

LON:LTG



# Closing the gap between current and future workforce capability



**Learning Technologies Group plc**

**2021 Final Results**

**Jonathan Satchell**  
Chief Executive

**Kath Kearney-Croft**  
Chief Financial Officer

**3 May 2022**

# 2021 Strategic and Financial Highlights:

## Strategic Highlights

- Sustained momentum and organic growth across the business, with high quality earnings from SaaS and long-term contracts
- Transformational GP Strategies acquisition significantly broadens scale, offering and cross-selling opportunities – delivering earlier than anticipated with EBIT margin expected to be 12% in FY 2022
- New go-to-market strategy to support expanded offering and access faster growing markets
- Q1 2021 acquisitions (Reflektive, PDT Global and Bridge) fully integrated and achieving substantially improved profit margins

## Financial Highlights

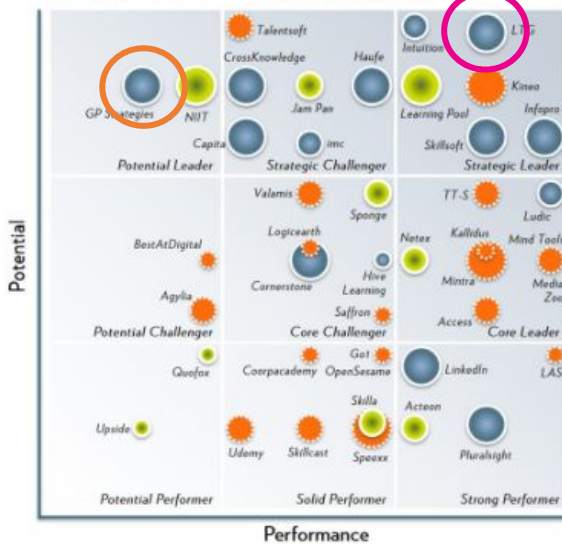
- Strong organic revenue growth, up 8%
  - Content & Services recovered strongly, organic growth of 25%
  - Software & Platforms organic growth of 2% and 17% excluding PeopleFluent, continuing track record of high-margin growth
- Excellent profit growth, as a result of strong organic revenue growth, contribution from recent acquisitions and a continued focus on EBIT margin improvement as the Group expands
- As expected, Group margins reduced driven by a change in revenue mix from acquisitions
- Net debt of £141.4m and good cash generation; on target for leverage c.1.0x by FY 2022
- 17% increase in adj. diluted EPS; final dividend 0.7p (+40%) leading to full year dividend of 1.0p (+33%)

# LTG in the Corporate Digital Talent Management and Learning Markets



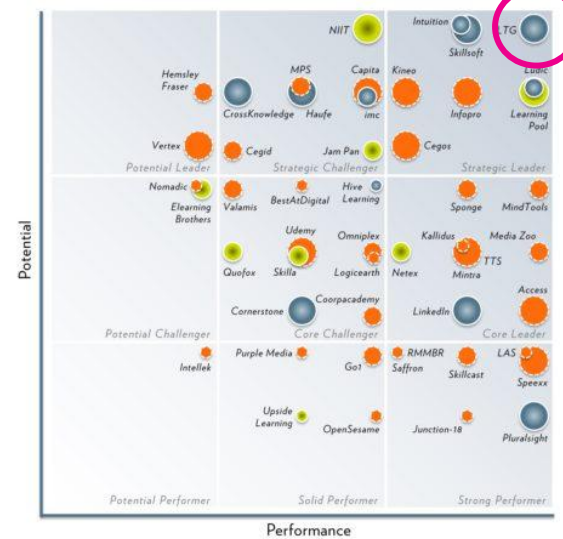
“Europe’s #1 HR industry analyst focused on Next Gen HR, Talent and Learning”

Fosway 9-Grid™ - Digital Learning



LTG - Strategic Leader  
Mar 2021

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Jan 2022



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2022

## Strategic Leader

9-Grid™ for Digital Learning



# Financial Highlights Review



**Kath Kearney-Croft**  
*Chief Financial Officer*

## Prior Year Balance Sheet Adjustment

- A presentation adjustment of 2020 and 2019 balance sheets and cash flow statement
- Related to timing of recognition of trade receivables and contract liabilities (deferred income) of £6.2m at 31 December 2020 and £7.4m at 31 December 2019
- Previously presented gross, now a net down of trade receivables and a corresponding reduction in contract liabilities, consistent with IFRS15 requirements for year-end trade receivable balances not due for payment until the following year where revenue recognition has not commenced
- Presentational changes have no impact on reported revenue, profit, net assets or cash generation
- Does not reflect that contracts have been signed and invoices issued which will be recognised the following year

	31 Dec 2020 £'000	Adjustments	31 Dec 2020 £'000 (Restated)
<b>Balance Sheet:</b>			
Trade receivables	32,984	(6,179)	26,805
Current assets	130,432	(6,179)	124,253
<b>Total assets</b>	<b>404,861</b>	<b>(6,179)</b>	<b>398,682</b>
Trade and other payables	68,015	(6,179)	61,836
Current liabilities	83,043	(6,179)	76,864
<b>Total liabilities</b>	<b>135,791</b>	<b>(6,179)</b>	<b>129,612</b>
<b>Net assets</b>	<b>269,070</b>	<b>-</b>	<b>269,070</b>
<b>Cash Flows:</b>			
(Increase)/decrease in trade and other receivables	(4,736)	6,179	1,443
(Decrease)/increase in payables	3,883	(6,179)	(2,296)
<b>Cash and cash equivalents at end of the year</b>	<b>88,614</b>	<b>-</b>	<b>88,614</b>

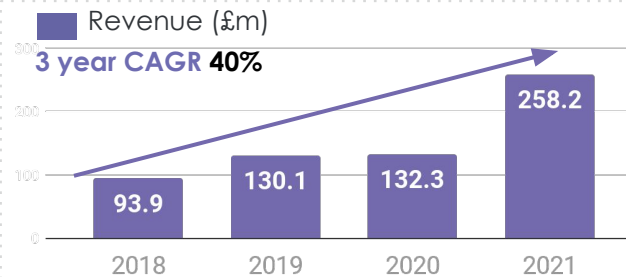
# 2021 Financial Highlights

Strong organic revenue growth; transformational GP Strategies acquisition progressing ahead of plan

## Revenue

**2021: £258.2m**

+95%  
(2020: £132.3m)



## Organic Revenue\*

**2021: +8%**

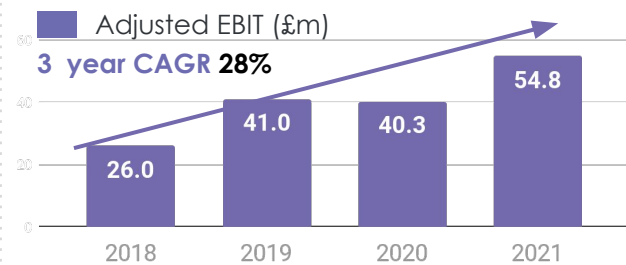
(2020: (8)%)

S&P +2% (+7% 5 Year CAGR)  
C&S +25% (+2% 5 Year CAGR)

## Adjusted EBIT

**2021: £54.8m**

+36%  
(2020: £40.3m)



## Adjusted EBIT Margin

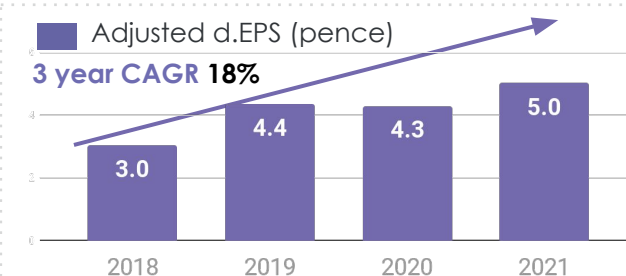
**2021: 21.2%**

(2020: 30.5%)

## Adjusted dEPS

**2021: 5.010 pence**

+17%  
(2020: 4.294 pence)



## Net Debt

**2021: £141.4m**

(2020: £(70.2)m)

