on recurring revenue models

LTG's Three Fundamental Drivers



Open LMS: foundation to build leading position in corporate Moodle market

Open LMS progress YTD

Successfully integrated into LTG since acquisition in March 2020

Significantly bolstered LTG's presence in Australia & LATAM

Strong revenues in H1 2020, providing stability for further growth

Substantial sales pipeline

The world's largest monitored exam - enabling 72,000 students in Colombia to graduate from high school

Client: ICFES (Colombian Institute for the Promotion of Higher Education)



SaaS Delivery of Open Source

SaaS delivery of Moodle the world's most popular LMS creates massive cross sell whitespace

650+

SaaS Clients

2,000,000 Users

In 100+ countries

Completion:

31 March 2020

c.\$16m revenues and c.70% recurring subscription fees



SaaS Moodle for Corporate and Vocational Training

Market leader in corporate learning in Australia

370+

SaaS Clients

3,500,000 Users

Completion:

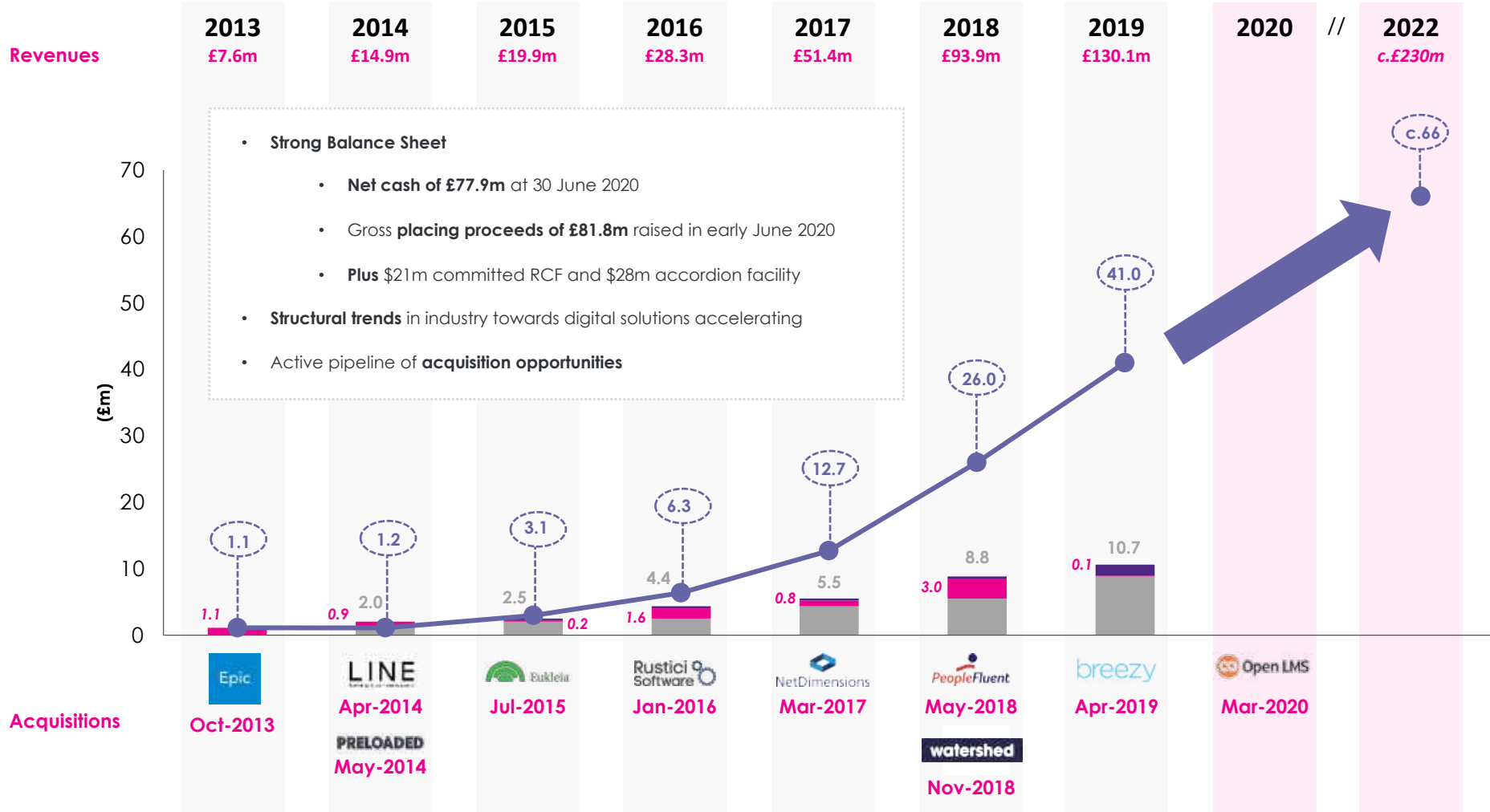
c. October 2020

(subject to regulatory approval)

c.\$4.6m revenues and 60% recurring subscription fees

Proven Track Record of Executing and Delivering Value Through Acquisitions

Cumulative EBIT of the Acquired Business
 Next Year Incremental Acquired EBIT
 In Year Post-acquisition Acquired EBIT
 Actual Adj. EBIT



