

**Empowering the world
of education**

2017 Results

Ian Bowles, CEO

Mark Pickett, CFO

22nd March 2018



Agenda

- Business Highlights
- 2017 Financial Report
- CEO Summary
- Q&A

TRIBAL

2017 Business Highlights

Ian Bowles
CEO

Three Year Turnaround Plan

Three Year Plan (updated H1 2017)

2016

Create a solid foundation, and sound operational model

Delivered

2017

Improve profitability, deliver new product strategy with new licensable module

Delivered

2018

Move to recurring revenue

Continued margin improvement

Continued international expansion

2017 Highlights

- First statutory profit since 2013
- Positive progress across all lines of business
- Key contracts secured in SMS & QAS
- All Key Metrics showing positive direction of travel



TEAM
Achievements
over
22 months

March 2016- December 2017

Team achievements in 22 months

The Hard Yards

- Reduced headcount from circa 1,400 to 850
 - Tupe of staff to Ofsted
 - Disposal and closure of lines of business
 - Headcount reduction
- Reduced cost base by £12m
 - Closed Leeds & Birmingham offices
 - Reduced excessive expenditure

Team achievements in 22 months

The Positive

- New operating model
 - New Executive Board
 - Student Information Systems, QAS, i-graduate
 - New values programme
- Re-launched the Tribal brand – Empowering the World of Education
 - Launched new website
- Committed investment for our future
 - Tribal Edge
- Invested in infrastructure
 - Office 365, Rackspace
- Launched Cloud Services
- Restored competitiveness & win rate
- Designed and launched a competency framework
- Secured a global partnership with Microsoft

Team achievements in 22 month



Restored Customer Confidence

- Tribal Edge messaging well received
- Software revenues growing
- Current customers remaining with us and buying more
- New customers joining the Tribe



Restored Team Confidence

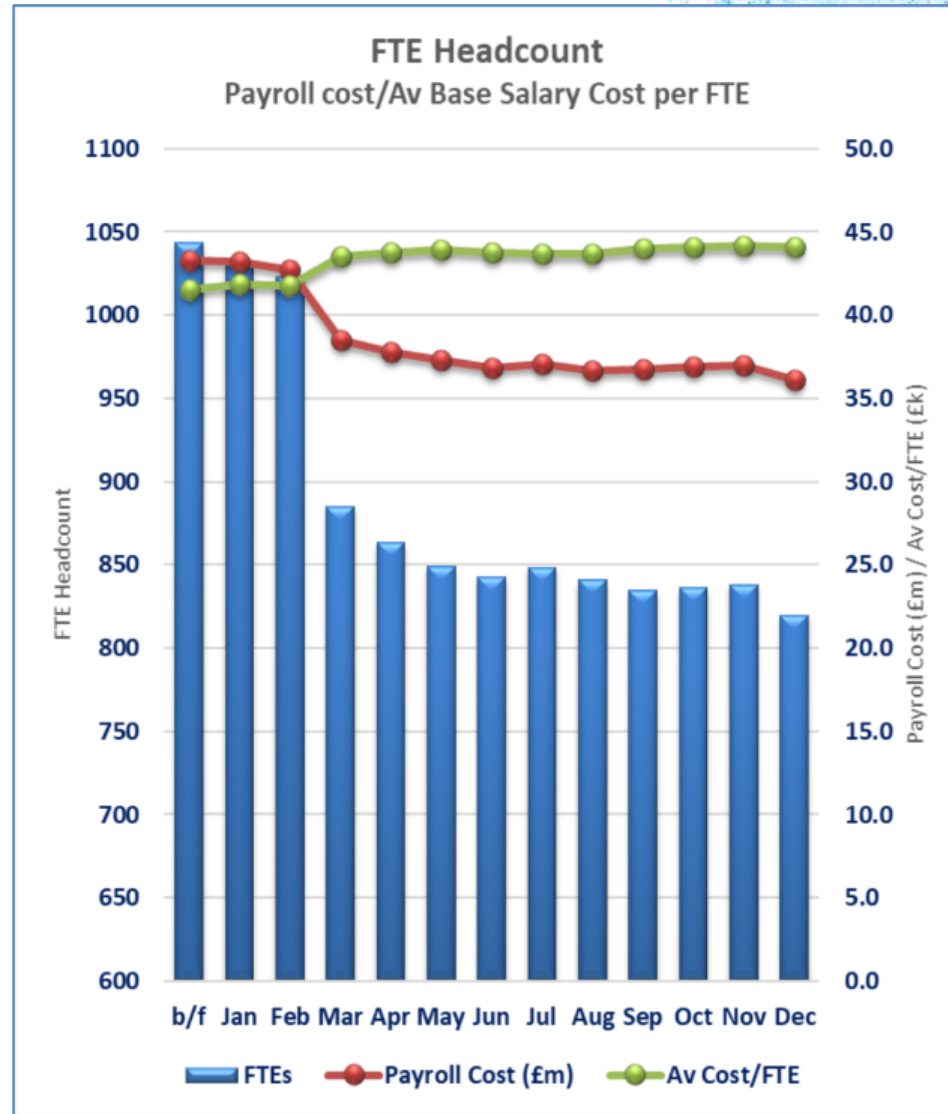
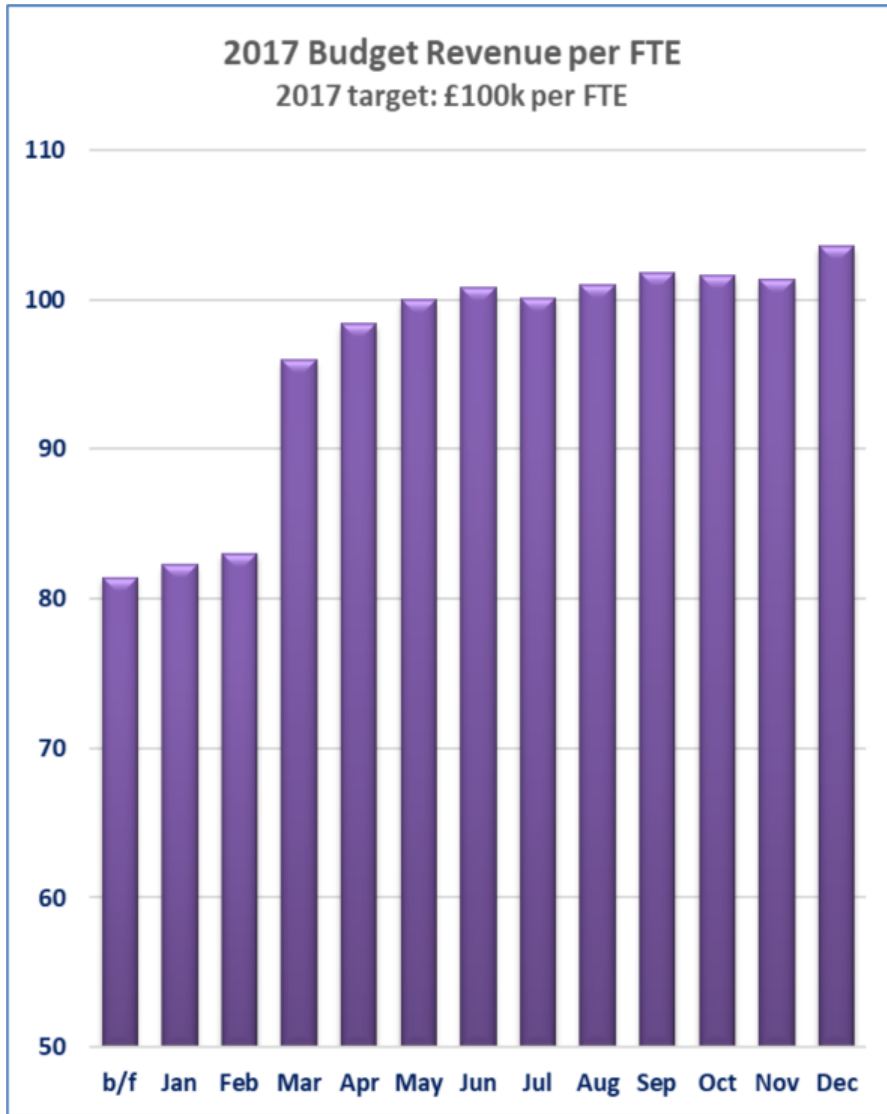
- Work in Progress!
- Win rate is up
- Paid bonuses
- Improved benefits package
- Some of the team who left came back



