

LON:LTG



Closing the gap between current and future workforce capability



Learning Technologies Group plc

2021 Interim Results

Jonathan Satchell
Chief Executive

Neil Elton
Chief Financial Officer

21 September 2021

H1 2021 Results

Financial Highlights

- Reported revenues up 29%
- Group organic revenue growth +7% on constant currency basis: Software & Platforms +5% and Content & Services +14%
- Robust EBIT margin at 27% (H1 2020: 29%) reflecting FX headwinds and Q1 acquisitions
- High levels of recurring revenues at 77%
- Strong balance sheet with net cash of £25m

Strategic Highlights

- Software product functionality enhanced and go-to-market strategy embedded
- Strong momentum for acquisition strategy - Reflektive and Bridge now profitable and growing; PDT working alongside Affirmity to drive growth and generating cross-selling opportunities
- Open LMS making excellent progress in the Moodle™ market
- Acquisition of GP Strategies to create global leading workforce transformation business focused on learning and talent management. Substantial accretion anticipated from 2022
- On target to achieve full year expectations



Financial Highlights Review



Neil Elton
Chief Financial Officer

H1 2021 Financial Highlights: strong organic growth; robust margins

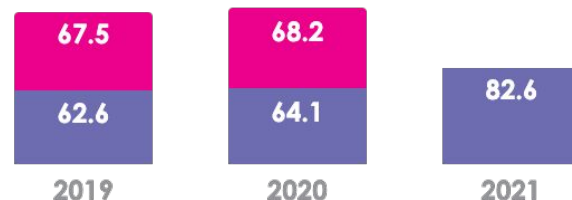
Revenue

H1 2021: £82.6m

+29%
(H1 2020: £64.1m)

Revenues (£m)

■ H2 ■ H1



Underlying Organic Revenue *

+7%
S&P +5%
C&S +14%

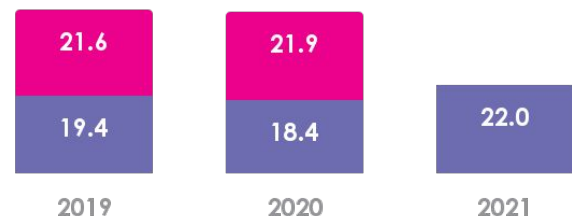
Adjusted EBIT

H1 2021: £22.0m

+20%
(H1 2020: £18.4m)

Adjusted EBIT (£m)

■ H2 ■ H1



Adjusted EBIT Margin

H1 2020: 26.7%
(H1 2020: 28.7%)

Adjusted dEPS

H1 2021: 2.310 pence

+3%
(H1 2020: 2.251 pence)

Adjusted d.EPS (pence)

■ H2 ■ H1



Net Cash

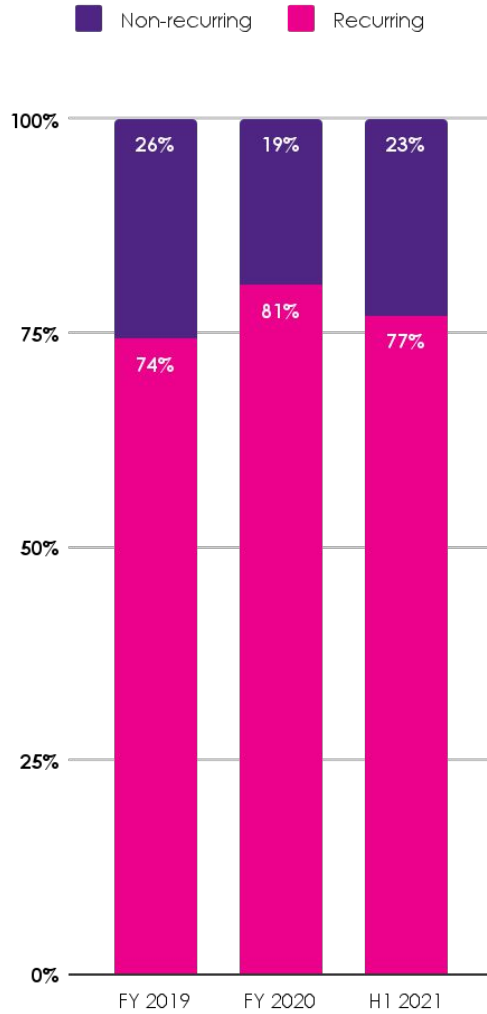
H1 2021: £24.9m

(Dec 2020: £70.0m)
Net cash at end Aug '21: £112m

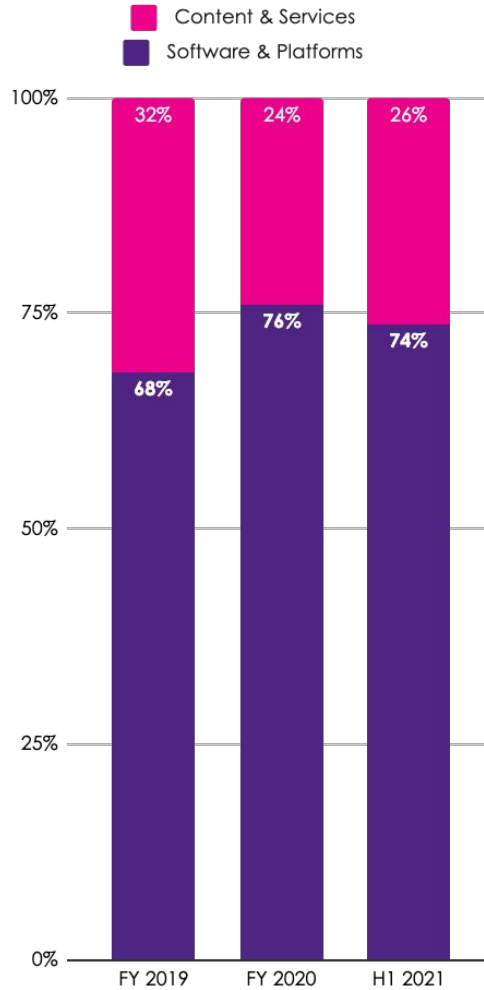
*On a constant currency basis and excluding Reflektive, PDT Global and Bridge. Organic growth includes Open LMS - March 2020, eCreators - Oct 2020, eThink - Dec 2020, JCA and Patheer on a proforma basis for the full comparative period

