



LON:LTG

# Acquisition of PeopleFluent: Leading Talent Management Platform



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## Learning Technologies Group plc

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# The Proposition

## Strategic Highlights

- **Learning Technologies Group plc ('LTG') proposes to acquire PeopleFluent Holdings Corp. ('PeopleFluent') for \$150 million (on a cash free, debt free basis)**
  - PeopleFluent is a leading talent management platform with high recurring revenue (86%)
    - Large installed base of customers (2,200+ enterprise customers)
    - Large international footprint with significant US presence
- Strong strategic fit and operational benefits; fully aligned with strategy from capabilities, sector and geographic perspective
- Learning and talent are closely aligned and as the pressure increases on corporates to attract, develop and retain people, integrated talent and learning solutions will become vital

## Financial Highlights

- LTG cash consideration of \$150 million / £107 million<sup>1</sup> for PeopleFluent, proposed to be funded through a c. £80 million placing and up to c.\$48 million / c.£35 million in incremental debt financing<sup>2</sup>
- PeopleFluent will be a significant addition to LTG – 2017: c.£82.8 million<sup>3</sup> revenue and c.£9.2 million<sup>3</sup> EBIT (11.1% margin)
  - Would take LTG to c.£135 million revenue business, with Platforms expected to represent 77%<sup>4</sup> of revenues
  - LTG recurring revenue increases to c.68%<sup>4</sup>
  - LTG Adjusted EBIT increases to c.£23.3 million<sup>2</sup>
- Significant cost savings and synergies identified
- Target EBIT margin of at least 20% for PeopleFluent in FY 2019
- Immediately and significantly earnings enhancing<sup>5</sup> in 2018

Note: LTG financials based on IFRS accounting standards. PeopleFluent financials based on US GAAP accounting standards.

(1) Based on spot USD / GBP FX rate of 0.7166 as of 23 April 2018.

(2) Amount raised through placing and debt financing expected to contribute to transaction fees with balance remaining with LTG as contingency cash.

(3) Based on 2017 unaudited revenue of \$106.6m and Adjusted EBIT of \$11.9m converted to GBP at an average FY2017 USD / GBP FX Rate of 0.7766. KZO financials not included for full year impact from FY2016. Subject to restatement in accordance with the Company's own accounting principles and policies. Aggregated amounts for LTG and PeopleFluent in this presentation are included for illustrative purposes only.

(4) Based on £21.6 million Platforms revenue from LTG (41% of total 2017 LTG Revenue). Recurring revenue represents 39% of total revenue for LTG. £82.8 million PeopleFluent revenue of which 86% is recurring revenue.

(5) Based on expected completion by 31 May 2018.

# Overview of PeopleFluent:

## A Leading Talent Management Platform



Approximate  
Revenue  
Contribution:

60%

17%

16%

7%

### Talent Acquisition / Talent Management

**40m+**  
LTM Recruiting Unique Visitors

**\$130bn**  
Employee Compensation  
Managed

- Engage candidates and empower hiring managers
- Streamlined and personalized new hire on-boarding experience
- Simplify compensation, performance and learning management

### Workforce Compliance & Diversity

**~950**  
Customers

**25%**  
Share of US Affirmative Actions  
Plans Produced

- Advise on complying hiring and compensation practices with government regulations
- Establish, communicate and track diversity and inclusion initiatives and affirmative action Programs

### Vendor Management

**175+**  
Customers

**\$4bn+**  
Annual Spend Managed

- Manage entire contingent workforce on one easy-to-use, vendor - neutral platform
- Full visibility into cost, compliance, risk and efficiency

### Workforce Planning and Analytics

**1,000+**  
Customers

**~11m**  
Employees Charted

- Formulate and actively manage talent strategy with organizational charting
- Customizable metrics that can be easily shared between managers, teams or entire business units

