



Helping organisations transform
through their people



Learning Technologies Group plc

2023 Final Results

Jonathan Satchell
Chief Executive

Kath Kearney-Croft
Chief Financial Officer

16 April 2024

Snapshot of 2023 Progress

Strong Focus on Execution During the Year Delivering Resilient Financial Performance

1

Market & Business Update

- *Market:* Decrease in Learning & Development budgets in 2023 reflecting the macro. Structural drivers intact with industry-wide focus on skills gap, adaptive learning, AI
- *Clients:* Renewed all major client contracts >\$10m. Expansion of revenue across LatAm and Middle East
- *Innovation:*
 - *Artificial Intelligence in learning and talent:* Created Group wide Task Force which is launching several AI enhanced products in 2024 and advises Fortune 500 client base on "Human + AI" future
 - Significant enhancement of other technological capabilities across software platforms with healthy innovation pipeline in 2024 across personalised learning, AI, skills
- *Impact:* Provided learning to over 200 million people during the year

2

Portfolio and Organisation Structure

- *Portfolio Management:* Announced sale of Lorien Engineering Solutions
- *Streamlining & Strengthening Divisions:* Watershed Integrated into Rustici, Instilled integrated into Bridge, LEO & PDT integrated into GP Strategies

3

Financial Highlights & Balance Sheet

- *Revenue:* Resilient top-line performance within a subdued market backdrop. 73% of revenue delivered from durable long-term / SaaS contracts
- *Adjusted EBIT:* Margin expanded from 17.0% to 17.5% delivering £98.5m of Adjusted EBIT
- *Cashflow:* Record £86.3m adjusted operating cash flow during the year with swift de-leveraging to 0.7x