Revenue: enhanced diversification of earnings

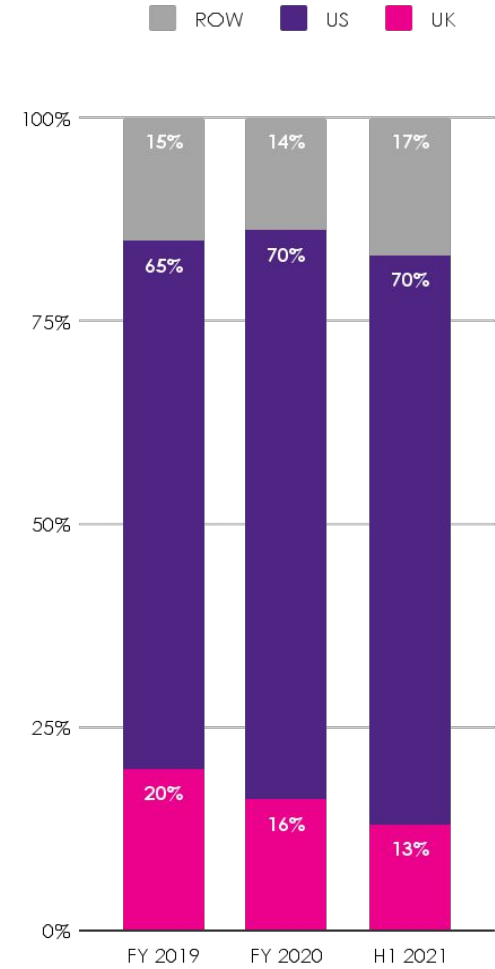
High recurring revenues



Divisional revenue split

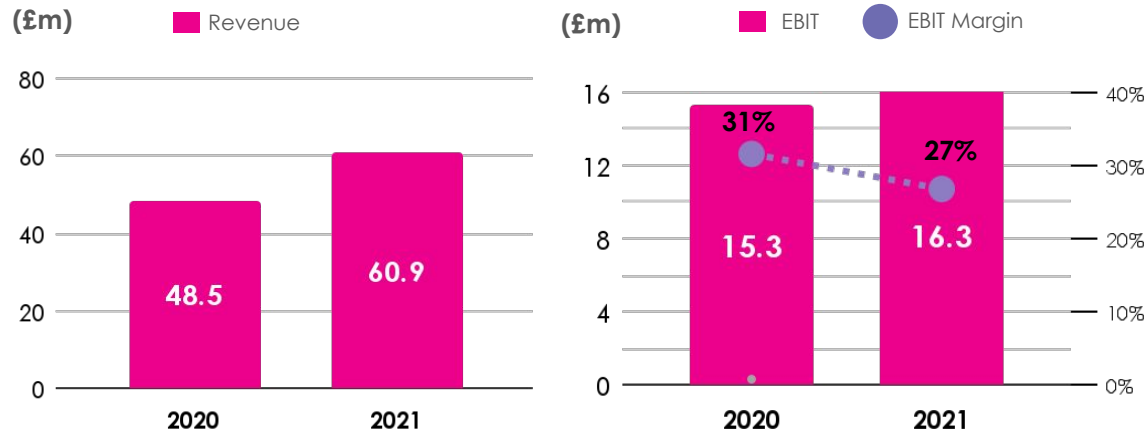


Increasing international footprint



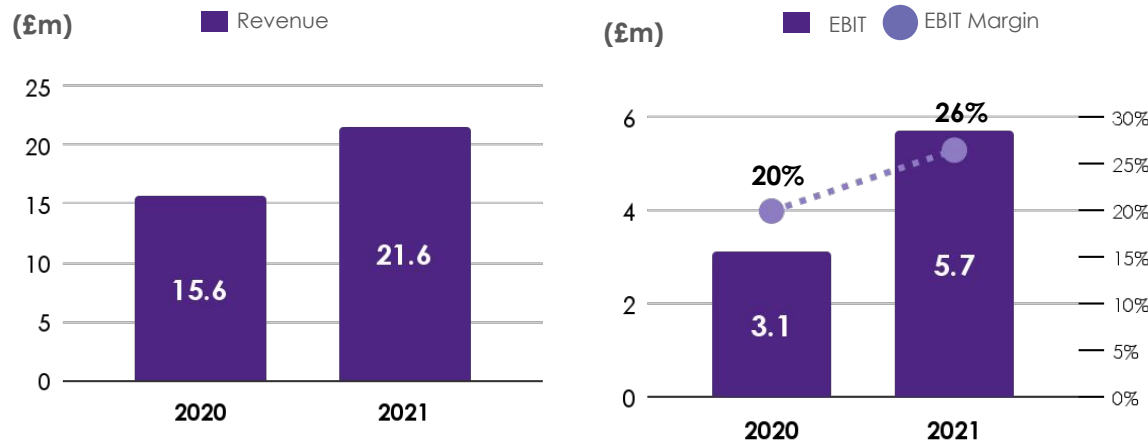
Divisional Performance: Software & Platforms / Content & Services