Summary and Outlook

Summary

- Resilient performance reflects high levels of recurring revenues
- Sound corporate governance: ESG benchmarking and strengthened Board
- Open LMS integrating well complemented by acquisition of eCreators
- Equity placing and strong cash generation; robust balance sheet supports acquisition strategy
- Reinstated FY19 final dividend and payment of interim dividend
- Reconfirming 2022 exit run-rate target of c.£230 million revenues and c.£66 million Adjusted EBIT

Outlook

- FY20 expected to be in line with market expectations
- High levels of recurring revenue, new sales and order book underpin confidence
- Actively pursuing acquisition pipeline for bolt on and strategic acquisitions



Q&A



Appendices

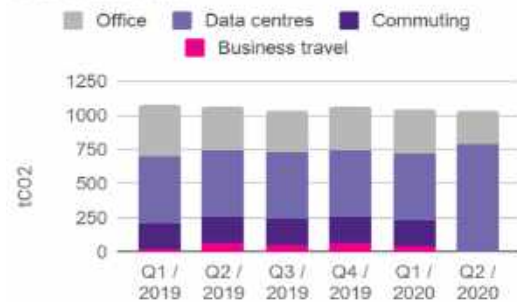


Environmental Sustainability

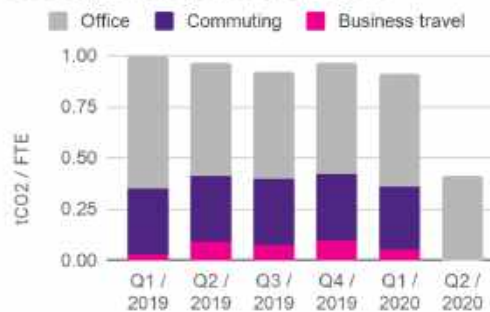


Effectively managing actual and future impact of LTG activities on the environment

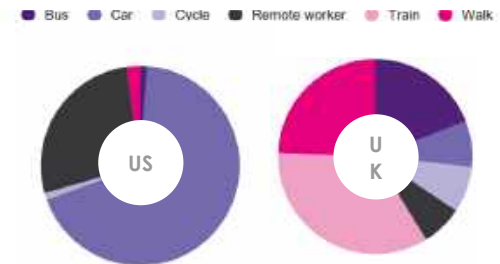
CO2 emissions



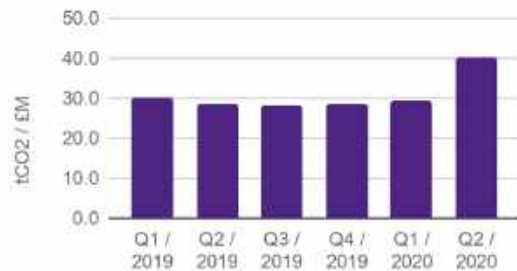
CO2 emissions per FTE by source



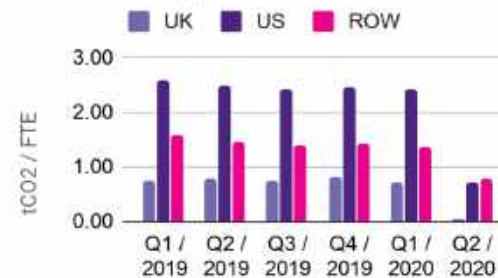
Impact of commuting UK vs US



Data Centre emissions / £M SaaS revenue



CO2 emissions per FTE



Initiatives

Review of company flexible and remote work policies and their impact on environmental sustainability - to be completed in Q4 2020