Financial Highlights Review

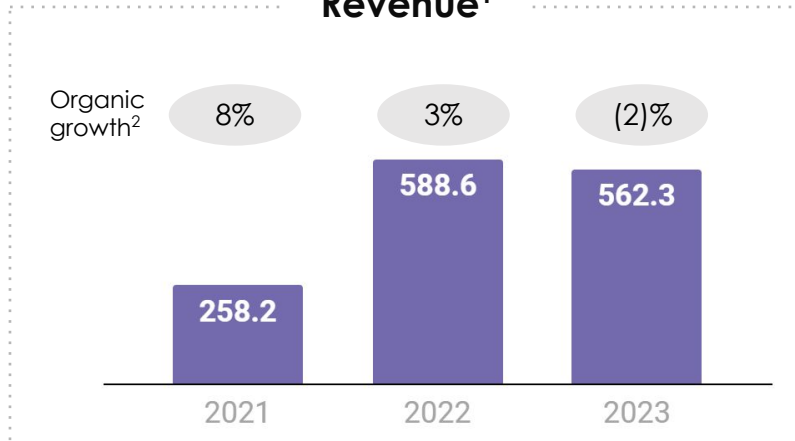


Kath Kearney-Croft
Chief Financial Officer

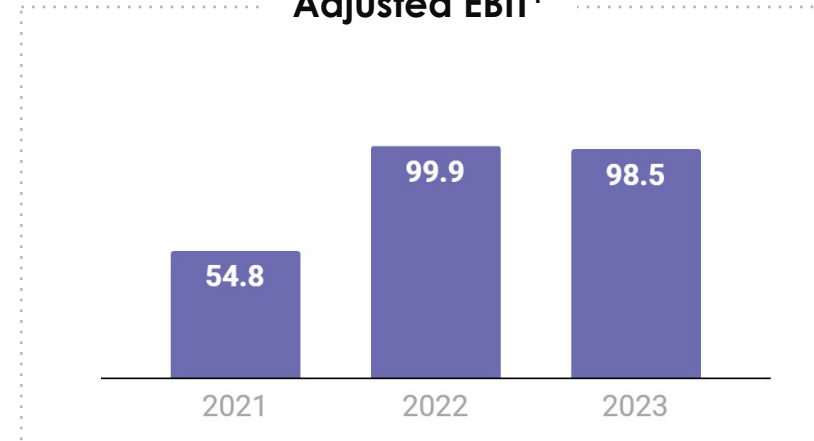
2023 Financial Highlights

Resilient revenue, continued margin progression and deleverage

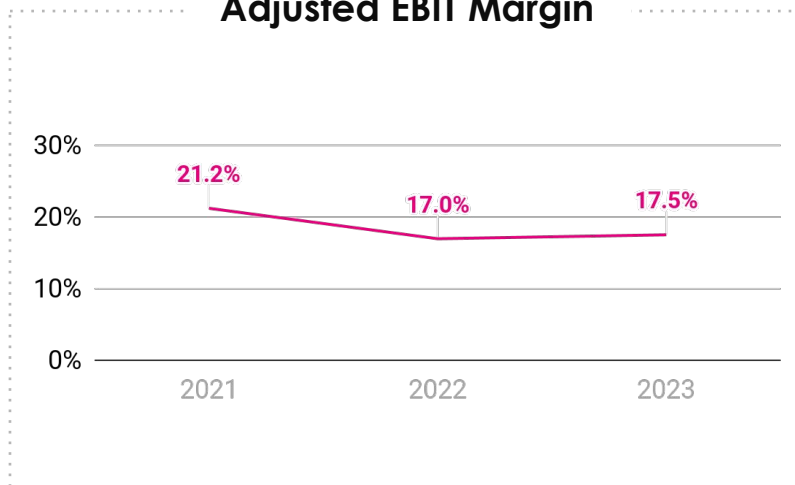
Revenue¹



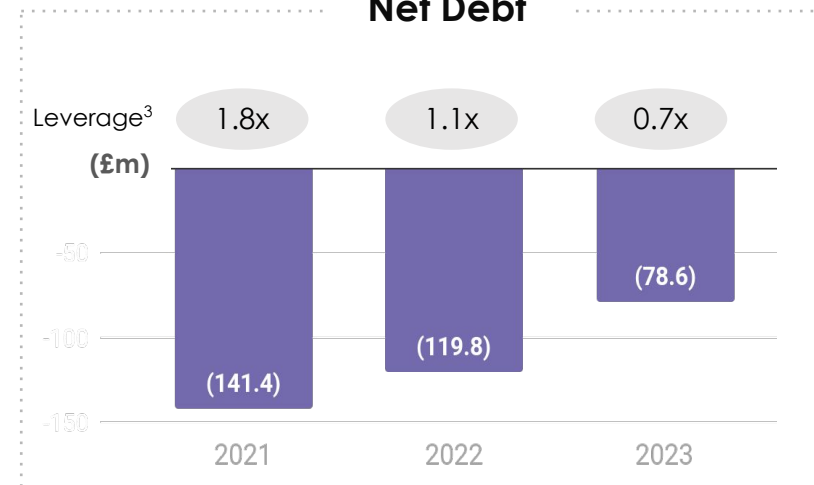
Adjusted EBIT¹



Adjusted EBIT Margin



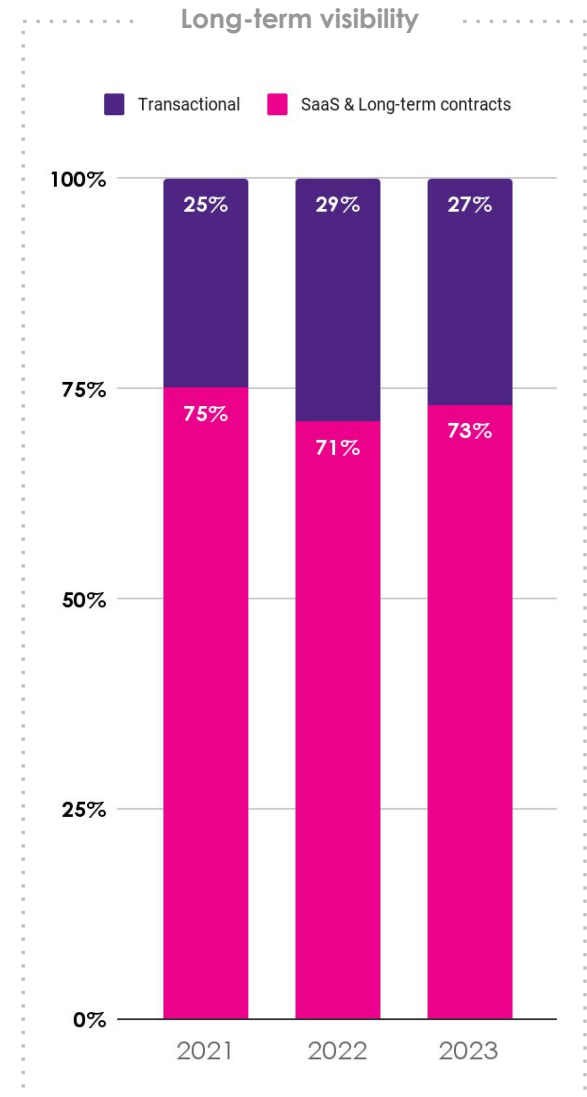
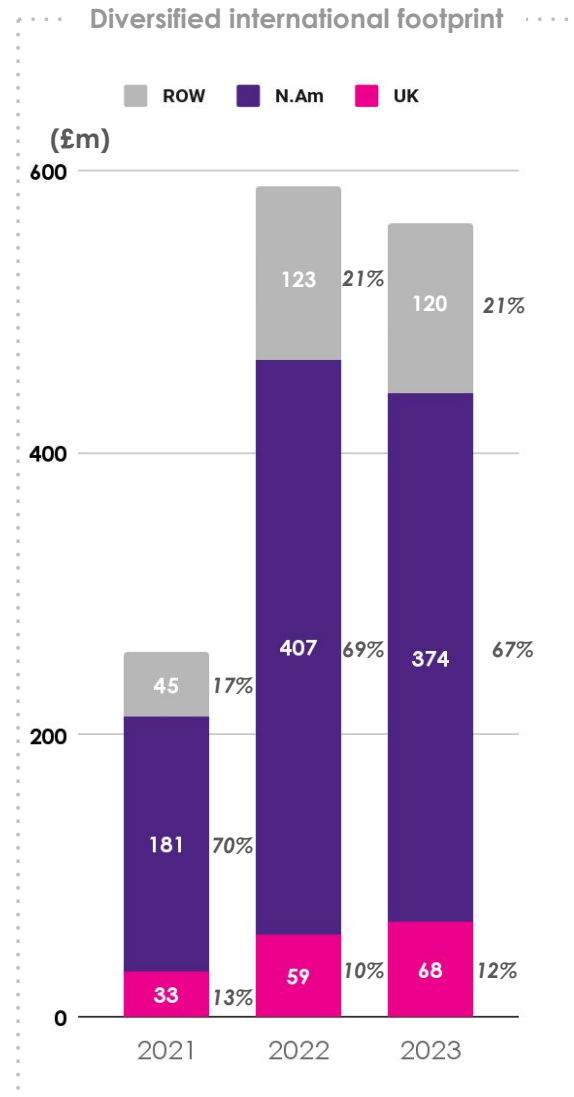
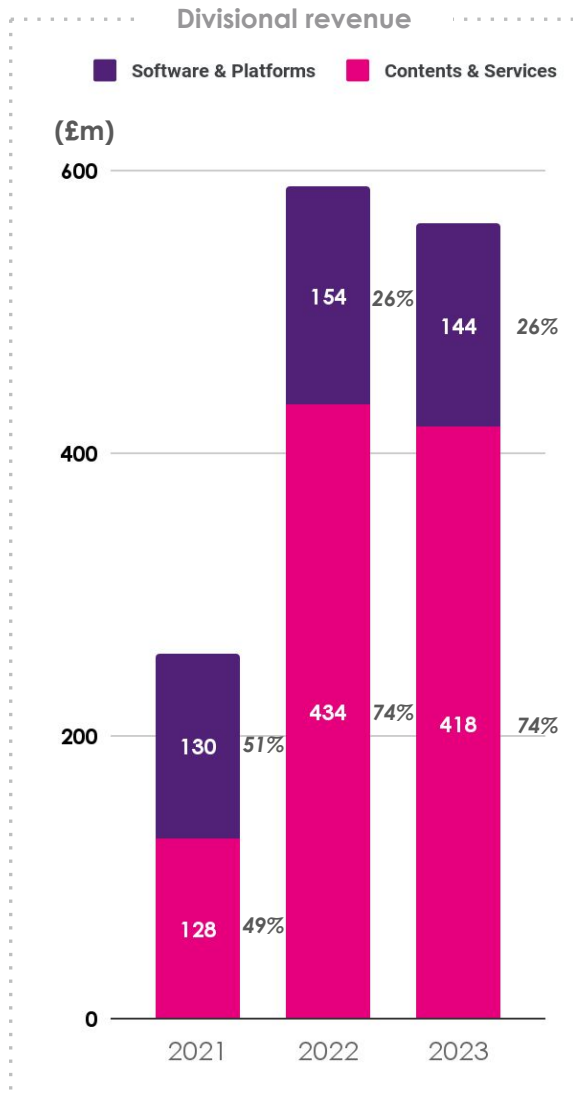
Net Debt