On target for leverage of c.1.0x by  
FY 2022

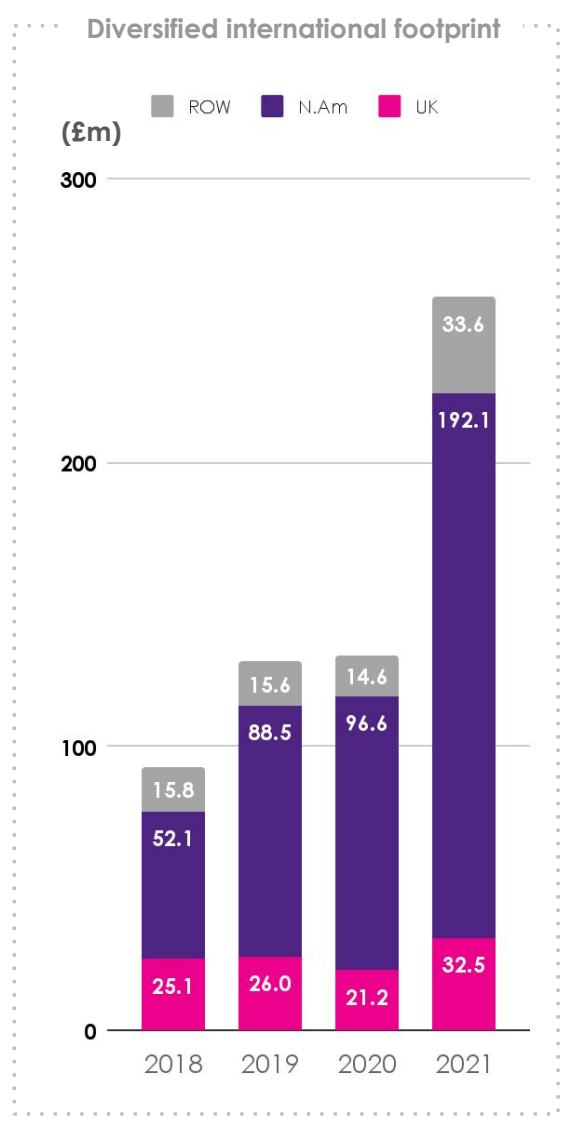
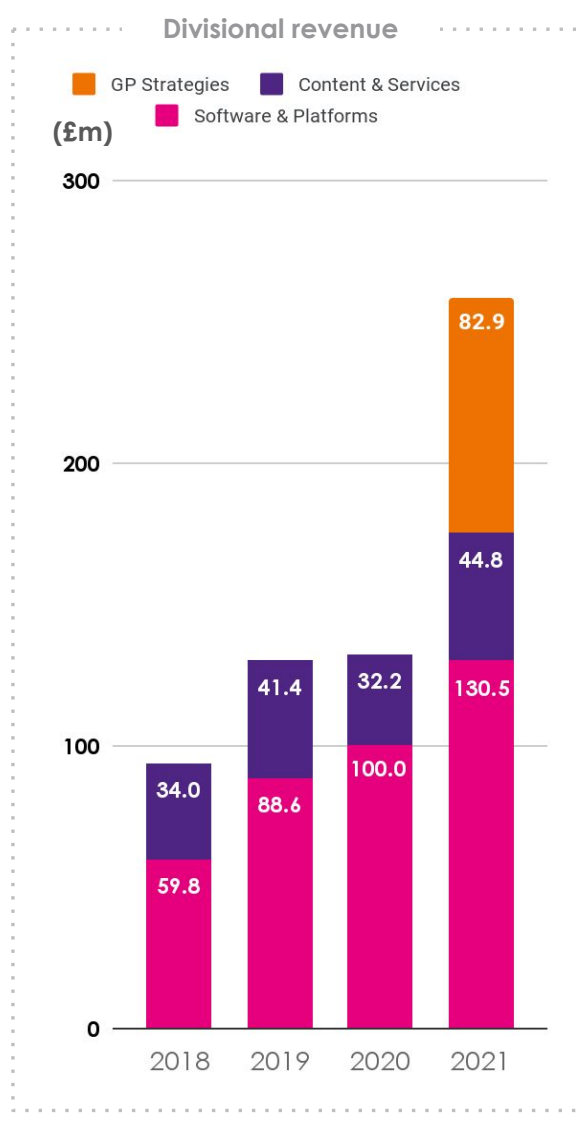
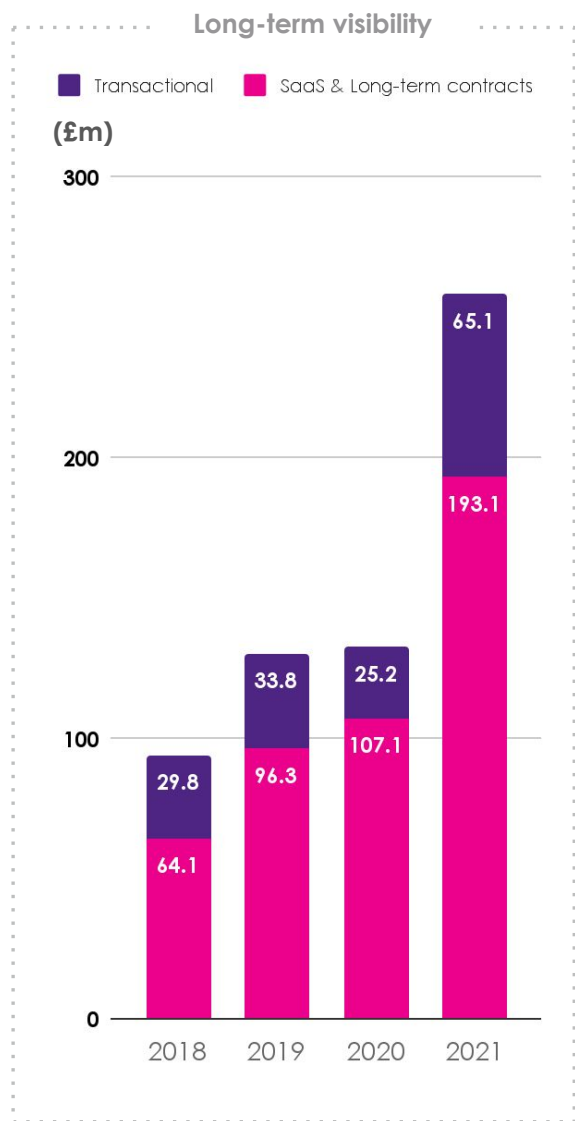
\*On a constant currency basis and excluding 2021 acquisitions, with post-acquisition period inclusion of 2020 acquisitions.

2018 EBIT and dEPS inclusive of share based payment charge

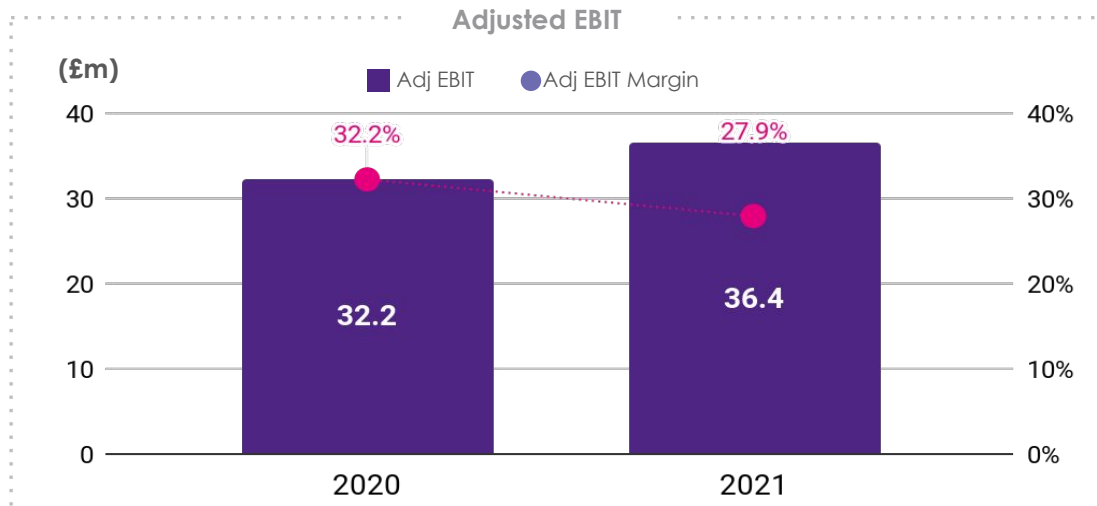
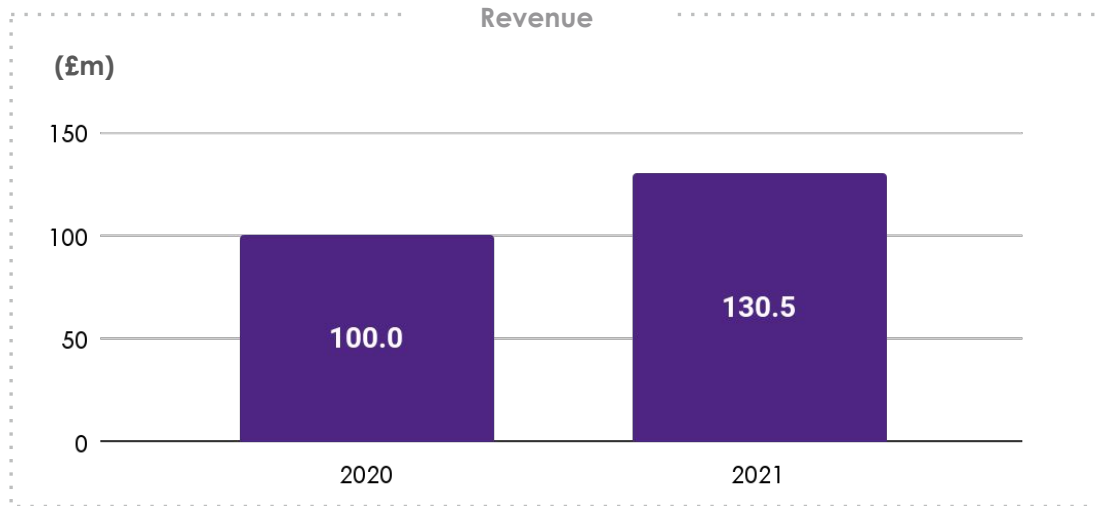