Restored Financial Stability

- Achieved financial plans for two consecutive years
- Significant improvement in profitability on lower revenues
- Clear strategy for the future

Headcount Report to end December 2017



Revenue per FTE ended the year at £103.6k per FTE.

Overall payroll cost reduced to £36.17M. Average cost per FTE has remained at similar levels since September, now at £44.1k from £43.5k in March (when TUPE transfers occurred), an increase of 1.6%

Financial Key Points

Core revenue



Adjusted operating profit



Statutory profit



Annually recurring revenue



Adjusted operating margin



Statutory profit per share



Net cash from operating activities

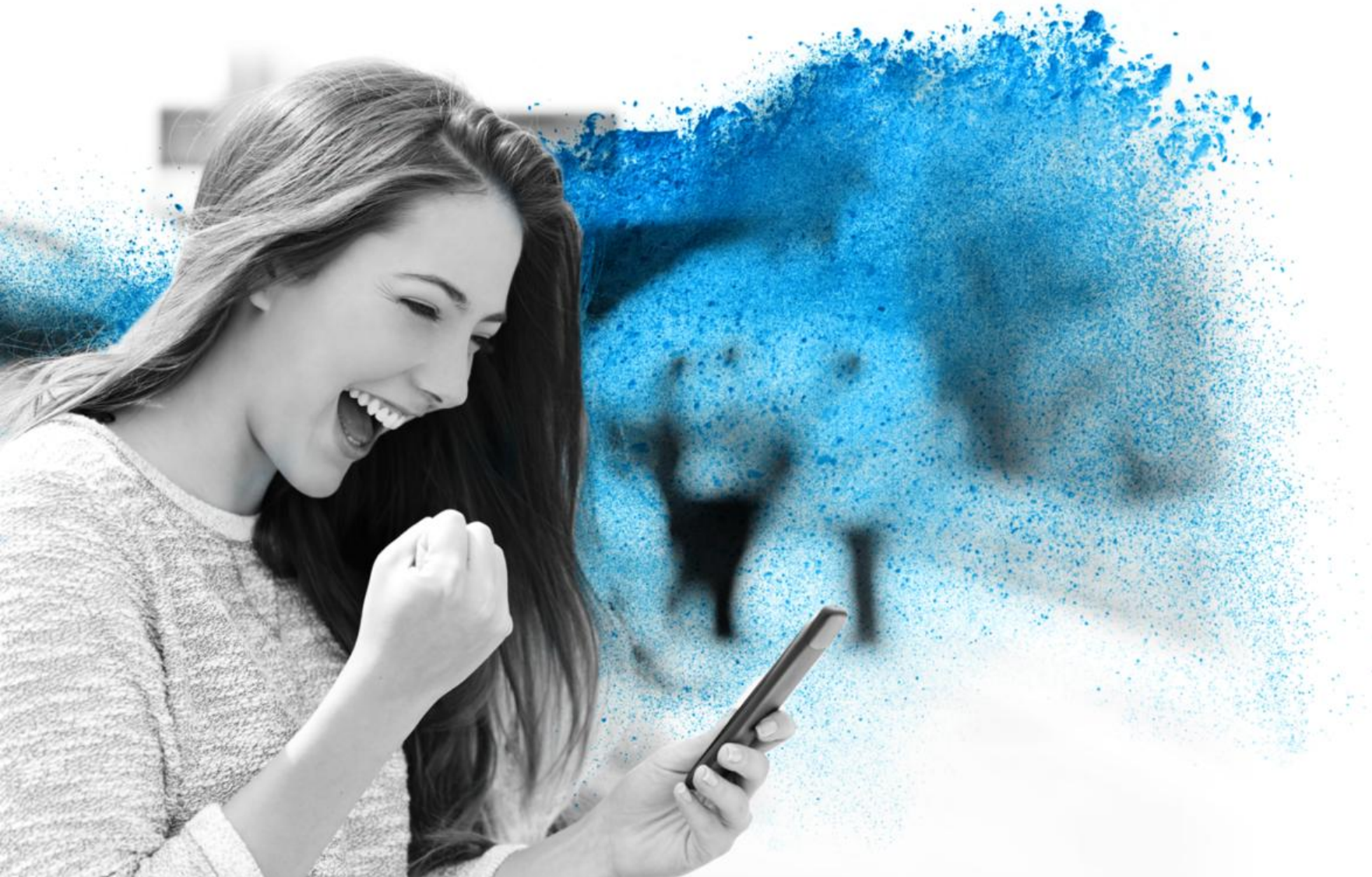


Net cash

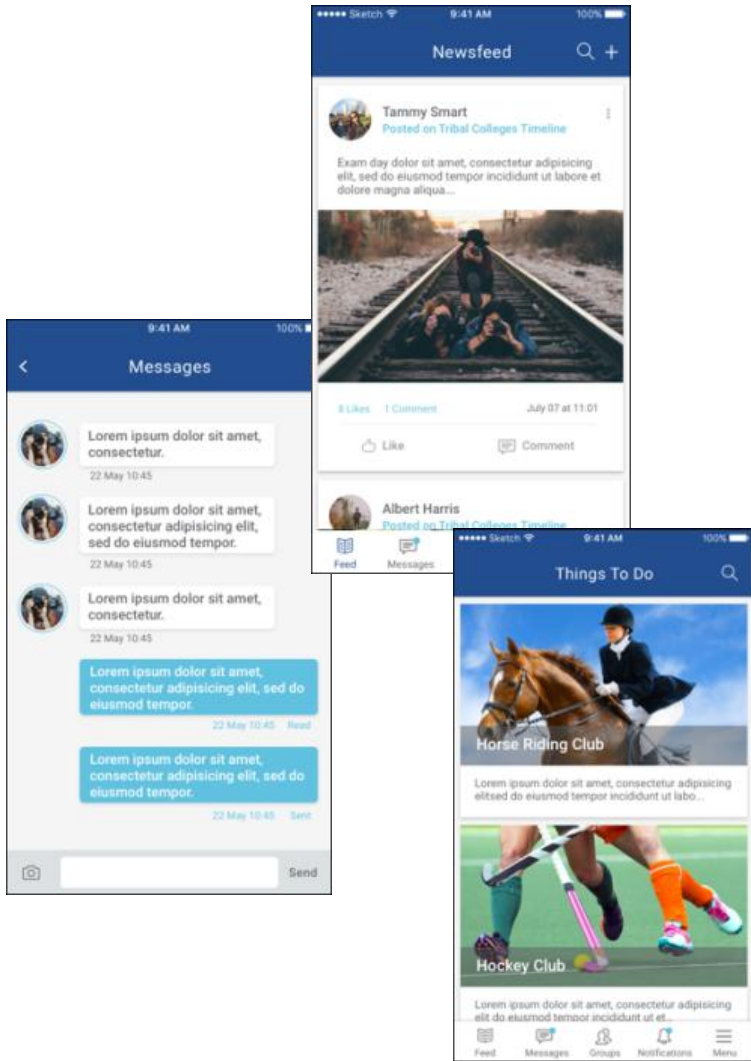


Committed income

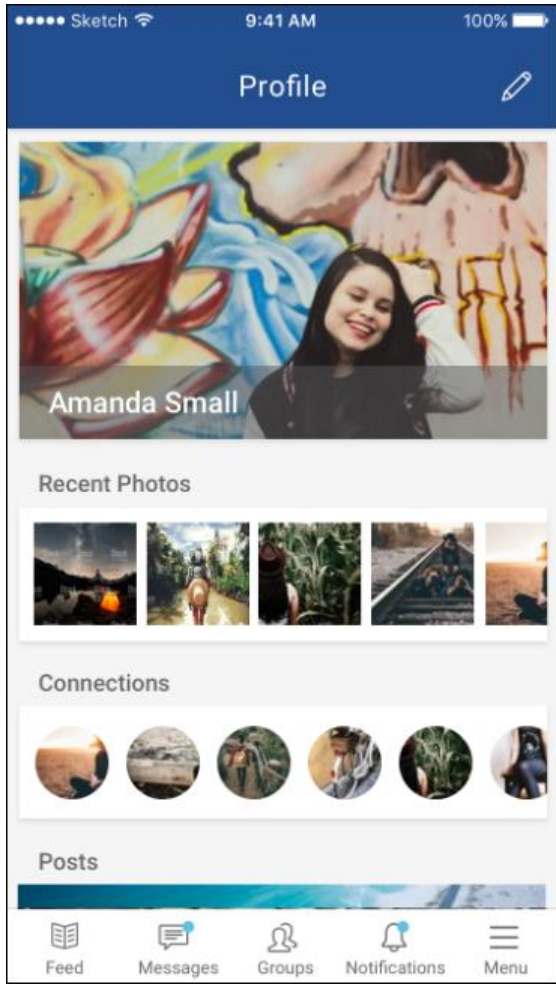




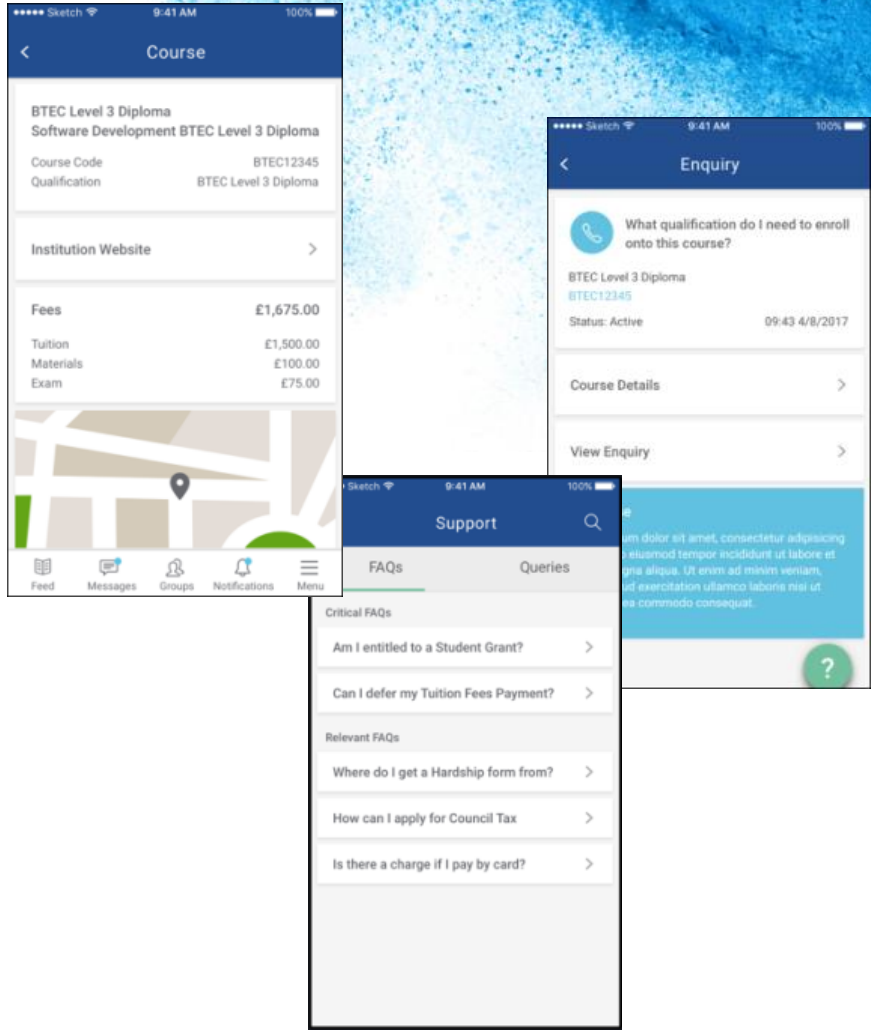
Tribal Edge



Student Engage



Student View



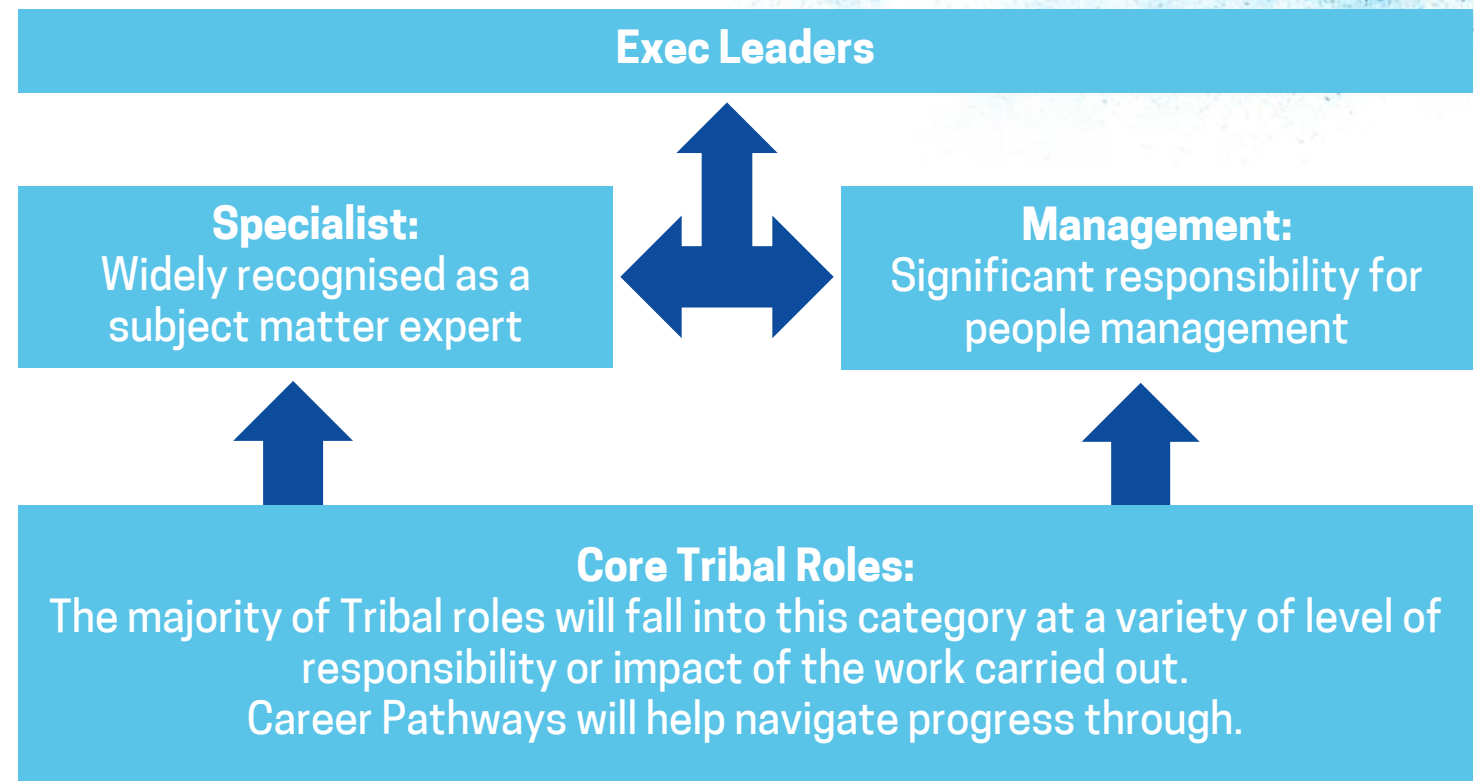
Student Support

Tribal Competency Framework



Tribal Competency Framework: An overview

- 9 Job families
- 4 Job levels
- 40 Common competencies





Financial Report

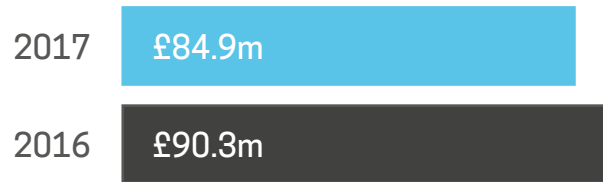
Mark Pickett
CFO

CFO Summary

12 months ended 31 December 2017

Revenue

£84.9m



down 5.9%

Adjusted Operating Profit* (before share based payments)

