

LON:LTG



# Closing the gap between current and future workforce capability



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**Learning Technologies Group plc**

**2022 Interim Results**

**Jonathan Satchell**  
Chief Executive

**Kath Kearney-Croft**  
Chief Financial Officer

**22 September 2022**

# H1 2022 Results

## Strategic Highlights

- Resilient growth across LTG, with stronger than expected organic growth in GP Strategies
- The Group is benefitting from its well embedded commercial discipline in the current economic environment
- GP Strategies delivering margin improvements in line with expectations
- New compelling market positioning articulating our powerful integrated story is already driving new growth opportunities

## Financial Highlights

- Strong revenue growth of 241% to £281.8 million (H1 2021: £82.6 million), supported by GP Strategies which contributed £184.9 million and the FX tailwinds of a stronger US Dollar.
- Group organic revenue growth of 5.2% :
  - Software & Platforms: 6.5% organic growth, driven by strong performance in Breezy, Rustici and Watershed which more than offset the expected decline in PeopleFluent
  - Content & Services: 1.6% growth supported by good performance in PRELOADED and Affirmity
- SaaS & long-term contract revenues at 71% of Group (H1 2021: 77%), reflecting higher organic growth with long-term clients and partially offsetting change in the portfolio mix since the acquisition of GP Strategies
- Adjusted EBIT growth doubled over the prior year to £44.1 million (H1 2021: £22.0 million)
- Cash generated from operations £26.8 million (H1 2021: £19.9 million). Cash conversion of 60% included a normal H1 cyclical working capital investment in GP Strategies masking a 98% cash conversion in the rest of the Group
- Gross cash of £71.9 million and net debt at 30 June 2022 was £145.3 million (compared to £24.9 million net cash at 30 June 2021 prior to the GP acquisition) which includes the impact of a stronger US Dollar on the dollar denominated debt. Gross cash as at 16 September was £83.3 million



# Financial Highlights Review



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

# H1 2022 Financial Highlights: robust performance delivered

## Revenue

**H1 2022: £281.8m**

+241%  
(H1 2021: £82.6m)

Revenues (£m)

■ H2 ■ H1



## Underlying Organic Revenue \*

**+5.2%**

S&P +6.5%

C&S +1.6%

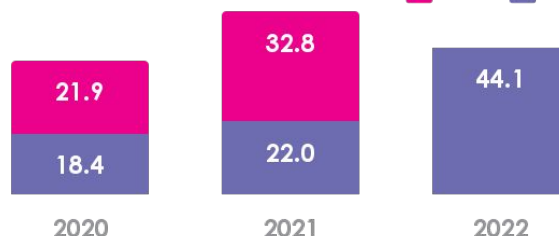
## Adjusted EBIT

**H1 2022: £44.1m**

+100.0%  
(H1 2021: £22.0m)

Adjusted EBIT (£m)

■ H2 ■ H1



## Adjusted EBIT Margin

**H1 2022: 15.6%**

(H1 2021: 26.7%)

## Adjusted dEPS

**H1 2022: 3.715 pence**

+60.8%  
(H1 2021: 2.310 pence)

Adjusted d.EPS (pence)

■ H2 ■ H1



## Net Debt

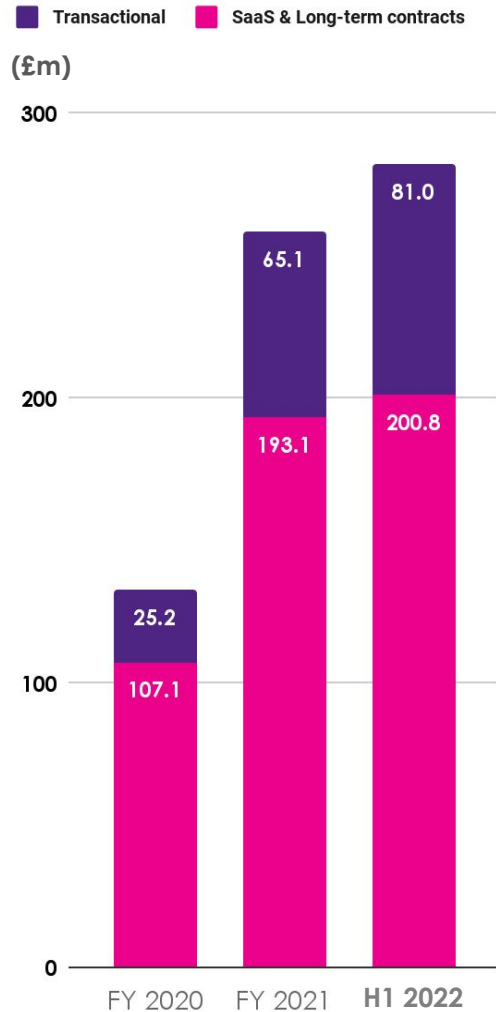
**H1 2022 £145.3m**

(H1 2021: £24.9m net cash)

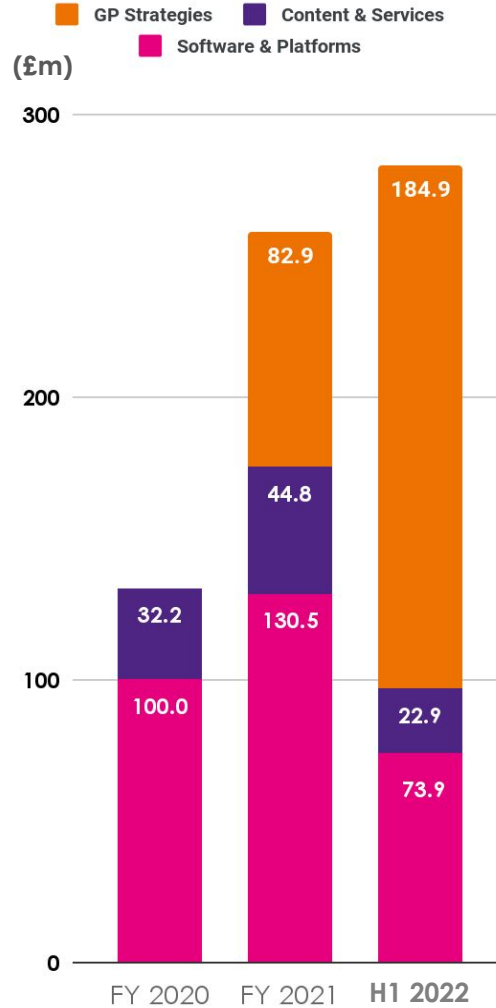
\*On a constant currency basis and excluding the inorganic growth of Reflektive, PDT Global and Bridge, and excludes GP Strategies.