# Highly Visible and Diversified Revenue

Continued high levels of revenue visibility including GP Strategies



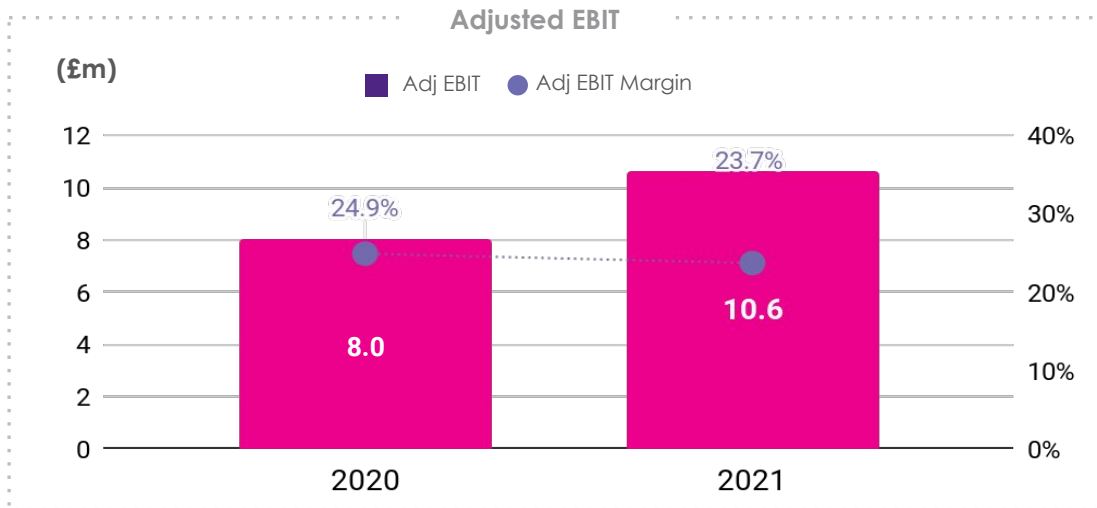
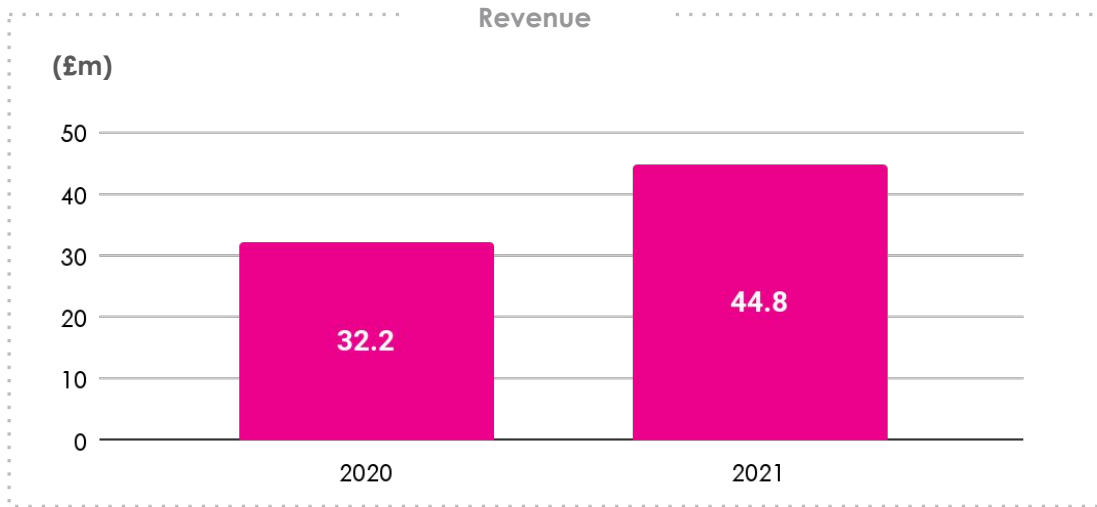
# Software & Platforms



- Organic revenue growth of 2%
- Organic revenue growth excluding PeopleFluent of 17%
- Strong organic growth from Breezy, Rustici and Open LMS
- Initial contributions from Bridge and Reflektive – acquired in Q1 2021
- Higher churn within PeopleFluent from a large renewals year in customers with less complex needs
- Adjusted EBIT increased by 13% driven by Reflektive and Bridge and full year contribution from Open LMS, as well as a strong performance from Breezy HR and Rustici, partially offset by lower performance in PeopleFluent
- Adjusted EBIT margin at 27.9%. 1H 2021 margin impacted by inclusion of loss-making Reflektive and Bridge, rising to 28.9% in 2H 2021

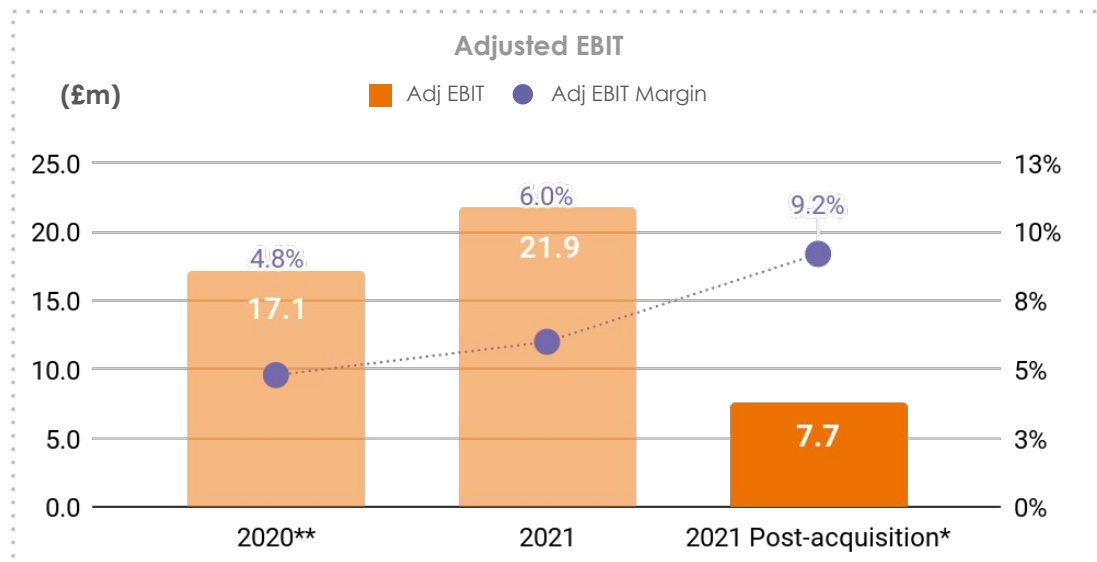
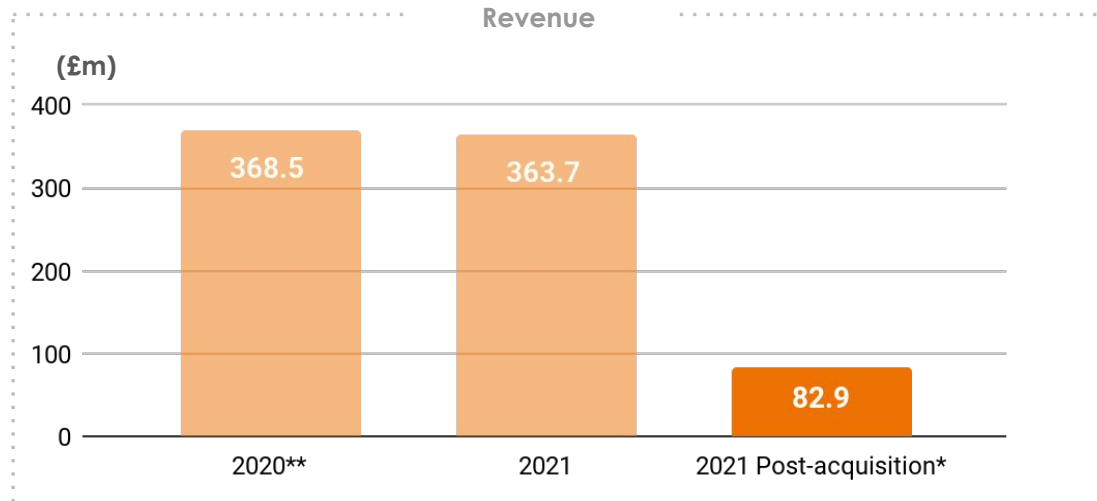


# Content & Services



- Organic revenue growth of 25%
- Revenue bounced back to 2019 levels (pre-COVID)
- Growth from all businesses - particularly strong from LEO and PRELOADED
- Initial contribution from PDT Global – acquired in Q1 2021
- Adjusted EBIT increased by 32% driven by increased revenue and initial PDT contribution
- Adjusted EBIT margin of 23.7%, due to portfolio mix. Strong growth from LEO (lower margin); part year contribution from higher margin PDT