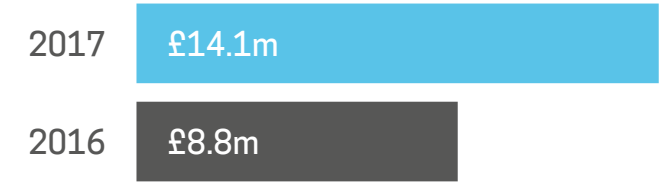
£8.5m



up 82%

Net Cash

£14.1m

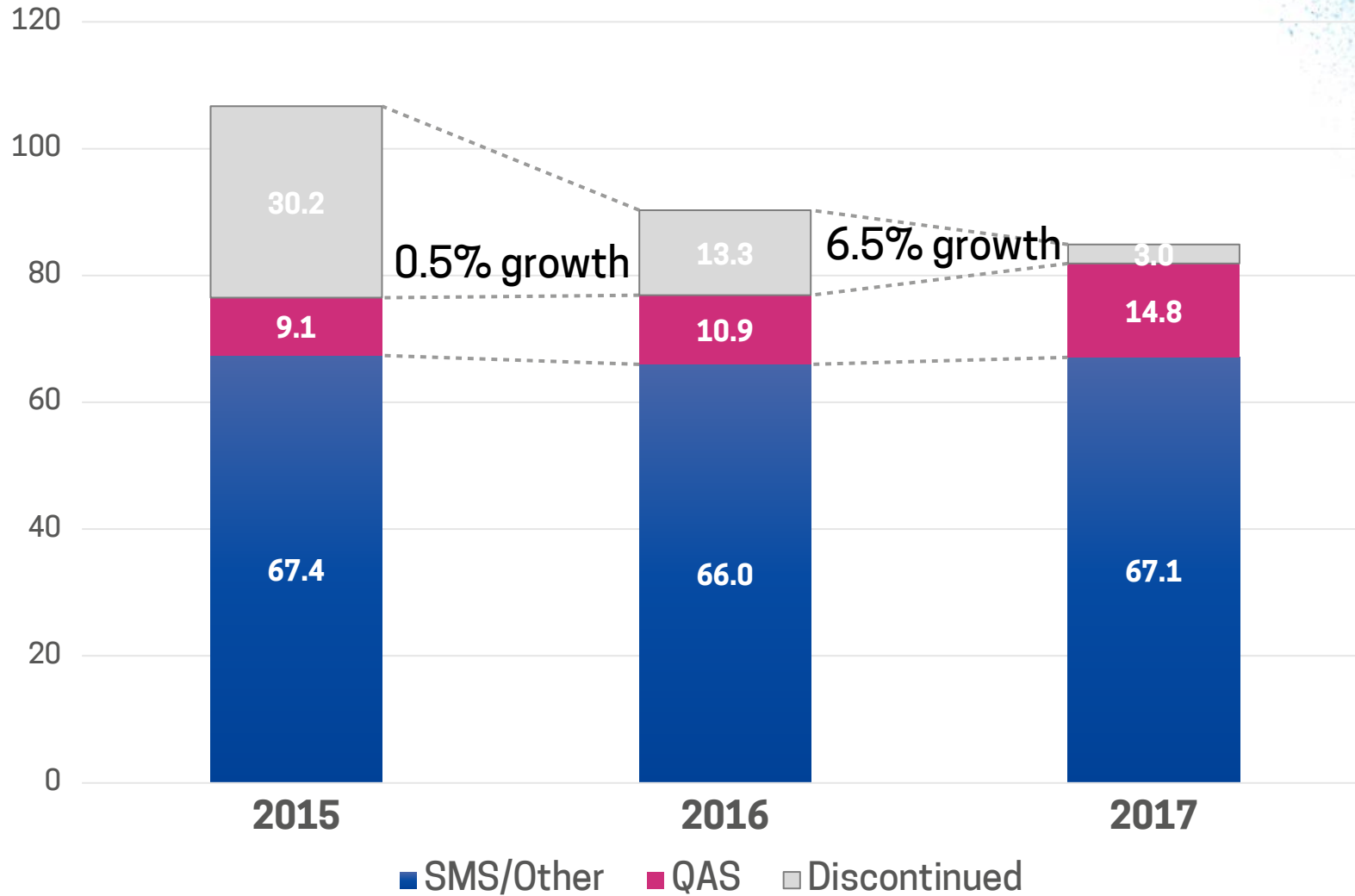


up 59%

- Core revenue has grown 6.5%, excluding expired Ofsted Early Years contract and Synergy disposal in 2016
- Profit growth driven by cost reductions in 2016 and 2017, and strong performance in QAS and APAC SMS
- Strong Cash generation positively impacted timing of QAS collections from Middle East contracts

Adjusted operating profit is in respect of continuing operations and is stated excluding "Other Items" charges of £4.8m (2016: £4.6m). Other Items include Share-based Payments, Deferred Contingent Consideration, Amortisation of IFRS3 Intangibles, and Restructuring and associated costs

Core Revenue growth: 2015 to 2017




- Core revenue grown 7.1% from £76.5m in 2015 to 81.9m in 2017
- Core revenue excludes discontinued businesses, shown in grey, including the Ofsted contracts, Synergy, SLS and Careers Advice
- Core revenue is split between QAS revenues and SMS/Other revenue

