

LON:LTG



Helping organisations transform  
through their people



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## Learning Technologies Group plc

**Jonathan Satchell**  
Chief Executive

**Kath Kearney-Croft**  
Chief Financial Officer

**26 April 2023**

## 2022 Strategic and Financial Highlights:

### Strategic Highlights

- Transformational year following successful integration of GP Strategies
- Broader offering supports cross-selling and growth in \$100bn market
- Resilient model with high levels of visibility

### Financial Highlights

- Revenue and profit ahead of expectations, as previously announced
- Constant currency organic revenue up 3%; pro forma constant currency organic revenue up 5%
- Achieved margin targets for GP Strategies
- Significant addition of scale – revenues more than doubled; adjusted EBIT almost doubled
- Strong balance sheet and cash generation supports acquisition strategy



# Financial Highlights Review



**Kath Kearney-Croft**  
Chief Financial Officer

## 2022 Financial Highlights

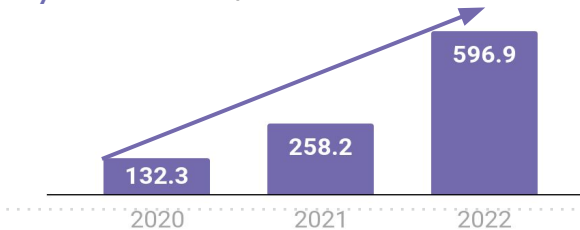
Group revenue has more than doubled; transformational GP Strategies acquisition progressing in line with plan

### Revenue

2022: £596.9m

+131%  
(2021: £258.2m)

Revenue (£m)  
2 year CAGR 112%



### Organic Revenue\*

2022: +3% (proforma +5%)

(2021: 8%)

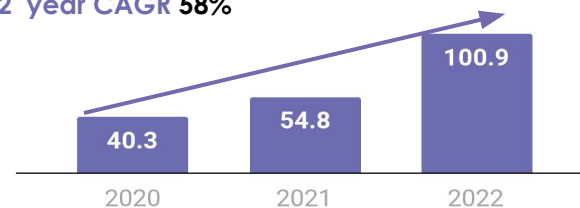
S&P +5% (+4% 5 Year CAGR)  
C&S (7%) ((3)% 5 Year CAGR)

### Adjusted EBIT

2022: £100.9m

+84%  
(2021: £54.8m)

Adjusted EBIT (£m)  
2 year CAGR 58%



### Adjusted EBIT Margin

2022: 16.9%

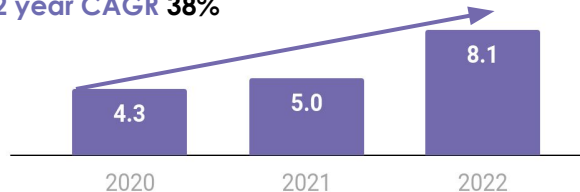
(2021: 21.2%)

### Adjusted dEPS

2022: 8.121 pence

+62%  
(2021: 5.010 pence)

Adjusted d.EPS (pence)  
2 year CAGR 38%



### Net Debt

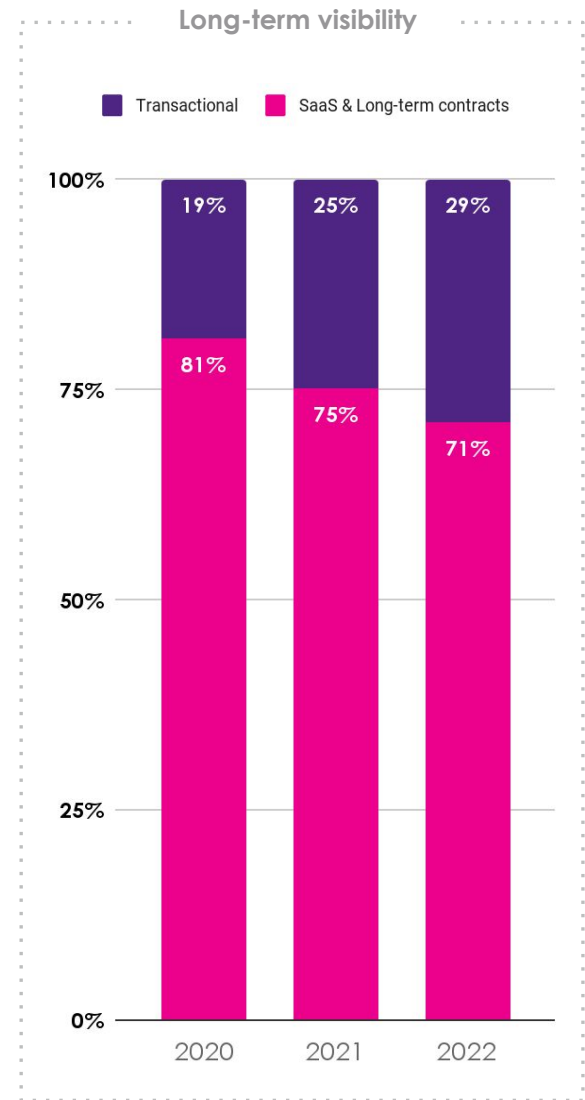
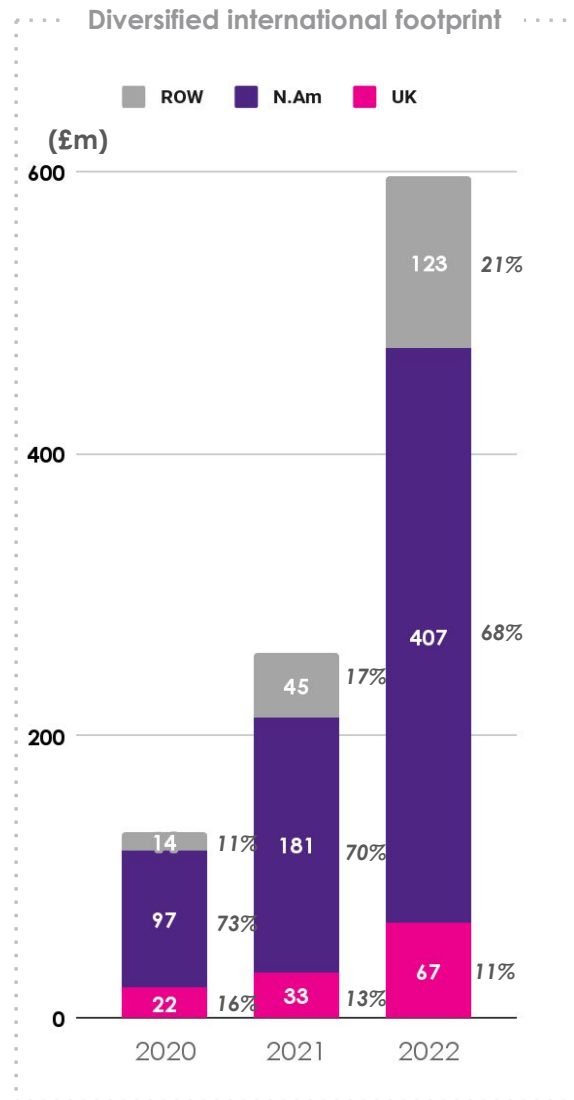
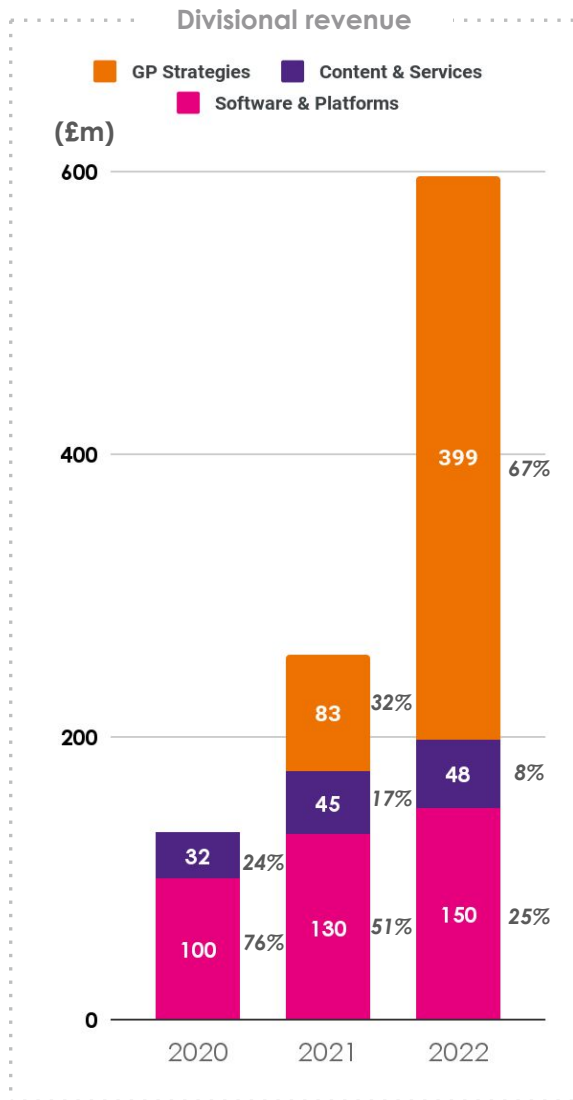
2022: £119.8m

(2021: £141.4m)