# GP Strategies\*

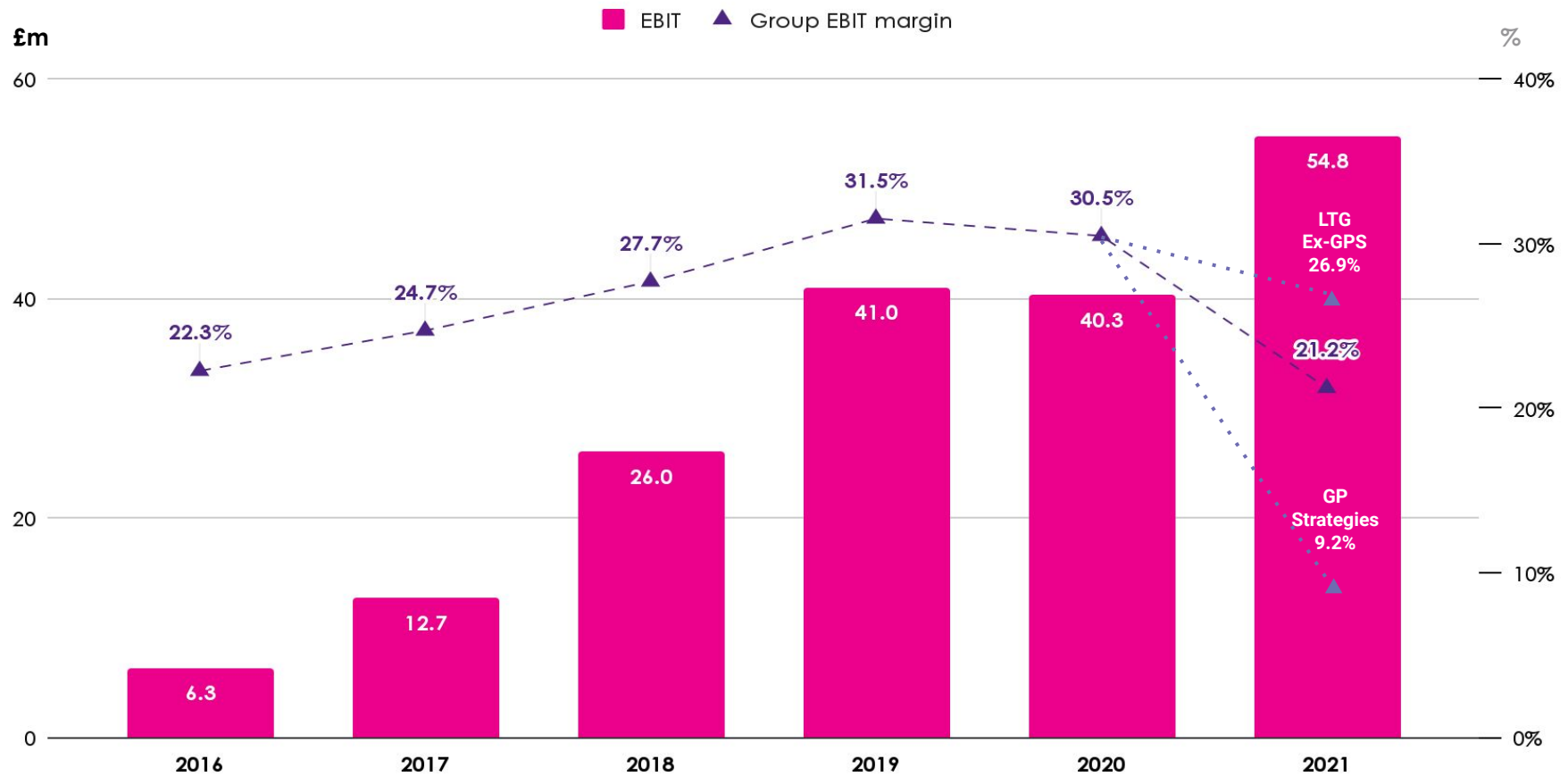


- Initial contribution – acquisition completed October 2021 delivering earlier than anticipated
- Revenue of £82.9m
- Full year 2021 organic revenue growth of 9%, on a constant currency basis
- Adjusted EBIT of £7.7m and adjusted EBIT margin of 9.2% reflects swifter than anticipated operational improvement and some short-term operational leverage
- Encouraging early progress, with GP management on-track to deliver against initial FY 2022 targets including new ways of working, supplier rationalisation and combined strategic offer

\*Acquired 14 October 2021

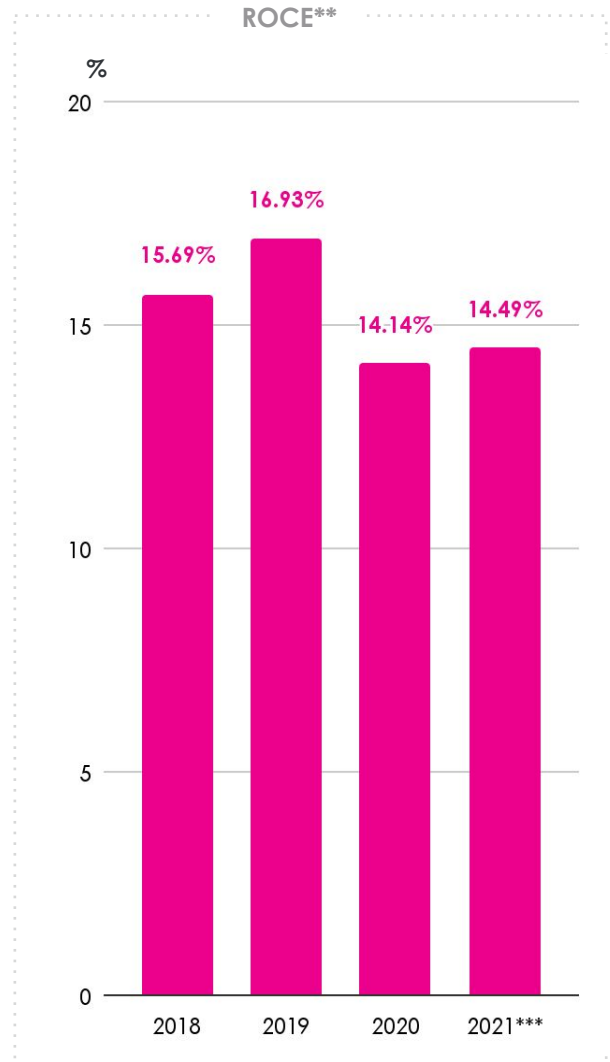
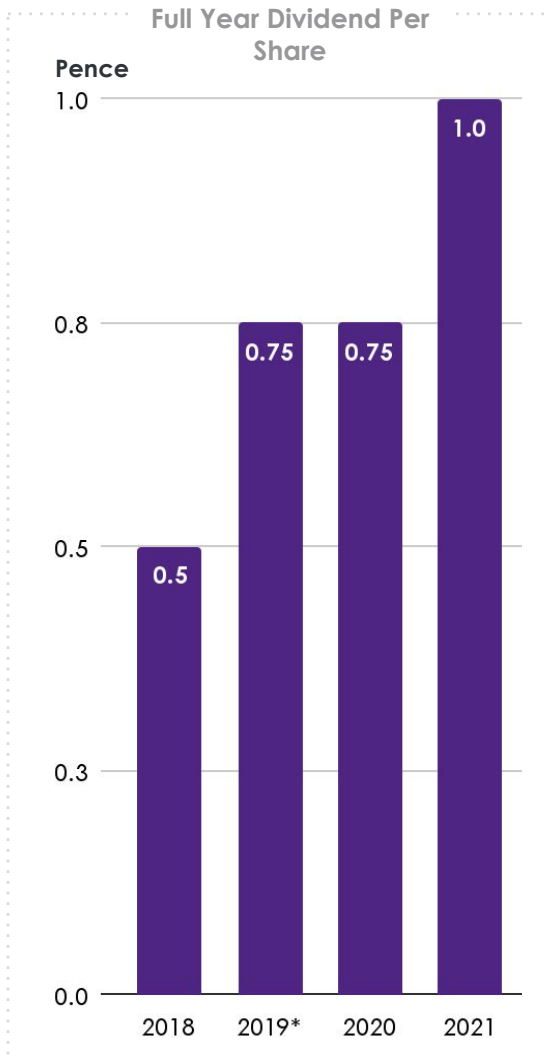
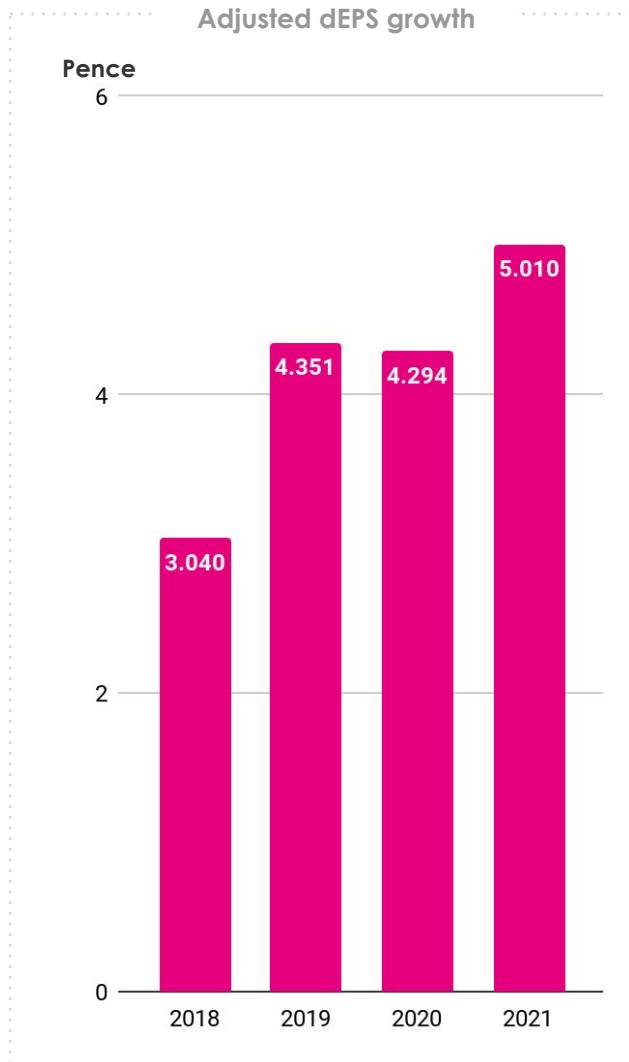
\*\*using 1.2837 USD:1 GBP, including divested businesses

# Growing Adjusted EBIT from a Broader Portfolio



- 2021 Group margin moderated on 1) portfolio mix, 2) inclusion of Reflektive and Bridge, loss-making for a few months and 3) increased share based payments