1. On a constant currency basis as reported
2. Revenue and Adjusted EBIT: 2021 as reported, 2022 for continuing operations
3. Leverage = Net debt / Adjusted EBITDA (covenant basis)

Breakdown of Revenue by Division, Geography and Type

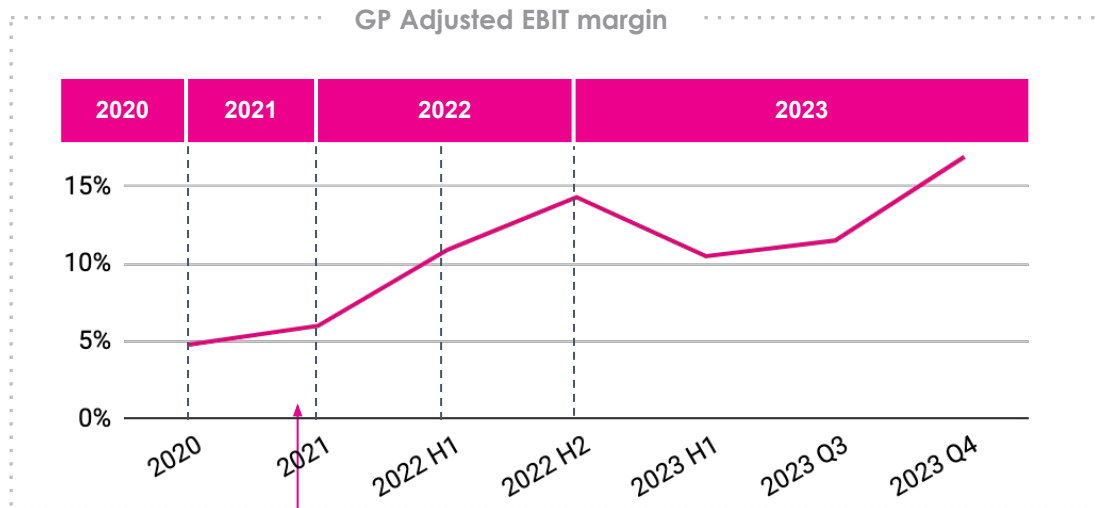
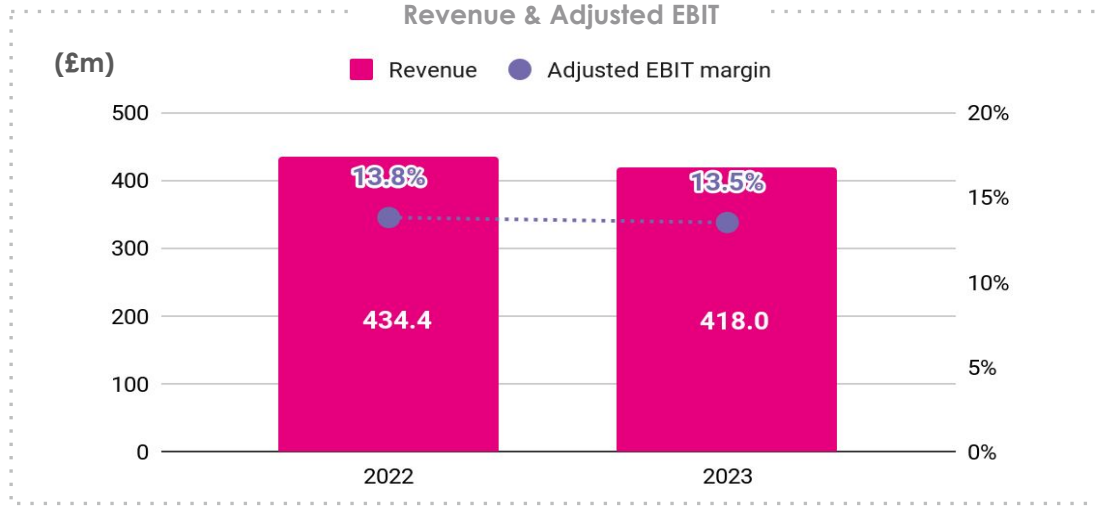
Continued high levels of revenue visibility