\*Organic revenue on a constant currency basis with post-acquisition period inclusion of 2021 acquisitions unless otherwise explained

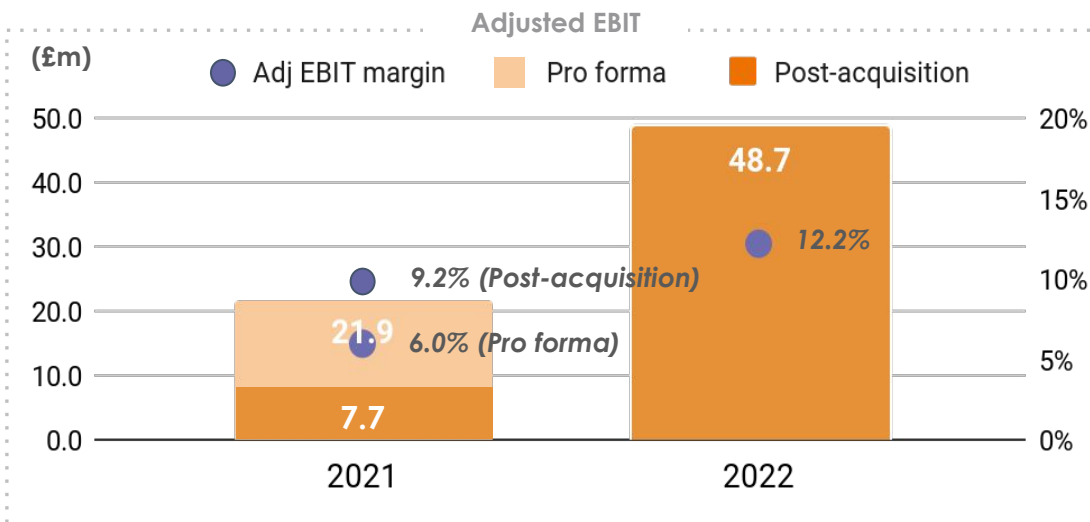
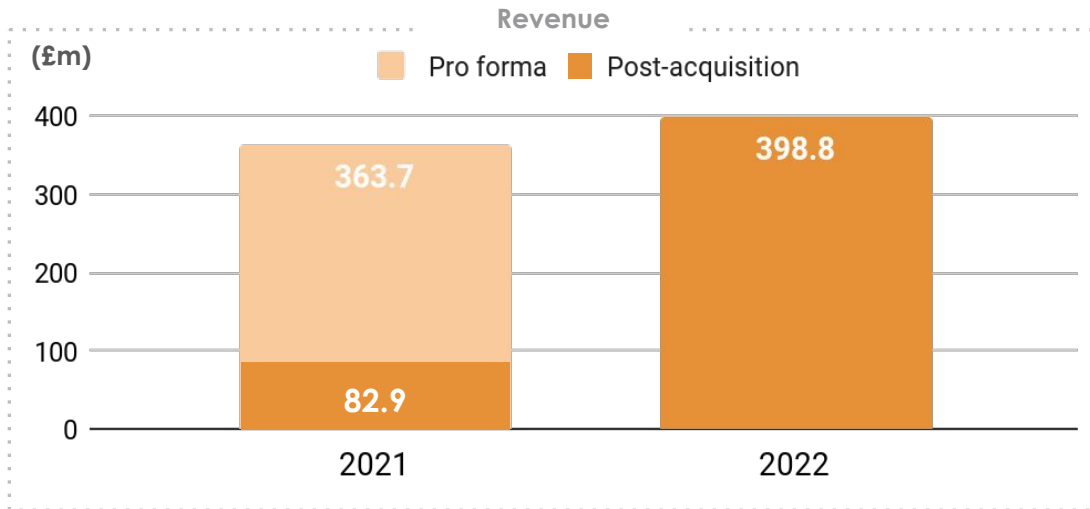
# Highly Visible and Diversified Revenue

## Continued high levels of visibility including GP Strategies



# GP Strategies\*

67% of Group revenue

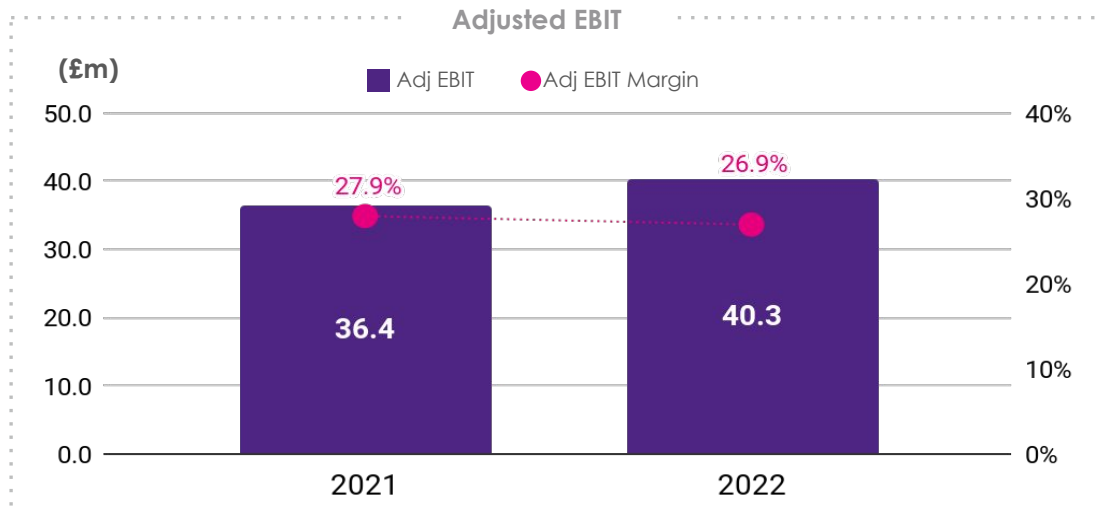
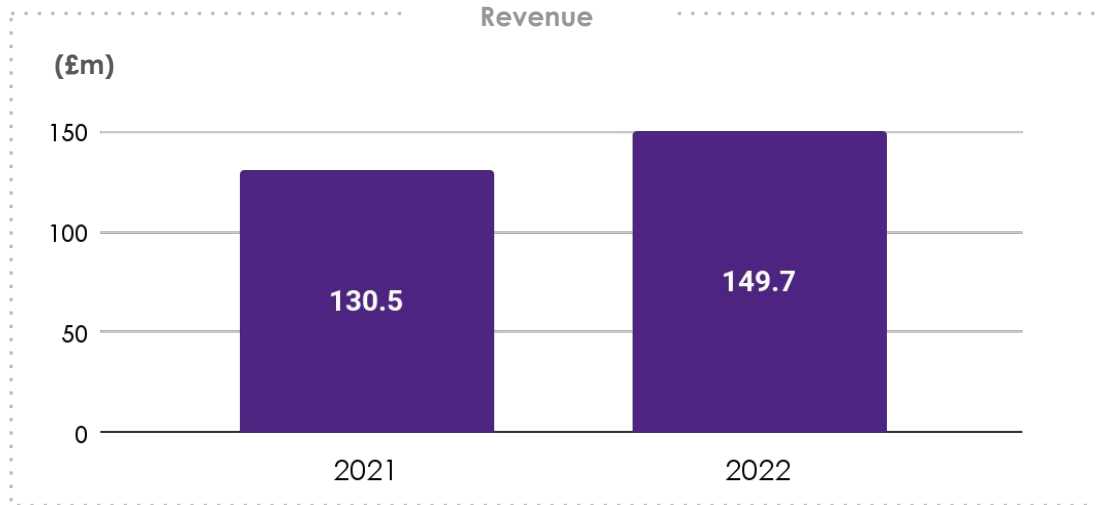


\*Acquired 14 October 2021.

- Pro forma organic revenue growth of 6%, underlying 5% organic growth
- Increased revenue with multi-year managed learning services customers in Americas & EMEA
- Organic large project growth with Effective People and enterprise technology businesses
- Significant awards from blue-chip clients in Asia, Middle East and South America.
- Achieved margin targets for GP Strategies of an average of 12% and a Q4 2022 exit rate of 14%
- GP Strategies has continued to demonstrate the quality of its client service within its embedded relationships