# Strong Earnings and Dividend Growth

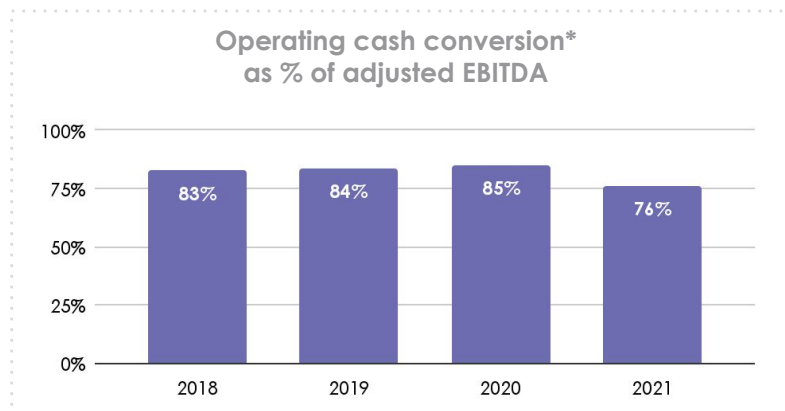
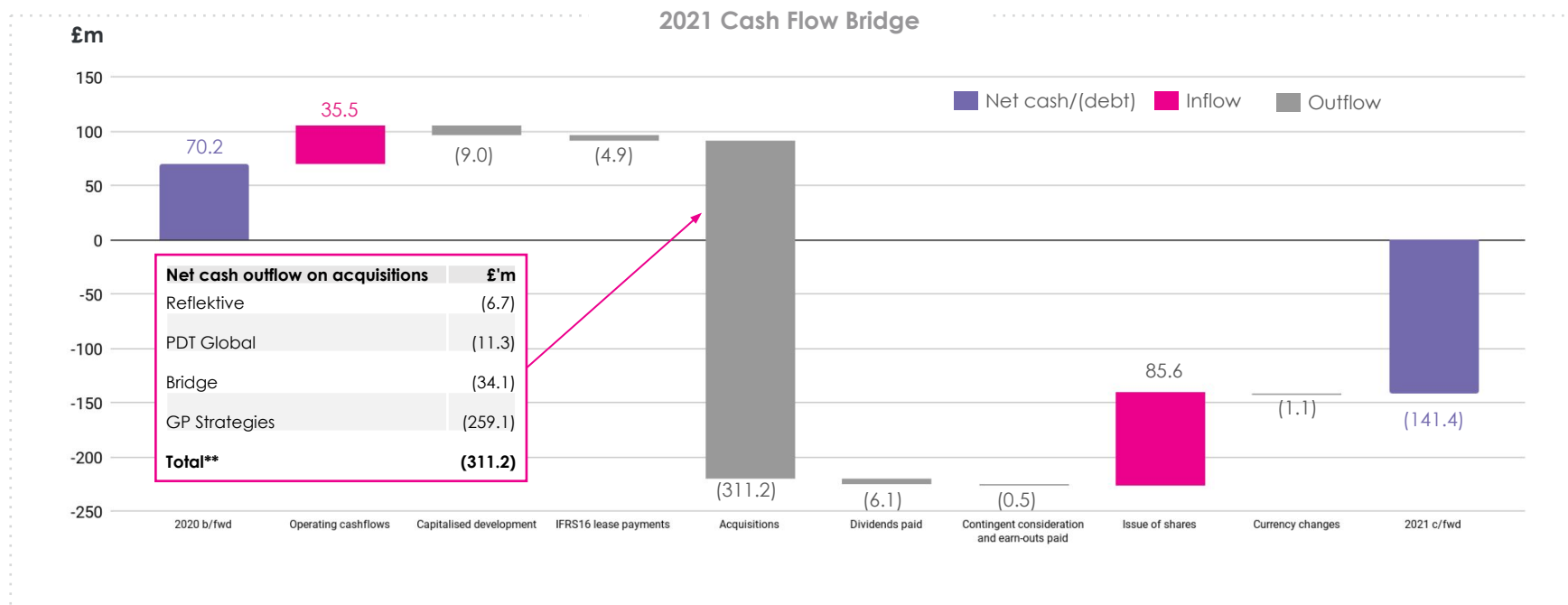


\*Includes final dividend of 0.50p per share paid in 2020

\*\*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

# Cash Flow and Financing: continuing strong cash conversion



**Bank Debt Facility & Leverage**

- **Term Facility A \$265m** until October 2025
- **Term Facility B \$40m** until April 2022 (repaid in March 2022)
- **RCF \$50m** until July 2025

**Net debt of £141.4m** at 31 December 2021 (2020: net cash £70.2m)

**ND/EBITDA 1.8x** (on a covenant basis)

\*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 or losses, payments of lease liabilities and the movement of deferred upfront investment outflows relating to the CSL project) by adjusted EBITDA.

\*\*includes Moodle News for a cash consideration of USD \$50,000 (£36,000)

# Guidance

## Segmental revenue growth, medium-term

- Software & Platforms c.7%
- Content & Services c.4%
- GP Strategies c.4%

## 2022 Adjusted EBIT

- H2 weighting from GP Strategies margin improvement with full year 12% margin expected
- Increased share based payments charge (above the line) of c.£3m related to new LTIPs\*\*
- Remain comfortable with FY 2022 consensus

## Leverage

- On track for c.1.0x at end FY 2022

## 2022 Finance charge and adjusted tax rate

- Finance charge of c3.5% (floating)
- Adjusted effective tax rate c.27%

## Foreign exchange translation

- USD/GBP 1 cent change in average rate for the year = c.£0.5m FY 2022 Adj. EBIT impact
  - 2021 average USD/GBP = 1.34
  - 2022 YTD\* average USD/GBP = 1.33

\*1 January 2022 to 29 April 2022

\*\*LTIP based on 10-25% TSR and EPS CAGR, split 50% 2024 and 50% 2025 from a 2020 base



# LTG Strategic Review



**Jonathan Satchell**  
*Chief Executive*



# Proven track record of highly complementary acquisitions



**Reflektive**

**c.\$14m  
revenue\***

## Reflektive

Acquired January 2021 for \$14.2m

- Agile performance management software broadening exposure to high-growth small and mid-market customers
- Product complementary to and now integrated with PeopleFluent, Gomo, Instilled brands, offering cross-sell opportunities
- Integration and operational improvements made to turn a heavily loss-making business profitable in first year of ownership



**BRIDGE**

**c.\$21m  
revenue\***

## Bridge

Acquired February 2021 for \$48.0m

- Learning, performance and skills development software for mid-market customers
- Highly complementary to our enterprise level PeopleFluent product and Breezy HR serving smaller end of market; provides a holistic customer solution and cross-sell opportunities
- Integration and operational improvements made to turn a loss-making business profitable in the first year of ownership



**PDT Global**  
Part of **affinity**

**c.£5m  
revenue\***

## PDT Global

Acquired February 2021 for £13.2m & contingent consideration up to £6.1m by 2023

- A global diversity and inclusion software offering
- Broadens our D&I solutions and complements US focused Affinity business – delivers affirmative action plans
- A profitable business now under common LTG management with Affinity, facilitating cross-selling success for additional value-add

\*Unaudited pre-acquisition 2020 revenue

# GP Strategies a Strategically Compelling Acquisition

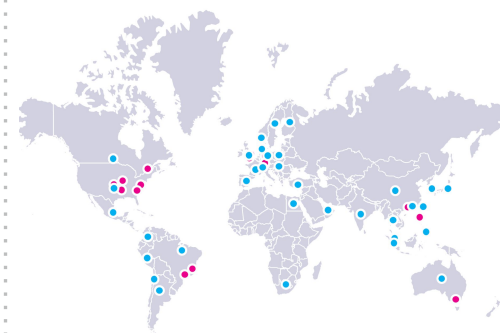
First months of ownership confirm the potential to create significant value from the combination

<b>Complementary businesses</b>		Offerings complement each other for significant cross-sell opportunities
		Bundled GPS services offer direct access to key decision makers
		Deep sector expertise in LTG target areas
		Potential for significant cost efficiencies and savings
<b>Significant market potential</b>		Combined holistic offerings
		Digital transformation driving customer demand for sophisticated/ customised solutions
<b>Customer diversification</b>		Access to blue-chip customer base
		Extensive distribution capabilities
<b>An outstanding reputation</b>		GPS has 125 US Fortune 500 customers and 121 Global 500 Customers
		Numerous industry awards
<b>A Global Footprint</b>		Increased global presence – 34 countries and 101 offices worldwide
		Further penetration into the US and Asia
		A combined business of scale with c5,300 employees*
<b>Attractive Value Creation Potential</b>		Opportunity to increase profitability
		Ability to deliver operational improvements
		Cash generative businesses; potential for Group to de-lever quickly
		Significant EPS accretion in 2022

## GP Strategies 2021 Awards



## Global Footprint



■ GPS Offices ■ LTG Offices

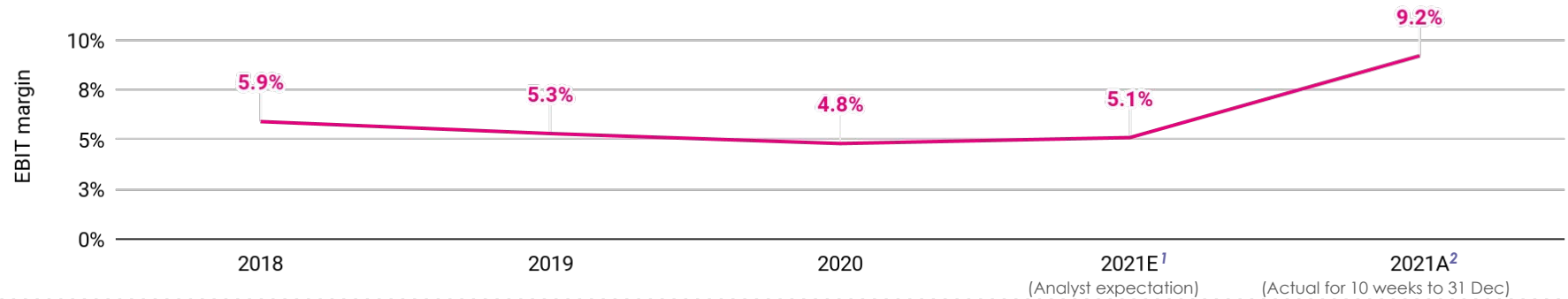
\*as at 31 Dec 2021

# GP Strategies Transformation Update

Delivering ahead of schedule and on track in FY 2022 for GPS adj EBIT margin of low double digits, with further margin improvement potential

Focus area	Post-acquisition progress
<b>Governance &amp; controls</b>	
New commercial and supplier approvals	In place – now embedding new controls
Focus on higher value-add contracts	Ongoing focus on bidding work with creative content and specialist technical expertise
<b>Cost savings &amp; efficiencies</b>	
Listing costs and corporate overheads	Listing costs eliminated, corporate overheads reduced
Supplier base rationalisation	Substantial rationalisation and re-negotiation progress, savings being achieved – work ongoing
Reduced third-party subcontractor work	Work being brought in-house; increasing staff utilisation rates
Staff reduction	Senior management reorganisation in late 2021 and, in January 2022, a planned reduction in staff, impacting 45 employees