tCO2 = Carbon Emissions in metric tons



Taking Care of our People - Wellbeing & Belonging



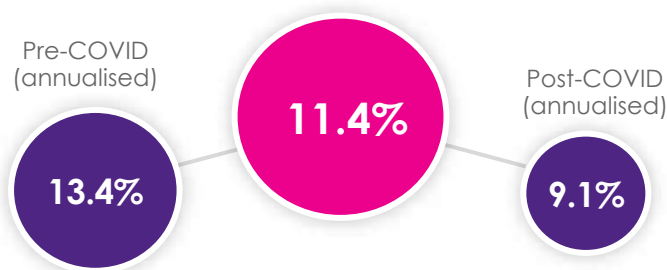
Protecting and improving the physical and mental wellbeing of our staff.

Pulse Survey Results

Pulse Survey Topic	Rating out of 5.0
Alignment	4.0
Ambassadorship & Satisfaction	4.2
Feedback	4.0
Personal Growth	3.9
Happiness	3.9
Coronavirus Response/WFH	4.6
Relationship with Manager & Peers	4.4
Recognition	3.9
Wellness	3.9

Voluntary Staff Churn

12 months til Q3 2020



Analysis

LTG runs regular pulse surveys with all staff; benchmark scores have been collated.

Highest scores relate to response to COVID-19 and Manager/Peer relationships.

Staff churn at reasonable levels; have declined moderately following COVID-19

Initiatives

Review of company flexible and remote work policies and their impact on staff wellbeing and belonging - to be completed in Q4 2020



Taking Care of our People - Diversity & Inclusion



LTG should reflect the societies in which it operates.

Analysis

- Extensive D&I analysis undertaken by Affirmity, LTG's market leading provider of D&I analysis services
- LTG starts from a good position
- Areas of focus include relative under-representation of women in Exec level roles and Blacks and Hispanics in senior roles

Initiatives

- Establishment of Employee Resource Groups
- Annual equity pay review
- Training on equality, diversity and inclusion compliance





Corporate Governance - the Board



Ensuring high standards of corporate governance

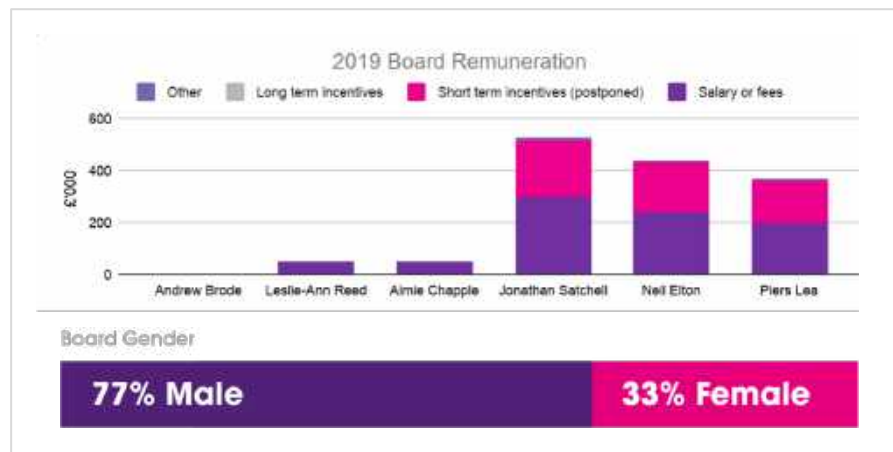
Board member	Type	Age	Tenure as LTG Plc director	Related party?	Committees	Finance/ Industry expert	Male/ Female	Independence type
Andrew Brode	Non-executive	80	7	Yes	N/A		Male	Non-independent
Leslie-Ann Reed	Non-executive	61	6	No	Audit and Remuneration committee		Female	Independent
Aimie Chapple	Non-executive	51	2	No	Audit and Remuneration committee		Female	Independent
Jonathan Satchell	Executive	54	7	Yes	N/A		Male	Non-independent
Neil Elton	Executive	49	6	Yes	N/A		Male	Non-independent
Piers Lea	Executive	59	6	Yes	N/A		Male	Non-independent