# Software & Platforms

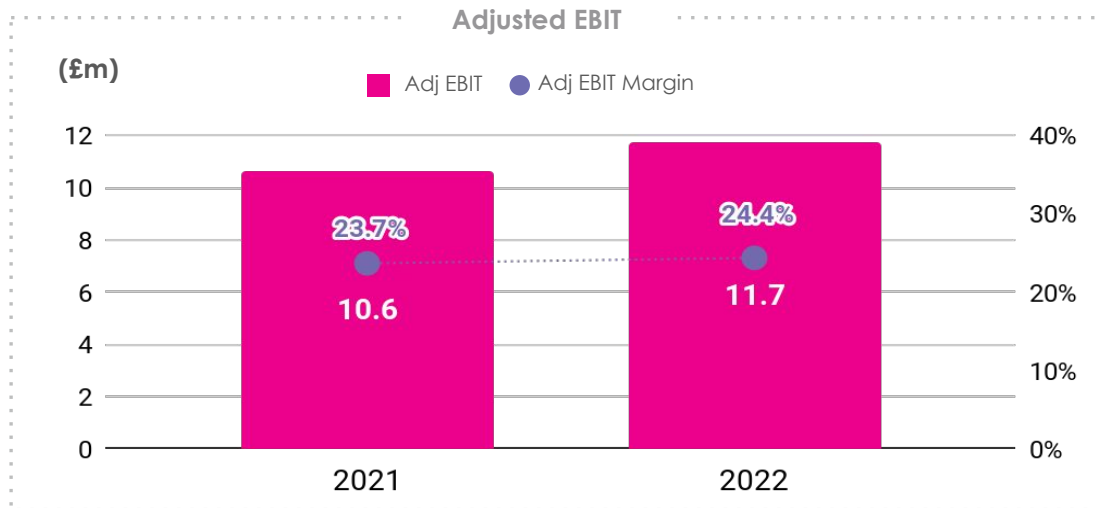
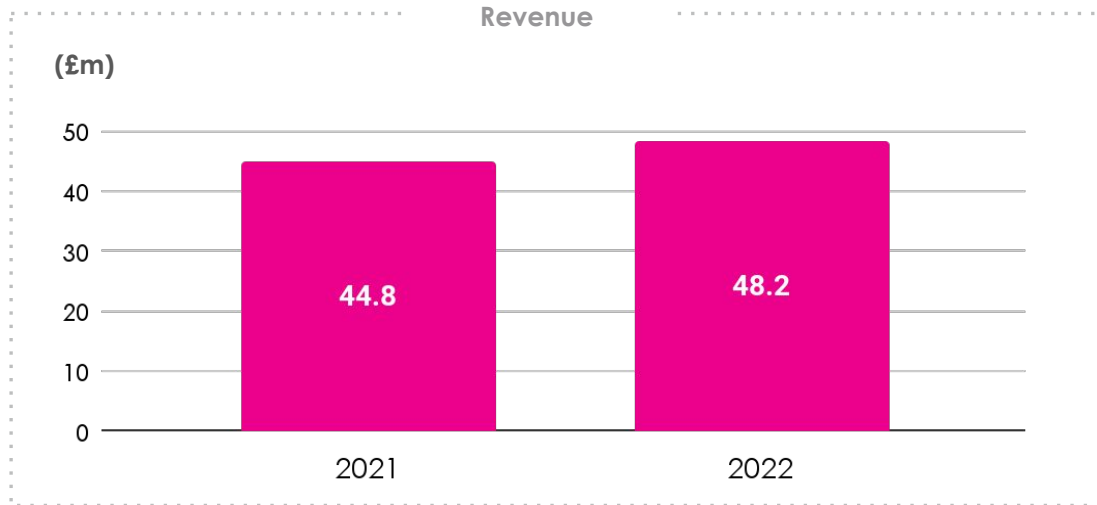
25% of Group revenue



- Organic revenue growth of 5%; 12% excluding PeopleFluent
- Revenue driven by good growth from Rustici, Watershed and Breezy, in addition to 2021 acquisitions and FX tailwinds due to the strength of the US dollar.
- Revenue decline as expected in the PeopleFluent talent management product line.
- Higher churn in Reflective from technology sector clients not replaced as focus remains on building the technology into the Bridge platform
- Adjusted EBIT increased by 11% driven by organic growth and 2021 acquisitions partially offset by PeopleFluent.
- Adjusted EBIT margin decreased slightly to 26.9% reflecting the varying growth rates of the portfolio.

# Content & Services

8% of Group revenue (excluding GP Strategies)



- Revenue increase reflecting full year of PDT, good growth in PRELOADED and Affinity, and FX tailwinds, partially offset by organic revenue decline of 7%.
- Organic decline driven by lower services revenue from software businesses and clients taking longer to proceed into delivery phase.
- Adjusted EBIT increased by 10% driven by the contribution from increased revenue.
- Adjusted EBIT margin of 24.4%, reflecting growth in higher margin Affinity & PRELOADED businesses.



## Cash Flow & Conversion

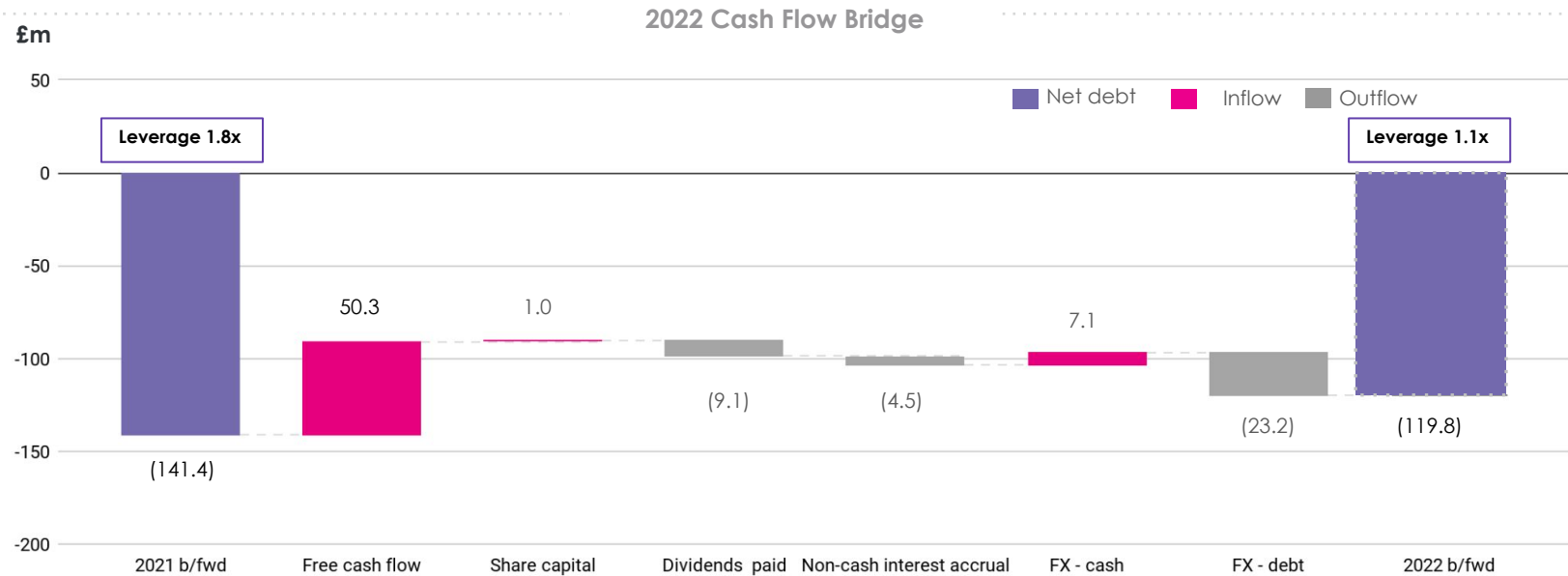
£'000	2022	2021	Variance
Adjusted EBIT	100.9	54.8	46.1
Depreciation & Amortisation	13.9	9.2	4.7
Share based payment charges	6.7	5.2	1.5
Dec / (Inc) working capital	(18.4)	(11.6)	(6.8)
Capital expenditure	(11.6)	(9.0)	(2.6)
Lease liabilities	(7.3)	(4.9)	(2.4)
Other	(1.0)	0.6	(1.6)
<b>Adjusted operating cash flow</b>	<b>83.2</b>	<b>44.3</b>	<b>38.9</b>
Cash conversion	82%	81%	1%pt
Net Interest paid	(4.3)	(0.3)	(4.0)
Tax paid	(20.2)	(9.4)	(10.8)
Integration & transaction costs	(3.8)	(10.1)	6.3
Earnout & contingent consideration	(6.9)	(1.7)	(5.2)
Proceeds from asset sale	2.3	0.0	2.3
<b>Free cash flow</b>	<b>50.3</b>	<b>22.8</b>	<b>27.5</b>

- Adjusted operating cash flow £38.9 million higher year over year
- Cash conversion was strong at 82%
- Net interest paid higher due to increased debt to fund the GP acquisition and higher interest rates
- Higher tax payments due to the inclusion of full year results of GP Strategies for 2022
- Integration & transaction costs primarily relate to the GP Strategies acquisition
- £6.9m earnout payments relate to Breezy, PDT Global, eCreators, eThink and Watershed.
- On 18th April 2022, the Group sold its 10% investment in National Aerospace Solutions LLC for proceeds of \$3.0m (£2.3 million),