# Revenue: Highly Visible and Diversified

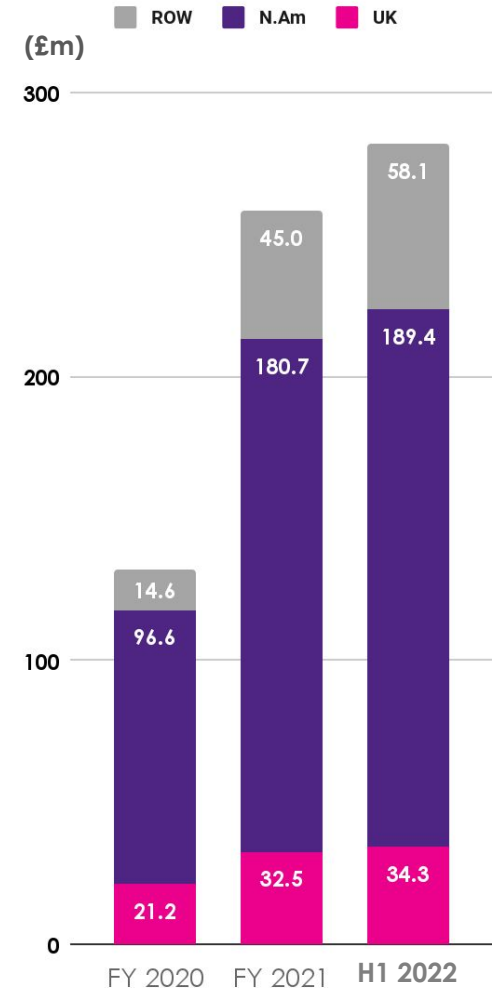
Long-term visibility



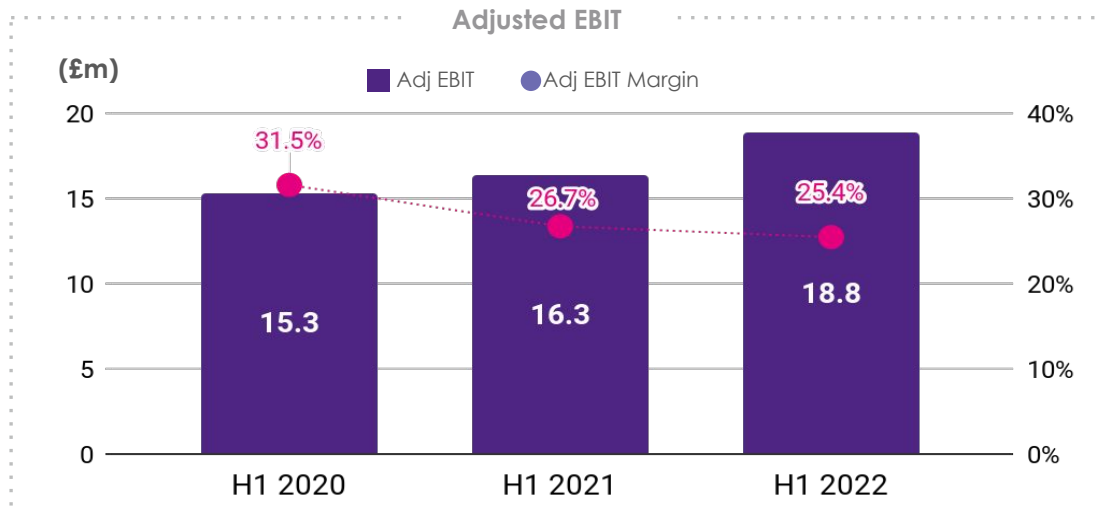
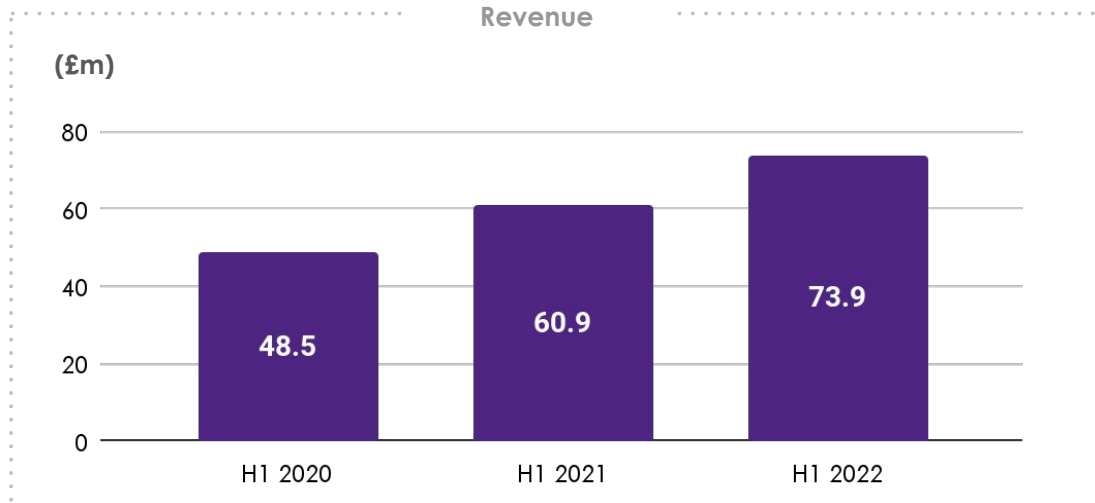
Divisional revenue



Diversified international footprint



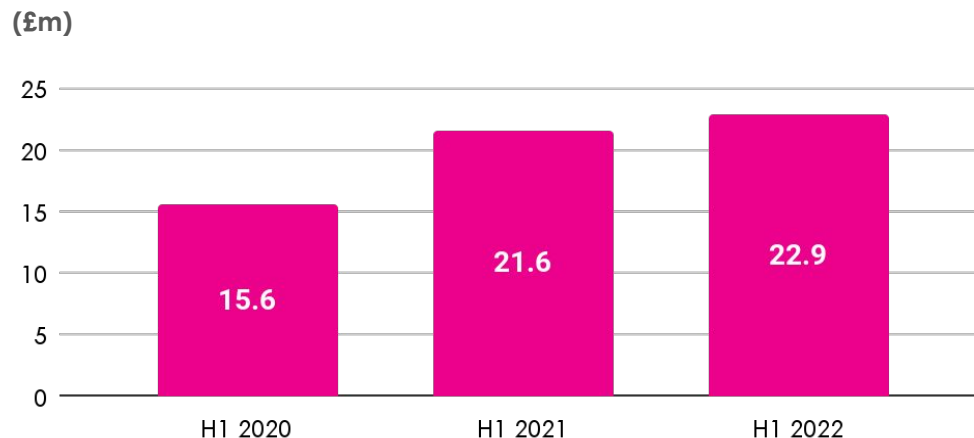
## Divisional Performance: Software & Platforms



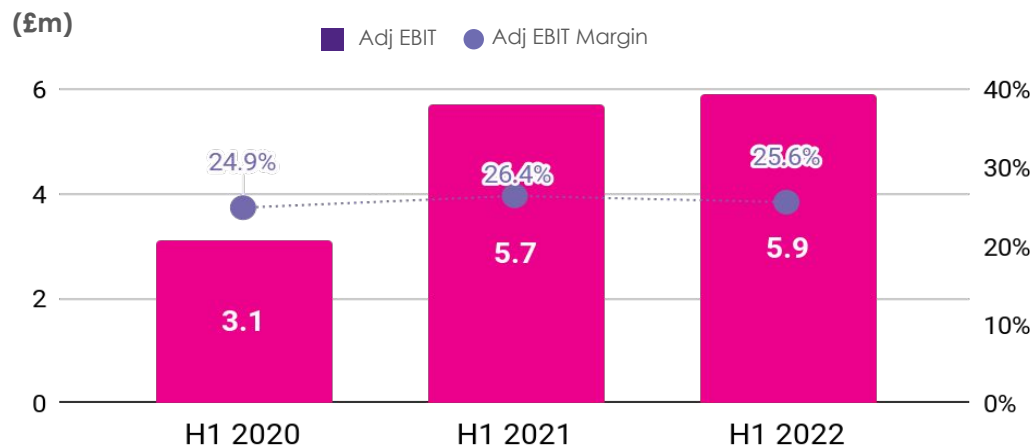
- Organic revenue growth of 6.5%
- Organic revenue growth excluding PeopleFluent of 16%
- Strong organic growth from Breezy, Rustici and Watershed
- As expected churn in PeopleFluent due to loss of customers with less complex needs
- Adjusted EBIT increased 15% driven by a combination of organic growth, the remaining inorganic contribution of Reflektive & Bridge (acquired in Q1 2021) and FX tailwinds, partially offset by lower performance in PeopleFluent
- Adjusted EBIT margin at 25.4% as operational leverage achieved on faster growing businesses offset by a reduction in margin from PeopleFluent and incremental central costs from the larger Group operating under normal conditions

