

LON:LTG



Helping organisations transform
through their people



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

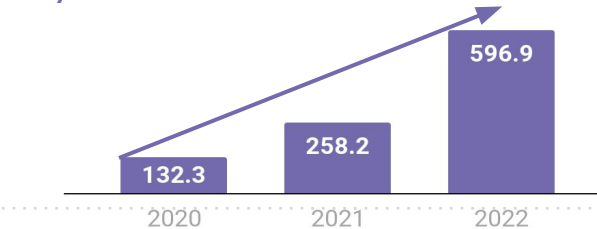
Revenue

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)

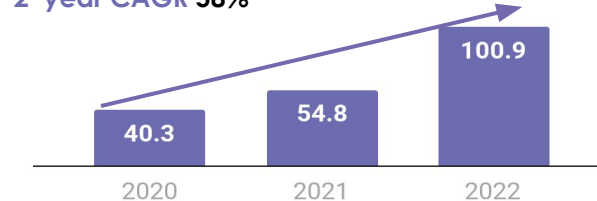
Adjusted EBIT

2022: £100.9m

+84%

(2021: £54.8m)

Adjusted EBIT (£m)
2 year CAGR 58%



Adjusted EBIT Margin

2022: 16.9%

(2021: 21.2%)

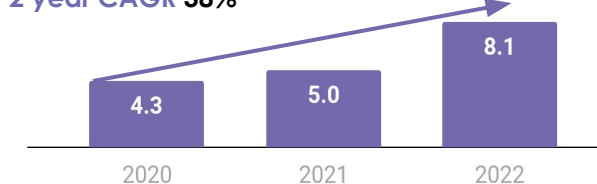
Adjusted dEPS

2022: 8.121 pence

+62%

(2021: 5.010 pence)

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



Net Debt

2022: £119.8m

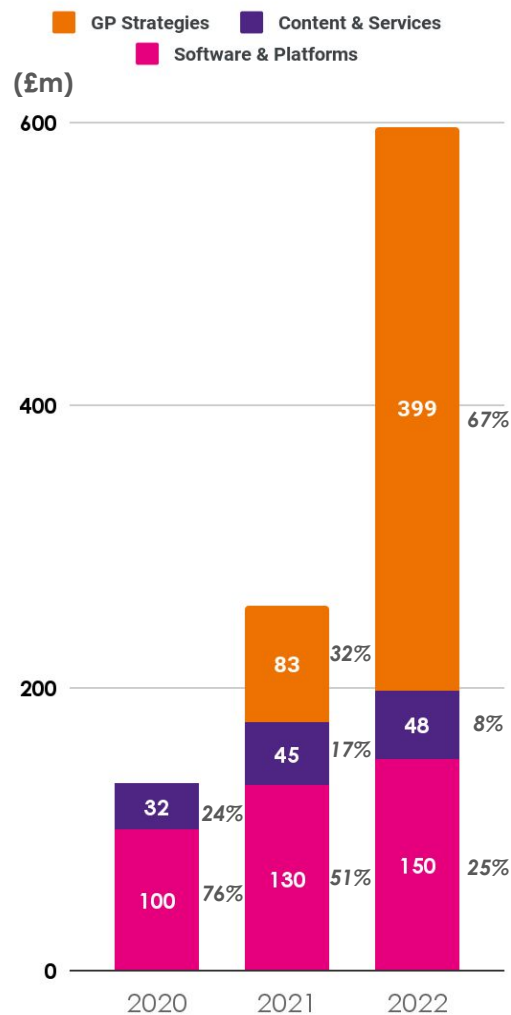
(2021: £141.4m)