Software & Platforms



- Organic growth of 5%
- 6-9 months enterprise sales cycle
- Margins from 31% to 27% due primarily to FX headwinds and lower margins at acquisitions Reflektive and Bridge
- Increased margins expected in H2
- Particularly strong growth in Breezy and Rustici; PeopleFluent impacted by delayed enterprise tenders
- Medium term growth expected to be around 7%

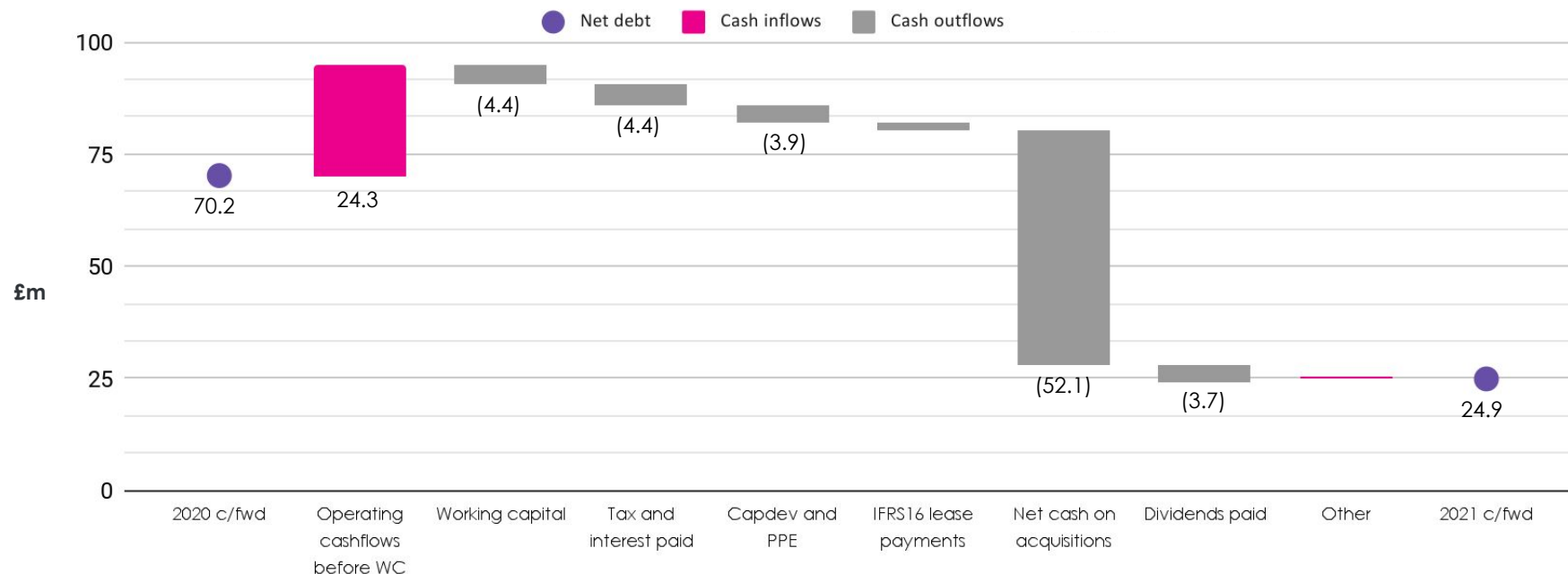
Content & Services



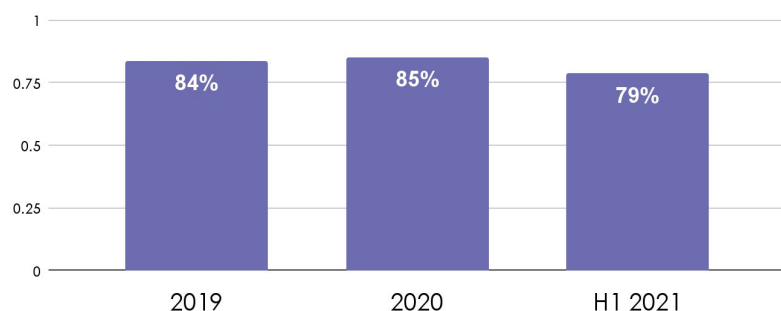
- Organic growth of 14%
- 4-6 weeks content/services sales cycle
- Margins increased from 20% to 26% due largely to the recovery at LEO but also higher margin mix as a result of PDT
- Robust growth in LEO. Sales pick up in Preloaded in Q2.
- Continued second half recovery, expect to return to 2019 levels for year

Cash Flow and Financing:

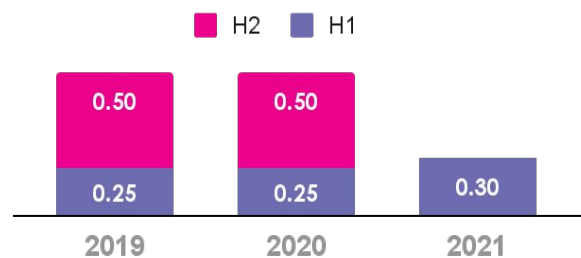
H1 2021 Cash Flow Bridge



Cash conversion* as % of adj. EBITDA



Dividends (p)



New Debt Facility

- **5 year loan** with Silicon Valley Bank, Barclays Bank, Fifth Third Bank and the Bank of Ireland from July 2021
- **\$355m facility** includes \$305m term loan and a \$50m RCF
- **Covenants:** Interest cover > 4x and Leverage < 3x

*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 or losses, and payments of lease liabilities) by adjusted EBITDA.