Analysis

- Many initiatives ahead of good corporate governance practice:
- All Directors put themselves up for re-election each year
- Remuneration Policy put to vote at 2020 AGM

Initiatives

- Simon Boddie appointed as 4th NED with effect from 1st October 2020

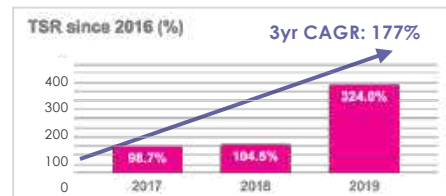
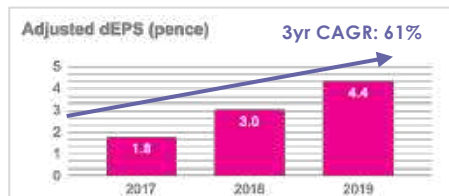
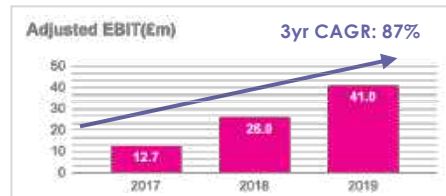
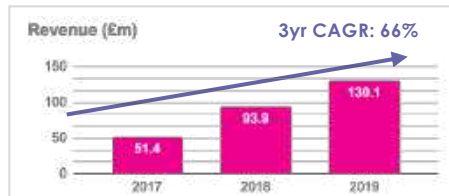




Corporate Governance - meeting the expectations of stakeholders



Building a successful sustainable business in the long term interests of stakeholders



Analysis

Substantial returns to shareholders over medium term

Adoption of QCA Corporate Governance Code

Numerous charitable initiatives in the communities in which we operate

Initiatives

Rotation of Company statutory audit; BDO LLP to be appointed as auditor for year ending 31st December 2020