## Divisional Performance: Content & Services

Revenue



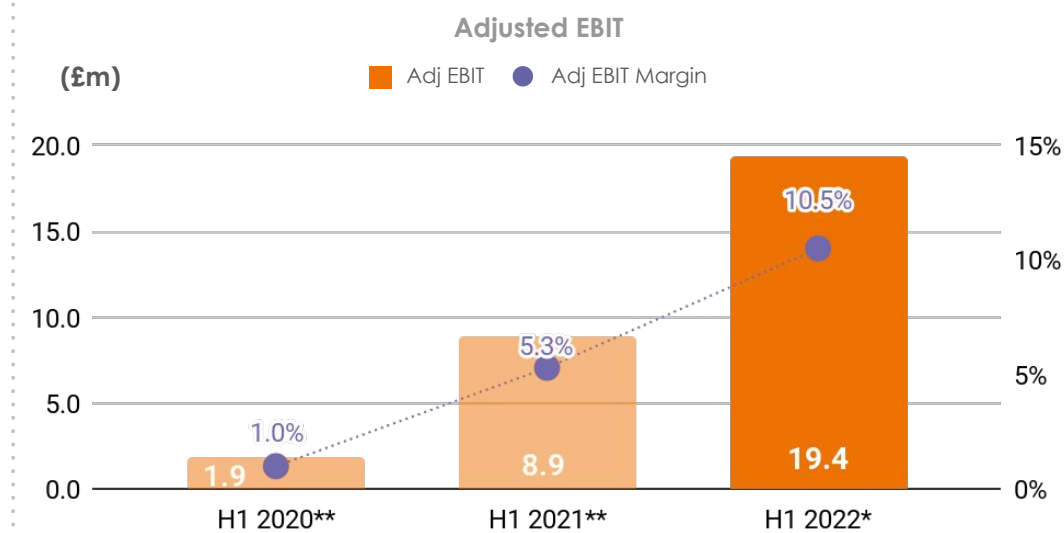
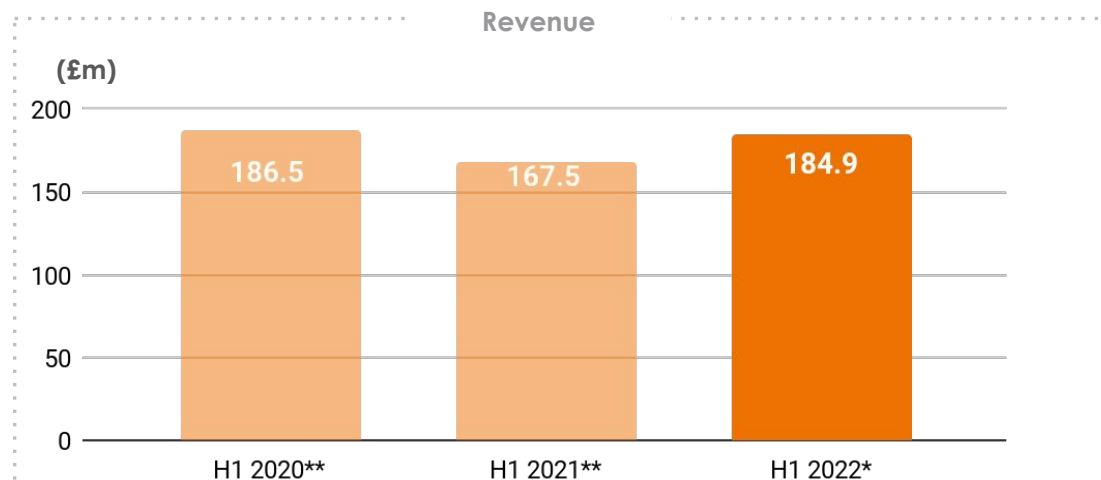
Adjusted EBIT



- Organic revenue growth of 1.6%
- Good growth in PRELOADED and Affirmity, PDT and Leo in line with the segment average partially offset by lower service revenue from software businesses due to large implementation contracts in 2021 not repeated in 2022
- C&S is firmly underpinned by a strong order book and sales pipeline which shows no signs of diminishing but, in some cases, is taking longer to finalise and proceed into the delivery phase. H1 2022 Revenue of £22.9m
- Adjusted EBIT increased by 3% driven by a combination of organic growth, FX tailwinds and the remaining inorganic element of PDT acquired in Q1 2021
- Adjusted EBIT margins at 25.6% with a broadly neutral portfolio mix and incremental central costs from the larger Group operating under normal conditions



# GP Strategies Performance\*



- Although excluded from the Group's organic constant currency calculation, organic constant currency growth for GP Strategies was 4.6% on a like-for-like basis
- Particularly strong growth was experienced in North America, LATAM and Effective People EMEA businesses with some softness in APAC due to continued COVID19 restrictions
- Adjusted EBIT margins were 10.5%, an increase from 9.2% during LTG's ownership in 2021
- Continued margin improvement is underpinned by the commercial transformation as the division continues its journey to mid-teen margins by the end of 2022

\*Acquired 14 October 2021

\*\*H1 2020 and 2021 proforma revenue and adj EBIT using GBP/USD 1.2568 and 1.3898, respectively.