LTG Strategic Review



Jonathan Satchell
Chief Executive

Reflektive, Bridge and PDT: H1 acquisitions making strong contributions

Reflektive and Bridge have modernised LTG's multi-product offering and expanded access to the high-growth, small-cap and mid-market sectors; both are now trading profitably having been loss-making at the time of acquisition in Q1

Reflektive

- Highly regarded performance management software has broadened LTG's suite offerings
- Increased LTG's exposure to the high growth small and mid-market sectors
- **Reflektive** now contributing to organic growth
- Scope for further margin expansion

BRIDGE

- Modern, employee-centric, SaaS LMS suite for the mid-market
- Integrated with our LXP Instilled, talent mobility platform Patheer and authoring tool Gomo
- Opportunity for **Bridge** to move into certain sectors of the enterprise market, alongside PeopleFluent
- Now contributing to organic growth
- Scope for further margin expansion

affirmity



PDT Global Global inclusion at scale

- **PDT Global** is a leading provider of D&I training enabling clients to implement the tools, processes and actions necessary to implement appropriate D&I improvements
- **Affirmity** specialises in gathering and reporting objective data relating to affirmative action plans, thus enabling clients to track their D&I performance
- Complementary offerings broaden LTG's D&I solution for clients and enable cross-selling
- Strong H1 order intake points to another good performance in H2 for both companies

Open LMS

The largest open source Moodle™ services provider in the world

OSS is enabling LTG to address a broader range of customers with different requirements. Already integrated with LTG's Instilled LXP, solutions from Gomo, Rustici and Watershed can now be leveraged



- Global OSS LMS coverage, around 1,500 cloud-based Moodle™ clients and servicing more than 8 million users
- Scalable hosted technology, very popular in the education sector. Now growing with government and corporate clients
- Competitive advantage versus smaller, local players as the leading global Open Source LMS provider
- Customers can transition, free of charge, to our workplace-focused, Moodle™-based, open-source LMS; ensuring the business remains true to its open source roots



Four post-acquisition strategic imperatives for Open LMS:

Corporate / Government

Increase footprint and grow sales in large corporate and government markets

Solutions Focus

Solve higher-margin, higher-value client problems

Cross-Sell

Sell more LTG and current partner products to our existing client base

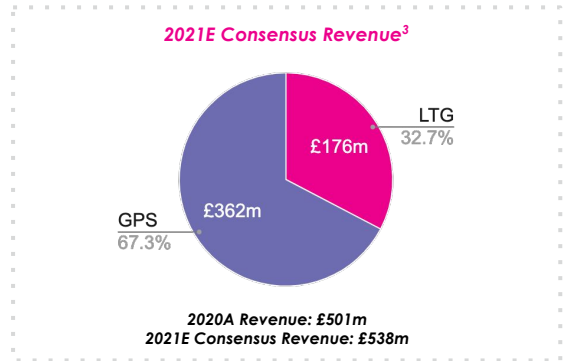
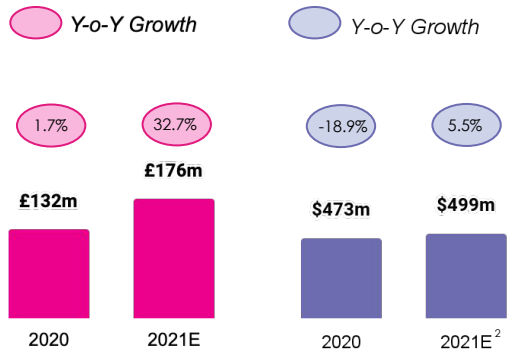
Platform Excellence

Simplify platforms, reduce hosting costs, improve efficiency

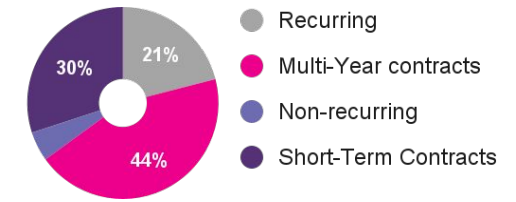
LTG + GP Strategies: stronger together



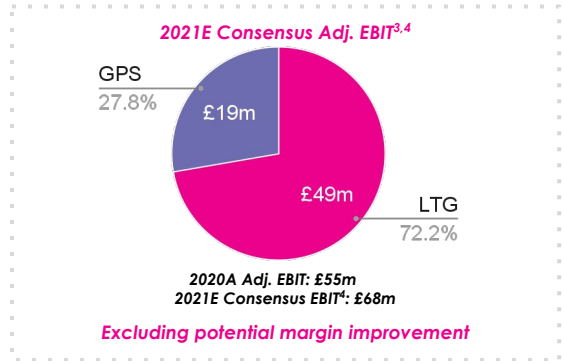
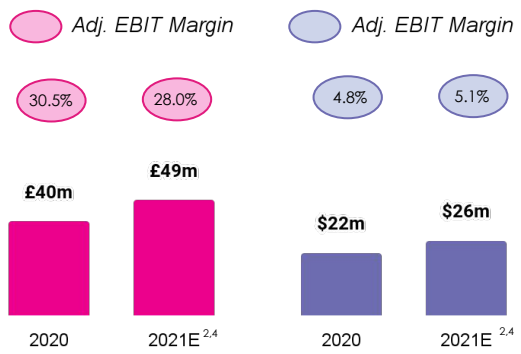
Revenue



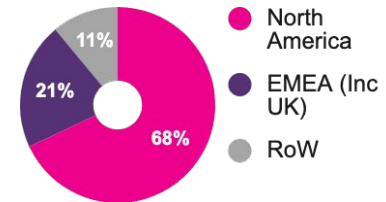
65% of revenue from recurring or multi-year contracts