Financial Key Points

Core revenue

£81.9m


2016 £76.9m


up 6.5%

Adjusted operating profit

£8.5m


2016 £4.7m


up 82%

Statutory profit

£2.6m


2016 Loss of £1.2m


improved
£3.8m

Annually recurring revenue

£37.5m


2016 £35.5m


up 5.5%

Adjusted operating margin

10.1%


2016 5.2%


up 4.9 pp

Statutory profit per share

1.3p

2016 Loss of 0.7p


improved
2.0p

Net cash from operating activities

£11.1m

2016 £8.3m


up 34%

Net cash

£14.1m


2016 £8.8m


up 59%

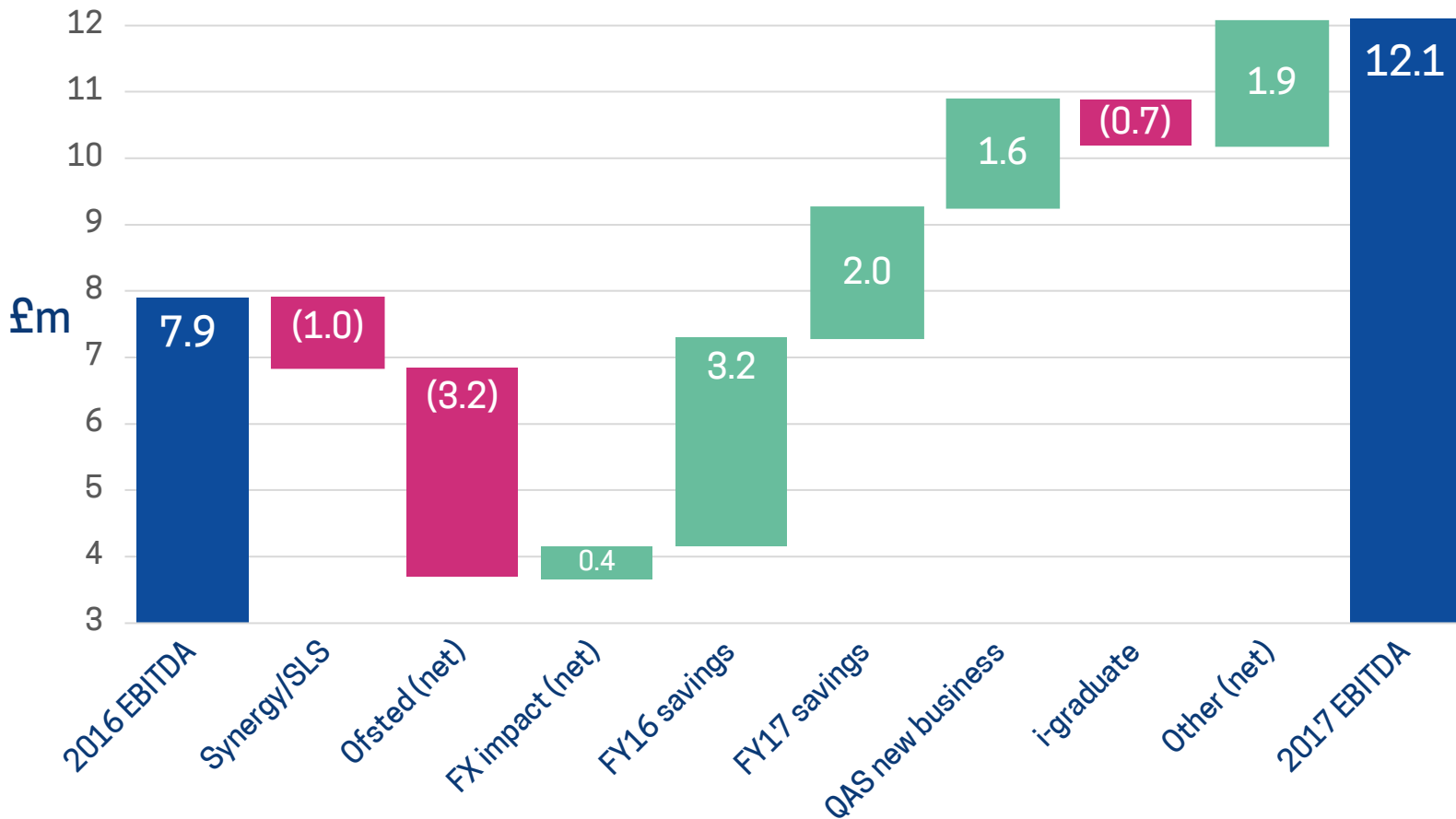
Committed Income

£120.4m

2016 £113.8m


up 5.8%

Adjusted EBITDA Bridge from 2016 to 2017