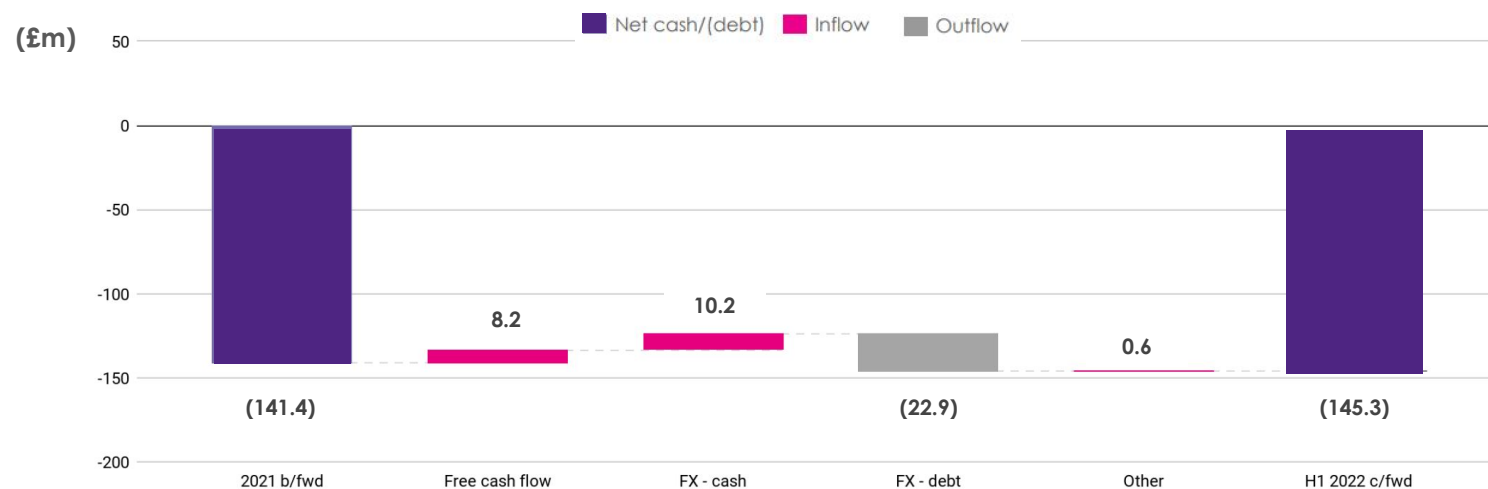
# Cash Flow & Conversion

£'000	H1 2022	H1 2021	Variance
Statutory operating profit	21.4	5.1	16.3
Adjusting items	22.7	17.0	5.8
<b>Adjusted EBIT</b>	<b>44.1</b>	<b>22.1</b>	<b>22.0</b>
Depreciation & Amortisation	7.8	3.9	3.9
Share based payment charges	4.1	2.1	2.0
Dec / (Inc) working capital	(17.7)	(2.0)	(15.7)
Capital expenditure	(5.0)	(3.9)	(1.1)
Lease liabilities	(4.0)	(2.0)	(2.0)
Other	(3.0)	(2.1)	(0.9)
<b>Adjusted operating cash flow</b>	<b>26.3</b>	<b>18.1</b>	<b>8.2</b>
<b>Cash conversion</b>	<b>60%</b>	<b>82%</b>	<b>(22)%pts</b>
Net Interest paid	(3.7)	(0.2)	(3.5)
Tax paid	(8.2)	(4.3)	(3.9)
Integration & transaction costs	(2.3)	(2.5)	0.2
Earnout	(6.2)	(1.7)	(4.5)
Proceeds from asset sale	2.3	0.0	2.3
<b>Free cash flow</b>	<b>8.2</b>	<b>9.4</b>	<b>(1.2)</b>

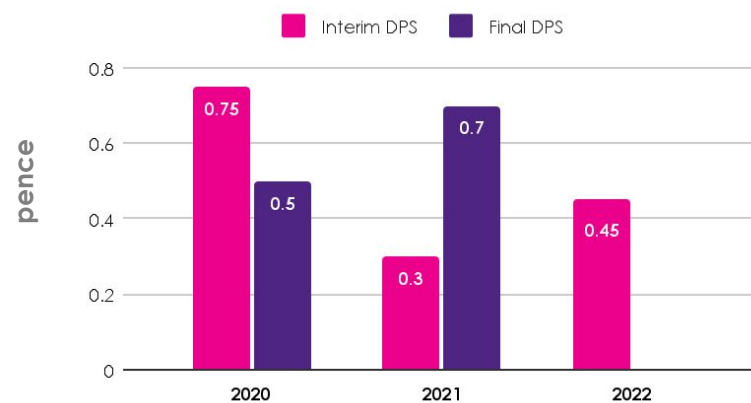
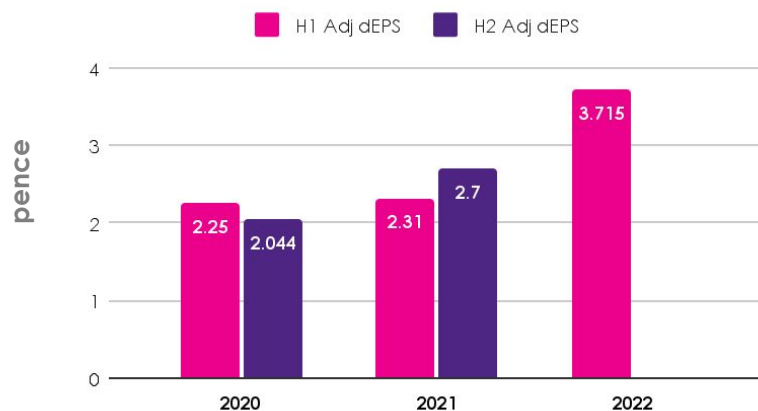
- Cash conversion calculation has been refreshed from prior periods - now includes capital expenditure and based on adjusted EBIT
- Adjusted operating cash flow £8.2 million higher
- Cash conversion 60% including £17.7m increase in working capital reflecting an H1 cyclical investment in GP masking 98% cash conversion in the rest of the Group
- Full year cash conversion expected to return to normal mid-80% levels
- Net interest due to increased debt to fund the GP acquisition
- Higher tax payments due to the enlarged size of the Group
- Integration & transaction costs primarily relate to the GP Strategies acquisition
- £6.2m earnout payments relate to Breezy, PDT Global, eCreators and Watershed.
- Proceeds from asset sale relate to the disposal of the NAS JV completed in April 2022

# Net Debt Position & Dividend Growth

Cash/(Debt) Bridge



Strong performance underpins reinstatement of dividend





# LTG Strategic Review



**Jonathan Satchell**  
*Chief Executive*

# GP Strategies Transformation Update

Delivering ahead of schedule - adj EBIT margin will be at least 12% in FY22  
with further substantial margin improvement expected in FY23

## Post-acquisition progress

### People

Targeted reductions in senior management in specific parts of the business

Limited reduction in headcount in parts of the business that were not optimally staffed; did not backfill a portion of voluntary attrition due to increases in efficiency.

Conversion of non-billable staff to billable roles and reduction in use of contractors

Introduction of enhanced hiring governance

Improvements to labour utilisation and establishment of productivity metrics

Extension of existing focus on near-shoring/offshoring labour

Insourcing of expensive third party costs in both operations and G&A

Ongoing backfills of staff at reduced cost, supported by improvements to onboarding/training

### Cost savings & efficiencies

Introduction of enhanced procurement governance and training

Establishment of dedicated procurement function and intensive renegotiation effort of 'big ticket' renewals

Reduced external 3rd party technology costs due to available internal LTG technologies

Ongoing optimisation of real estate portfolio

### Client engagements

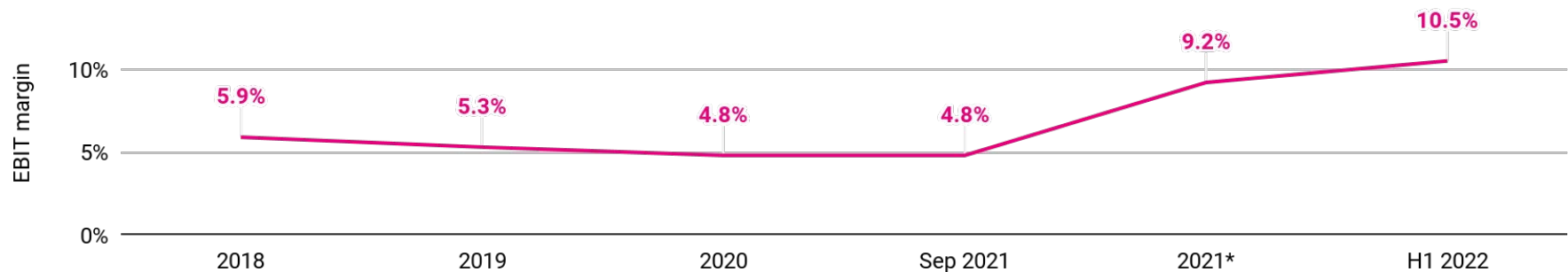
Expanded scope in new geographies for key, higher margin accounts