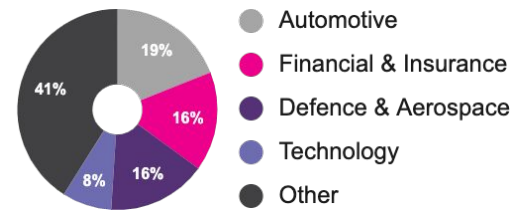
Adjusted EBIT¹



Revenue by geography



Revenue by sector

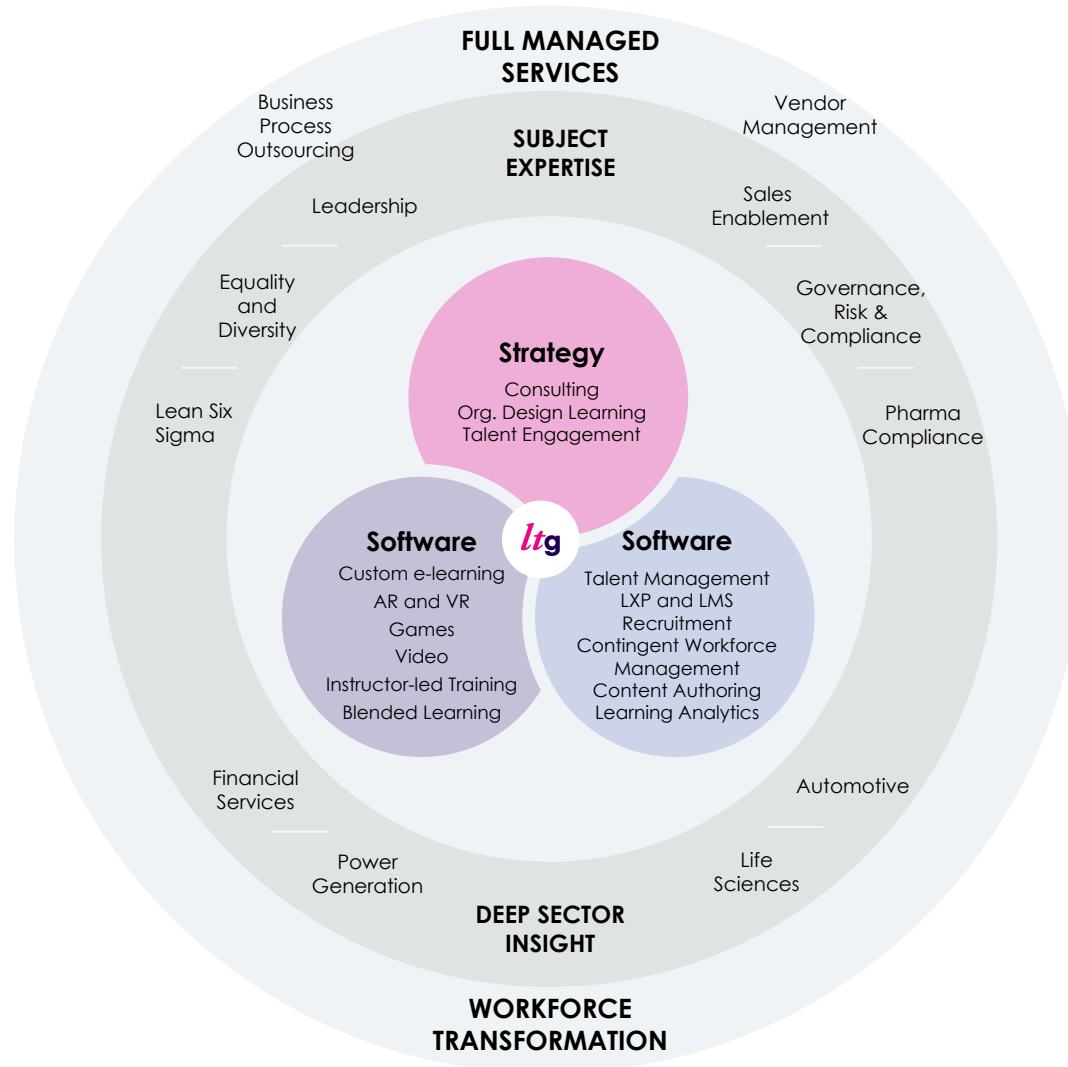


Note: LTG financials based on IFRS accounting standards. GP Strategies financials based on US GAAP accounting standards.

Note: Pro forma 2020 financials based on IFRS accounting standards. GP Strategies financials based on unaudited figures converted from US GAAP to IFRS accounting standard as prepared by GP Strategies Management. FX conversion based on average 2020 USD/GBP FX rate of 0.7798. ¹ Adjusted EBIT for GP Strategies based on adjusted EBITDA as reported, less depreciation and amortisation (except amortisation of acquired intangibles) less non-cash compensation expense. ² Figures based on the median of the consensus market analyst estimates as at 14 July 2021 in respect of GP Strategies and LTG (as the case may be) obtained through IBES. ³ Combined figures for GP Strategies and LTG calculated without any adjustments for post-acquisition actions. ⁴ 2021E Adj. EBIT for GP Strategies not comparable with 2021E Adj. EBIT of LTG. ⁵ Pro forma data refers to the combined entity assuming 12-month contribution of GP Strategies. Subject to restatement in accordance with the Company's own accounting principles and policies. Aggregated amounts for LTG and GP Strategies in this presentation are included for illustrative purposes only. 2021E consensus translated at GBP/USD FX rate of 1.38.