GP Strategies EBIT margin



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

<sup>1</sup> 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

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

# Go-to-market Strategy Work is Well Underway - a Key Value Creation Driver

With GPS, we are uniquely placed to deliver talent transformation to our clients - a key strategic imperative for them today

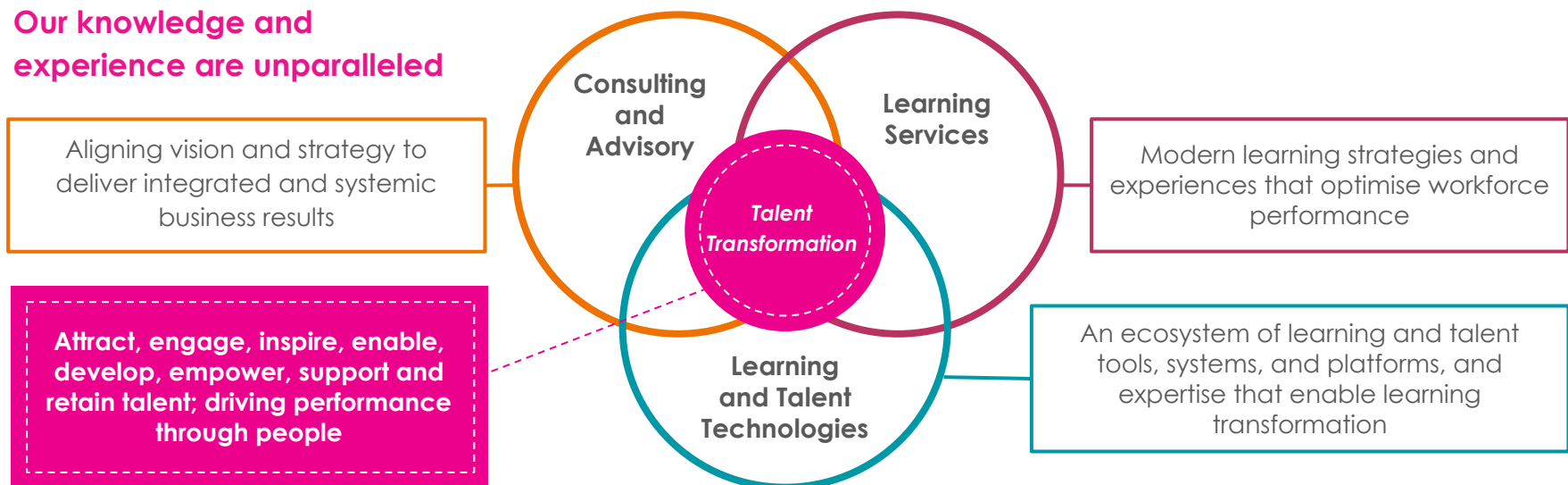
## What makes us different?

- The combination of services and technology under one roof enabling total focus on helping achieve customer strategic outcomes
- The ability to deliver end to end across digital blends and in-person learning at global scale

## Why now and why is this exciting?

- The importance of looking after people well is a strategic issue like never before
- The market has bought a great deal of learning and talent technology but has been ill-served in deriving strategic value

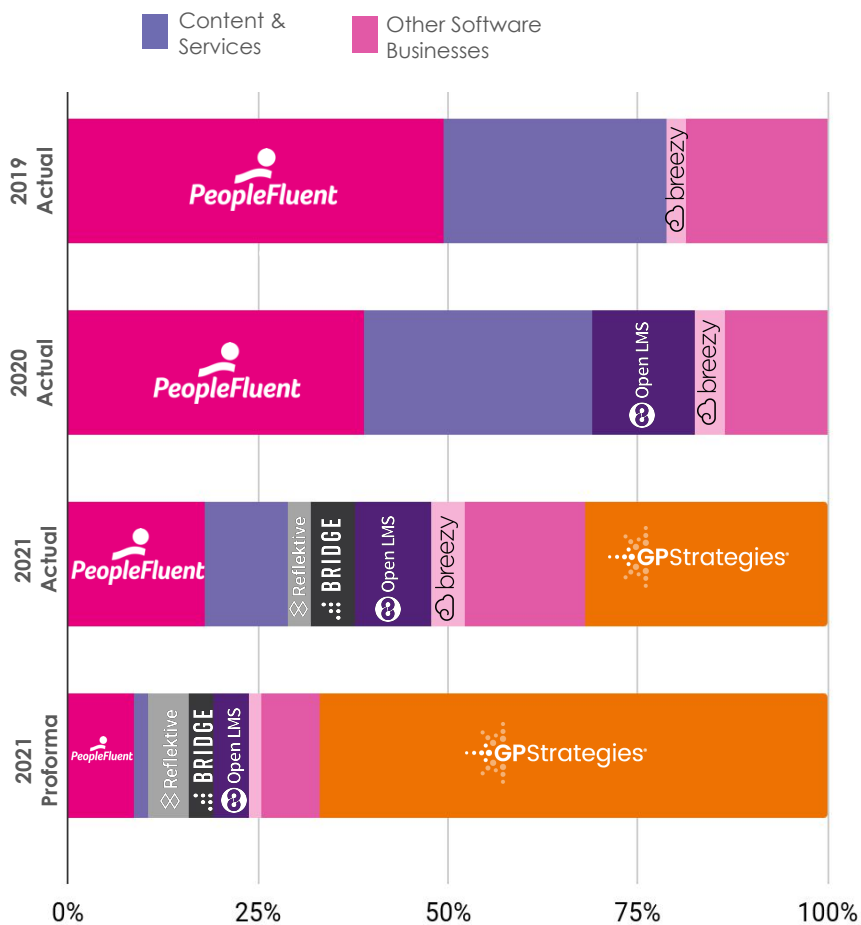
## Our knowledge and experience are unparalleled



# Scale and Diversity

An increasingly diverse business consistently delivering on cross-sell opportunities

## Increased diversity in business unit revenue mix

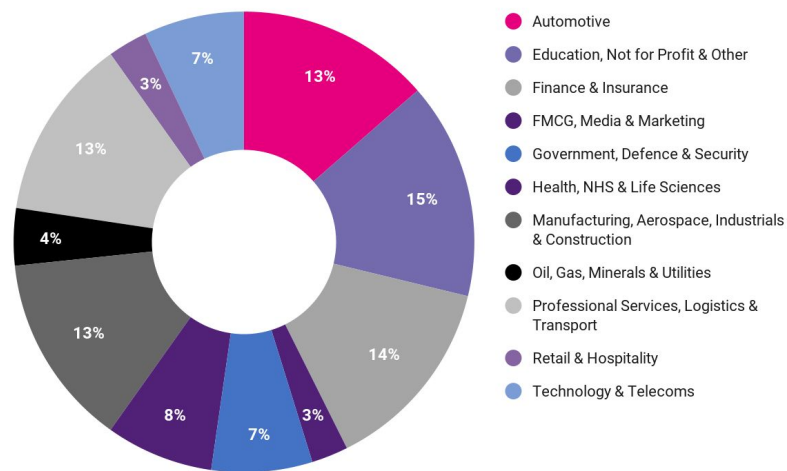


## Cross Sell Opportunity – leveraging opportunities of scale

Increased product offering and scale enables high cross-sell opportunities

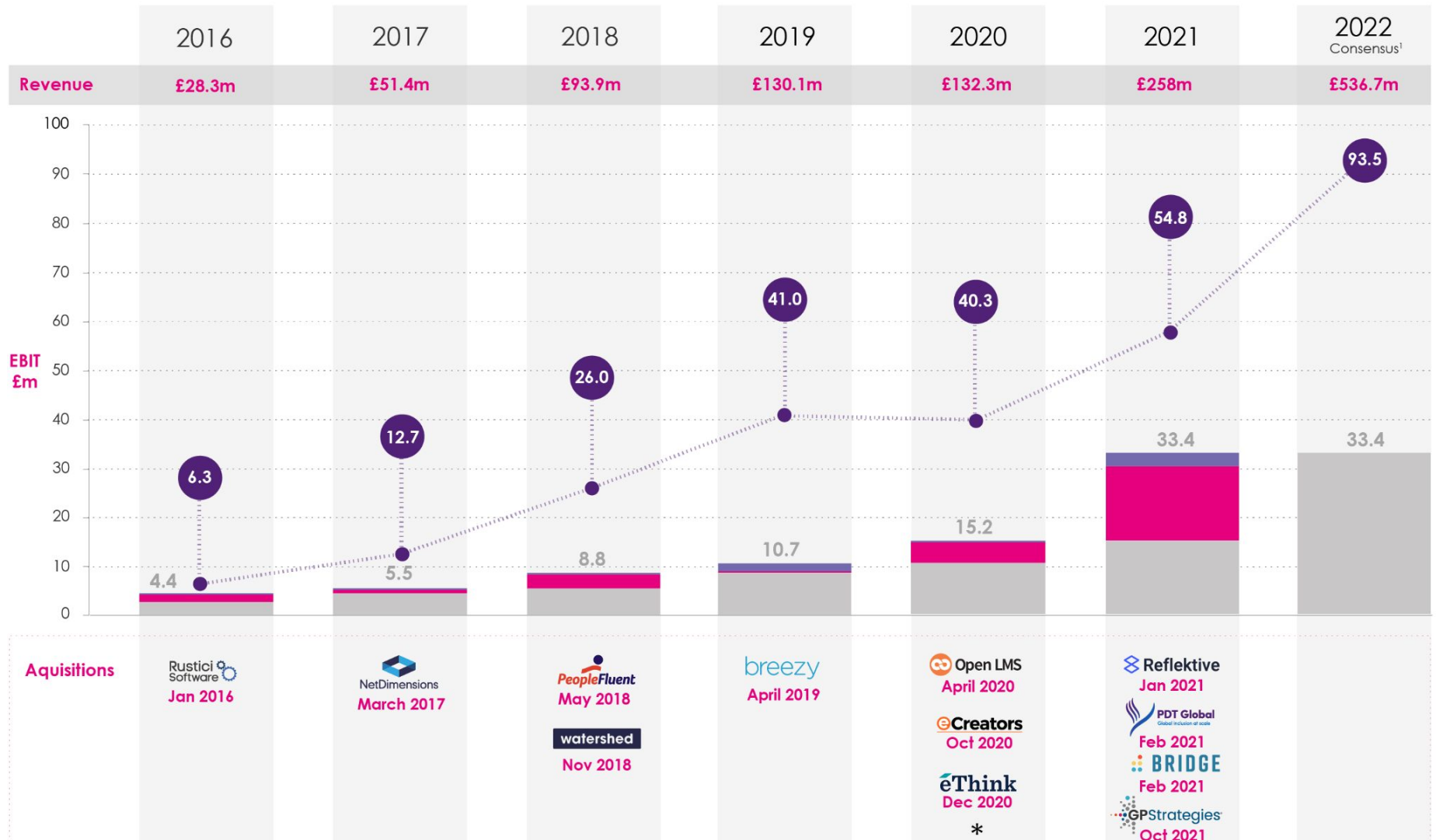
	2020	2021	Change
Average cross sells by BU (ex GP) for Top 10 clients	1.6	1.9	+19%