\*Adjusted items can be found in the appendix on page 24

\*\*Cash conversion is calculated as Adjusted operating cash flow/Adjusted EBIT

# Balance Sheet Flexibility: net debt position

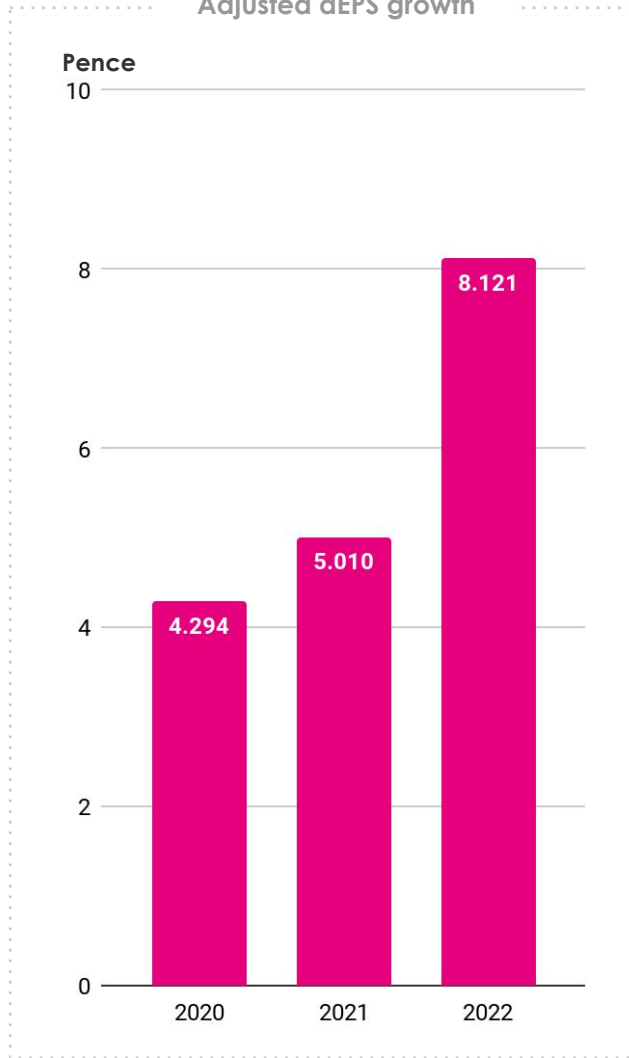


## Bank Debt Facility

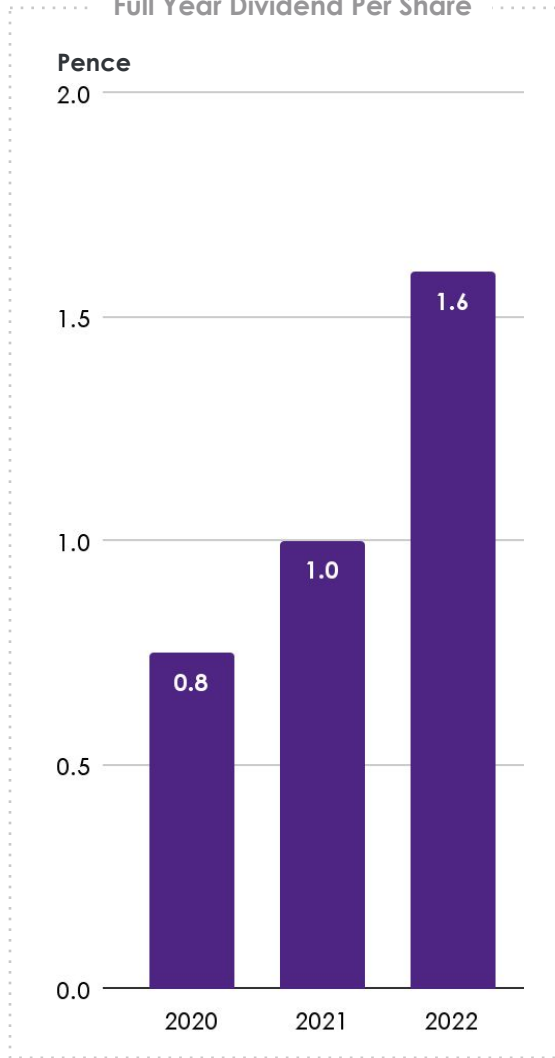
- **HSBC UK bank plc ("HSBC")** purchased Silicon Valley Bank UK Limited ("SVB UK") on 13 March 2023. SVB UK, a direct wholly-owned subsidiary of HSBC, remains as the facility agent and security agent for the debt facility. Other banks in the syndicate include Fifth Third Bank NA, Barclays Bank plc, and The Governor and Company of The Bank of Ireland.
- **Term Facility A \$265m** until October 2025
  - \$255.4m remaining as at Dec 2022
- **RCF \$50m** until July 2025 (not drawn down)
- **Net debt of £119.8m** at 31 December 2022 (2021: net debt £141.4m)

# Strong Earnings and Dividend Growth

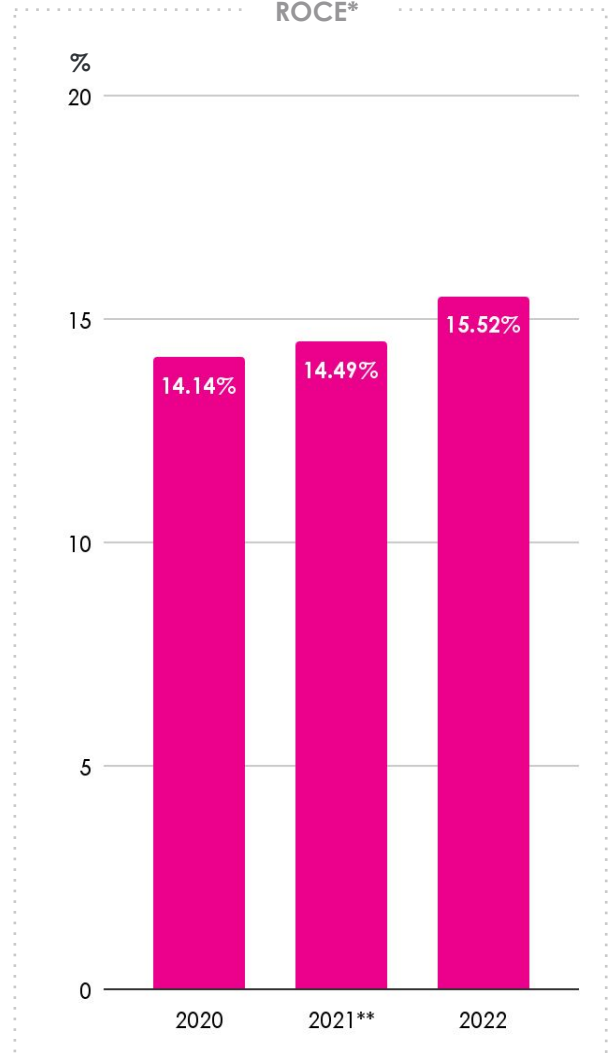
### Adjusted dEPS growth



### Full Year Dividend Per Share



### ROCE\*



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

\*\*Proforma, includes a full-year forecast adjusted EBIT contribution from GP Strategies and other 2021 acquisitions.

# Selected FY23 Guidance

## 2023 Adjusted EBIT

- H2 weighting with continued margin progression in the second half of 2023
- Despite a challenging macro environment, we expect to deliver high single-digit adjusted EBIT in 2023, supported by strong pipeline

## 2023 Finance charge and adjusted tax rate

- Estimated finance charge c.7% at current rate expectations (floating)
- Adjusted effective tax rate c.27%

## Leverage

- Continued deleveraging expected on an organic basis

## Foreign exchange translation

- USD/GBP 1 cent change in average rate for the year = c.£0.9m FY 2023 adjusted EBIT impact

## Non-core assets

- UK Apprenticeship business will be presented as a discontinued business in 2023 for its duration.
  - The business generated £8.3m revenue and £1.2m adjusted EBIT in FY22
- Lorien has been classified as assets held for sale on the balance sheet and will be included in continuing business until disposal



# LTG Strategic Review



**Jonathan Satchell**  
*Chief Executive*

# GP Strategies Commercial Transformation Progress

Delivered GP Strategies margin ahead of schedule

## 2022 Achievements

Pro forma organic revenue growth of

6%

Launched the Effective People brand



Won GM Supplier of the Year for the 6th consecutive year (117 selected from >20,000 suppliers)

Closed more than \$200m of net new contracts in 2022, including two major multi-year outsourcing contracts

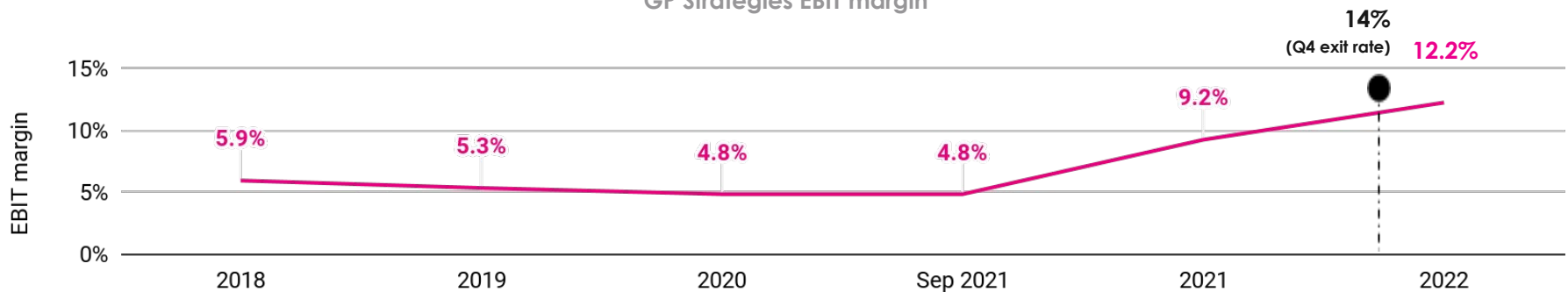
Focus 50 clients growth of

8%

Launched GP as the go-to-market brand



GP Strategies EBIT margin



Note: GP Strategies pre-acquisition financials based on US GAAP accounting standards