Continuing operations

Content & Services

Significant margin expansion in GP since acquisition

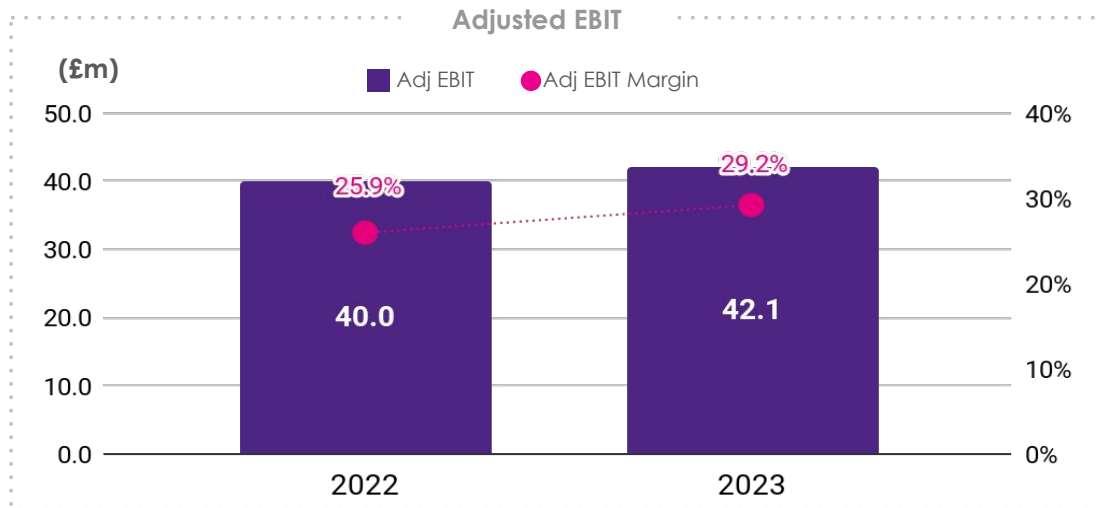
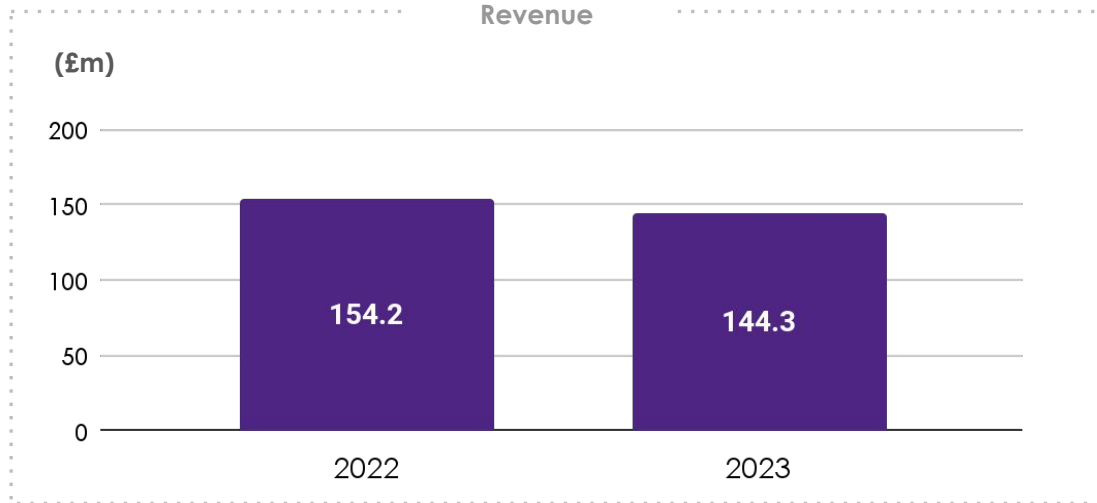


Acquisition 14 Oct 2021

- All major clients client contracts >\$10m renewed
- GP Strategies has more than doubled profit since joining LTG in 2021
- Significant margin expansion in GP since acquisition with Q4 2023 exit margin c17%
- Strong revenue growth in PRELOADED and Affirmity
- Constant currency revenue decline of 1% reflecting the macro and and integration challenges in GPLX H1

Software & Platforms

Growing profit during the year driven by change in portfolio mix



- Majority of revenue from recurring SaaS contracts
- Continued strong growth in Rustici and good growth in Bridge
- Revenue decrease due to macro effect on software business (including transaction revenues) and PeopleFluent. Constant currency decline of 4%.
- Adjusted EBIT margin increased to 29.2% reflecting healthy portfolio mix with strong operational leverage in Rustici and optimised central costs more than offsetting the impact of revenue headwinds