## LTG (inc. GP Strategies) sales by sector 2021 – strength in diversity



# Improving the operating models of the businesses we acquire

■ In year post-acquisition acquired EBIT  
■ Next year incremental acquired EBIT  
■ Cumulative EBIT of the acquired businesses (Pre FY 2021)  
● Adj EBIT



Notes: \*Patheer acquired in Sept 2020, JCA Solutions acquired in Nov 2020. <sup>1</sup> 2022E figures based on the median of the company compiled consensus market analyst estimates as at 17 Jan 2022.



# ESG - Supporting Clients Make a Positive Impact



## Empowering our clients to achieve their ESG priorities

Reducing the need to travel for learning by providing learning systems to more than 16 million people in 62 countries, including a number of global charities such as Humentum, which provides more than 150 learning programmes to the NGO community globally.

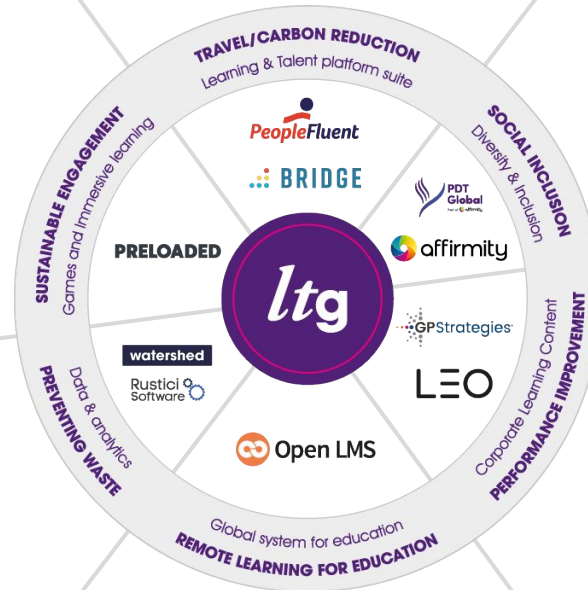
Helping over 1,200 companies achieve workforce equity through solutions that optimise affirmative action and diversity, equity and inclusion programmes.

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.

Using data to make learning more efficient and saving waste – impacting c200 million people globally.

Reaching 4 million Higher and Further Education students globally so they can receive high-quality, interactive learning remotely.

Providing Environmental, Social and Governance learning content for 5 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 Equity & Inclusion.





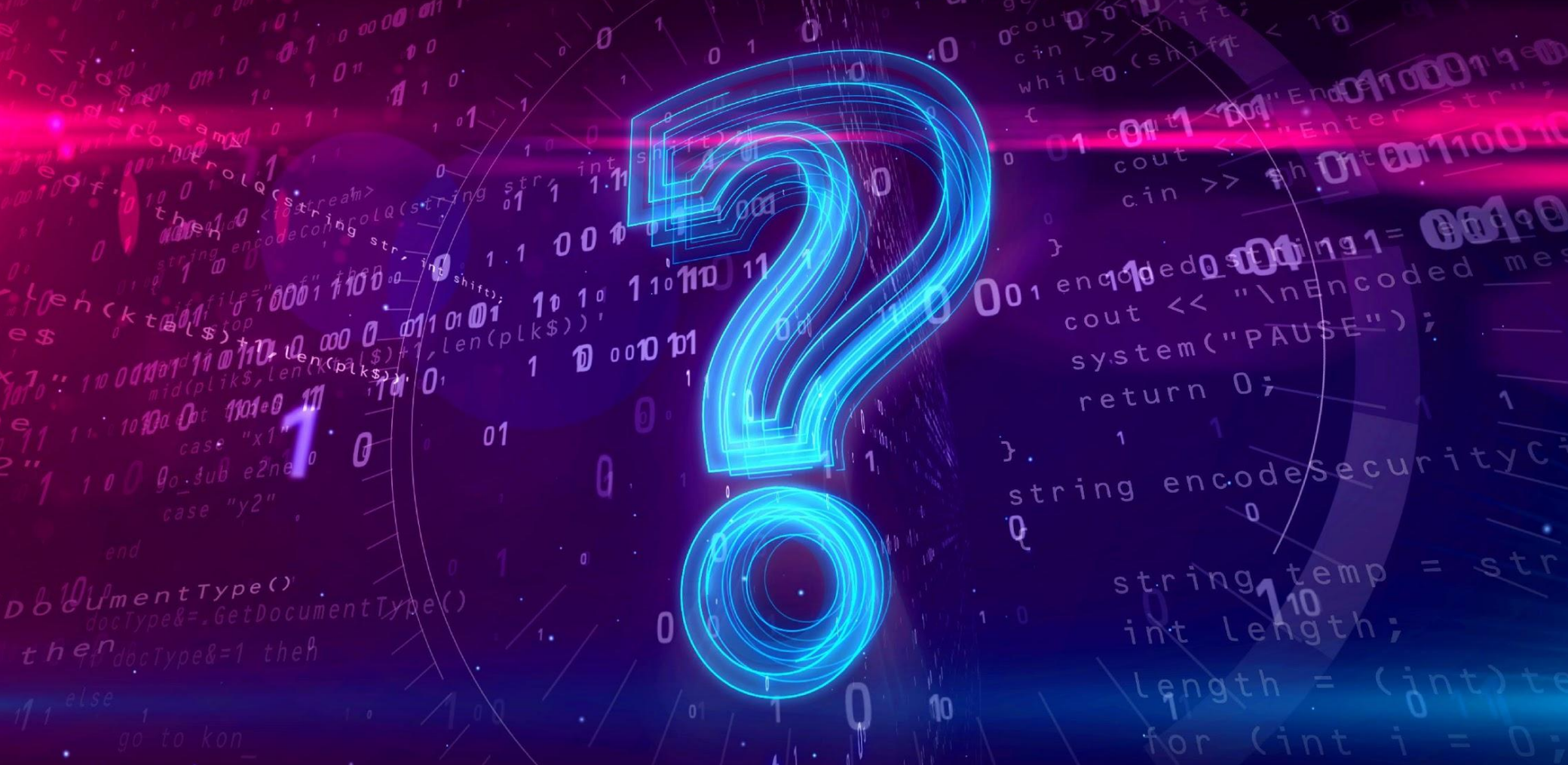
# Summary and Outlook

## Summary

- Another exciting and successful year for LTG
- Strong organic revenue growth reflecting attractive industry fundamentals
- Continued track record of improving the operating model and performance of businesses we acquire
- Transformational GP Strategies acquisition progressing ahead of plan and enables us to upgrade our margin expectation for FY 2022

## Outlook

- Current trading in Q1 2022 is strong, in line with management expectations
- Following the transformational GP Strategies acquisition, LTG has:
  - A platform to capture a greater proportion of the circa \$100 billion and growing addressable market in digital learning and talent management
  - A deeper offering to serve a global customer base facing greater complexity and change, creating further margin enhancement and cross-sell opportunities
- Strong business momentum has continued into the new financial year underpinning the Board's confidence of significant progress in FY 2022 and our robust balance sheet supports further potential software company acquisitions