The Future of LTG

Becoming a Leading Global Provider of Digital Blended Learning and Talent Solutions



LTG + GP Strategies: progress update



- Announced 15 July 2021 - Consideration \$394m (EV c.£247m)
 - Gross placing proceeds of £85m; £80m converted to c.\$111m
 - \$305m debt refinancing in July 2021 for draw-down on completion
-
- **Progress on path to close in Q4 2021:**
 - HSR - no objections; clear to proceed
 - GPS shareholder approval meeting 28 September
 - CFIUS clearance expected by end November
 - **Research phase well advanced:**
 - Research phase 2021
 - In excess of 200 meetings conducted
 - Work supports margin improvement thesis
 - Divestments considered
 - Substantial accretion potential confirmed
 - Transformation phase 2022
 - Integration phase 2023



Summary and Outlook

Summary

- Group organic revenue growth +7%
- Building out platform to capture the structural growth opportunity in learning and talent
- Strong recovery in C&S division, as expected, after a resilient performance in FY 2020
- Reflektive, PDT and Bridge integrations on track with all three performing strongly
- Open LMS making excellent progress in open-source, Moodle™ LMS market
- Strategic positioning advanced in high growth small-cap and mid-market segments

Outlook

- Second half has started well and in line with management expectations
- C&S revenues on track to return to 2019 full-year levels
- S&P delivering robust growth and extending offerings for small-cap and mid-market segments
- D&I and ESG growth opportunities for Affirmity and PDT working together
- Acquisition of GP Strategies to complete in Q4 2021, creating a leading workforce transformation business. Substantial margin upside identified and significant accretion anticipated from 2022
- On track to meet full year expectations



Appendix

Consolidated Statement of Comprehensive Income

£'000	6 mths to 30 June 2021	6 mths to 30 June 2020	YE to 31 Dec 2020
Revenue	82,573	64,082	132,324
Operating Expenses	(77,510)	(59,022)	(117,470)
Operating profit	5,063	5,060	14,854
Adjusted EBIT	22,037	18,397	40,348
Adjusted EBIT margin	26.7%	28.7%	30.5%
Amortisation of acquired intangibles	(11,689)	(10,929)	(21,447)
Acquired intangibles written down	-	-	(1,070)
Acquisition related deferred consideration and earn-outs	(2,442)	(890)	(3,511)
Fair value movement on contingent consideration	-	-	1,357
Loss on disposal of fixed assets	(197)	(1)	(230)
Profit/(loss) on disposal of right-of-use assets	(181)	143	(715)
Acquisition costs	(1,581)	(383)	-
Net foreign exchange loss arising due to business acquisition	-	(1,070)	122
Integration costs	(884)	(207)	-
Operating profit	5,063	5,060	14,854
Charge on contingent consideration	(46)	(110)	(196)
Interest payable on borrowings	(261)	(598)	(911)
Net foreign exchange differences	-	-	-
Interest receivable	33	6	140
Finance charge IFRS 16	(180)	(222)	(418)
Profit before taxation	4,609	4,136	13,469
Taxation	613	780	3,935
Profit for the period	5,222	4,916	17,404

Consolidated Statement of Financial Position

£'000	30 June 2021	30 June 2020	31 Dec 2020
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	903	1,366	1,025
Right of use assets	7,013	10,470	8,806
Intangible assets	313,044	262,599	256,284
Deferred tax assets	9,894	4,000	7,614
Investments	-	-	-
Other receivables	849	759	700
	331,703	279,194	274,429
CURRENT ASSETS			
Trade receivables	36,457	22,450	32,984
Other receivables, deposits and prepayments	7,395	4,177	4,219
Amounts recoverable on contracts	8,788	3,917	3,879
Amounts due from related parties	-	-	54
Cash and bank balances	39,322	98,045	88,614
Restricted cash balances	1,567	602	682
	93,529	129,191	130,432
TOTAL ASSETS	425,232	408,385	404,861
CURRENT LIABILITIES			
Trade and other payables	87,142	64,245	68,015
Borrowings	7,197	6,738	7,339
Lease liabilities	3,774	2,804	2,536
Corporation tax	2,513	3,403	4,591
Amounts due to related parties	84	82	-
ESPP scheme liability	801	381	562
Net restricted CIP	-	78	-
	101,511	77,731	83,043
NON CURRENT LIABILITIES			
Deferred tax liabilities	33,035	26,180	25,617
Borrowings	7,260	13,476	11,073
Lease liabilities	7,111	9,538	7,722
Other long term liabilities	4,510	6,295	8,336
	51,916	55,489	52,748
TOTAL LIABILITIES	153,427	133,220	135,791
Total Equity Attributable to the Owners of the Parent	271,805	275,165	269,070

Consolidated Statement of Cash Flows

£'000	6 mths to 30 June 2021	6 mths to 30 June 2020	YE to 31 Dec 2020
Profit/(loss) before taxation	4,609	4,136	13,469
Adjustments for:			
Share based payments	2,090	1,815	3,340
Amortisation and depreciation	15,553	14,568	28,884
Acquisition-related deferred consideration and earn-outs	2,442	890	3,511
Payment of acquisition-related deferred consideration and earn-outs	(1,180)	(978)	(1,006)
Others	832	782	(94)
OPERATING CASH FLOWS BEFORE WORKING CAPITAL CHANGES	24,346	21,213	48,104
Net Working Capital changes	(4,456)	1,504	(4,280)
Interest received and income tax paid	(4,442)	(2,604)	(3,969)
NET CASH FLOWS FROM OPERATING ACTIVITIES	15,448	20,113	39,855
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of subsidiaries net of cash acquired	(52,089)	(22,486)	(6,229)
PPE and IP development	(3,851)	(3,159)	(38,988)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(55,940)	(25,645)	(45,217)
CASH FLOWS FROM/(USED) IN FINANCING ACTIVITIES			
Issue of share capital net of share issue costs	2,120	80,208	80,581
Proceeds from borrowings	-	18,182	18,182
Repayment of bank loans	(3,653)	(36,596)	(36,640)
Contingent consideration payments	(520)	(121)	(121)
Dividends paid	(3,705)	-	(5,537)
Cash payments for the principle portion of lease liabilities	(2,011)	(1,510)	(3,317)
NET CASH FLOWS FROM/(USED) IN FINANCING ACTIVITIES	(7,769)	60,163	53,148
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(48,261)	54,631	47,786
Exchange gains on cash	(1,031)	1,382	(1,204)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	39,322	98,045	88,614