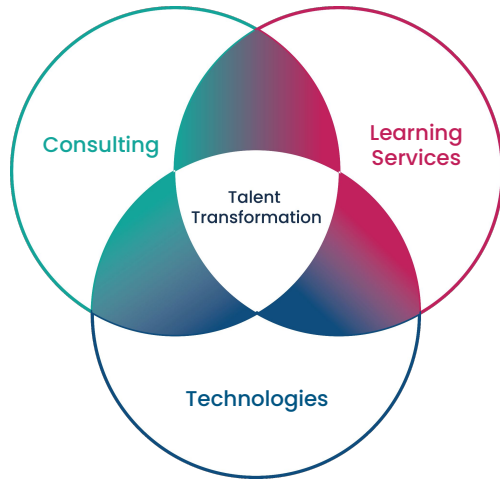
1 Based on median of market analyst estimates at 14 July 2021. EBIT not adjusted for amortisation of acquired intangibles and non-cash compensation expenses and therefore not comparable with historical figures

2 Post-acquisition period under LTG ownership: 15 October 2021 to 31 December 2021; in accordance with LTG accounting policies

# GP Strategies as the Lead Market-Facing Brand

Launched Q4 as planned

- Fully tested with industry analysts and customers during 2022 with encouraging reception
- Now able to bring the full strength of LTG to our customers with a differentiated proposition
- Able to deliver all products and services via a single contract



All available via a single Managed Learning Services contract.

 We help organisations **transform** through their people.

Consulting	Learning Services	Technologies
<ul style="list-style-type: none"> <li>• Organisational Performance Strategy</li> <li>• Talent Strategy</li> <li>• Organisational Design</li> <li>• L&amp;D Transformation</li> <li>• Strategic Learning Consulting</li> <li>• Learning Technology Consulting</li> <li>• Measurement &amp; Analytics Consulting</li> <li>• Change Management</li> </ul>	<ul style="list-style-type: none"> <li>• Managed Learning Services</li> <li>• Learning Experience Design</li> <li>• Immersive &amp; XR</li> <li>• Leadership Development</li> <li>• Diversity, Equity, &amp; Inclusion</li> <li>• Sales Training</li> <li>• Compliance &amp; ESG</li> <li>• Technology Implementation &amp; Adoption</li> <li>• Technical Training</li> <li>• Event Management</li> </ul>	<ul style="list-style-type: none"> <li>• Talent Acquisition</li> <li>• Onboarding</li> <li>• Authoring</li> <li>• Learning &amp; Performance</li> <li>• Talent Management</li> <li>• Succession/Talent Mobility</li> <li>• Compensation</li> <li>• Diversity, Equity, &amp; Inclusion</li> <li>• Learning Analytics</li> </ul>

# Deep Client Relationships

Increasing cross-selling and client expansion opportunities in a large global market

## Top 15 Clients

93%

We deliver more than one service

14  
Years

Average tenure

7

Use an LTG technology

## Strategic market demand

No.1

Reason why people quit their job in 2022: lack of career development and advancement<sup>1</sup>

90m

Shortfall in available people in the western workforce by 2030

## Cross selling opportunity

+29%

More GP clients with LTG products and services in 2022 compared to 2021

168

of the Global 500

86

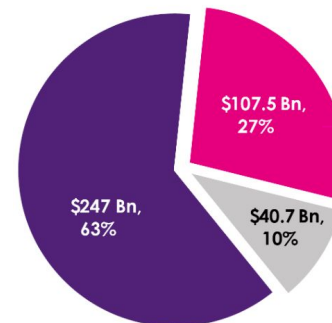
of LTG top 500 clients with more than one product or service: big opportunity

New & emerging clients

5+

New multi-year GP clients signed in 2022 that will rise to Top 50 status in 2023

2023  
\$395.2 Billion  
Internal ■ External ■ Tuition



\$107bn

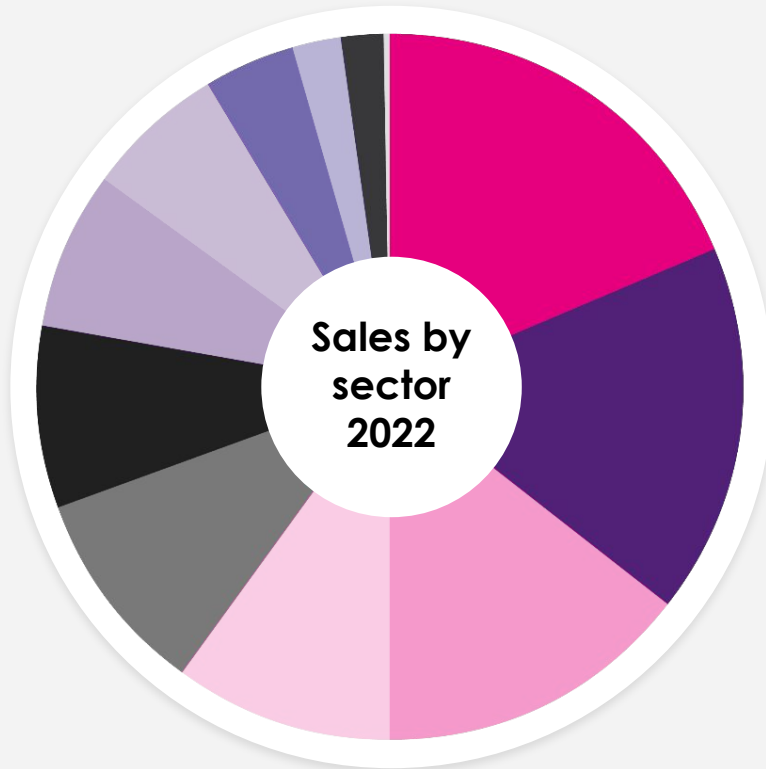
Addressable market for LTG businesses



# Sector Diversification

Good spread across different industries

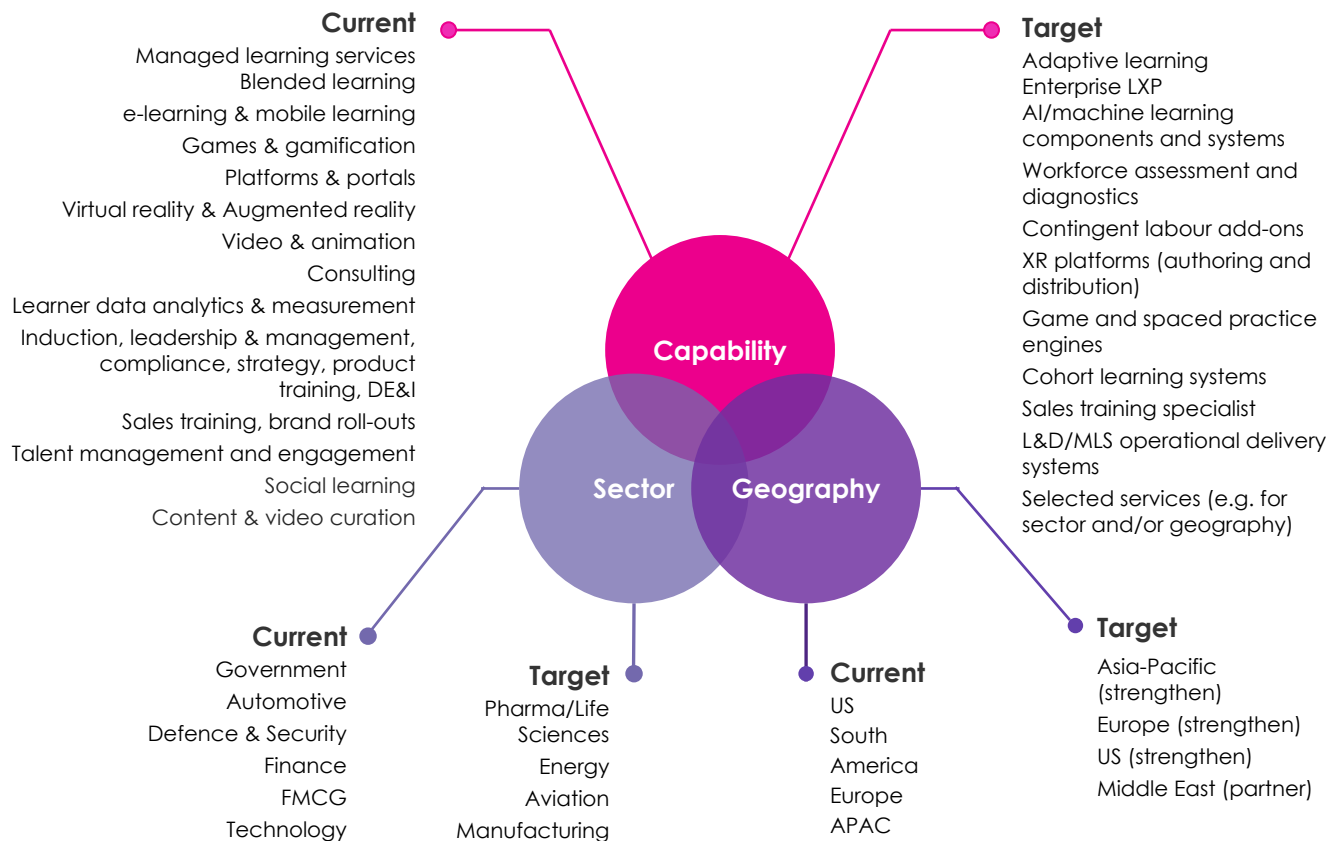
LTG (inc GP Strategies) sales by sector 2022 - Strength in Diversity