## Q&A



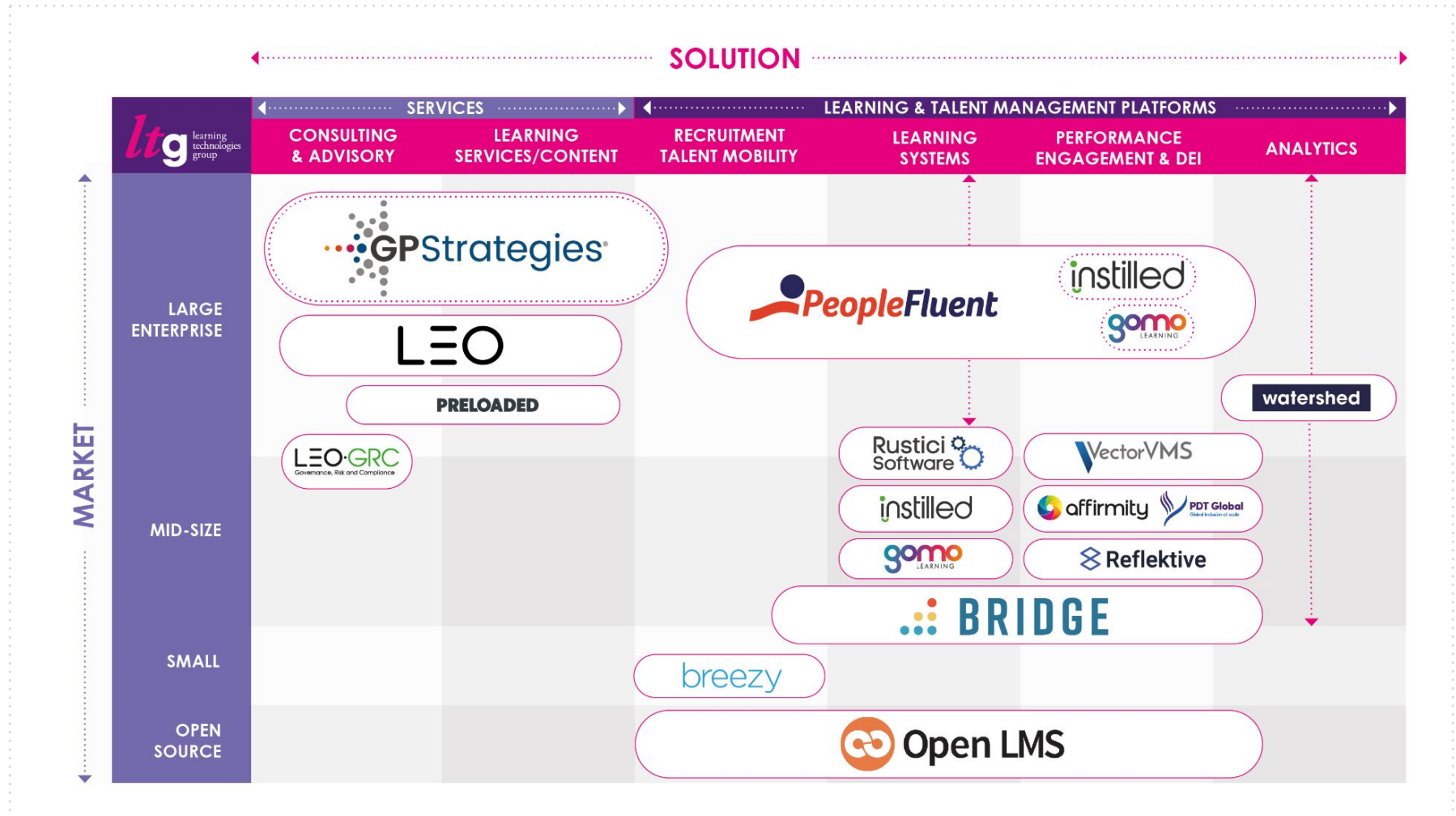


# Appendices

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# LTG's unique offering

Specialist talent management and learning solutions that address the entire market ecosystem



# Business Sustainability

## Enhanced ESG management and performance

### Environmental Management

- Commitment to a net zero business by 2050, or sooner
- Rationalisation of our footprint (office and in-house data centres)
- Investigating renewable energy options
- Leveraging sustainable third-party data centres

### Our People

- Improved employee engagement (2021: 62%, 2020: 59.5%). Expanding surveys across all Group brands via Bridge in FY 2022
- Enhanced our D&I strategy via PDT and Affirmity; new global head of D&I
- Over 33% female representation in total workforce (44%), the Board (50%), Executive Committee (35%) and first-line managers (47%)
- Increased overall training investment for 2021 - Leadership Framework, reimagining Essential Learning, support for managers during onboarding

### Data Privacy & Security

- Employing best-practice across the Group
- Cyber Essentials Plus certifications and principles applied across the Group
- Information security and data privacy training for all employees; enhanced global data privacy compliance programme
- Breezy HR achieved ISO 27001 accreditation, with Watershed and Open LMS to follow in FY 2022

### Ethics & Governance

- Confidential whistleblowing programme launched
- Development of a sustainable procurement policy in FY 2022
- Improved ESG framework, governance, data flow and reporting
- ESG Committee is lead by CFO
- Non-core National Aerospace Solutions LLC (NAS) shareholding disposed (April 2022)

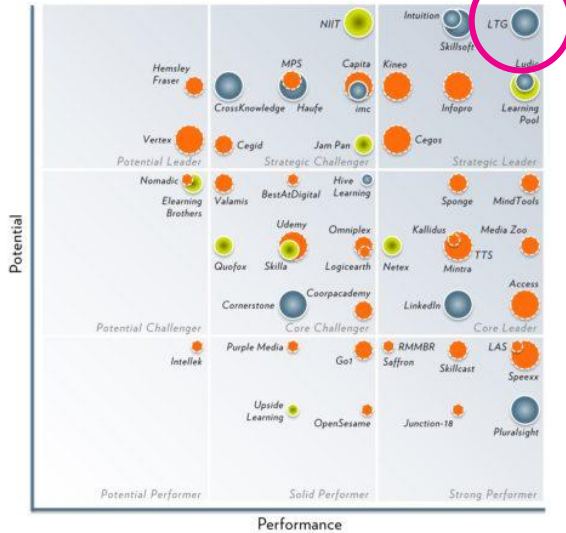


# LTG in the Corporate Digital Talent Management and Learning Markets



“Europe’s #1 HR industry analyst focused on Next Gen HR, Talent and Learning”

Fosway 9-Grid™ - Digital Learning



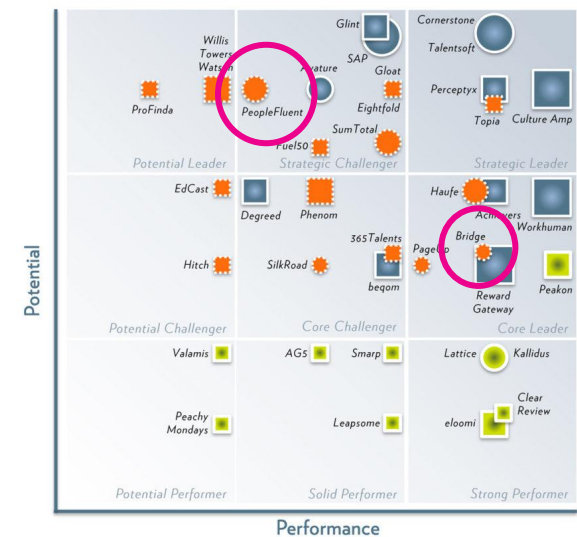
**LTG - Strategic Leader**  
Jan 2022

Fosway 9-Grid™ - Learning Systems



**PeopleFluent - Core Leader**  
**Bridge - Strong Performer**  
Jan 2022

Fosway 9-Grid™ - Talent & People Success



**PeopleFluent/Bridge - Core Leader**  
Nov 2021

Key

Type

Suite

Specialist

Presence

Higher

Mid

Lower

Total Cost of Ownership

Higher

Mid

Lower



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## Five-year financial summary

Year ended 31 December	2017	2018	2019	2020	2021
<b>Revenue (£'000)</b>					
Existing business	38,894	51,813	126,614	120,116	146,848
Acquisitions in period	12,459	42,078	3,489	12,208	111,378
	<b>51,353</b>	<b>93,891</b>	<b>130,103</b>	<b>132,324</b>	<b>258,226</b>
Growth	82%	83%	39%	2%	95%
<b>Adjusted EBIT (£'000)</b>	<b>12,669</b>	<b>25,991</b>	<b>41,022</b>	<b>40,348</b>	<b>54,754</b>
Growth	100%	105%	58%	-2%	36%
Margin	25%	28%	32%	30%	21%
<b>EPS (pence)</b>					
Basic	0.235	0.655	1.628	2.450	1.959
Diluted	0.225	0.641	1.584	2.382	1.878
<b>Adjusted - Diluted</b>	<b>1.804</b>	<b>3.040</b>	<b>4.351</b>	<b>4.294</b>	<b>5.010</b>
Growth	72%	69%	43%	-1%	17%
<b>Dividend (pence)</b>					
Interim	0.09	0.15	0.25	0.25	0.30
Final	0.21	0.35	0.50*	0.50	0.70
<b>Total</b>	<b>0.30</b>	<b>0.50</b>	<b>0.75</b>	<b>0.75</b>	<b>1.00</b>
Growth	43%	67%	50%	0%	33%
<b>Net Cash/(Debt) (£'000)</b>	<b>1,048</b>	<b>(11,465)</b>	<b>3,830</b>	<b>70,202</b>	<b>(141,412)</b>

\*Proposed and deferred



# Acquisitions

	Open LMS	eCreators	eThink	Reflektive	PDT Global	Bridge	MoodleNews	GP Strategies
<b>Description</b>	Open-source learning management systems	Open-source learning management systems	Open-source learning management systems	Performance management software	Online diversity and inclusion training solutions	Learning, performance and skills development platform	Online e-learning news outlet and E-Learning Success Summit host	Global workforce transformation provider
<b>Location</b>	Various	Melbourne, Australia	Delaware, USA	San Francisco, USA	London, UK	Various	Colorado, USA	Various
<b>Ownership</b>	100%	100%	100%	100%	100%	100%	100%	100%
<b>Acquisition Date</b>	April 2020	October 2020	December 2020	February 2021	February 2021	March 2021	August 2021	October 2021
<b>Consideration</b>	\$'000	AUD\$'000	\$'000	\$'000	£'000	\$'000	\$'000	\$'000
<b>Initial - cash</b>	27,159	5,996	19,133	13,677	13,417	47,549	50	392,035
<b>Initial - shares/options</b>	-	-	-	-	-	-	-	163
<b>Deferred (Balance sheet)</b>	-	§	§	-	§	-	50	‡
<b>Deferred (capped) *</b>	-	6,500	15,990	-	6,100	-	-	885
<b>Fair value of previously held investment</b>	-	-	-	-	-	-	-	-
<b>Total (per Balance sheet)</b>	27,159	5,996	19,133	13,677	13,417	47,549	100	392,198
<b>Total (capped)</b>	27,159	12,496	35,123	13,677	19,517	47,549	100	393,083
* Includes earn-out bonuses								
‡ Treated as post combination share based payment charge so not capitalised on acquisition								
§ Treated as post-combination remuneration so not capitalised on acquisition								

# 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 elearning, face-to-face training, resources, video and any other type of learning technology.
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.
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)

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