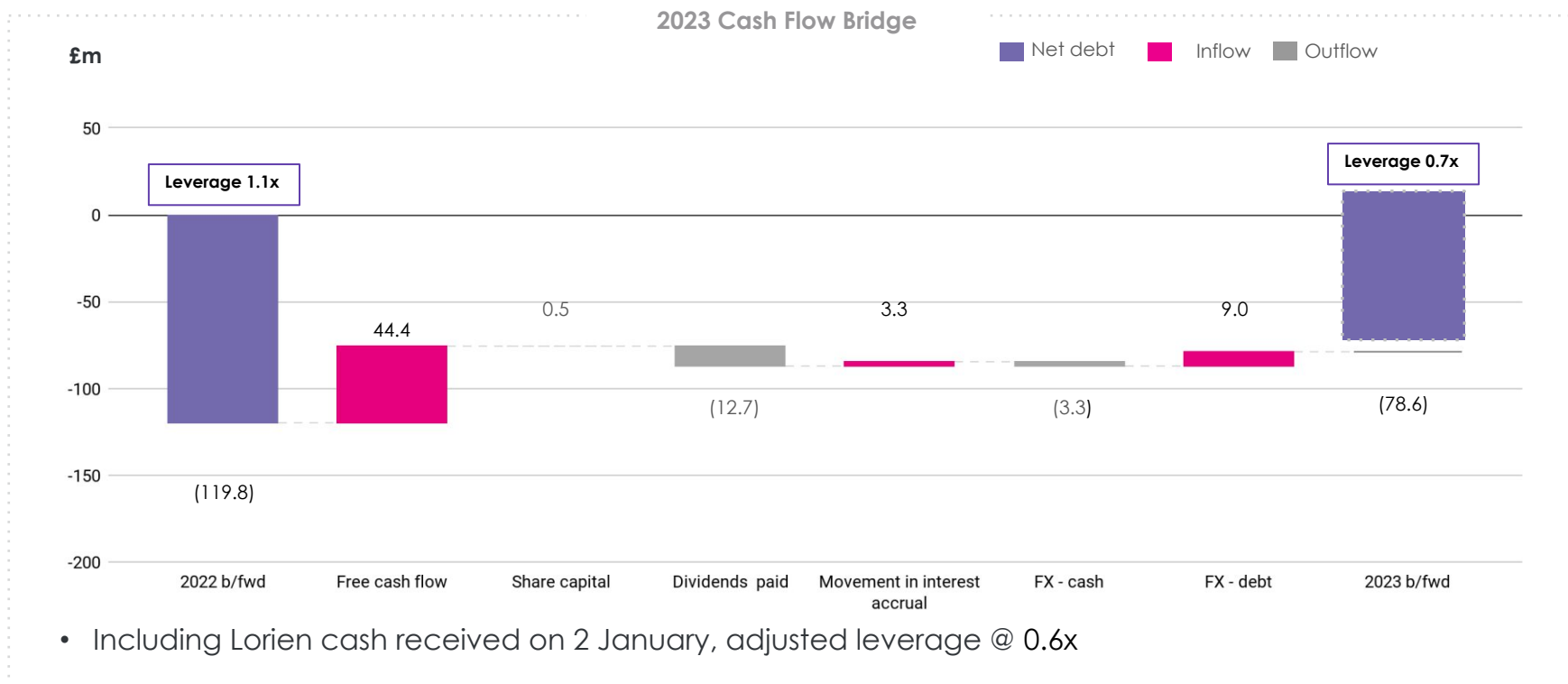
Record Operating Cash Flow During Year

£'000	2023	2022 ²	Variance
Adjusted EBIT	98.5	100.9	(2.4)
Depreciation & Amortisation	14.1	13.9	0.2
Share based payment charges	4.4	6.7	(2.3)
Dec / (Inc) working capital	(9.6)	(18.4)	8.8
Capital expenditure	(14.1)	(11.6)	(2.5)
Lease liabilities	(5.7)	(7.3)	1.6
Other	(1.3)	(1.0)	(0.3)
Adjusted operating cash flow	86.3	83.2	3.1
Cash conversion ¹	88%	82%	6%pt
Net Interest paid	(15.7)	(4.3)	(11.4)
Tax paid	(16.6)	(20.2)	3.6
Restructuring costs	(1.7)	0	(1.7)
Integration costs	(2.4)	(3.8)	1.4
Earnout & contingent consideration	(4.6)	(6.9)	2.3
Cash flow from discontinued operations	(1.4)	0	(1.4)
Other income	0.6	0	0.6
Cash costs related to asset held for sale	(0.5)	0	(0.5)
Proceeds from asset sale	0.4	2.3	(1.9)
Free cash flow	44.4	50.3	(5.9)

- Record adjusted operating cash flow of £86m
- R&D related capital expenditure increased as we continue to invest in new products to generate future organic growth
 - Healthy 2024 innovation pipeline including in AI enabled products
- Lease liabilities decrease as we rationalise our footprint
- Earnout consideration lower than prior year and expectation of significantly lower levels in future periods

1. Cash conversion is calculated as Adjusted operating cash flow/Adjusted EBIT
 2. 2022, as reported.

Balance Sheet Flexibility: net debt position



- Bank Debt Facility**
- **Term Facility A \$265m** until October 2025
 - \$191.8m remaining as at Dec 2023
 - **RCF \$50m** until July 2025 (remains undrawn)
 - **Net debt of £78.6m** at 31 December 2023 (2022: net debt £119.8m)