Key  
Stats

Services

### HIGH-VALUE INSTALLED BASE OF ENTERPRISE CLIENTS ACROSS MULTIPLE VERTICALS



**~180**  
Customers

**Healthcare**



**~450**  
Customers

**Manufacturing**



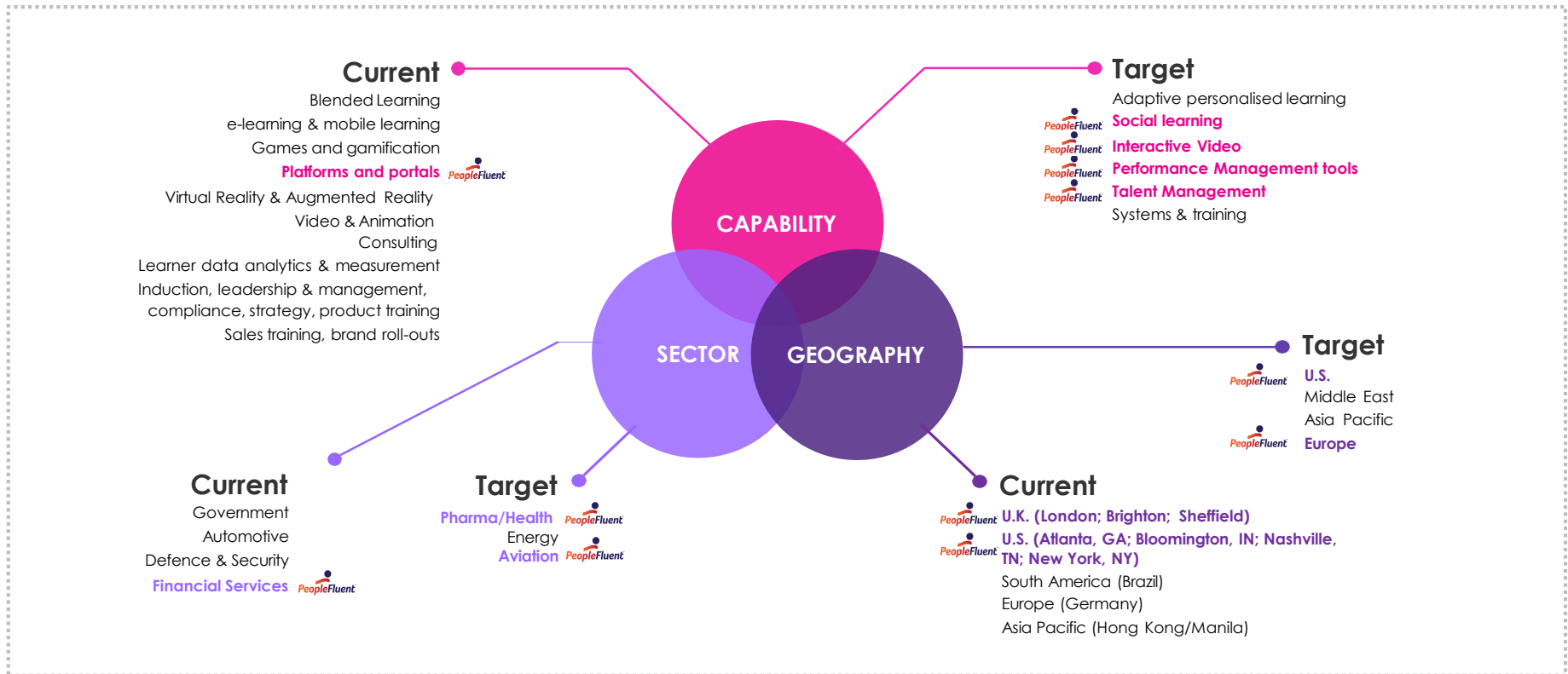
**~290**  
Customers

**Financial Services**

Note: The information contained in this Presentation relating to PeopleFluent Holdings Corp. and its businesses has been sourced from an information memorandum which was prepared on behalf of PeopleFluent Holdings Corp. and was provided to the Company in connection with the proposed acquisition and such information has not been independently verified.



# LTG's strategy: How Would PeopleFluent fit?



## PeopleFluent Statistics

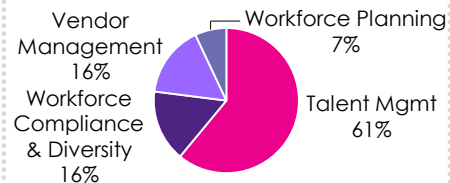
### Diversified Platform<sup>1</sup>

### Highly Visible Revenue<sup>1</sup>

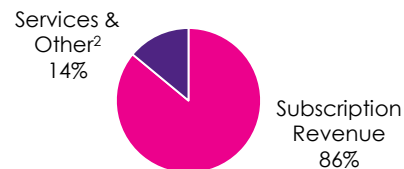
### International Footprint<sup>1</sup>

### Large Contractual Revenue Backlog<sup>1</sup>

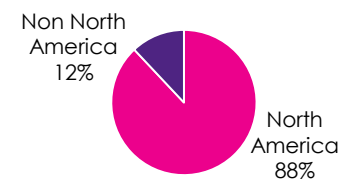
#### Business Split



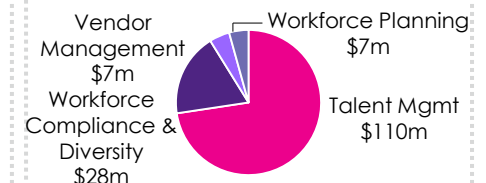
#### Recurring vs Services Split



#### Geography Split



#### Revenue Backlog Split



(1) Based on 2017 unaudited financials. Figures are approximate. (2) Includes Implementation Services and Training / Other services