Cost Reduction	Annualised	2016	2017	2018
FY 2016 Savings	9.0	5.8	3.2	
FY 2017 Savings	3.0		2.0	1.0
Total Savings	12.0	5.8	5.2	1.0

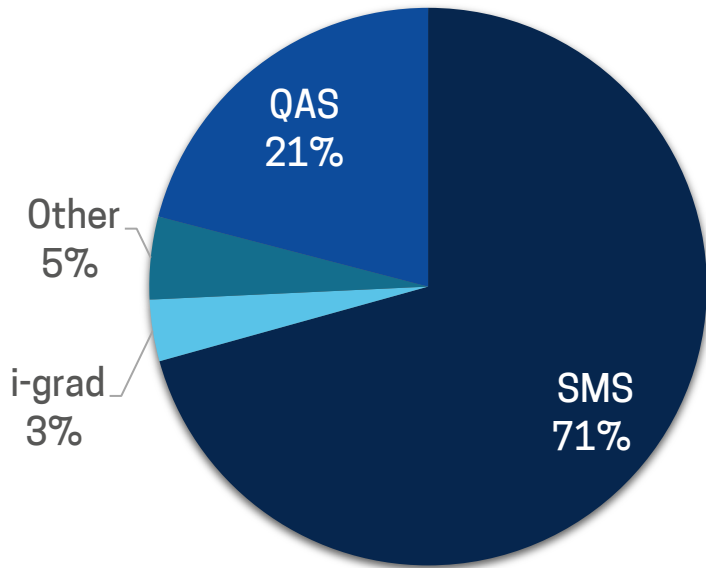
KPIs			
Full Year to 31 December	2016	2017	Change
Headcount: Full Time Equivalent (FTE)	1,041	820	222
Revenue /FTE (as at 31 Dec) (£'000s)	£86.7k	£103.6k	20%

Adjusted EBITDA Bridge from 2015 to 2016



Revenue by Product/Service and by Segment

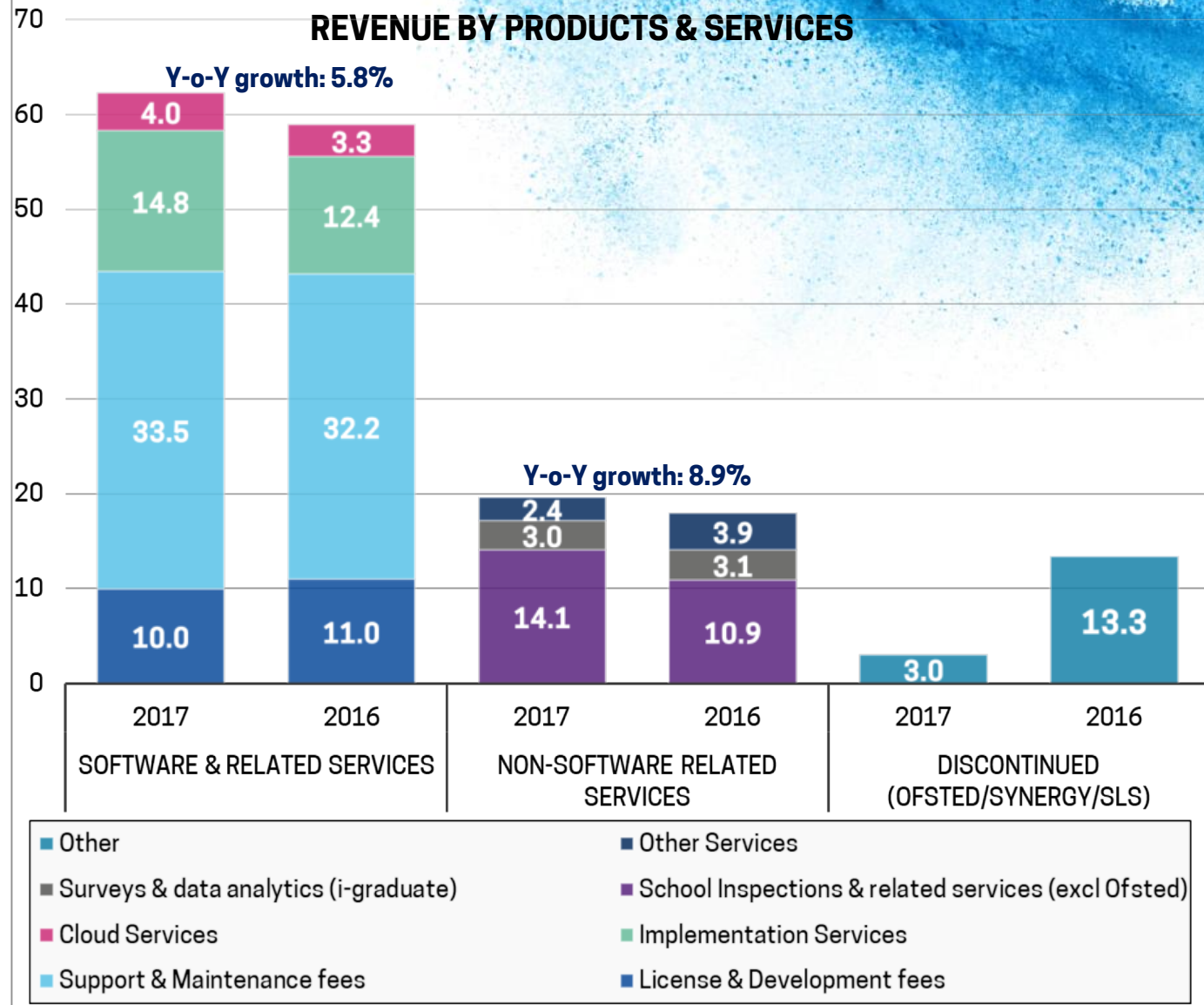
Revenue by segment



Net adverse impact on revenue of £10.3m due to discontinued businesses; excluding these factors, revenue rose 6.5%.