- Confirmation by shareholders at 2021 AGM



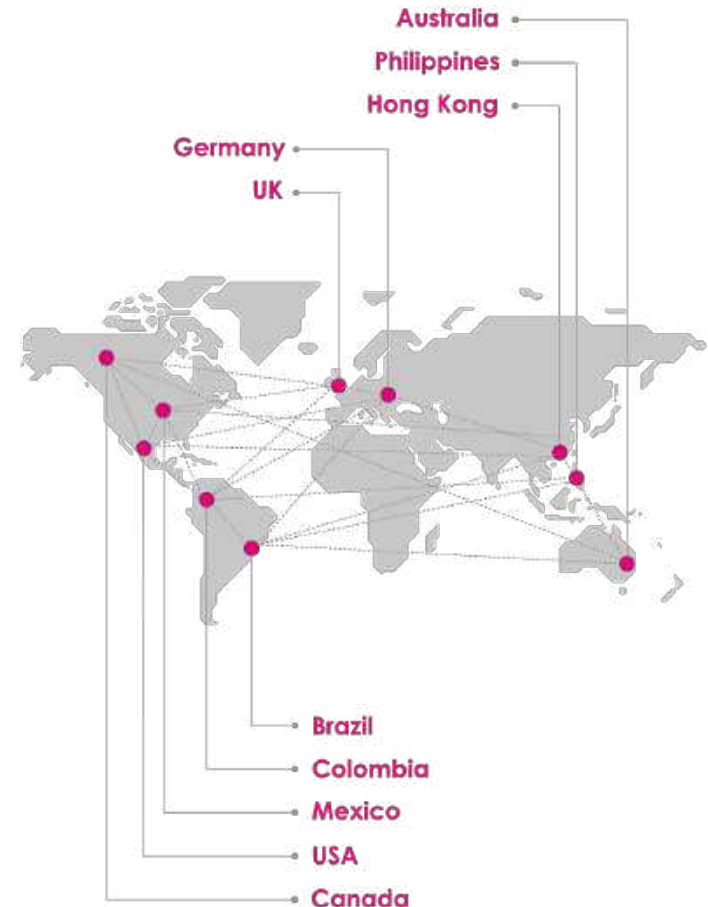


Privacy and Data Security



Beyond GDPR: Achieving high standards for data privacy and security globally

- ✔ Roll out of global privacy compliance programme to include our new corporate locations in Colombia and Mexico
- ✔ Ensuring compliant and transparent processes, policies and notices for personal data that we collect relating to our staff, suppliers, partners, clients and prospects
- ✔ Enabling our clients to meet their data privacy obligations where we process personal data on their behalf as part of our service offering
- ✔ Review of security certifications and quality assurance across our group companies including ISO 27001, SSAE 18 SOC 2, Cyber Essentials Plus and ISO 9001
- ✔ Embedding an awareness of privacy and security risks across the group through staff training and communications
- ✔ Implemented alternative data transfer mechanisms to the Privacy Shield for EU-US personal data transfers following the EU Court of Justice decision in July 2020
- ✔ Regular benchmarking of third party processor privacy standards as part of vendor risk management



Consolidated Statement of Comprehensive Income

£'000	6 mths to 30 June 2020	6 mths to 30 June 2019	YE 31 Dec 2019
Revenue	64,082	62,628	130,103
Operating Expenses	(59,022)	(54,684)	(113,713)
Operating profit	5,060	7,944	16,390
Adjusted EBIT	18,397	19,448	41,022
Adjusted EBIT margin	28.7%	31.1%	31.5%
Amortisation of acquired intangibles	(10,929)	(10,177)	(20,872)
Acquired intangibles written down	-	-	-
Acquisition related contingent consideration and earn-outs	(890)	(1,055)	(3,509)
Loss on disposal of fixed assets	(1)	(2)	(2)
Profit on disposal of right-of-use assets and lease liabilities	143	-	-
Acquisition costs	(383)	(270)	(249)
Net foreign exchange loss arising due to business acquisition	(1,070)	-	-
Integration costs	(207)	-	-
Operating profit	5,060	7,944	16,390
Fair value movement on contingent consideration	-	-	-
Charge on contingent consideration	(110)	-	(248)
Interest payable on borrowings	(598)	(921)	(1,487)
Net foreign exchange differences	-	-	-
Interest receivable	6	30	111
Finance charge IFRS 16	(222)	(235)	(468)
Profit before taxation	4,136	6,818	14,298
Taxation	780	(61)	(3,426)
Profit for the period	4,916	6,757	10,872

Consolidated Statement of Financial Position

£'000	30 June 2020	30 June 2019	31 Dec 2019
ASSETS			
NON-CURRENT ASSETS			
Property, Plant and equipment	1,366	1,910	1,687
Right of use assets	10,470	10,871	9,864
Intangible assets	262,599	244,237	228,468
Deferred tax	4,546	3,398	4,761
Investments	-	-	-
Other receivables	759	421	833
	279,740	260,837	245,613
CURRENT ASSETS			
Trade receivables	22,450	30,971	28,911
Other receivables, deposits and prepayments	4,177	4,217	2,478
Amounts recoverable on contracts	3,917	5,282	4,699
Amounts due from related parties	-	12	18
Cash and bank balances	98,045	21,067	42,032
Restricted cash balances	602	215	330
	129,191	61,764	78,468
TOTAL ASSETS	408,931	322,601	324,081
CURRENT LIABILITIES			
Trade and other payables	64,245	63,573	62,791
Borrowings	6,738	6,587	6,344
Lease liabilities	2,804	2,905	2,880
Corporation tax	3,403	2,377	2,386
Amounts due to related parties	82	-	-
ESPP scheme liability	381	-	203
Net restricted CIP	78	335	-
	77,731	75,777	74,604
NON CURRENT LIABILITIES			
Deferred tax	26,180	25,229	25,257
Borrowings	13,476	28,333	31,858
Lease liabilities	9,538	10,181	9,077
Other long term liabilities	8,395	10,318	9,296
	57,589	74,061	75,488
TOTAL LIABILITIES	135,320	149,838	150,092
Total Equity Attributable to the Owners of the Parent	273,611	172,763	173,989