- 18.7% Automotive
- 16.9% Manufacturing, Aerospace, Industrials & Construction
- 14.4% Finance & Insurance
- 9.9% FMCG, Media & Marketing
- 9.5% Government, Defence & Security
- 8.2% Education, Not for Profit & Other
- 7.5% Professional Services, Logistics & Transport
- 6.3% Health, NHS & Life Sciences
- 4.1% Oil, Gas, Minerals & Utilities
- 2.4% Technology & Telecoms
- 1.9% Retail & Hospitality
- 0.2% Airlines

# Acquisition Criteria and Strategy

## M&A opportunities



Partner programme for Go To Market purposes being developed with organisations like:

IBM, SAP, Babcock, Zoom, Blackboard, KPMG, Henley Business School

## Acquisition target characteristics

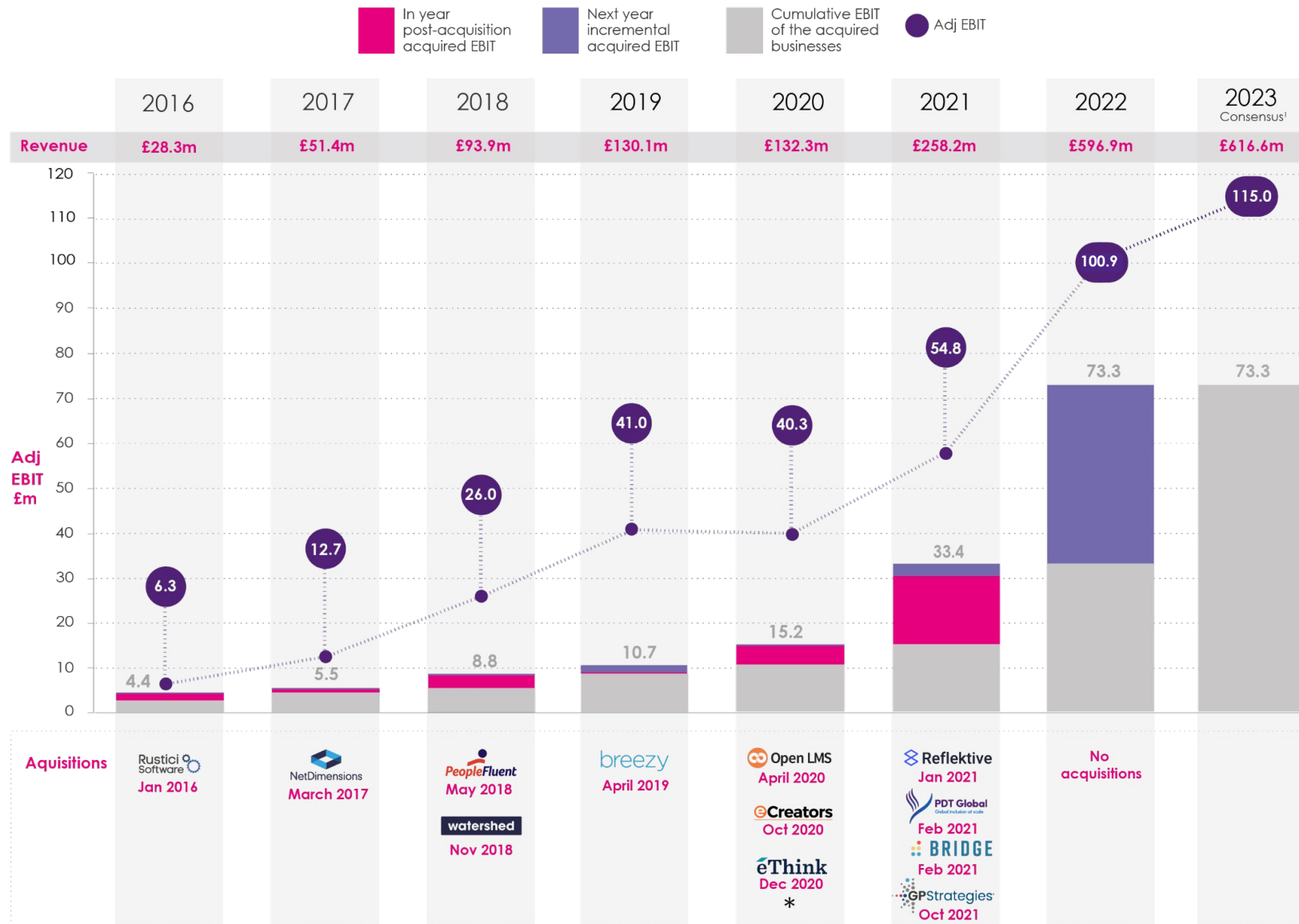
We will continue to look for businesses that have:

1. Strong management
2. New market/sector access
3. Complementary products /services
4. Founder-led growth

## Financing capability

Firepower of up £220m  
2023-2025 assuming year end  
c. 1.0x leverage

# Proven Track Record of Improving the Operating Model of Businesses we Acquire



Notes: \* Patheer acquired in Sept 2020, JCA Solutions acquired in Nov 2020. <sup>1</sup> 2023E figures based on the median of the company compiled consensus market analyst estimates as at 8 Feb 2023.



# ESG Progress



## 2022 Achievements

Successfully aligned the GP Strategies' ESG management framework with the LTG Group ESG framework including ESG governance, objectives, measurement data and policies.

- Supported Mercedes-Benz with their launch of a brand-immersion experience initiative for its electric vehicle sub-brand, Mercedes-EQ.
- Developed a Group-wide Environmental Policy, standardised our data collection and improved our formal environmental reporting.
- Reduced our leased office space by an additional 18%, which is a key reduction driver for our energy use and emissions.
- GP Strategies' received CDP Climate Change score of B-, above the global average of C in the specialized professional services category.
- Appointment of a Director of Talent Development to lead the Company's Talent strategy and build out of the Learning and Development team.
- Transitioned to the Bridge Platform, our own learning technology, to support our performance conversations and end of year appraisals, and deliver our training and development.
- Enhanced our offering to support colleagues suffering from stress and reinforced our digital learning pathways and courses to support overall wellbeing.
- Aligned client and supplier agreements on data protection to the Schrems II requirements.
- Expanded ISO 27001 (Information Security) certification to include the majority of our SaaS businesses.