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

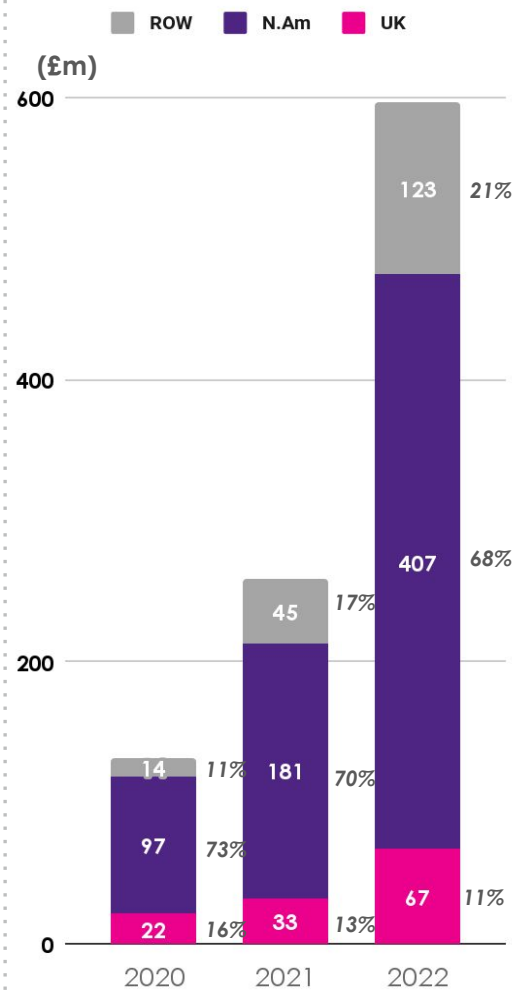
Highly Visible and Diversified Revenue

Continued high levels of visibility including GP Strategies

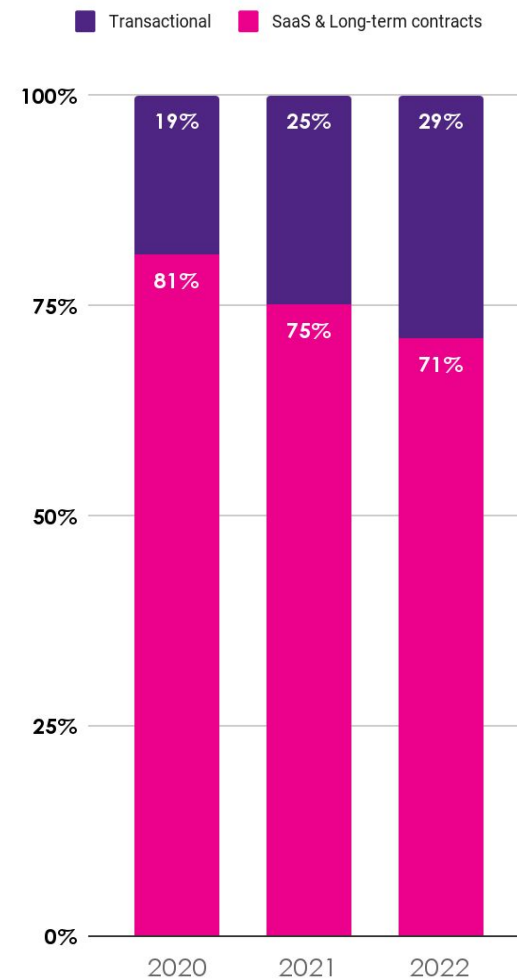
Divisional revenue



Diversified international footprint

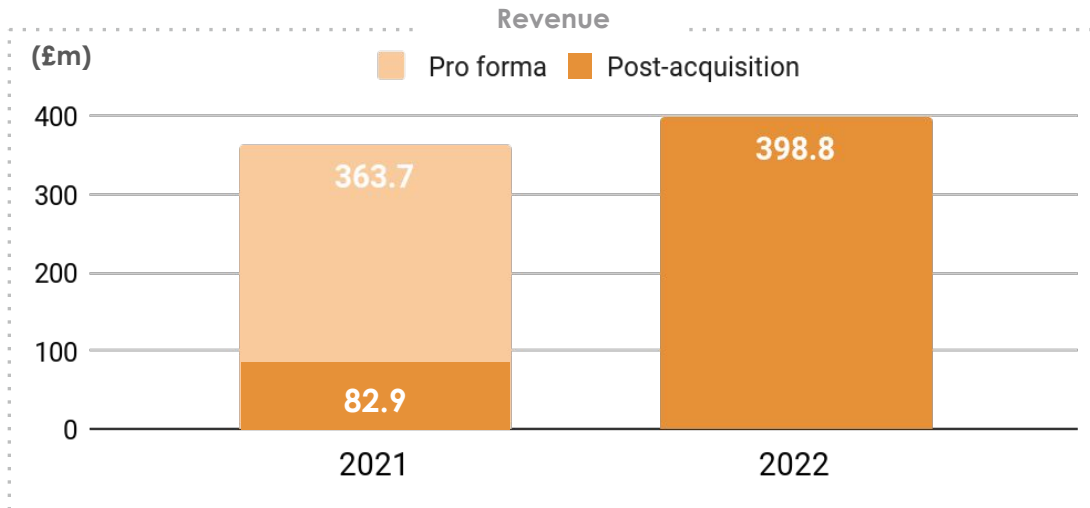


Long-term visibility

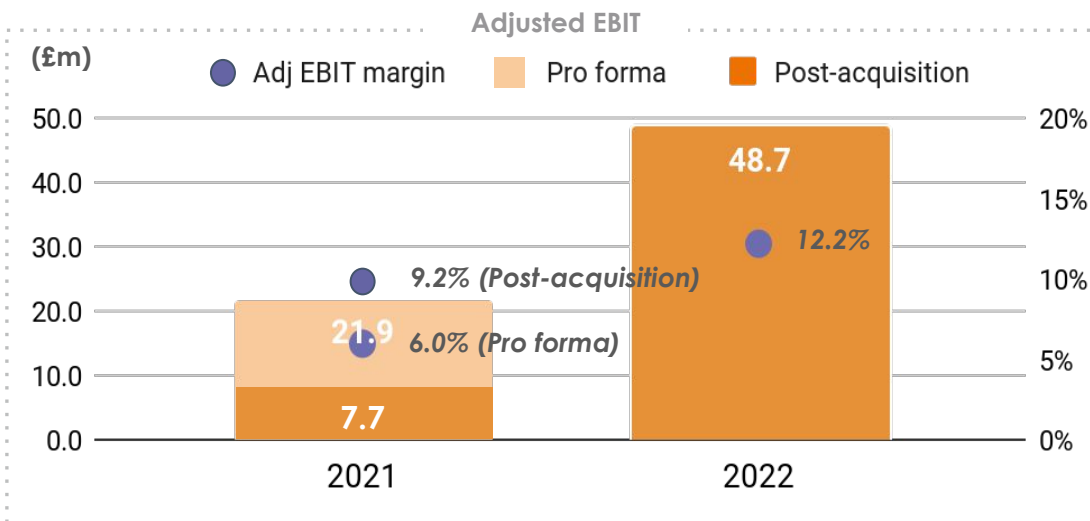


GP Strategies*

67% of Group revenue



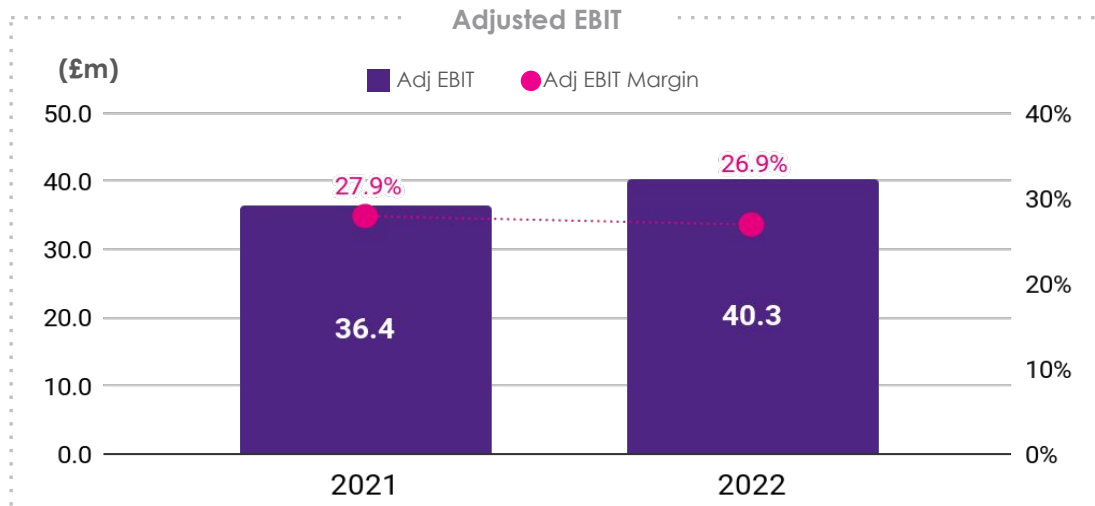
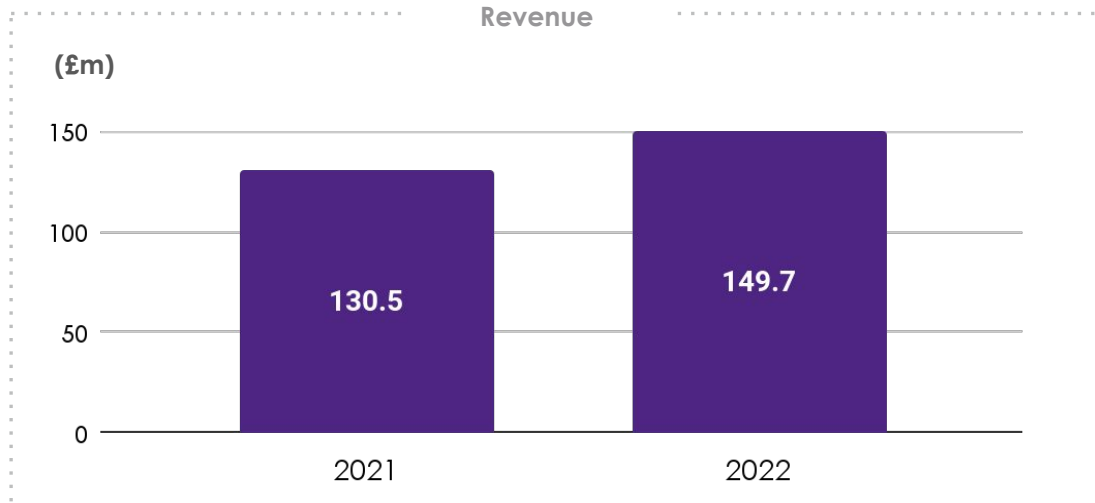
- Pro forma organic revenue growth of 6%, underlying 5% organic growth
- Increased revenue with multi-year managed learning services customers in Americas & EMEA
- Organic large project growth with Effective People and enterprise technology businesses
- Significant awards from blue-chip clients in Asia, 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



*Acquired 14 October 2021.