Consolidated Statement of Cash Flows

£'000	6 mths to 30 June 2020	6 mths to 30 June 2019	YE to 31 Dec 2019
Profit/(loss) before taxation	4,136	6,818	14,298
Adjustments for:			
Share based payments	1,815	997	3,111
Amortisation and depreciation	14,568	13,016	26,977
Acquisition-related contingent consideration and earn-outs	890	1,055	3,509
Payment of acquisition-related contingent consideration and earn-outs	(978)	(2,321)	(2,321)
Others	782	1,128	2,094
OPERATING CASH FLOWS BEFORE WORKING CAPITAL CHANGES	21,213	20,693	47,668
Net Working Capital changes	1,504	(4,959)	(4,834)
Interest received and income tax paid	(2,604)	(2,507)	(5,856)
NET CASH FLOWS FROM OPERATING ACTIVITIES	20,113	13,227	36,978
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of subsidiaries net of cash acquired	(22,486)	(8,764)	(8,764)
PPE and IP development	(3,159)	(3,524)	(6,377)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(25,645)	(12,288)	(15,141)
CASH FLOWS FROM/(USED) IN FINANCING ACTIVITIES			
Issue of share capital net of share issue costs	80,208	443	664
Proceeds from borrowings	18,182	-	16,057
Repayment of bank loans	(36,596)	(3,248)	(15,468)
Contingent consideration payments	(121)	-	-
Dividends paid	-	(2,337)	(4,007)
Cash payments for the principle portion of lease liabilities	(1,510)	(1,655)	(3,275)
NET CASH FLOWS FROM/(USED) IN FINANCING ACTIVITIES	60,163	(6,797)	(6,029)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	54,631	(5,858)	15,808
Exchange gains on cash	1,382	131	(570)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	98,045	21,067	42,032

Five-year financial summary

Year ended 31 December	2015	2016	2017	2018	2019
Revenue (£'000)					
Existing business	17,409	22,004	38,894	51,813	126,614
Acquisitions in period	2,496	6,259	12,459	42,078	3,489
	19,905	28,263	51,353	93,891	130,103
Growth	33%	42%	82%	83%	39%
Adjusted EBIT (£'000)	3,132	6,347	12,669	25,991	41,022
Growth	127%	103%	100%	105%	58%
Margin	16%	22%	25%	28%	32%
EPS (pence)					
Basic	0.256	(0.317)	0.235	0.655	1.628
Diluted	0.239	(0.317)	0.225	0.641	1.584
Adjusted - Diluted	0.562	1.051	1.804	3.040	4.351
Growth	171%	87%	72%	69%	43%
Dividend (pence)					
Interim	0.05	0.07	0.09	0.15	0.25
Final	0.10	0.14	0.21	0.35	0.50*
Total	0.15	0.21	0.30	0.50	0.75
Growth	50%	40%	43%	67%	50%
Net Cash/(Debt) (£'000)	7,305	(8,486)	1,048	(11,465)	3,830

* Postponed FY19 final dividend

Acquisitions

	LINE †	Preloaded	Eukleia	Rustici	Watershed	NetDimensions	PeopleFluent	Breezy HR	Open LMS
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	Open sourced learning management system
Location	London and Sheffield	London	London	Nashville, USA	Nashville, USA	Hong Kong	Waltham, USA	Jacksonville, USA	Various
Ownership	100%	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	March 2020
Consideration	£'000	£'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	22,486Ω
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	22,486
Total (capped)	9,000	5,614	11,822	37,695	12,057	53,600	142,102	30,000	None

* 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

Ω Subject to post-acq adjustments to be agreed

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