Targeted turnaround of underperforming large accounts

Closer alignment of sales pricing with delivery metrics

Investment in new approaches to drive value sales rather than price based sales

## GP Strategies EBIT margin



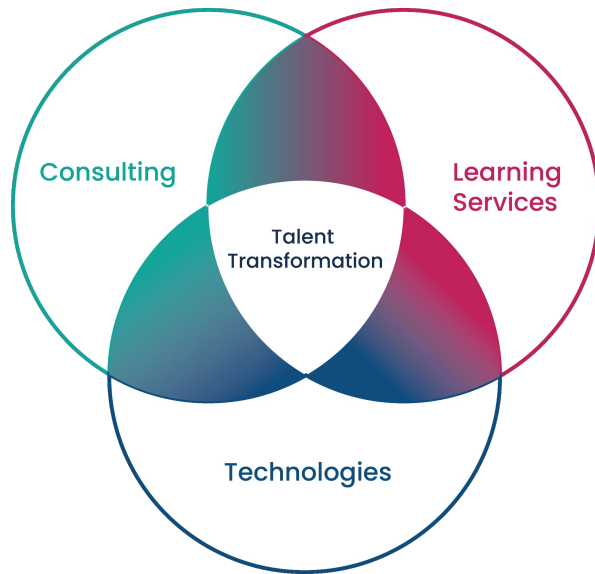
*\*\*GP Strategies Acquired 14 October 2021*

*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*

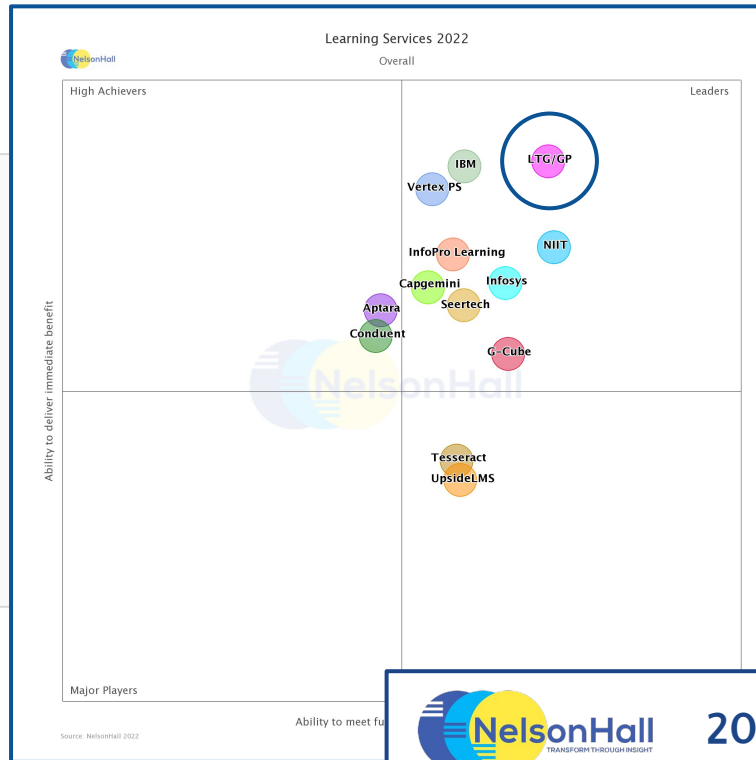
*2 Post-acquisition period under LTG ownership: 15 October 2021 to 30 June 2022; in accordance with LTG accounting policies*

## Our unique value is in the intersection of these areas



Consulting	Learning Services	Technologies
<ul style="list-style-type: none"> <li>• Organisational Performance &amp; Skills Strategy</li> <li>• Learning Technology Consulting</li> <li>• Measurement &amp; Analytics Consulting</li> <li>• Strategic Learning Consulting</li> <li>• Organizational Design</li> <li>• Change Management</li> <li>• Talent Strategy</li> <li>• L&amp;D Transformation</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>• Technology Adoption</li> <li>• Technology Implementation</li> <li>• Workforce Technical Solutions</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>• Learning Analytics</li> <li>• Diversity, Equity, &amp; Inclusion</li> </ul>

# LTG now being recognised as a more comprehensive global market leader



# Why GP?







## Multi-product solutions supported by comprehensive services, drive cross selling opportunities



LEO

BRIDGE

Rustici  
Software

GPStrategies

This professional association in the financial industry, works with multiple businesses within LTG to deliver learning and accreditation services to more than 400,000 members worldwide. The solution LTG provided involved not only the creation of a new learning ecosystem, but substantial implementation support from **GP Strategies**. The **Bridge** LMS handles learning content hosting for the organization's customers and the **Rustici** Content Controller was used to enforce content licensing **LEO** provided a compact, but critical, amount of custom code to track the organization's proprietary accreditation and GP Strategies helped to implement the plan and assisted with all aspects of change management and testing.

LEO

GPStrategies

As one the world's largest insurance providers, compliance behaviours and awareness is embedded into everyone's working lives. By playing with both motivational & cognitive gamification, we are making MetLife's Internal Audit curriculum memorable. By pairing GP's strategic relationship and deep knowledge of MetLife with LEO's gamification experts, we are using play to connect real work improvements and shifts to individual behaviours.

LEO

GPStrategies

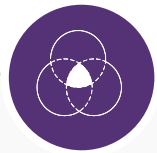
A leading APAC based bank has set out to create a Values-Based Behavioral programme which will impact employees across all the regions. Together GP & LEO can offer regional, on the ground support and 'more than lip-service behaviour impact'. Designing customer centric learning through blended design and underpinned by measurement, we look to create a programme that delivers consistent outcomes and enables every employee to apply what they learn.

# Product Integration

## Learning + Performance Platform



Expanding Bridge existing capabilities by leveraging LTG technologies and integrating advanced capabilities for a connected experience across learning, performance, & talent



### Patheer Talent Marketplace

AI-driven talent mobility, skills ontology, matching, recommendations, projects and mentoring



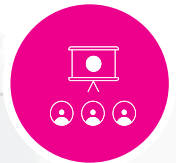
### Reflektive Performance

Performance mgmt, calibration, check-ins, engagement and career development capabilities