Software & Platforms

25% of Group revenue

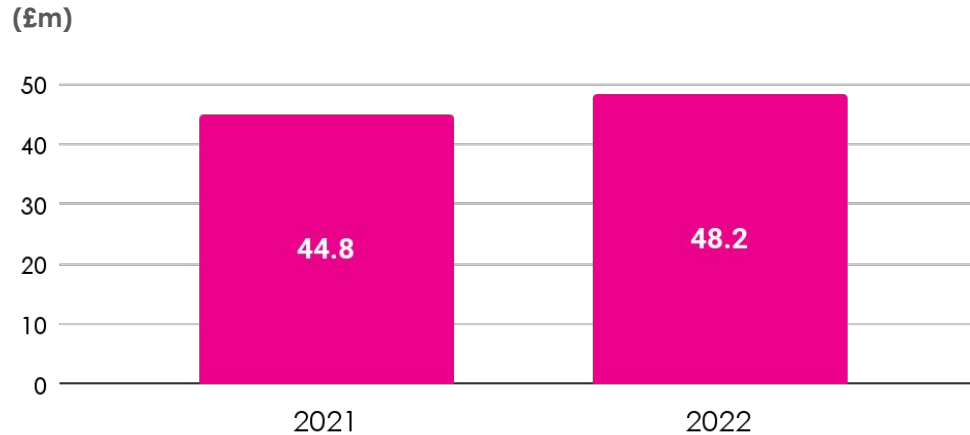


- Organic revenue growth of 5%; 12% excluding PeopleFluent
- Revenue driven by good growth from Rustici, Watershed and Breezy, in addition to 2021 acquisitions and FX tailwinds due to the strength of the US dollar.
- Revenue decline as expected in the PeopleFluent talent management product line.
- Higher 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.

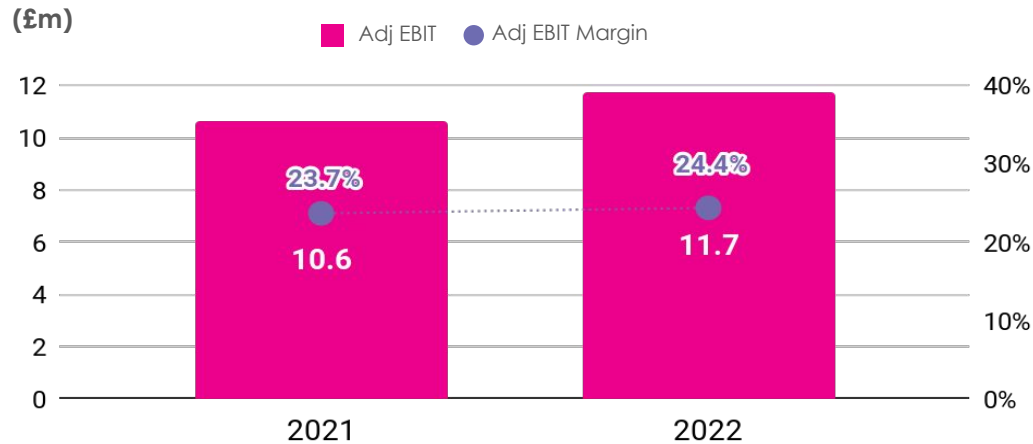
Content & Services

8% of Group revenue (excluding GP Strategies)

Revenue



Adjusted EBIT



- 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

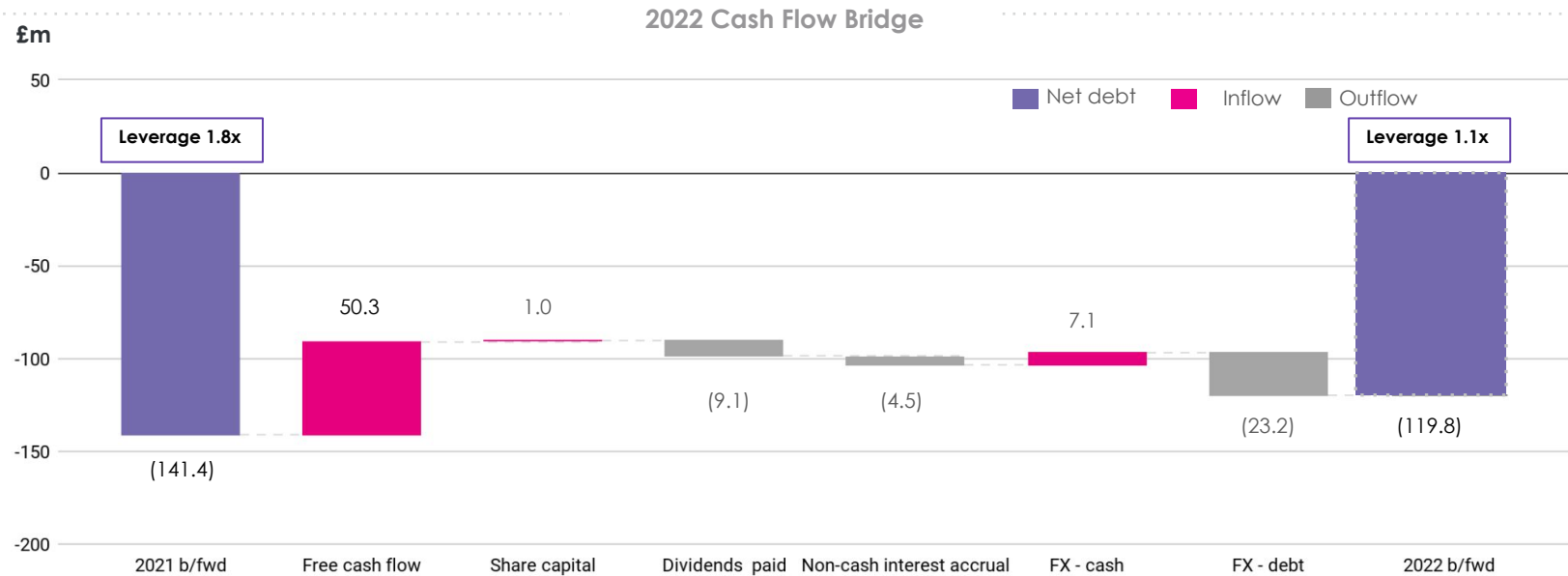
| £'000 | 2022 | 2021 | Variance |
|------------------------------------|--------|--------|----------|
| Adjusted EBIT | 100.9 | 54.8 | 46.1 |
| Depreciation & Amortisation | 13.9 | 9.2 | 4.7 |
| Share based payment charges | 6.7 | 5.2 | 1.5 |
| Dec / (Inc) working capital | (18.4) | (11.6) | (6.8) |
| Capital expenditure | (11.6) | (9.0) | (2.6) |
| Lease liabilities | (7.3) | (4.9) | (2.4) |
| Other | (1.0) | 0.6 | (1.6) |
| Adjusted operating cash flow | 83.2 | 44.3 | 38.9 |
| 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 |
| Free cash flow | 50.3 | 22.8 | 27.5 |