# PeopleFluent Financial Snapshot:

## Compelling Margin Enhancement Opportunity



### Revenue<sup>1</sup>

Revenue (\$m)

114.6 106.6

2016 2017

**Recurring Revenue**

**2017: 86%**

### Adjusted EBITDA<sup>1,2</sup>

Adjusted EBITDA (\$m)

0.6 13.4

2016 2017

**Adjusted EBITDA Margin**

**2017: 12.6%**

### Adjusted EBIT<sup>1,2</sup>

Adjusted EBIT (\$m)

(1.2) 11.9

2016 2017

**Adjusted EBIT Margin**

**2017: 11.1%**



Revenue (£m)

52.1 82.8

LTG PeopleFluent

Adjusted EBITDA (£m)

15.4 10.4

LTG PeopleFluent

Adjusted EBIT (£m)

14.0 9.2

LTG PeopleFluent

Note: LTG financials based on IFRS accounting standards. PeopleFluent financials based on US GAAP accounting standards.

- (1) PeopleFluent 2017 unaudited revenue of \$106.6m, Adjusted EBITDA of \$13.4m and Adjusted EBIT of \$11.9m converted to GBP at an average FY2017 USD / GBP FX Rate of 0.7766. KZO financials not included for full year impact from FY2016.
- (2) PeopleFluent Adjusted EBITDA defined as reported EBITDA added to Stock Compensation expense, Realized / unrealized loss, restructuring costs, and other expenses. LTG Adjusted EBITDA defined as Adjusted EBIT + Depreciation + Amortization of IP & Software Development.

# Operational & Financial Benefits Combined With Significant Synergy Potential

## Operational

- Benefit from scale of shared hosting and support operations
- Access to LTG's central services expertise – Bid, marketing, IT, HR, Finance
- Incorporate social collaboration and interactive video capabilities into LTG's gomo, LEO and NetDimensions solutions
- Collaborative Approach for product roadmaps

## Synergies

- Review and integration process to be completed within the first 100 days
- LTG track record of successfully integrating acquisitions, cost management and margin improvement
  - Group EBIT margins increased from 13% in 2014 to 20% in 2015 to 25% in 2016 and 27% in 2017
  - NetDimensions annualised cost savings of at least £5.7m before tax achieved ahead of plan
- PeopleFluent is an established business with strong recurring revenues
  - Revenues are expected to reduce in the medium term; however, management are confident of their ability to materially improve EBIT margin
  - Target EBIT margin of at least 20% for PeopleFluent in FY 2019
  - Total non-recurring costs of up to \$3.0 million will be incurred in order to deliver these synergies and make important investments related to the PeopleFluent Business
  - Focus on increasing sales productivity, more efficient application of R&D investment and monitoring of chargeable time & utilisation to achieve comparable levels to LTG
- Potential for cross-selling will help to underpin further opportunities for growth

**Immediately and significantly earnings enhancing<sup>1</sup> in 2018**

(1) Based on expected completion by 31 May 2018.



# Transaction Structure and Financing

## Transaction Structure

- LTG expects to raise new money through an underwritten equity issue and committed debt financing
- Acquiring the business on a cash / debt free basis
- Completion of the acquisition is subject to customary closing conditions, including clearance from certain competition authorities, which are anticipated to be satisfied in Q2 2018

## Financing

- LTG expects to raise c.£80 million<sup>1</sup> by way of an accelerated book-build of new ordinary shares with the balance of the \$150 million consideration for the acquisition being raised by new debt
  - The accelerated book build is not conditional upon completion of the acquisition
  - Directors of LTG will subscribe to c.£2 million of shares in the placing
  - No shareholder approval is required
- New debt financing, provided by LTG's existing lenders, would increase LTG's leverage to approximately 1.4x EBITDA (based on 2017 financials for the combined group<sup>2</sup>)
  - Committed financing includes \$42 million Term Loan and \$21 million Revolving Credit Line
  - Uncommitted Acquisition Accordion of \$28 million for future acquisitions
- Due to PeopleFluent's c.90% cash conversion, we expect pro-forma leverage to be c.1.0x by December 2018

(1) Amount raised through placing and debt financing expected to contribute to transaction fees with balance remaining with LTG as contingency cash

(2) PeopleFluent's 2017 financials are unaudited and subject to restatement in accordance with the Company's own accounting principles and policies.