### Our Key ESG Initiatives



Supporting clients in making a positive ESG impact



Taking care of our people



Effective environmental sustainability



Continuing improvement in privacy and security standards



Meeting stakeholder expectations on governance

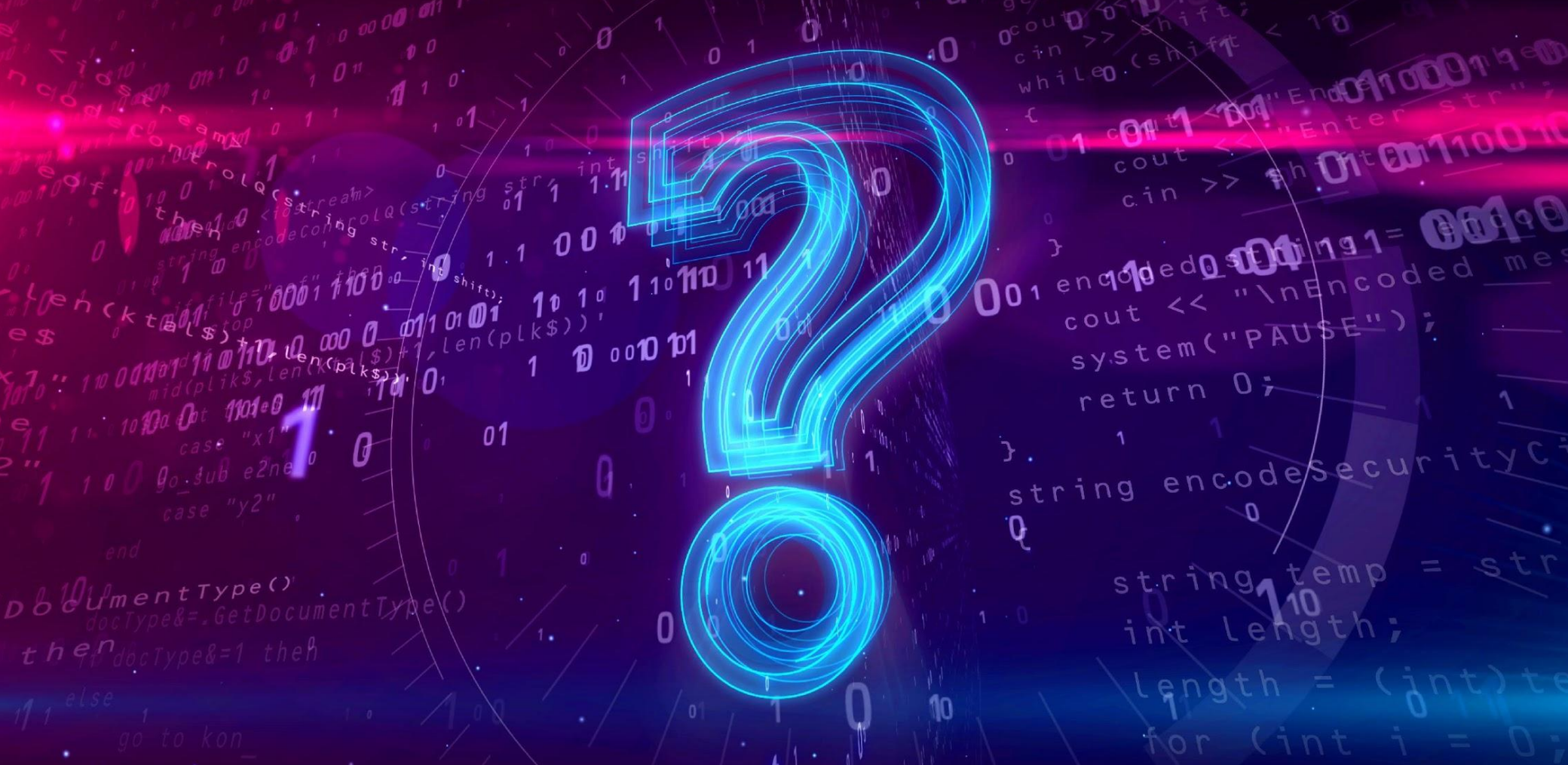
# Summary and Outlook

## Summary

- 2022 numbers ahead of consensus and strong momentum heading into 2023
- Transformational year following successful integration of GP Strategies
- Achieved margin targets for GP Strategies
- Significant addition of scale
- Strong balance sheet and cash generation supports acquisition strategy

## Outlook

- Despite a challenging macro environment, we expect to deliver high single-digit adjusted EBIT growth in 2023, supported by a strong pipeline
- Encouraged by strong pipeline, particularly in GP Strategies with a significant number of long term contracts at an advanced stage
- Expect further margin improvements in the second half of 2023 from the next phase of GP Strategies integration
- On track to meet goal of £850m run-rate revenues and £175m run-rate adjusted EBIT by the end of 2025



## Q&A



# Appendices

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## P&L Adjusting Items

£'000	2022	2021	Variance
Amortisation of acquired intangibles	35.7	26.2	9.5
Acquisition-related contingent consideration and earn-outs	3.3	5.2	(1.9)
Acquisition-related share based payment charge	0.5	0.1	0.4
Acquisition costs	0.3	6.1	(5.8)
Integration costs	3.5	4.0	(0.5)
<b>Total acquisition related costs</b>	<b>43.3</b>	<b>41.6</b>	<b>1.7</b>
Impairment of right-of-use assets	0.0	2.1	(2.1)
Impairment of goodwill and intangibles	8.0	0.0	8.0
Loss on disposal of fixed assets	0.0	0.3	(0.3)
Profit on disposal of right-of-use assets	0.2	(0.1)	0.3
Net foreign exchange gain arising due to business acquisition	0.0	(0.7)	0.7
Share of profit of joint venture	(0.2)	(0.1)	(0.1)
Profit on sale of joint venture	(1.2)	0.0	(1.2)
Cloud computing configuration and customisation costs	0.7	0.0	0.7
Closure provisions	1.1	0.0	1.1
Other income	(1.5)	0.0	(1.5)
<b>Total other adjusting items</b>	<b>7.1</b>	<b>1.5</b>	<b>5.6</b>
<b>Total adjusting items</b>	<b>50.4</b>	<b>43.1</b>	<b>7.3</b>



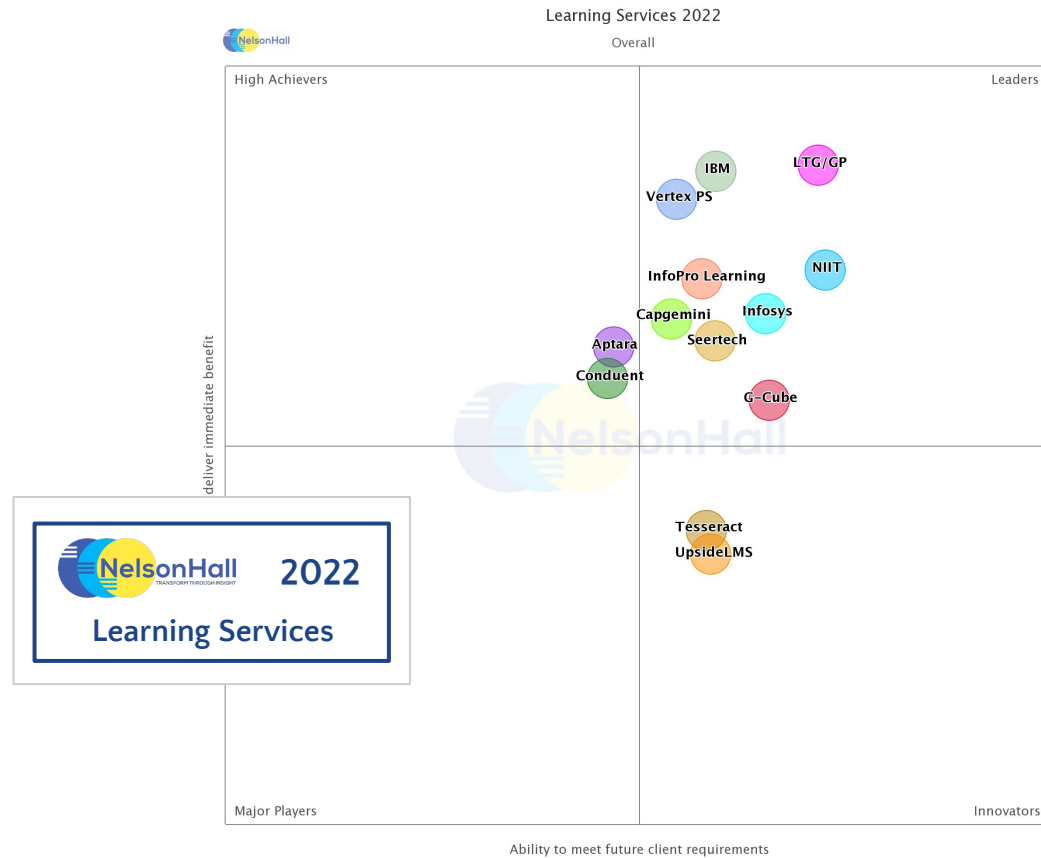
## Five-year financial summary

Year ended 31 December	2018	2019	2020	2021	2022
<b>Revenue (£'000)</b>					
Existing business	51,813	126,614	120,116	146,848	596,902
Acquisitions in period	42,078	3,489	12,208	111,378	0
	<b>93,891</b>	<b>130,103</b>	<b>132,324</b>	<b>258,226</b>	<b>596,902</b>
Growth	83%	39%	2%	95%	131%
<b>Adjusted EBIT (£'000)</b>	<b>25,991</b>	<b>41,022</b>	<b>40,348</b>	<b>54,754</b>	<b>100,943</b>
Growth	105%	58%	-2%	36%	84%
Margin	28%	32%	30%	21%	17%
<b>EPS (pence)</b>					
Basic	0.655	1.628	2.450	1.959	3.857
Diluted	0.641	1.584	2.382	1.878	3.710
<b>Adjusted - Diluted</b>	<b>3.040</b>	<b>4.351</b>	<b>4.294</b>	<b>5.010</b>	<b>8.121</b>
Growth	69%	43%	-1%	17%	62%
<b>Dividend per share (pence)</b>					
Interim	0.15	0.25	0.25	0.30	0.45
Final	0.35	0.50*	0.50	0.70	1.15
<b>Total</b>	<b>0.50</b>	<b>0.75</b>	<b>0.75</b>	<b>1.00</b>	<b>1.60</b>
Growth	67%	50%	0%	33%	60%
<b>Net Cash/(Debt) (£'000)</b>	<b>(11,465)</b>	<b>3,830</b>	<b>70,202</b>	<b>(141,412)</b>	<b>(119,811)</b>

\*Proposed and deferred

# Market Positioning

Competition thins out when looking at a more global picture and technology makes relationships stickier



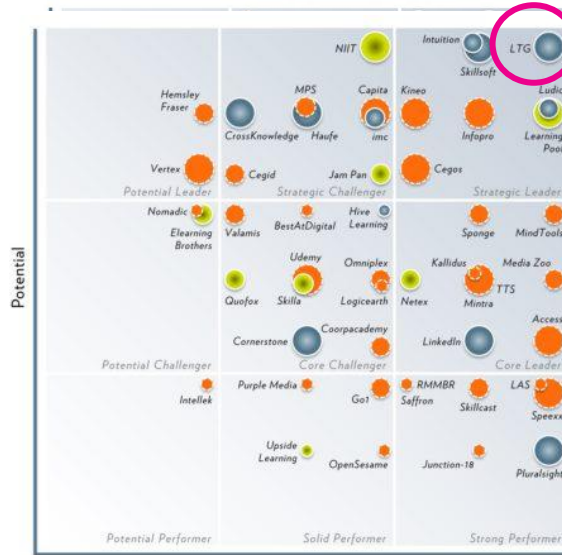
# LTG in the Corporate Digital Learning Market

Continued leading player of scale with lower 'cost of ownership' giving access to a more of the market - now using GP Strategies as our lead market-facing brand.