- 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

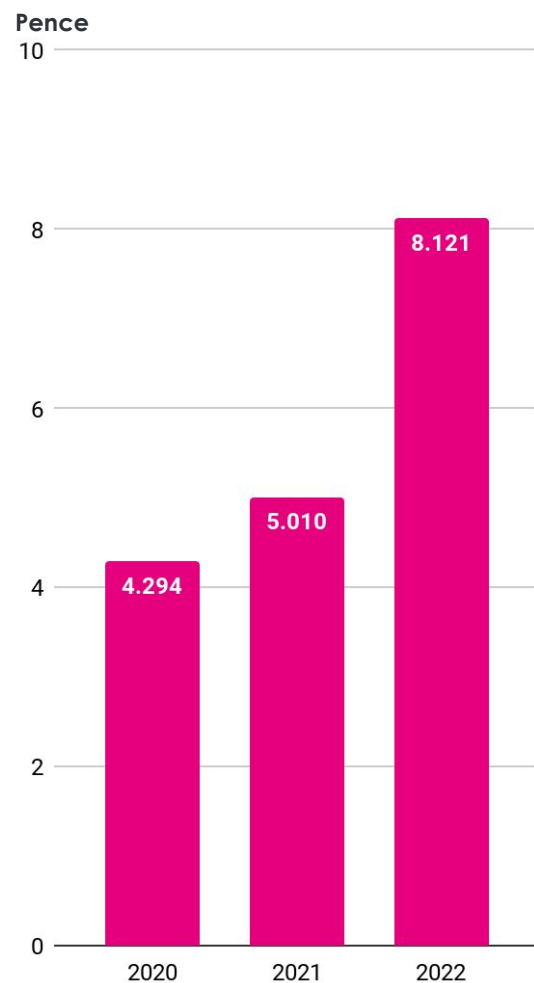


Bank Debt Facility

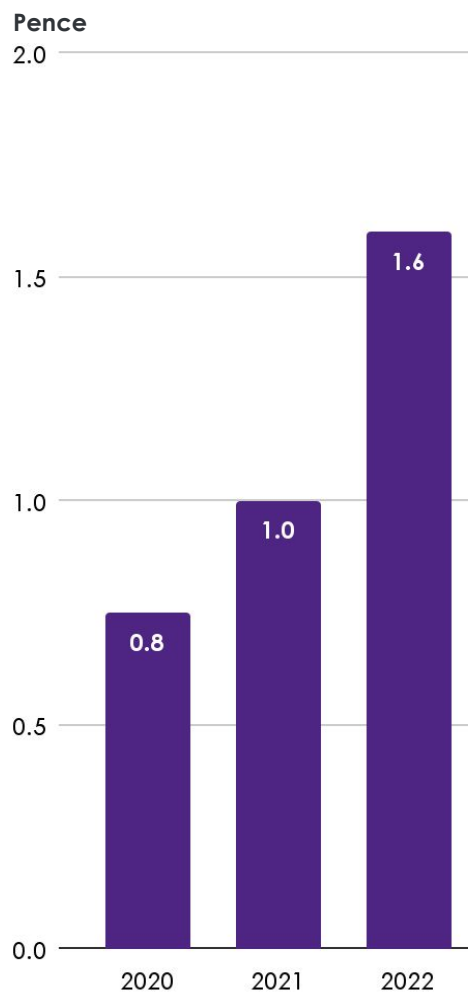
- **HSBC UK bank plc ("HSBC")** purchased Silicon Valley Bank UK Limited ("SVB UK") on 13 March 2023. SVB UK, a direct wholly-owned subsidiary of HSBC, remains as the facility agent and security agent for the debt facility. Other banks in the syndicate include Fifth Third Bank NA, Barclays Bank plc, 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

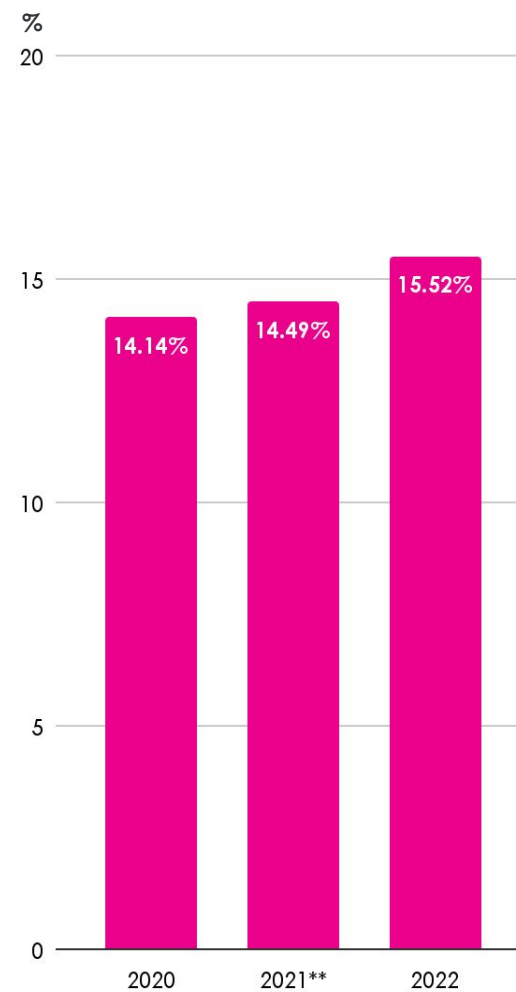
Adjusted dEPS growth



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

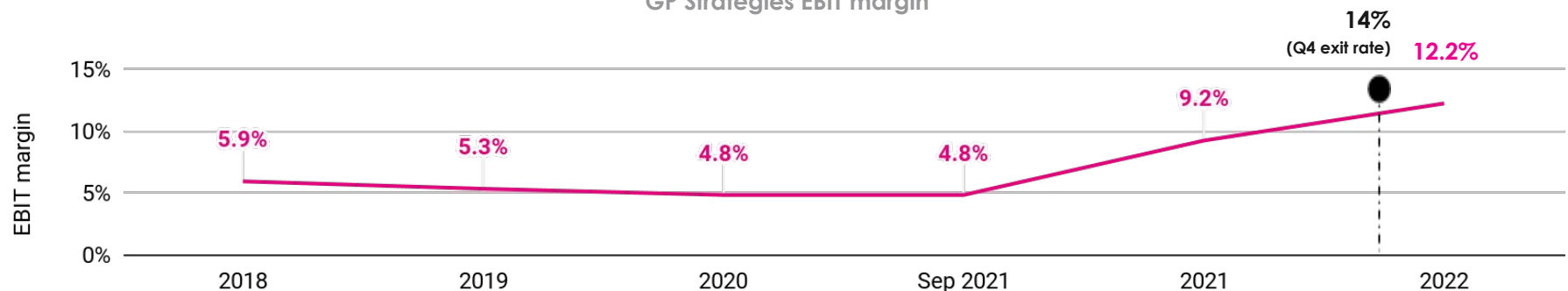
Focus 50 clients
growth of

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

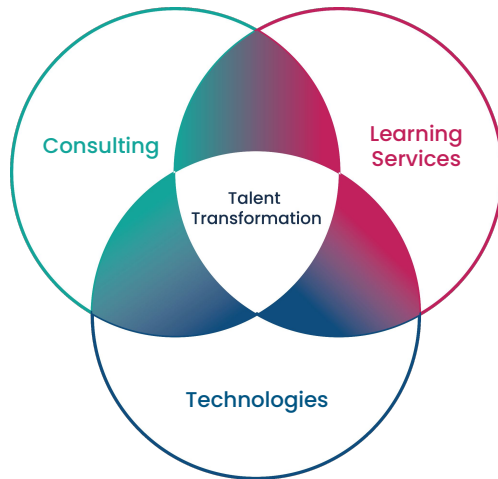
1 Based on median of market analyst estimates at 14 July 2021. EBIT not adjusted for amortisation of acquired intangibles and non-cash compensation expenses and therefore not comparable with historical figures