# LTG Investment Case

## Leader in a high growth market

- Leader in corporate e-learning
  - Track record of acquiring and improving growth businesses
  - Significant organic growth
- LTG current trading: no change to the positive outlook given in the March FY results
- Proposed acquisition of a leading talent management platform with scale – \$100 million+ of revenue
  - Offers a broad and deep talent management suite
  - Fully cloud-based architecture and delivery with potential future scalability
  - 2,200+ total enterprise customers including approximately 50% of the Fortune 100
  - High recurring revenue (86%)
- High growth, fragmented market
- Increasing corporate demand for digital services to develop staff
- Attractive cash generation – cash conversion typically more than 90%
- 2020 Strategic goal: the goal of run-rate EBIT in excess of £25 million by end of 2020 achieved through organic growth and M&A financed through cash and debt remains.<sup>1</sup> We will report progress on this goal excluding the impact of PeopleFluent

(1) Announced on 3 October 2017

# Appendix

# PeopleFluent – Summary Income Statement & Key Cash Flow Items

| Summary Income Statement                     |                  |                  |
|--|------------------|------------------|
| Fiscal Year Ending December 31 (\$ in 000's) | 2016             | 2017             |
| Recurring                                    | \$91,187         | \$89,628         |
| Services Revenue                             | \$21,568         | \$15,153         |
| Product                                      | 2,476            | 1,479            |
| Sales Allowances                             | (589)            | 299              |
| <b>Total Revenue</b>                         | <b>\$114,641</b> | <b>\$106,559</b> |
| Growth %                                     | (5.2)%           | (7.0)%           |
| <b>Adjusted EBITDA</b>                       | <b>\$640</b>     | <b>\$13,445</b>  |
| Margin %                                     | 0.6%             | 12.6%            |

| Key Cash Flow Items                          |           |           |
|--|-----------|-----------|
| Fiscal Year Ending December 31 (\$ in 000's) | 2016      | 2017      |
| Capital Expenditures                         | \$(1,717) | \$(1,355) |
| Changes in Net Working Capital               | \$(9,511) | \$1,786   |

Note: 2017 based on unaudited financials.

# PeopleFluent – Statement of Financial Position

| Balance Sheet                                |                  |                  |
|--|------------------|------------------|
| Fiscal Year Ending December 31 (\$ in 000's) | 2016             | 2017             |
| <b>Assets</b>                                |                  |                  |
| Cash   | \$20,430         | \$30,652         |
| Restricted cash                              | 5,885            | 2,405            |
| Accounts receivable                          | 19,565           | 18,146           |
| CIP Accounts receivable                      | 15,791           | 6,092            |
| Prepaid expenses and other                   | 3,726            | 4,344            |
| Deferred implementation costs                | 1,218            | 1,311            |
| <b>Total Current Assets</b>                  | <b>\$66,615</b>  | <b>\$62,950</b>  |
| Property & equipment                         | 2,629            | 2,435            |
| Deferred implementation costs                | 2,464            | 2,475            |
| Intangible assets, net                       | 8,393            | 5,053            |
| Other long term assets                       | 99               | 117              |
| Goodwill                                     | 127,113          | 127,113          |
| <b>Total Assets</b>                          | <b>\$207,314</b> | <b>\$200,144</b> |
| <b>Liabilities &amp; Equity</b>              |                  |                  |
| Note Payable to BFI, LP                      | \$6,356          | \$6,356          |
| Accounts payable & accruals                  | 14,696           | 15,742           |
| CIP Supplier Payable                         | 18,558           | 6,216            |
| CIP Rebate due to customers                  | 2,493            | 1,799            |
| Accrued sales tax                            | 812              | 716              |
| Deferred revenue                             | 48,034           | 47,582           |
| <b>Total Current Liabilities</b>             | <b>\$90,949</b>  | <b>\$78,411</b>  |
| Deferred Revenue, Net of Current Portion     | 6,864            | 7,539            |
| Other Long-Term Liabilities                  | 1,866            | 1,823            |
| <b>Total Liabilities</b>                     | <b>\$99,678</b>  | <b>\$87,774</b>  |
| <b>Shareholders Equity</b>                   | <b>\$107,636</b> | <b>\$112,370</b> |
| <b>Total Liabilities and Equity</b>          | <b>\$207,314</b> | <b>\$200,144</b> |

Note: 2017 based on unaudited financials.