Five-year financial summary

Year ended 31 December	2016	2017	2018	2019	2020
Revenue (£'000)					
Existing business	22,004	38,894	51,813	126,614	120,116
Acquisitions in period	6,259	12,459	42,078	3,489	12,208
	28,263	51,353	93,891	130,103	132,324
Growth	42%	82%	83%	39%	2%
Adjusted EBIT (£'000)	6,342	12,669	25,991	41,022	40,348
Growth	102%	100%	105%	58%	-2%
Margin	22%	25%	28%	32%	30%
EPS (pence)					
Basic	(0.317)	0.235	0.655	1.628	2.450
Diluted	(0.317)	0.225	0.641	1.584	2.382
Adjusted - Diluted	1.051	1.804	3.040	4.351	4.294
Growth	39%	72%	69%	43%	-1%
Dividend (pence)					
Interim	0.07	0.09	0.15	0.25	0.25
Final	0.14	0.21	0.35	0.50	0.50
Total	0.21	0.30	0.50	0.75	0.75
Growth	40%	43%	67%	50%	0%
Net Cash/(Debt) (£'000)	(8,486)	1,048	(11,465)	3,830	70,202

Acquisitions

	PeopleFluent	BreezyHR	Open LMS	eCreators	eThink	Reflektive	PDT	Bridge
Description	Solutions provider of talent, workforce compliance and vendor management systems	Talent acquisition SaaS solutions	Open-source learning management systems	Open-source learning management systems	Open-source learning management systems	Performance management software	Diversity and Inclusion (D&I) training solutions	Learning and talent development software
Location	Waltham, USA	Jacksonville, USA	Various	Melbourne, Australia	Delaware, USA	San Francisco, USA	London, UK	Delaware, USA
Ownership	100%	100%	100%	100%	100%	100%	100%	100%
Acquisition Date	May 2018	April 2019	April 2020	October 2020	December 2020	February 2021	February 2021	March 2021
Consideration	\$'000	\$'000	\$'000	AUD\$'000	\$'000	\$'000	£'000	\$'000
Initial - cash	142,102	12,700	27,159	5,996	19,133	13,677	13,417	47,549
Initial - shares	-	-	-	-	-	-	-	-
Deferred (Balance sheet)	-	§	-	§	§	-	§	-
Deferred (capped) *	-	18,000	-	6,500	15,990	-	6,100	-
Fair value of previously held investment	-	-	-	-	-	-	-	-
Total (per Balance sheet)	142,102	12,700	27,159	5,996	19,133	13,677	13,417	47,549
Total (capped)	142,102	30,000	27,159	12,496	35,123	13,677	19,517	47,549

* Includes earn-out bonuses

‡ Includes transaction bonus payable to staff

§ Treated as post-combination remuneration so not capitalised on acquisition



ESG - Supporting Clients Make a Positive Impact



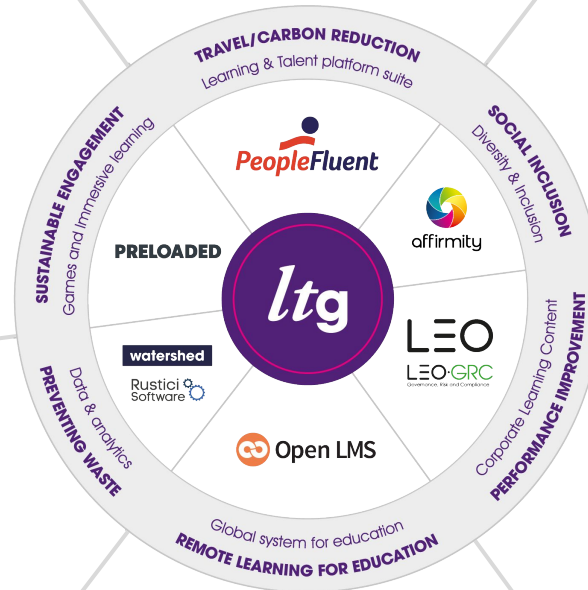
Empowering our clients to achieve their ESG priorities

Using play and new technologies to make complex subject matter engaging and understandable to global audiences – be that climate change, sustainability, mental health, well-being, enterprise skills or educational learning.

Reducing the need to travel for learning by providing learning systems to 10.6 million people in 44 countries, including a number of global charities such as Humentum, which provides more than 150 learning programmes to the NGO community globally.

Helping over 1,100 companies achieve workforce equity through solutions that optimise affirmative action and diversity and inclusion programmes.

Using data to make learning more efficient and saving waste – impacting >167 million people globally.



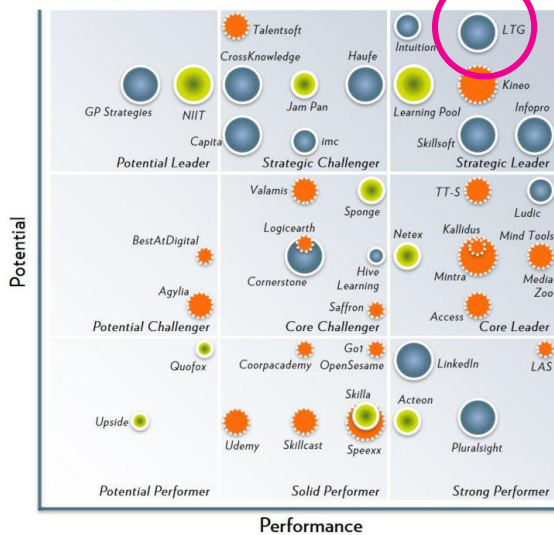
Providing Environmental, Social and Governance learning content for 3 million people globally, making people safer (courses include Health & Safety, Cyber & Data Security, Tackling Modern Day Slavery and Anti-Harassment) and supporting compliance needs through topics including Personal Ethics, Whistleblowing, Anti-Bribery, Consumer Protection and Diversity & Inclusion.