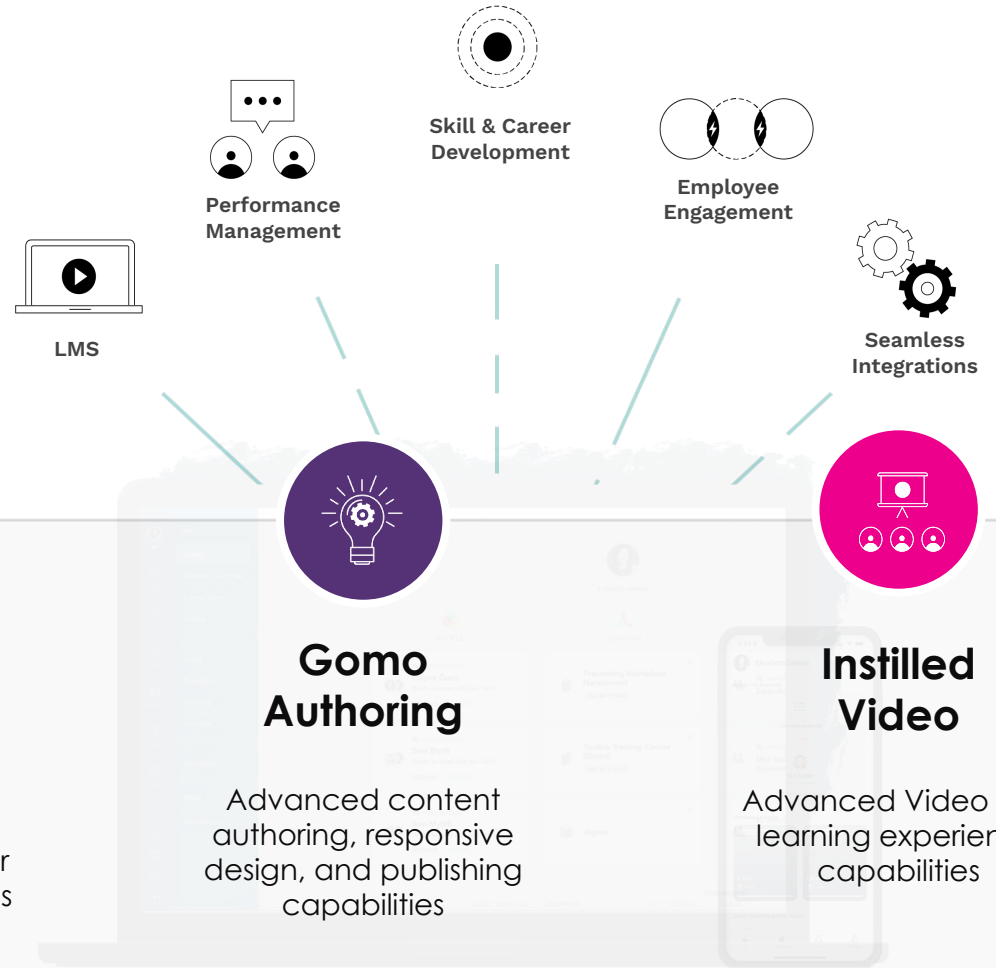
### Gomo Authoring

Advanced content authoring, responsive design, and publishing capabilities



### Instilled Video

Advanced Video and learning experience capabilities



## M&A Update

- LTG began actively building an M&A pipeline in April 2022
- LTG continues to focus on software and product companies to augment our offering
- LTG expects to deliver internally financed small/medium deals over the next 12 months and a larger acquisition requiring an equity placing in due course.
- Since 30 June, two UK based businesses within GP Strategies are identified as non-core assets and LTG will make plans exit them as soon as practicable
- LTG's strategic growth target for FY 2025, which includes anticipated acquisitions, will be announced at its CMD on 13 October

# Summary and Outlook

## Summary

- Group organic revenue growth +5% alongside stronger than expected revenue growth in GP Strategies
- LTG's robust performance has continued into the second half, further enhanced by FX tailwinds
- GP Strategies' transformation is progressing strongly, with EBIT margin on track to achieve an average of 12% for FY22 and an exit rate of c.15%
- New go-to-market strategy bringing together expertise across the LTG companies to form a cohesive offering for talent development that will support our clients drive their businesses forward

## Outlook

- Second half has started well - LTG expects to deliver ahead of company compiled analysts' consensus for FY22 with the strength of the US dollar substantially contributing to the increasing Group EBIT
- Net debt: adjusted EBITDA of 1.5x at the end of June 2022 (FY21: 1.8x), expected to fall to c.1x by FY22, assuming no further strengthening of the US dollar and no acquisitions
- Continue to selectively evaluate a limited number of potential acquisition opportunities as the year progresses.