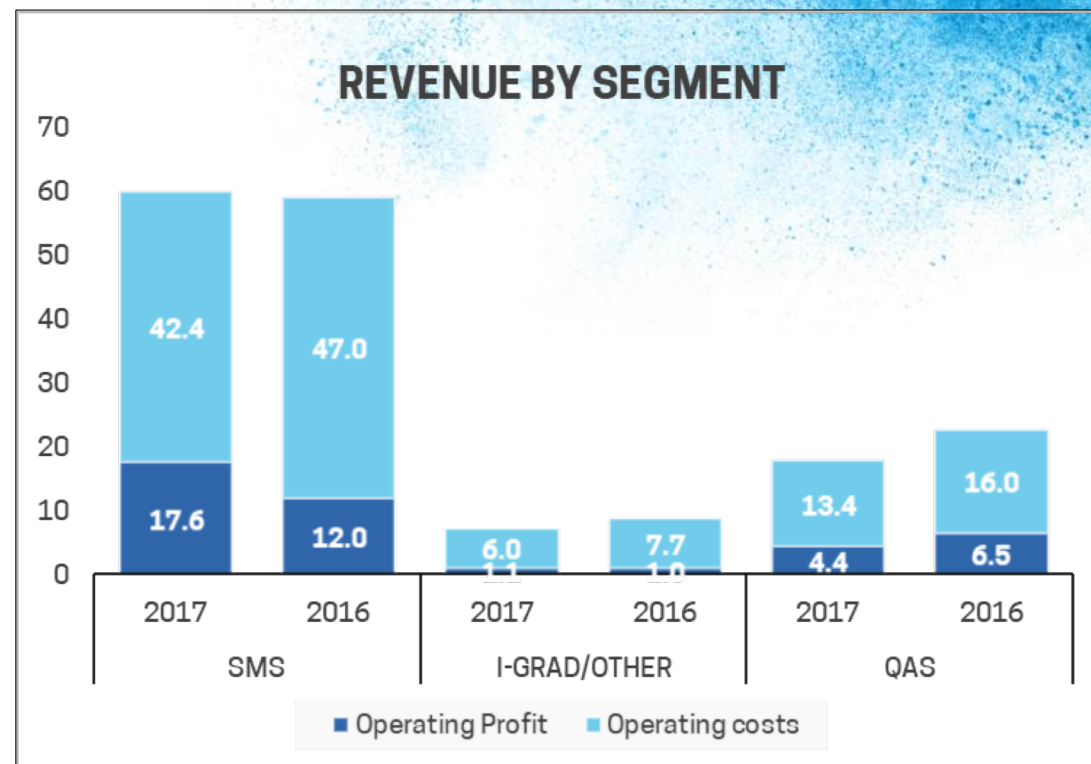
Overall, Software & related services increased 5.8%, and non-software related services by 8/9% (excluding discontinued businesses)

NB: i-graduate and other combine to a single segment



Segmentation: All Businesses

	Revenue £m		Adjusted operating profit £m	
	2017	2016	2017	2016
Student Management Systems	60.0	59.0*	17.6	12.0*
i-graduate	3.0	3.1	0.4	1.1
Other	4.1	5.6	0.7	(0.1)
Quality Assurance Solutions	17.8	22.5	4.4	6.5
Total Lines of Business	84.9	90.2	23.1	19.6
Central / Group costs	-	-	(14.5)	(14.9)
Total Group	84.9	90.2	8.5	4.7

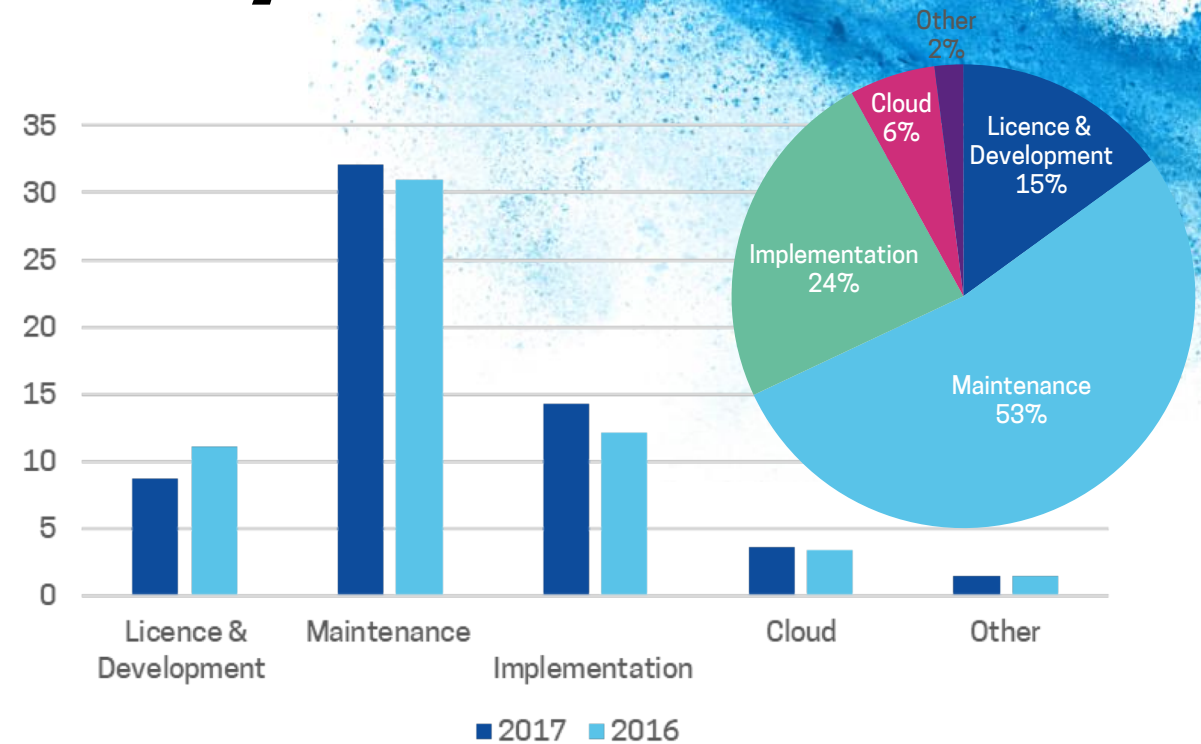


Significantly increased profitability in SMS, due to cost savings achieved. Reduction in i-grad due to lower profitability of Student Barometer survey. “Other” includes businesses which have been moved to a maintenance-only and benefited from cost savings. QAS includes Ofsted contracts, successfully concluded in March 2017 – excluding this, underlying QAS revenue growth was 35%.