Reaching 8 million Higher and Further Education students globally so they can receive high-quality, interactive learning remotely.

LTG in the corporate digital talent management and learning markets

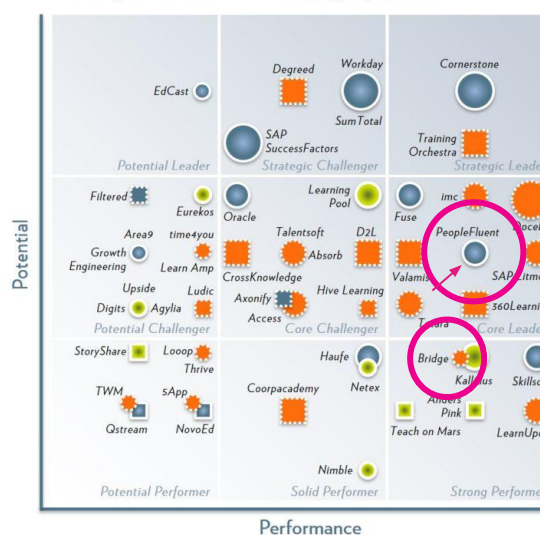


Fosway 9-Grid™ - Digital Learning



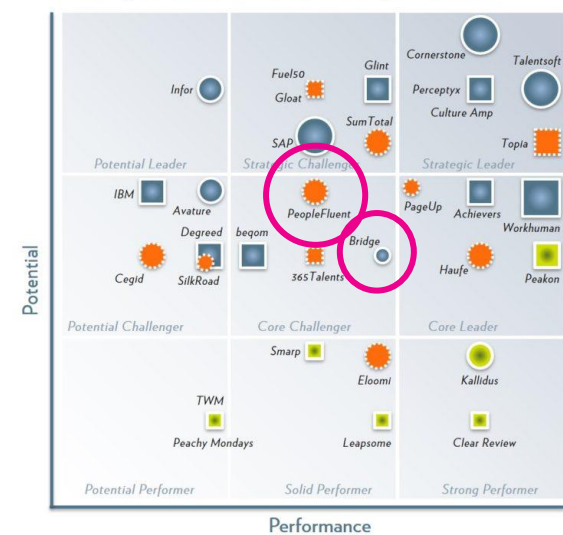
LTG - Strategic Leader
Jan 2021

Fosway 9-Grid™ - Learning Systems



PeopleFluent - Core Leader
Bridge - Strong Performer
Jan 2021

Fosway 9-Grid™ - Talent & People Success



PeopleFluent/Bridge
Core Challenger
Oct 2020



Copyright Fosway Group Limited.
All Rights Reserved.



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

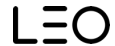


Multi-product, best of breed solutions promote cross-selling



Recent projects and client testimonials:

Very large global oil company



This oil company chose **LEO**, a long term supplier (LMS and digital content) as its new learning systems partner. LEO then partnered with sister companies **PeopleFluent**, **Watershed**, **Rustici** and **Instilled** to design a next generation learning ecosystem. The proposed solution brings together many of LTG's strengths including technical design enquiry and requirements gathering, learning systems architecture design, creative approach, global support models, security provisions and programme management.

The Wellbeing Collective is a training and development provider that delivers live coaching and development courses to their clients (B2B and B2C). They purchased **Gomo** to help build on-demand content needed to grow their business, partly in response to the pandemic. They also needed an LMS to deploy this on-demand learning at scale and so Gomo introduced them to **Bridge**. This resulted in a non-competitive win and a three-year agreement with Bridge, which we expect to grow as this customer continues to scale.

Invesco QQQ



CARL
SANDBURG
COLLEGE™



As the chosen financial partner of the NCAA, Invesco QQQ is committed to creating financial education resources for college athletes and students alike. They approached **PRELOADED** requesting support to refine their game concept. **LEO** combined with **PRELOADED** to define the learning strategy and design curriculum based on their 'Learning' and 'Play' expertise. The LTG solution included a framework for the game concept and identified learning objectives. This cross-sale was a testament to the capabilities present within LTG to provide unmatched end-to-end service.

Instilled has been integrated with Moodle and is now being offered by Open LMS.

'We cannot say enough good things about the Open LMS team that supports us. If I email them about something, even if they don't have the answer, I will receive a response from someone within hours to help us. To me, that's extraordinary, especially when you think about the volume of customers that they are covering.'

- Cindy K Arthur - Coordinator of Instructional Technology, Sandburg

Glossary

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 e-learning, face-to-face training, resources, video and any other type of learning technology.
Cloud-based authoring	e-learning 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.
Immersive Learning	Generally used to mean learning using new XR (Extended Reality) technologies like Virtual Reality (VR), Augmented Reality (AR) and Mixed Reality (MR).
LMS - 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 and Talent technologies	The broad range of technologies that can be used to support the full employee lifecycle: recruitment, onboarding, performance, learning (and assessment), compensation and succession.
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.
Open Source	Code created by a community that can be hosted and charged for on service basis, but is free of licence.
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.
xAPI	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.
XR	A 'catch all' term (EXtended Reality) for new immersive technologies (see 'Immersive Learning' above)