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

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 advancement¹

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

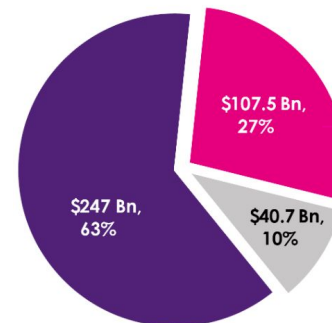
of LTG top 500 clients with more than one product or service: big opportunity

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



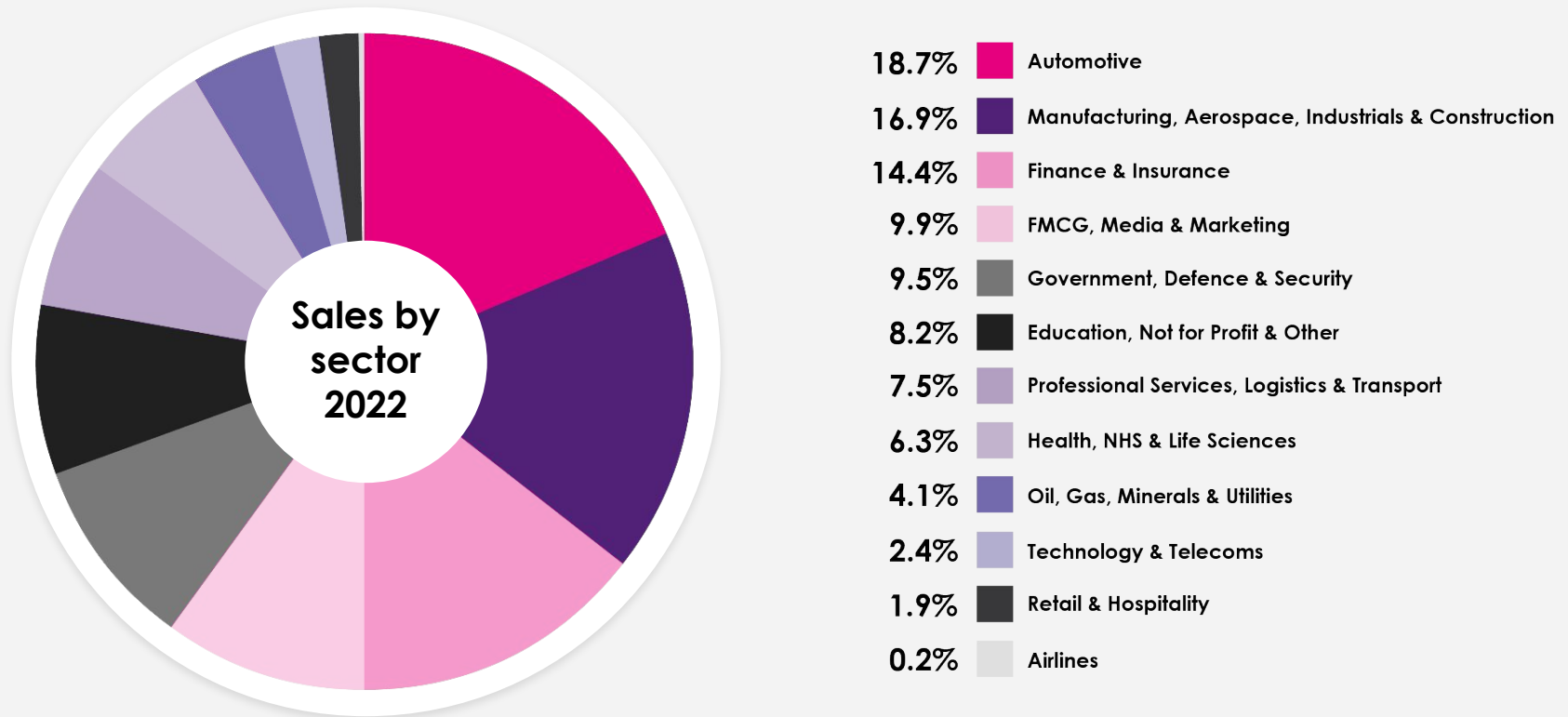
\$107bn

Addressable market for LTG businesses