# Q&A





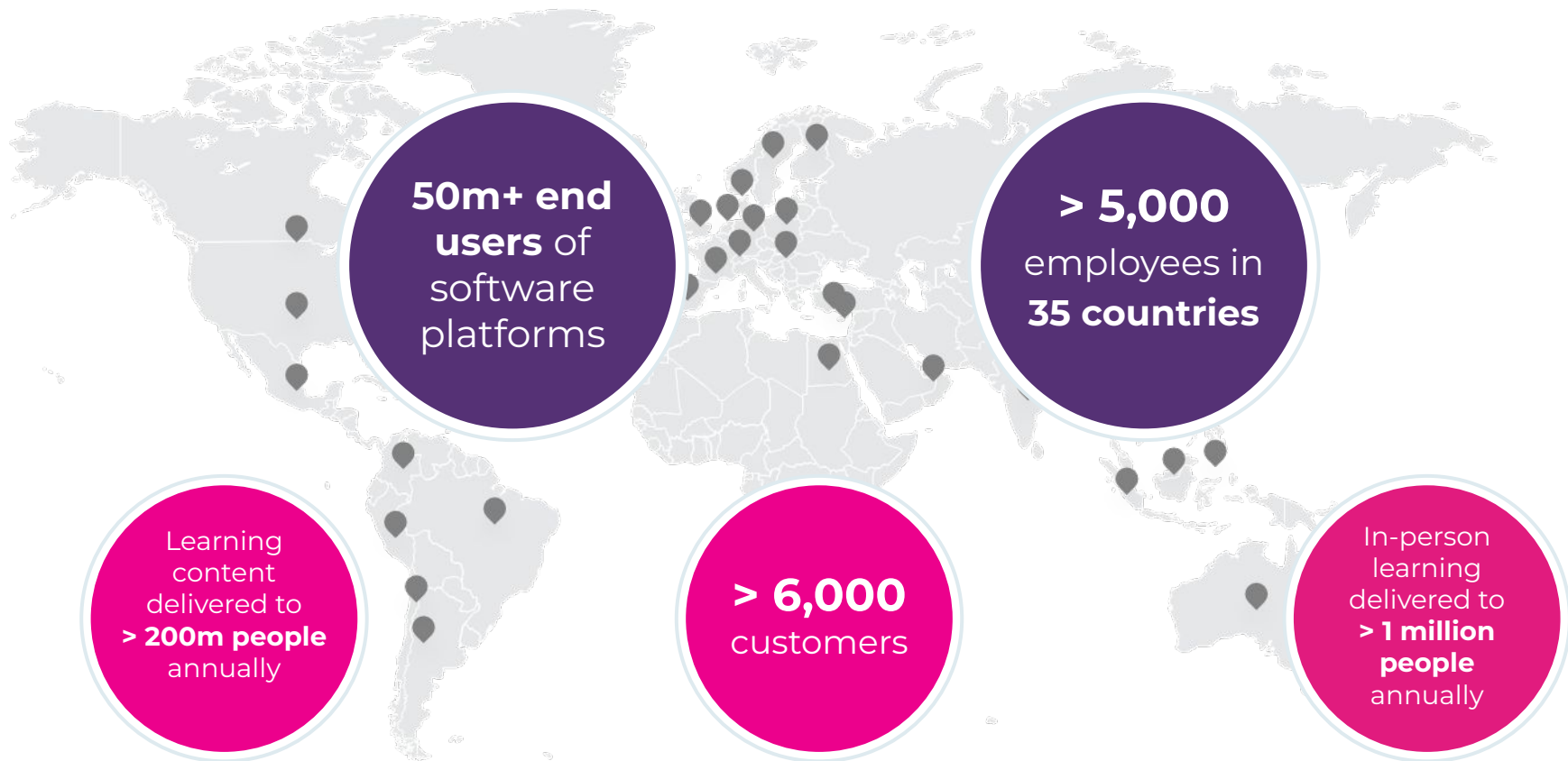
Thank you



# Appendix



## We have unparalleled global reach and scale

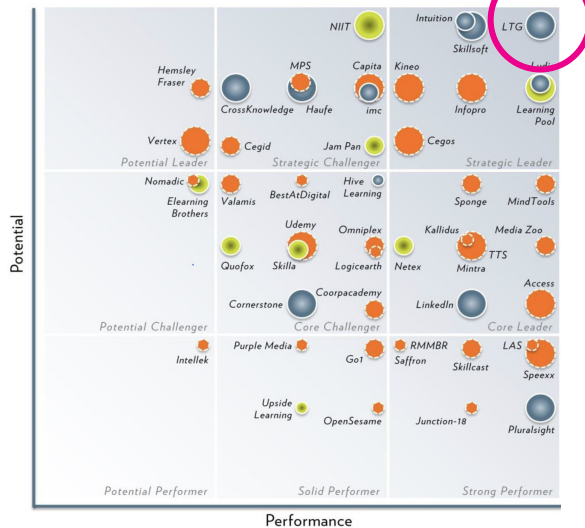


LTG product family and partner technologies

# LTG in the corporate digital talent management and learning markets

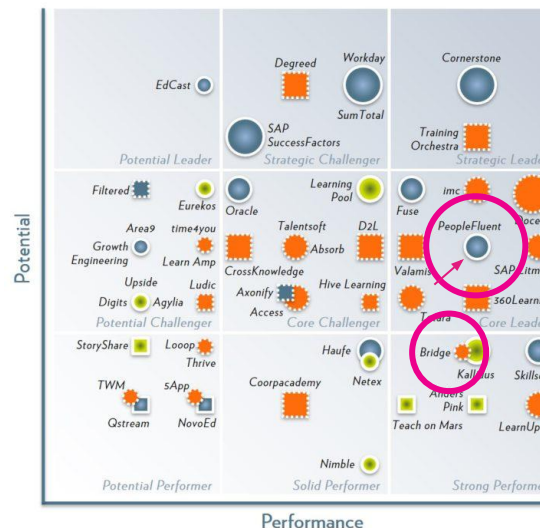


Fosway 9-Grid™ - Digital Learning



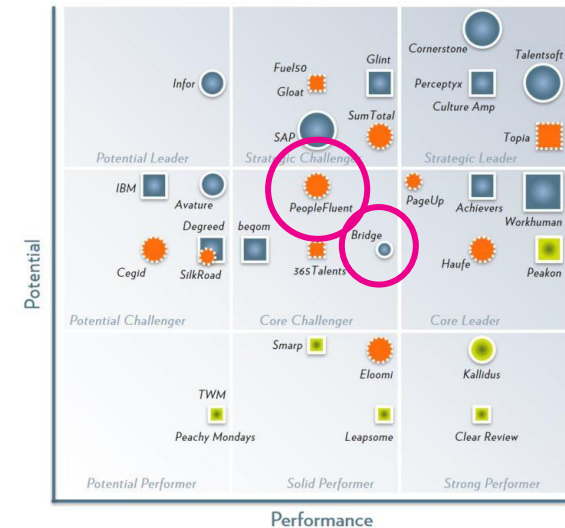
**LTG** - Strategic Leader  
Jan 2022

Fosway 9-Grid™ - Learning Systems



**PeopleFluent** - Core Leader  
**Bridge** - Strong Performer  
Jan 2021

Fosway 9-Grid™ - Talent & People Success



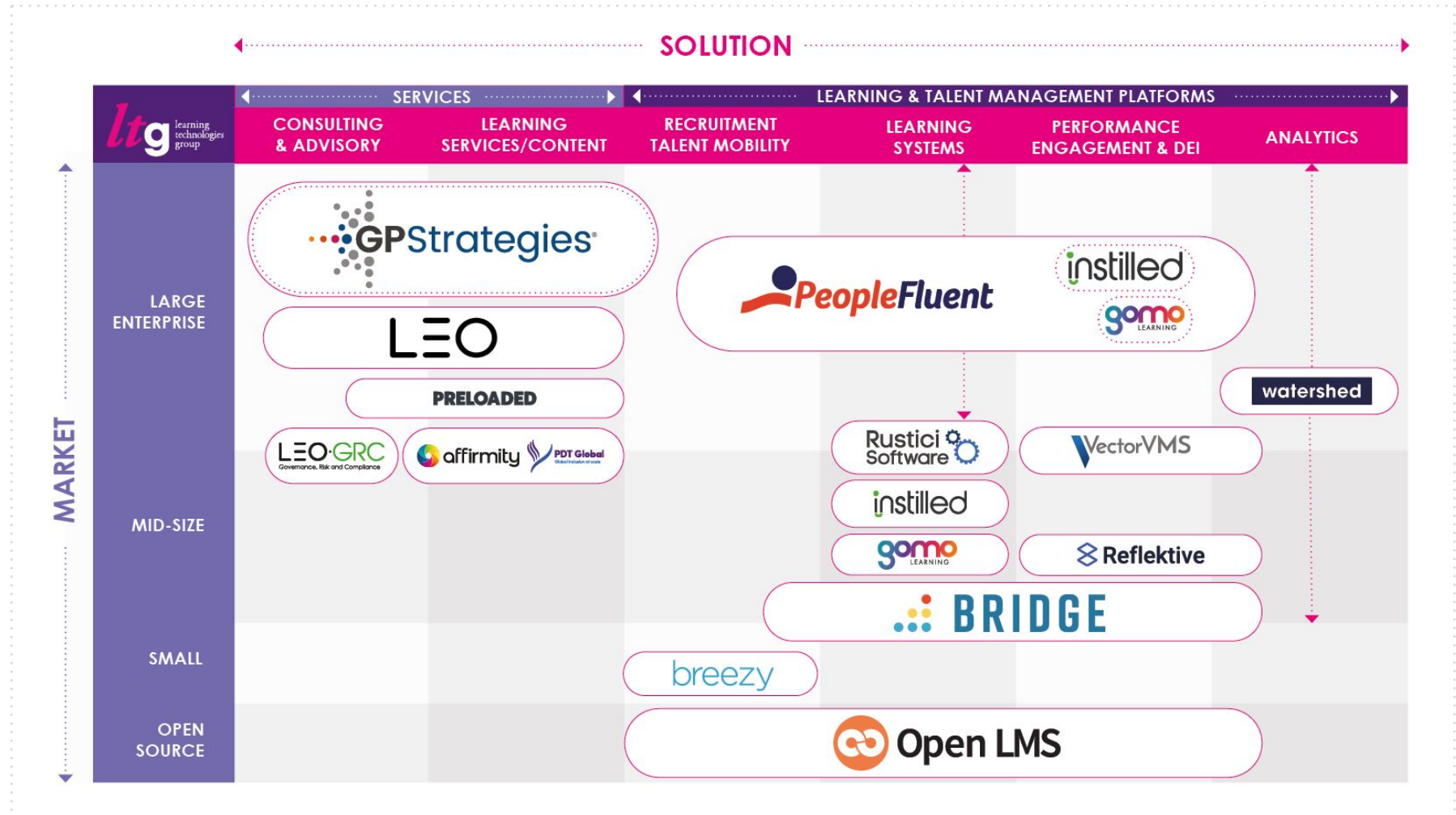
**PeopleFluent/Bridge**  
Core Challenger  
Oct 2020