Capital allocation

Reliable cash conversion



Reinvest to
drive organic
growth



Strategic
M&A



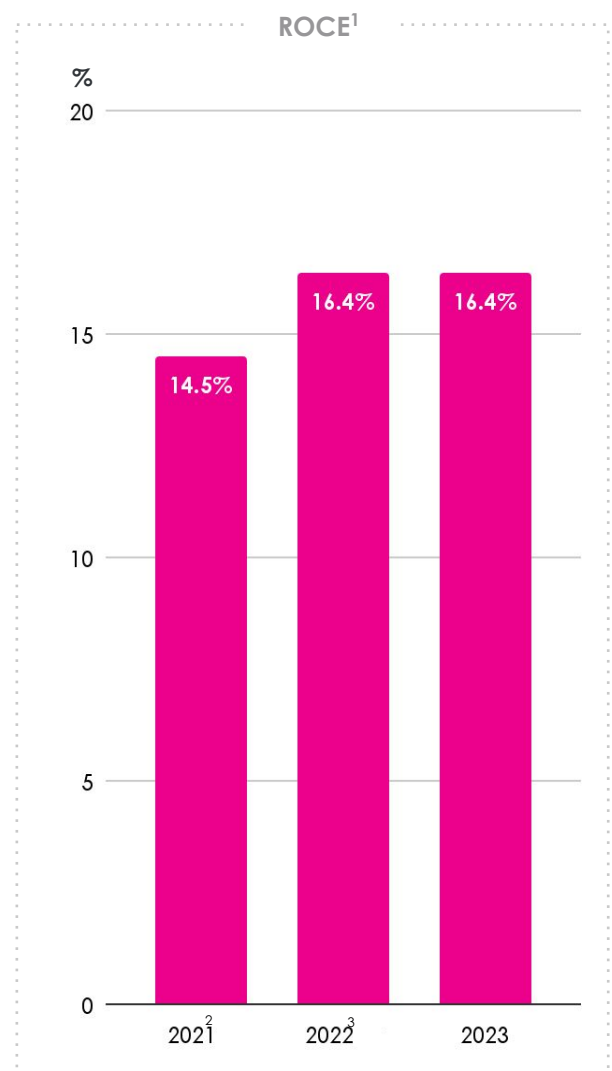
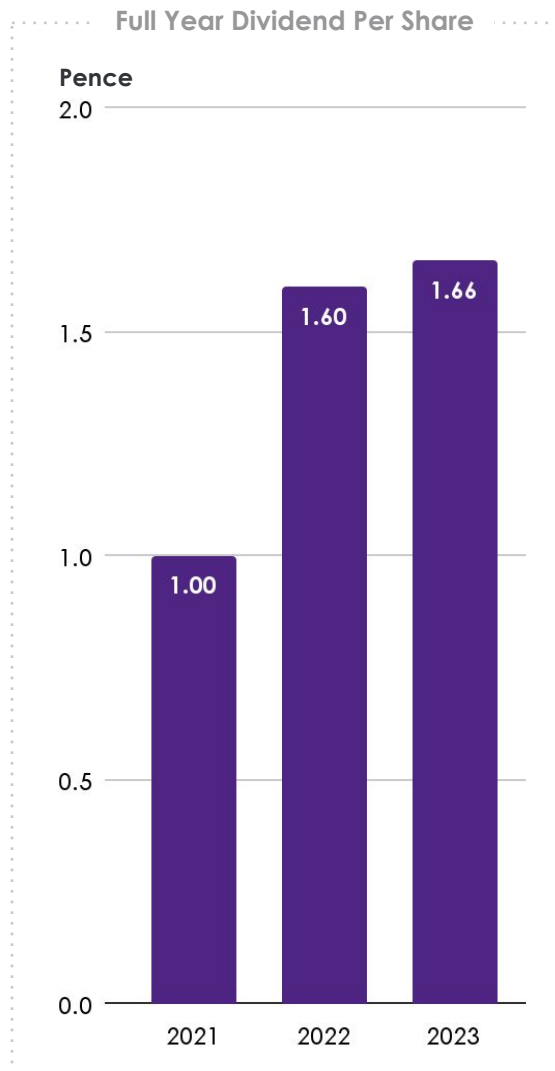
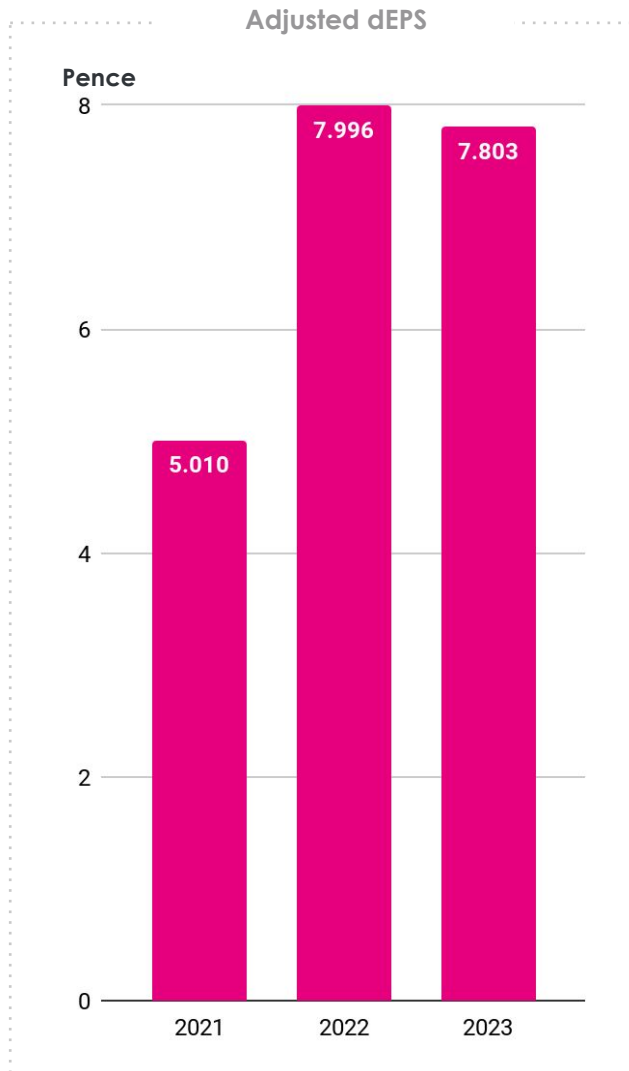
Pay down
debt



Return
cash to
shareholders

Balance sheet strength provides optionality

Earnings and Dividend Growth



1. Return On Capital Employed ('ROCE') = Adjusted EBIT / (Assets – Current Liabilities)
2. Proforma, includes a full-year forecast adjusted EBIT contribution from GP Strategies and other 2021 acquisitions
3. Includes prior period adjustment (note 36 in 2023 Annual Report)

Selected FY24 Technical Guidance

2024 Finance charge and adjusted tax rate

- Estimated finance charge net c.5.5% at current rate expectations (floating) on gross debt (c\$180m FY23 average)
- 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.£0.8m FY 2024 adjusted EBIT impact

Non-core assets

- UK Apprenticeship business was presented as a discontinued business in 2023 and is now closed.
- Lorien was classified as assets held for sale during 2023 and included in continuing business for the year. The sale was completed on 2 January 2024.
- Lorien and the global staffing business of TTI Global generated c\$35m revenue and c\$4.5m adjusted EBIT in 2023 and are no longer part of the Group