Sector Diversification

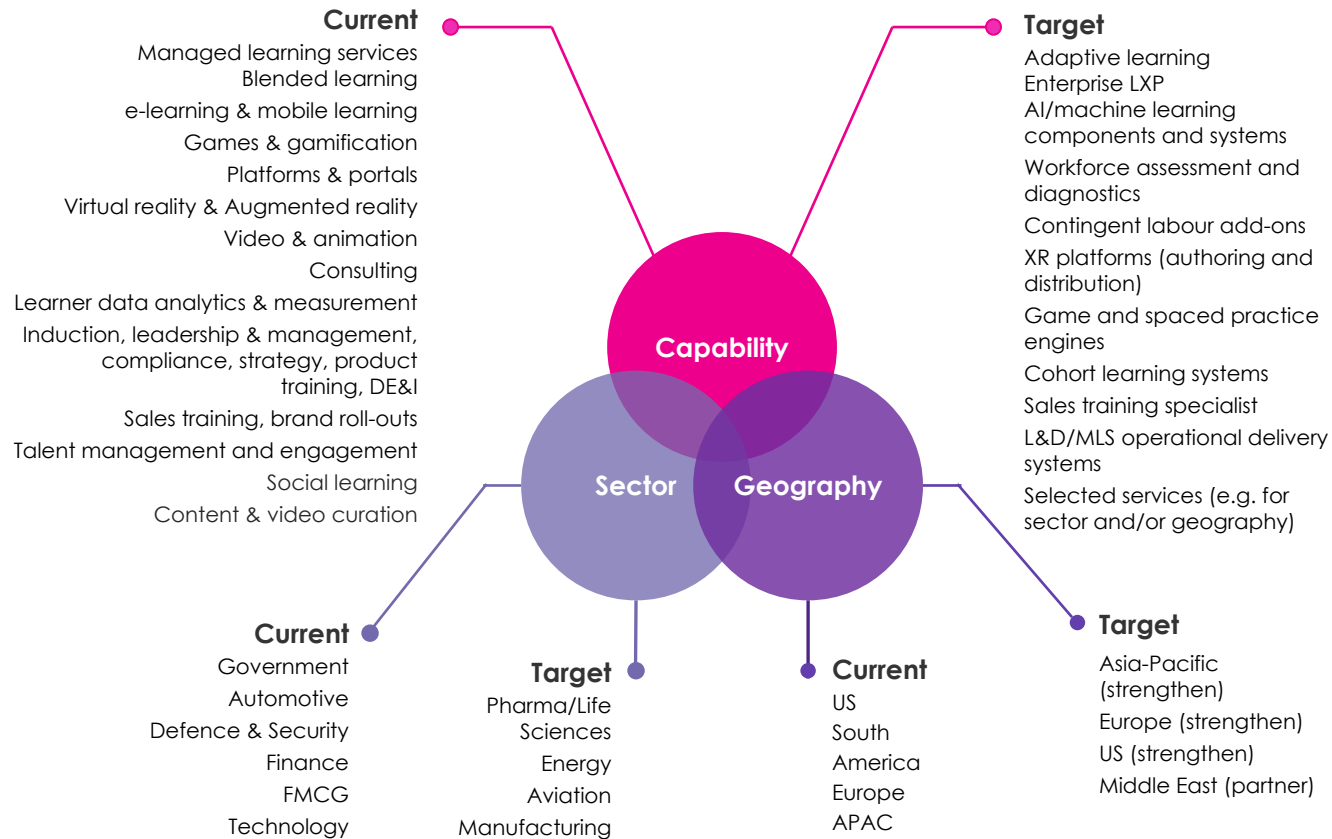
Good spread across different industries

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



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

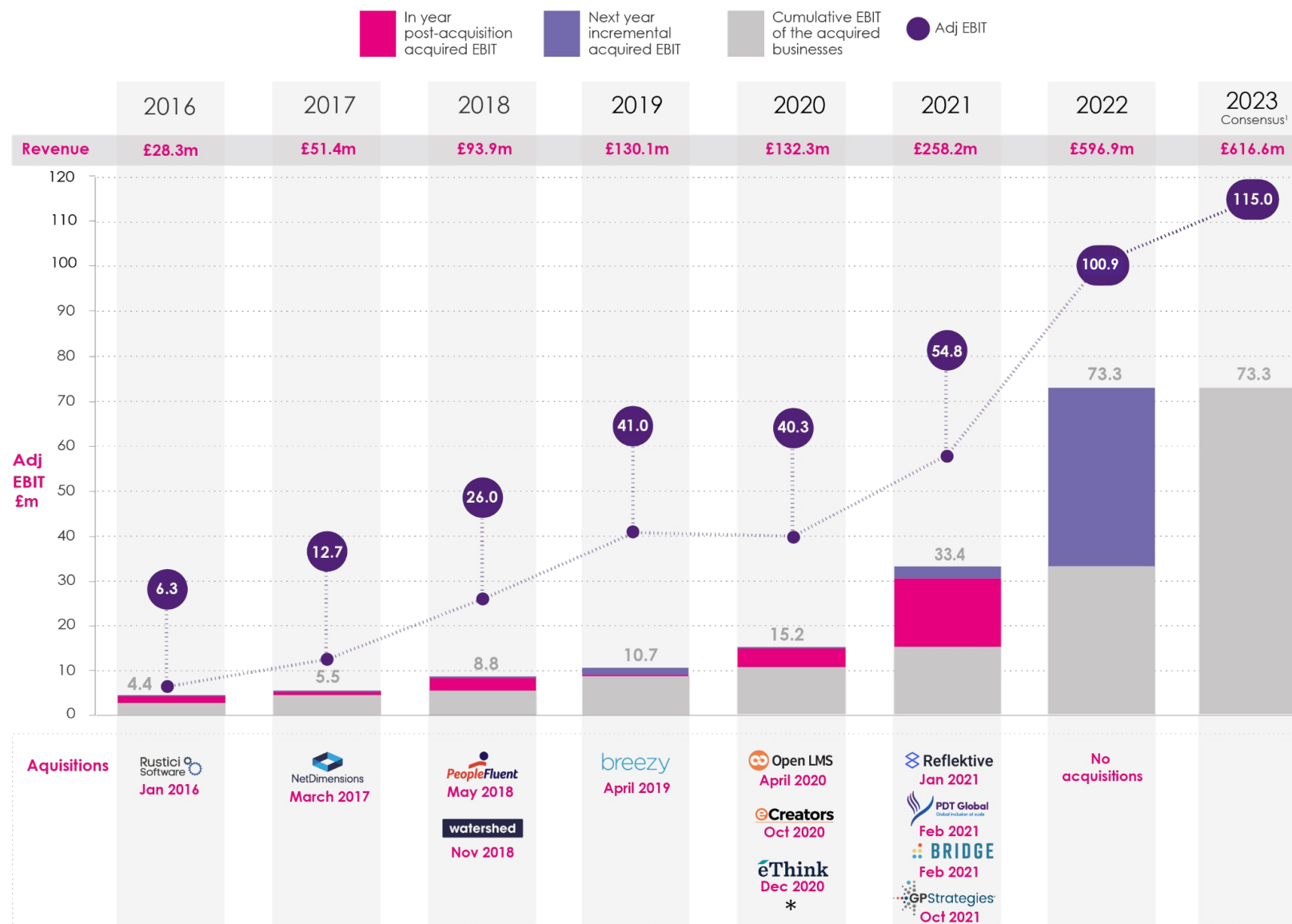
We will continue to look for businesses that have:

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. ¹ 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