"Europe's #1 HR industry analyst focused on Next Gen HR, Talent and Learning"

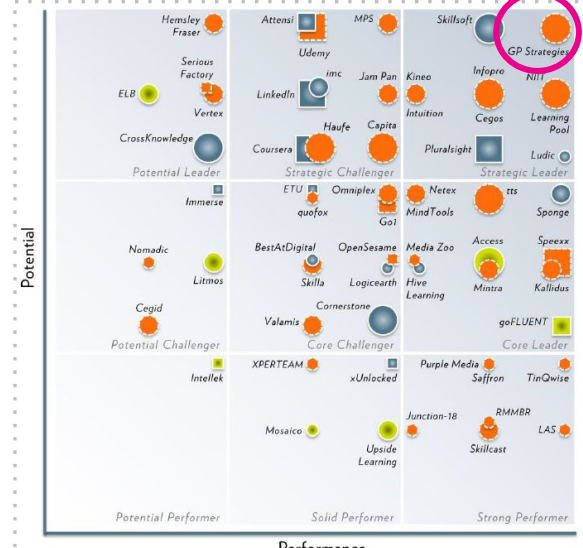
Fosway 9-Grid™ - Digital Learning



LTG - Strategic Leader  
Jan 2022



Fosway 9-Grid™ - Digital Learning



LTG - Strategic Leader  
Mar 2023



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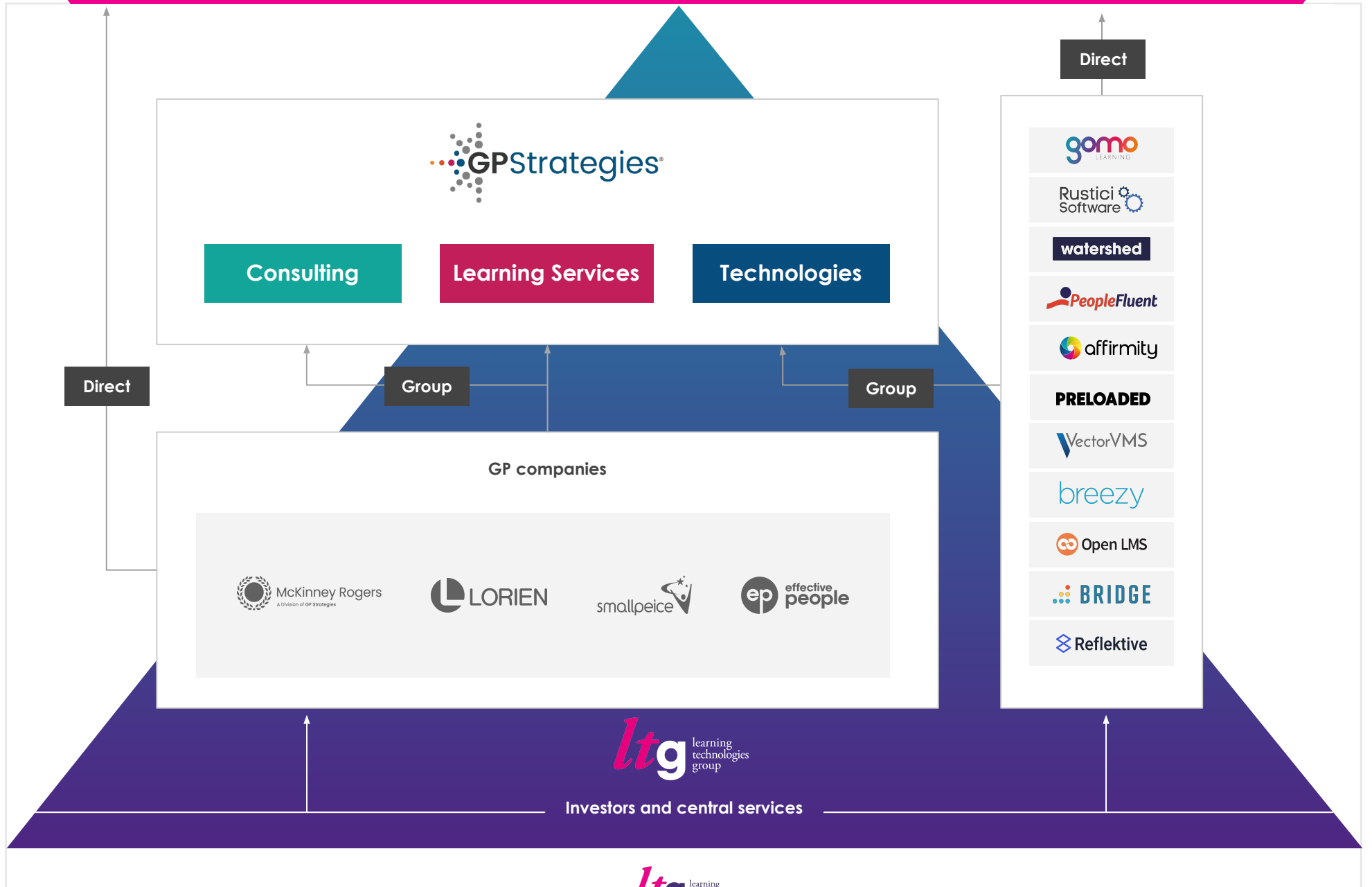
2023

## Strategic Leader

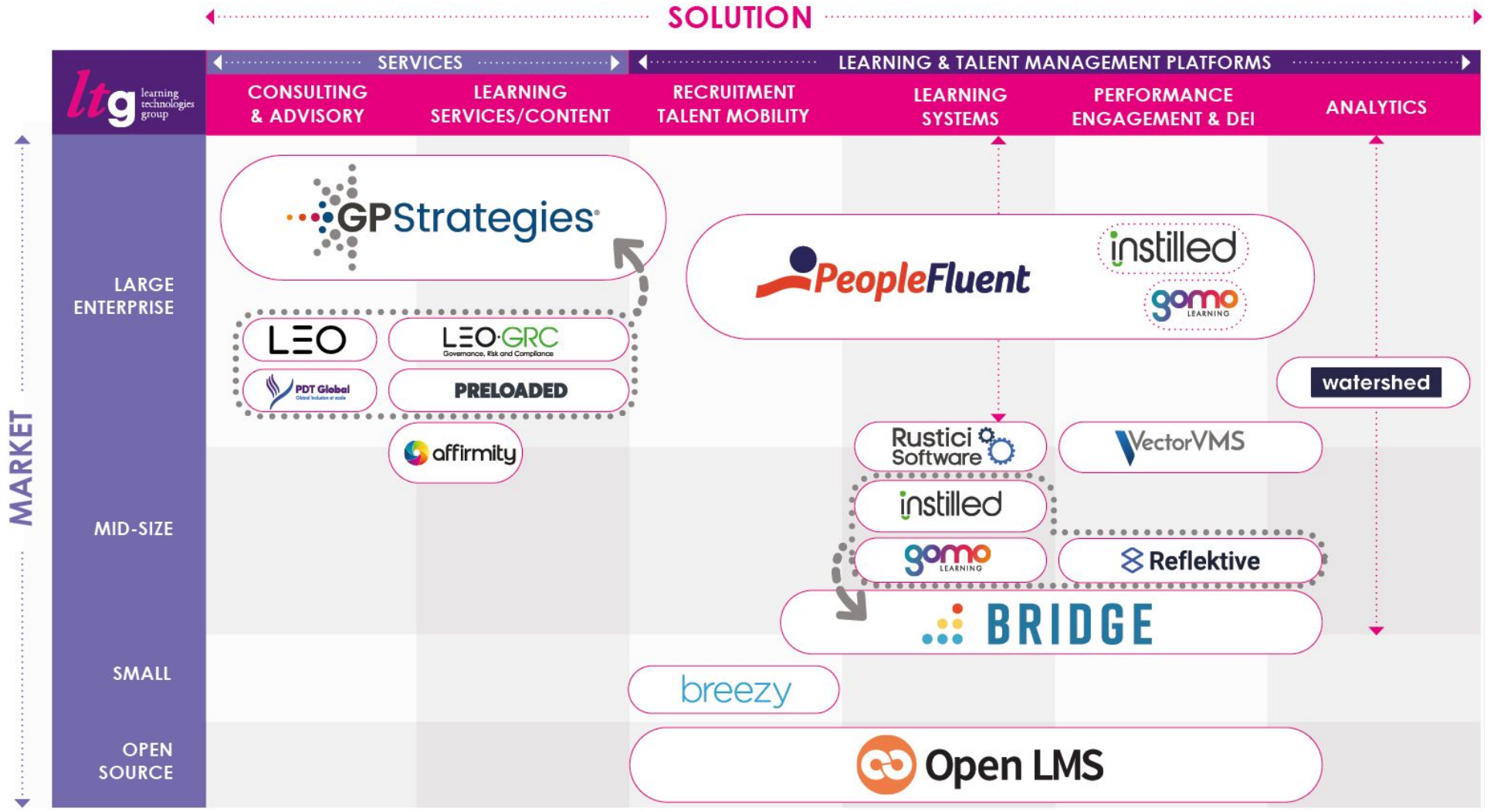
9-Grid™ for Digital Learning



# The Company



# LTG Brands - solution/market



**END**