2024 Execution Priorities and Outlook



Jonathan Satchell
Chief Executive

LTG Today

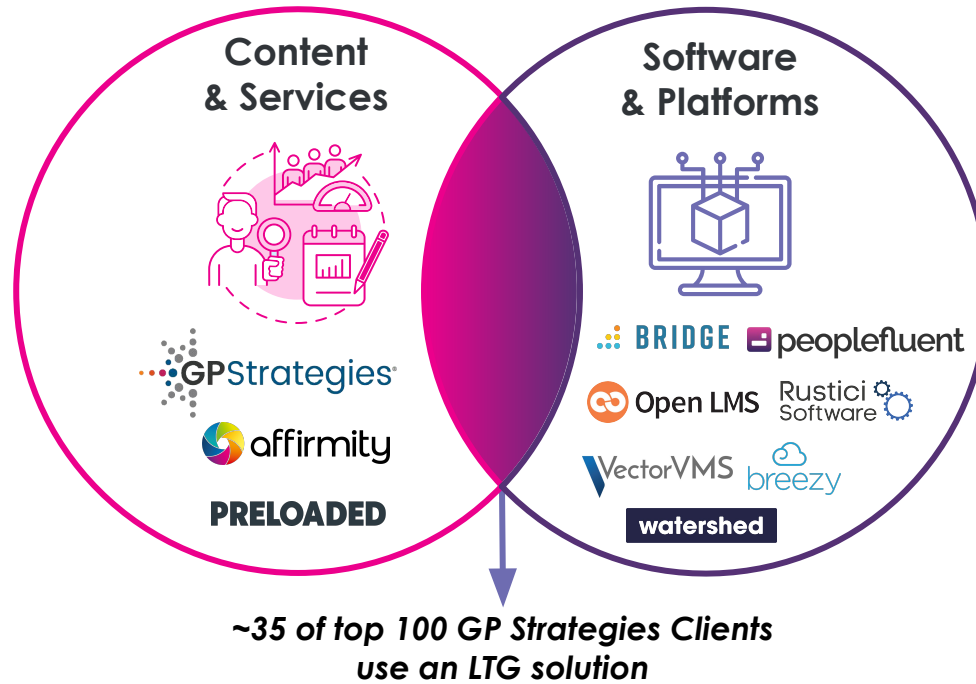
Two Strong Divisions Increasingly Harnessing the Power of the Combined

150 clients out of Fortune 500

Growing global operations

Deep industry expertise and breath of capabilities

Majority of revenue from long-term contracts



Breadth of clients from SME to enterprise with >50m end users

Diverse SaaS offerings across talent acquisition, talent management, learning, analytics

Well invested technologies sharing AI innovation across the Group

Majority of revenue from recurring multi-year SaaS contracts

Providing the most comprehensive range of learning and talent services and technologies within our industry

2024 Execution Priorities

Reinvigorating Organic Growth While Realising Efficiencies & Sharpening Portfolio Focus

Grow and Strengthen Existing Businesses

- ✓ New contracts, geographic expansion, improvement in economic climate
- ✓ Strengthened leadership at Group and Division level
- ✓ New product launches in 2024 & AI enablement across software and services

Operate More Efficiently

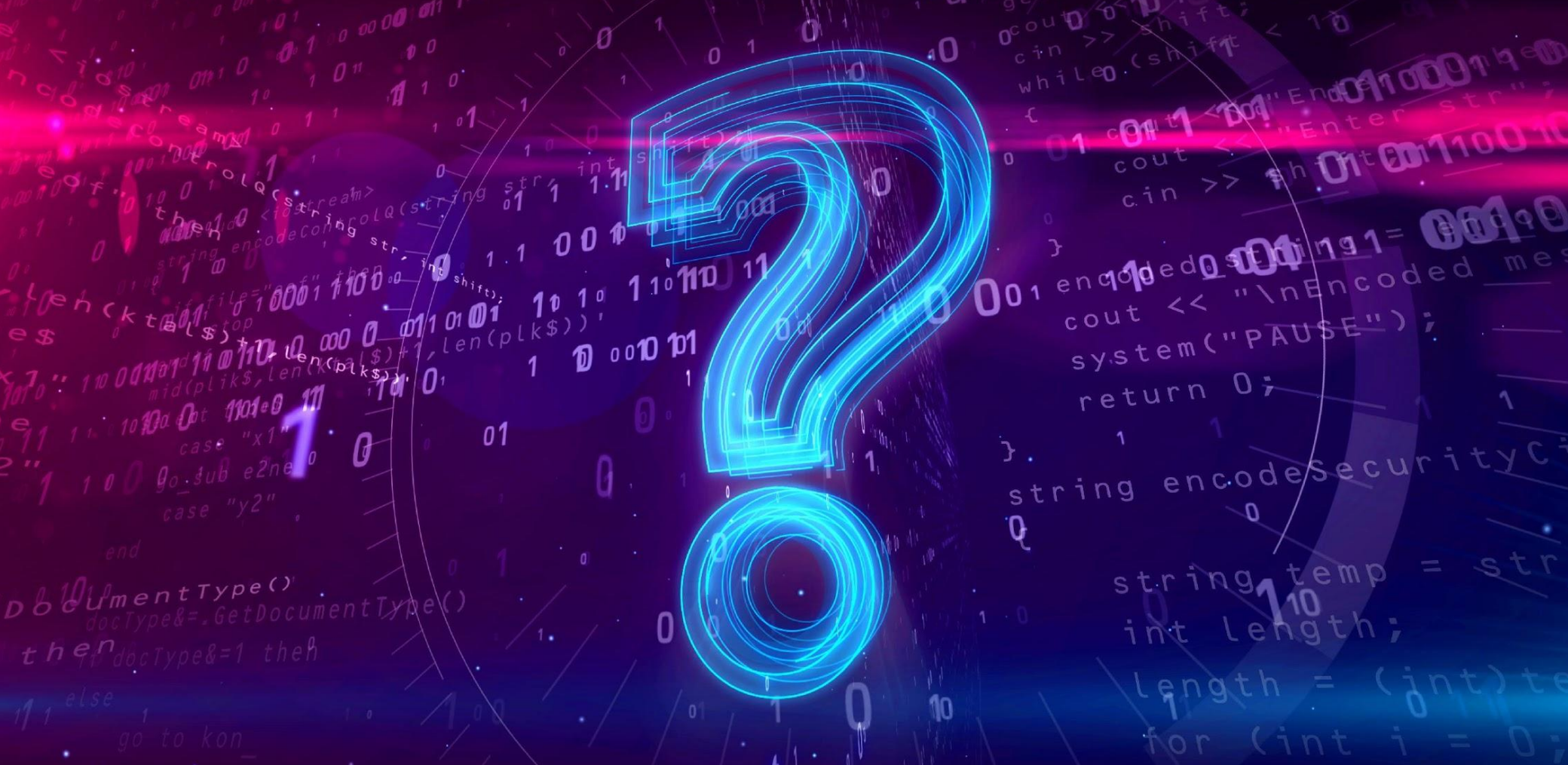
- ✓ Realise benefits of 2023 organisational streamlining
- ✓ Continued delivery of synergies and further increase in GP's EBIT margin
- ✓ Industry leading cash flow conversion