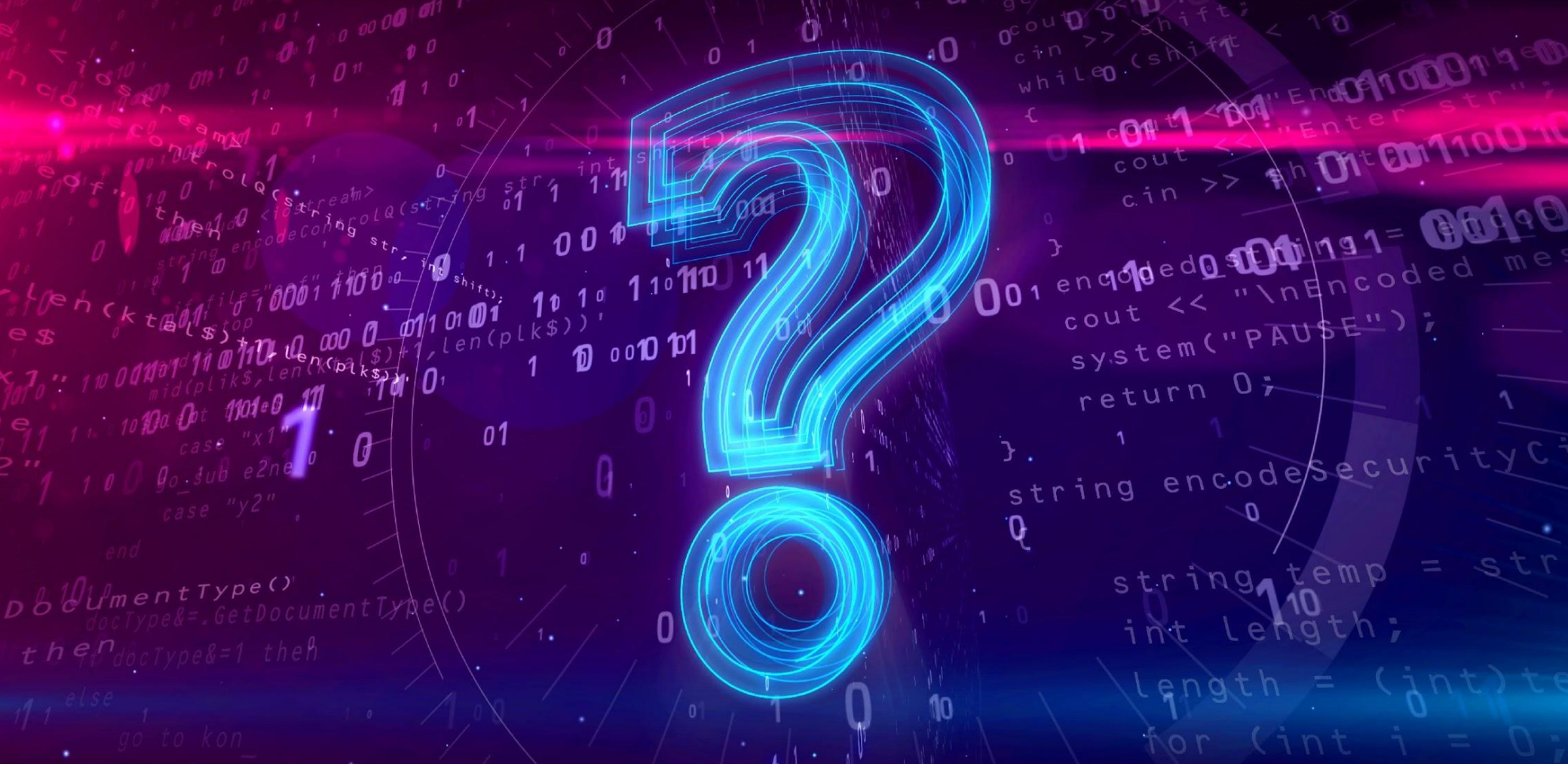
Summary and Outlook

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

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) |
| Total acquisition related costs | 43.3 | 41.6 | 1.7 |
| 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) |
| Total other adjusting items | 7.1 | 1.5 | 5.6 |
| Total adjusting items | 50.4 | 43.1 | 7.3 |

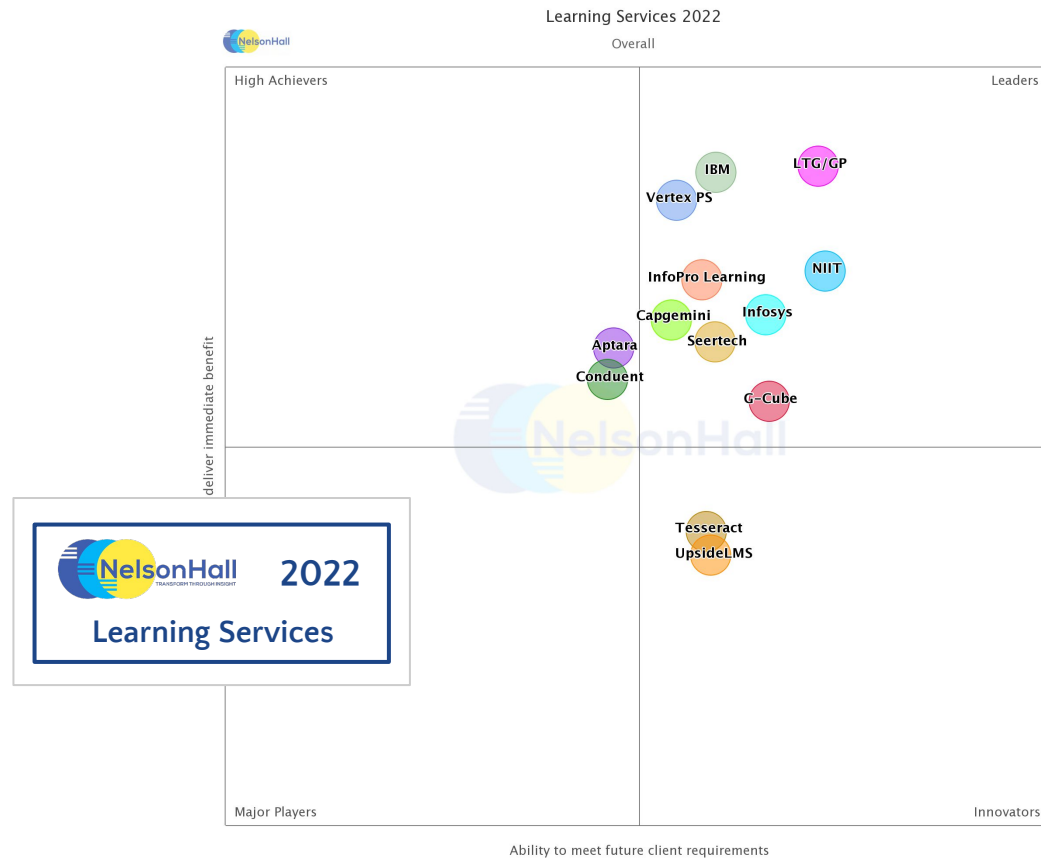
Five-year financial summary

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

*Proposed and deferred

Market Positioning

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



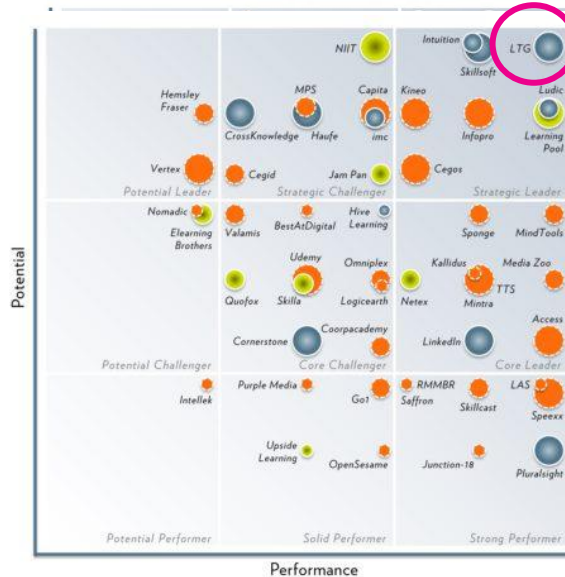
LTG in the Corporate Digital Learning Market

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.



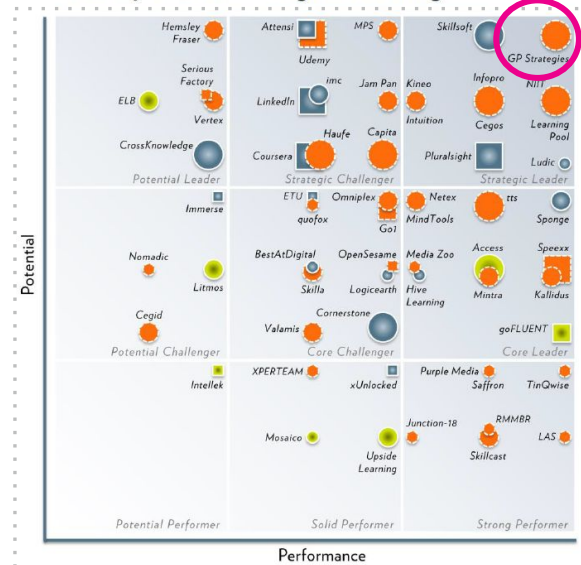
"Europe's #1 HR industry analyst focused on Next Gen HR, Talent and Learning"