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## LTG's unique offering

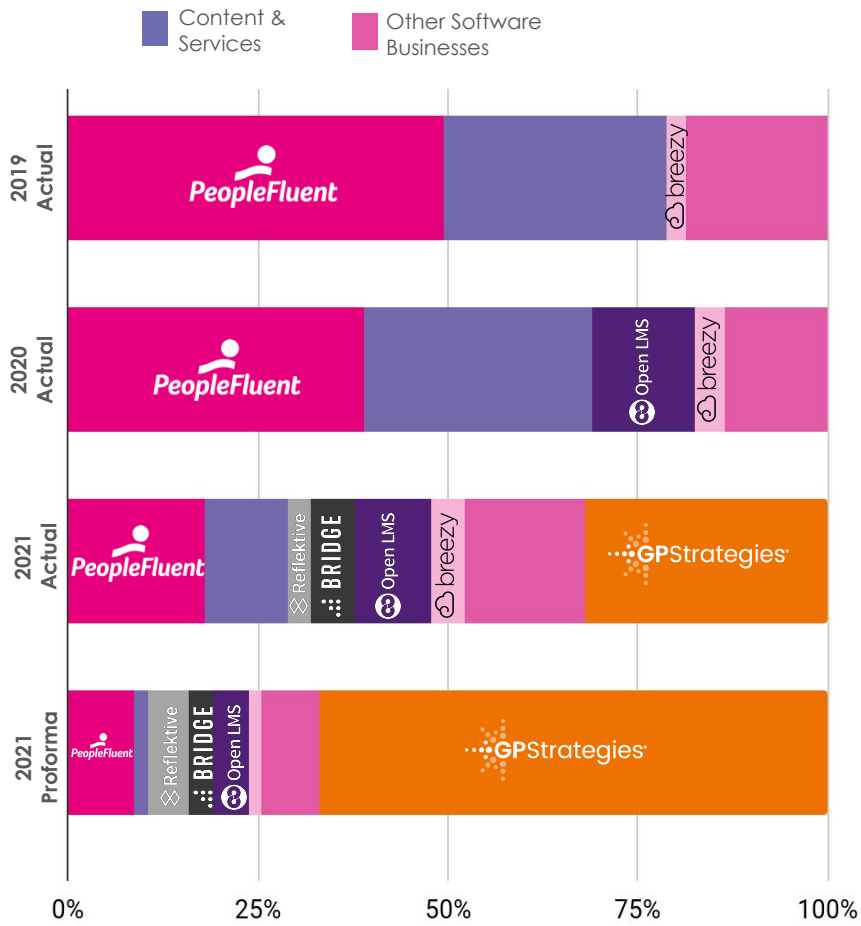
Specialist talent management and learning solutions that address the entire market ecosystem



## Scale and Diversity

An increasingly diverse business consistently delivering on cross-sell opportunities

### Increased diversity in business unit revenue mix

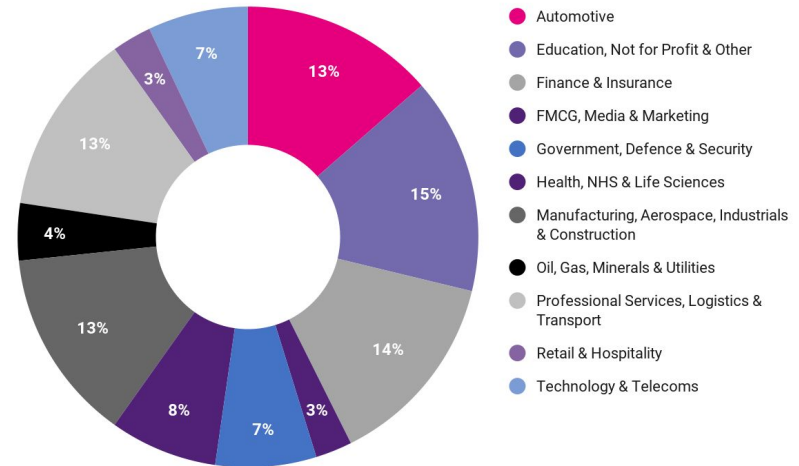


### Cross Sell Opportunity – leveraging opportunities of scale

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





# ESG - Supporting Clients Make a Positive Impact



## Empowering our clients to achieve their ESG priorities



# 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

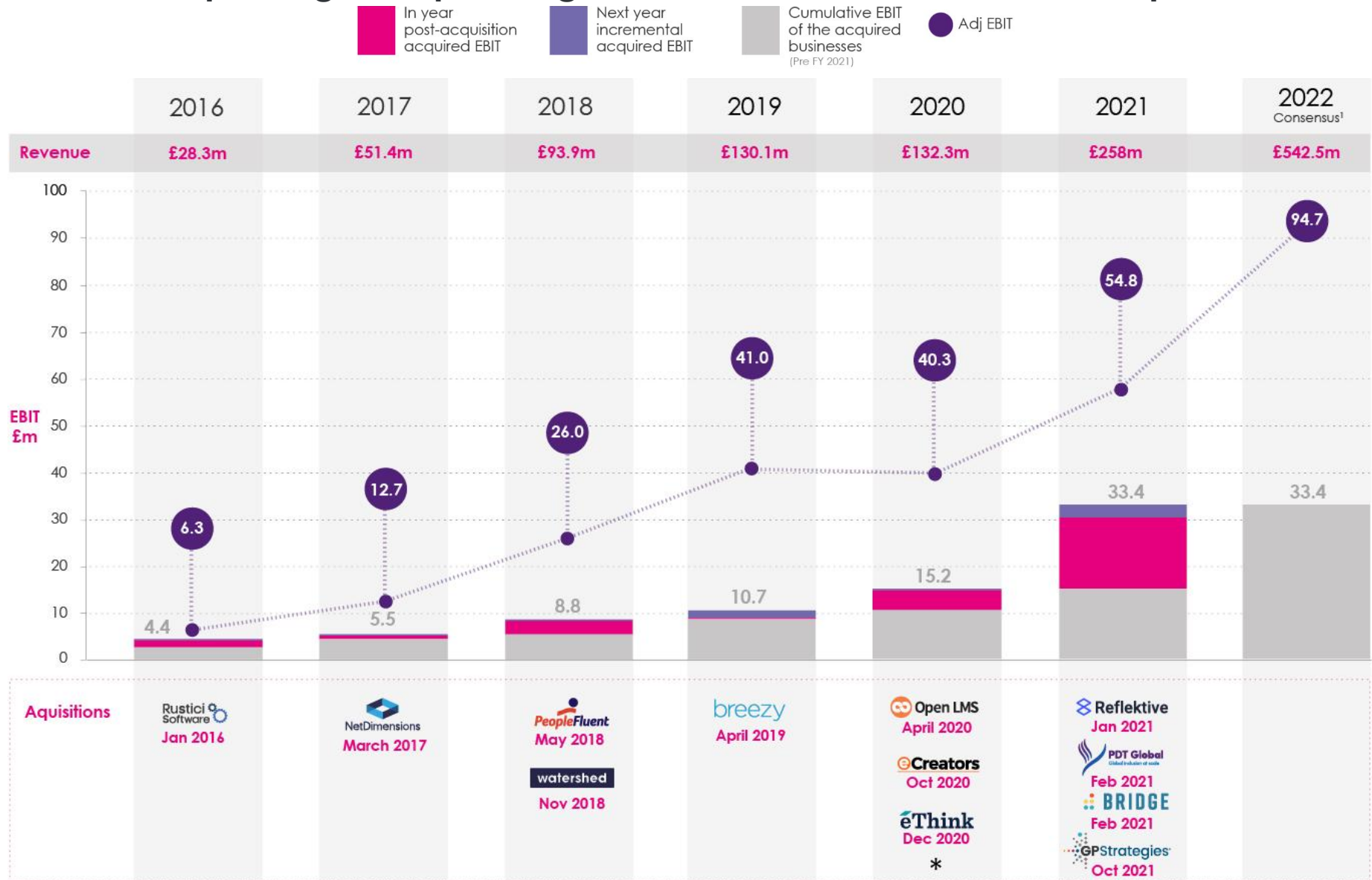
- Confidential whistleblowing programme launched
- Development of a sustainable procurement policy in FY 2022
- Improved ESG framework, governance, data flow and reporting
- ESG Committee is lead by CFO
- Non-core National Aerospace Solutions LLC (NAS) shareholding disposed (April 2022)

# 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								



# Improving the operating models of the businesses we acquire



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 05 July 2022.

## 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>

# 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)



**How can we help you?**

Discussion