Active Approach to Portfolio Management

- ✓ Sharpen focus towards learning and talent development
- ✓ Review strategic alternatives for select non-core businesses
- ✓ Acquisitions to focus on software businesses within core perimeter to balance divisional contribution

Key Messages and Outlook

- 2023 was a year of focused execution with resilient financial performance in-line with consensus and record cash flow
- We have streamlined and strengthened the organisation to best harness the power of the combined
- We have two market leading divisions that together provide a unique and differentiated proposition to our global clients
- For 2024 we expect flat revenues, on a like for like basis, and growth in Adjusted EBIT and we remain confident in durable revenue growth over the medium term
- Our industry remains more relevant than ever with corporations prioritising attracting and retaining talent and addressing the global skills gap
- Moving forward, we will more actively manage our portfolio, sharpening our focus on learning & talent development and pursuing synergistic acquisitions



Q&A



Appendices

P&L Adjusting Items

£'000	2023	2022 ¹	Variance
Amortisation of acquired intangibles	32.7	35.7	(3.0)
Acquisition-related contingent consideration and earn-outs	0.2	3.3	(3.1)
Acquisition-related share based payment charge	0.0	0.5	(0.5)
Acquisition costs	0.0	0.3	(0.3)
Integration costs	2.4	3.5	(1.1)
Total acquisition related costs	35.3	43.3	(8.0)
Impairment of goodwill and intangibles	0.0	8.0	(8.0)
Loss on disposal of fixed assets	0.1	0.0	0.1
Loss on disposal of right-of-use assets	2.1	0.2	1.9
Share of profit of joint venture	0.0	(0.2)	0.2
Profit on sale of joint venture	(0.4)	(1.2)	0.8
Cloud computing configuration and customisation costs	0.3	0.7	(0.4)
Restructuring costs	2.5	0.0	2.5
Closure provisions	0.0	1.1	(1.1)
Costs relating to asset held for sale	0.5	0.0	0.5
Other income	(0.6)	(1.5)	0.9
Total other adjusting items	4.5	7.1	(2.6)
Total adjusting items	39.8	50.4	(10.6)

1. As Reported

Five-year financial summary

Year ended 31 December ¹	2019	2020	2021	2022 ²	2023
Revenue (£'000)					
Existing business	126,614	120,116	146,848	588,587	562,305
Acquisitions in period	3,489	12,208	111,378	0	0
	130,103	132,324	258,226	588,587	562,305
Growth	39%	2%	95%	128%	-4%
Adjusted EBIT (£'000)	41,022	40,348	54,754	99,925	98,539
Growth	58%	-2%	36%	83%	-1%
Margin	32%	30%	21%	17%	18%
EPS (pence)					
Basic	1.628	2.450	1.959	3.857	3.724
Diluted	1.584	2.382	1.878	3.710	3.609
Adjusted - Diluted	4.351	4.294	5.010	8.121	7.443
Growth	43%	-1%	17%	62%	-8%
Dividend per share (pence)					
Interim	0.25	0.25	0.30	0.45	0.45
Final	0.50*	0.50	0.70	1.15	1.21
Total	0.75	0.75	1.00	1.60	1.66
Growth	50%	0%	33%	60%	4%
Net Cash/(Debt) (£'000)	3,830	70,202	(141,412)	(119,811)	(78,553)

1. As reported unless stated otherwise
2. Restated for continuing operations

Cash Flow & Conversion

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- Adjusted operating cash flow £3.1 million higher year over year
- Cash conversion very strong at 88%
- Net interest paid higher due to increased interest rates on a lower average debt and £4.5 million interest from 2022 paid in 2023
- Lower tax payments due to timing of payments
- Restructuring cash costs of £1.7 million relating to resizing the organisation to a more challenging macro environment
- Integration costs of £2.4 million related to the continued integration of GP Strategies into the Group
- £4.6 in earnout payments related to Breezy and eCreators
- Cash flow from discontinued operations of £1.4 million related to the UK Apprenticeship business
- Other income reflects the sale of the external staffing business of TTI Global
- Cash costs related to asset held for sale of £0.5 million for the Lorien business
- On 5 September 2023, the Group sold its 17% investment in LEO Brasil Tecnologia Educacional Ltda realising a gain on sale of £0.4 million

- Cash conversion is calculated as Adjusted operating cash flow/Adjusted EBIT
- 2022, as reported.

END