Fosway 9-Grid™ - Digital Learning



LTG - Strategic Leader
Jan 2022

Fosway 9-Grid™ - Digital Learning



LTG - Strategic Leader
Mar 2023

Presence

Higher

Mid

Lower



Total Cost of Ownership

Higher

Mid

Lower



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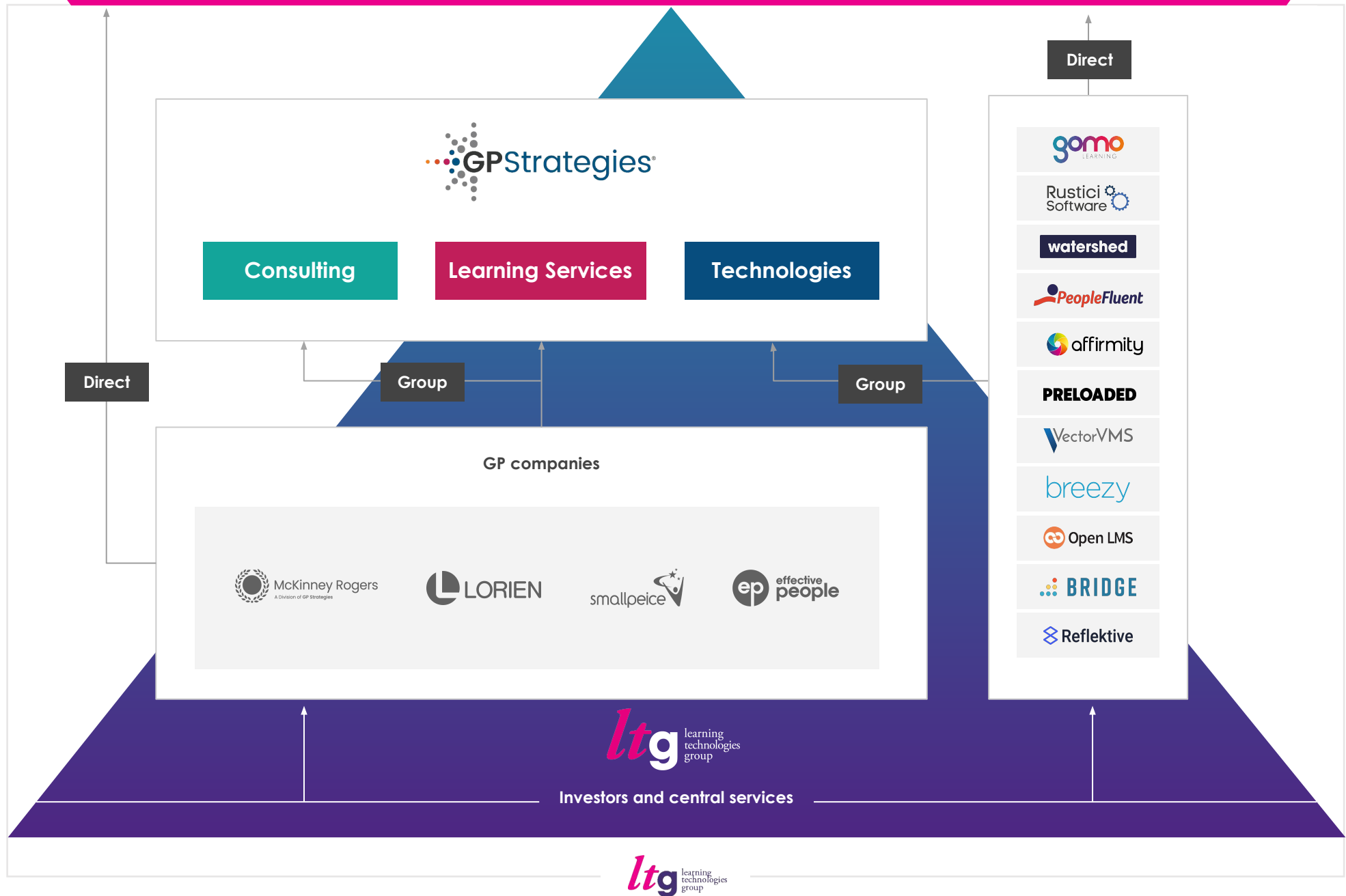


2023

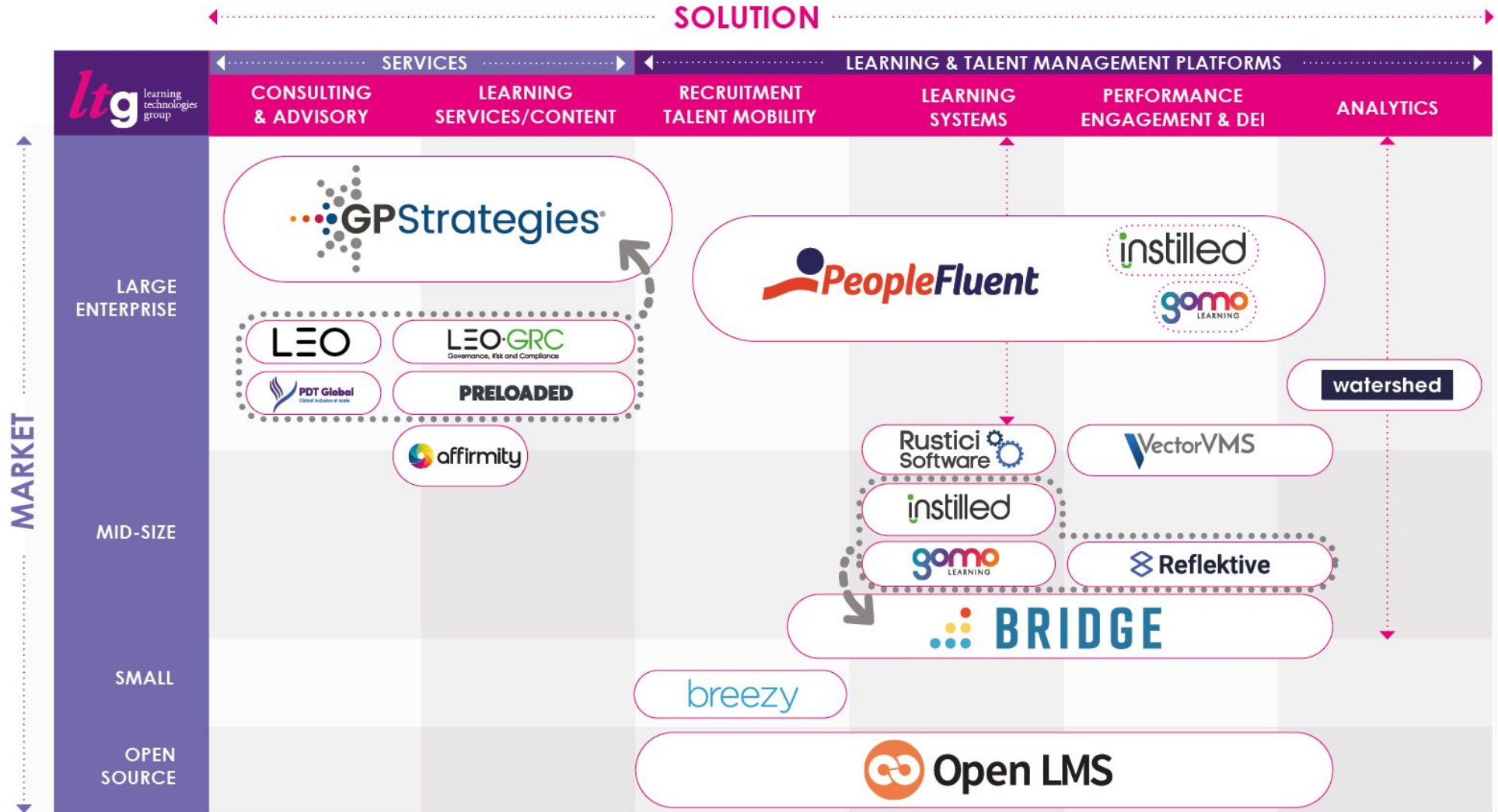
Strategic Leader

9-Grid™ for Digital Learning

The Company



LTG Brands - solution/market



END