* Synergy, disposed of in March 2016, is included in Student Management Systems (2016: revenue £1.7m / profit £1.0m)

Student Management Systems

	Revenue £m	
	2017	2016
License and development fees	8.7	11.1
Implementation	14.2	12.1
Maintenance fees	32.1	31.1
Cloud	3.6	3.3
Other	1.4	1.4
Total	60.0	59.0
Adjusted Operating Profit (£m)	17.6	12.0
Adjusted Operating Profit Margin	29%	20%
Capitalised Product Development Expenditure (£m)	2.1	1.1
Amortisation of Development costs	(1.4)	(1.4)



Lower License and development fees are offset by higher services as developed software was implemented. It is also impacted by contracts requiring software revenue recognition to be spread over the contract. This will be required in 2018 by implementation of IFRS15.

Total 2017 investment in Product Development was £10.2m (2016: £10.3m); £2.1m was capitalised (Edge products only)

Committed Revenue

Total Committed Revenue £120.4m (FY16: £113.8m)

- Increased of 5.8% on 2016
- ~ 70% of 2018 consensus revenue committed
- 51% of Committed Revenue relates to 2019 and beyond

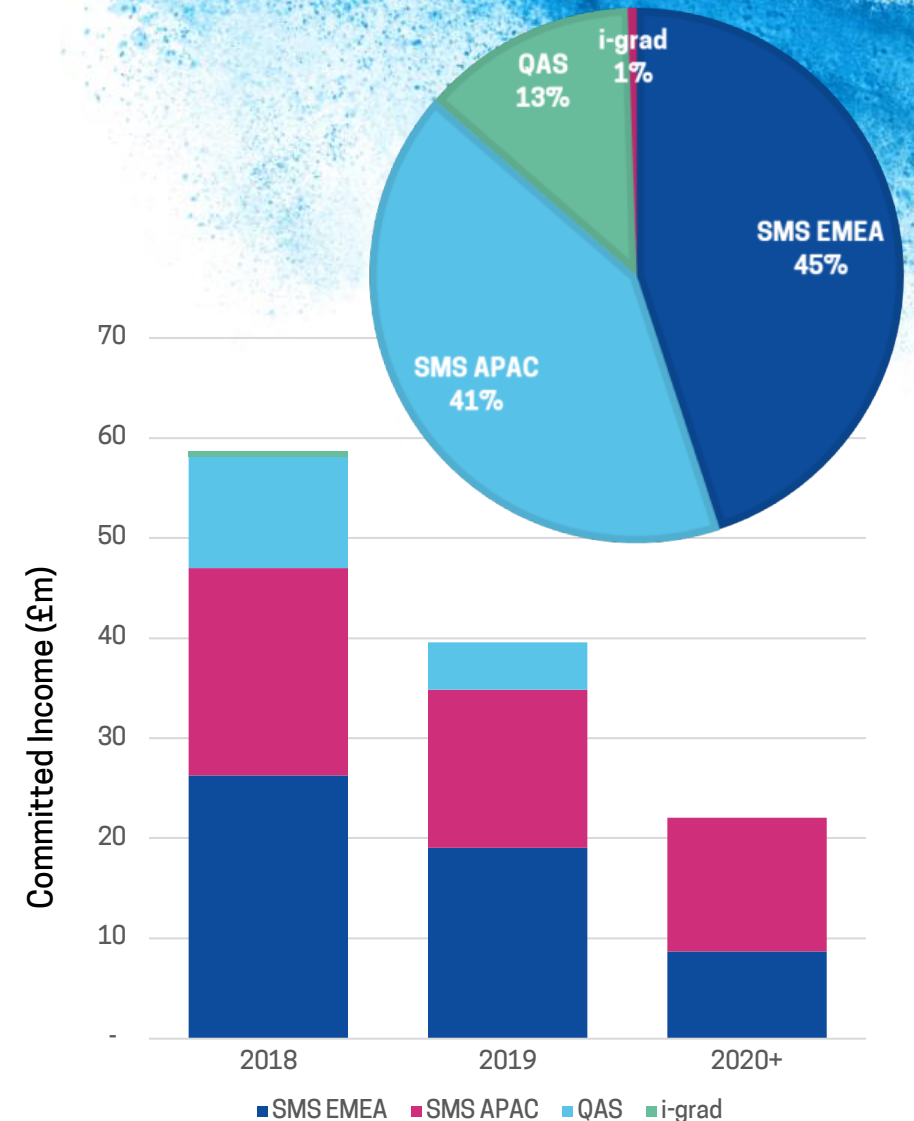
Factors impacting 2017 committed revenue:

- Accelerated project delivery, bringing revenue forward to 2017
- Completion of QAS contracts in Middle East in 2017
- University of Canterbury (NZ) contract termination

Other 2017 deals

- University of Sheffield
- University of Malaya
- Glasgow Caledonian University

* Committed Revenue (Backlog) refers to the Total Contract Value of booked sales orders which have not yet been delivered (including 2 years Support & Maintenance, where it is contracted on an annually recurring basis).



Cashflow

	FY 2017 £m	FY 2016 £m
Operating cashflow	11.1	8.3
Proceeds of Synergy disposal	-	19.4
Acquisition/disposal related costs	(1.2)	(3.9)
Capital expenditure	(4.3)	(2.4)
Finance and other costs	(0.1)	(0.5)
Net proceeds of Rights issue	-	20.0
Loan (repayment)/draw down	-	(34.5)
Dividends	-	-
FX movements	(0.2)	0.7
Cash increase/(decrease)	5.3	7.1
Net cash/(debt)	14.1	8.8

Net cash

£14.1m

2016 £8.8m



up 59%

Operating cashflow

£11.1m

2016 £8.3m



up 34%

Operating cash conversion ¹

130%

2016 115%



up 15pp

Free cash flow ²

£8.0m

2016 £6.0m



up 33%

¹ Operating cash conversion calculated as net cash from operating activities before tax as a proportion of adjusted operating profit.

² Free cash flow calculated as net cash from operating activities less maintenance capital expenditure and less capitalised development costs (excludes Wambiz)

2017 Dividend

- Board proposes return to progressive dividend policy, with single annual payment
- **Board recommends 2017 dividend of 1p per share**
- Record date: 4th May 2018 (ex div 3rd May 2018)



CEO Summary



Operational Challenges in 2018



Duplicate costs as we move operations offshore



Duplicate costs as we move data centre



Delivery of Edge platform in a cost-neutral manner

CEO Summary - today

- **Stable & evolving organisational structure with clear corporate goals**
- **Well positioned in market; supportive customers; clear SIS strategy**
- **Growing QAS business; stable i-graduate business**
- **Supportive shareholders and workforce**

CEO Summary – future

- Business model provides for continued margin improvement
- Brand position provides opportunity for:
 - Further penetration in current market
 - Further expansion into new geographies
- Company well positioned for M&A
 - Student Information Systems
 - QAS



Appendix

Our Goal remains unchanged



World-class software & services company



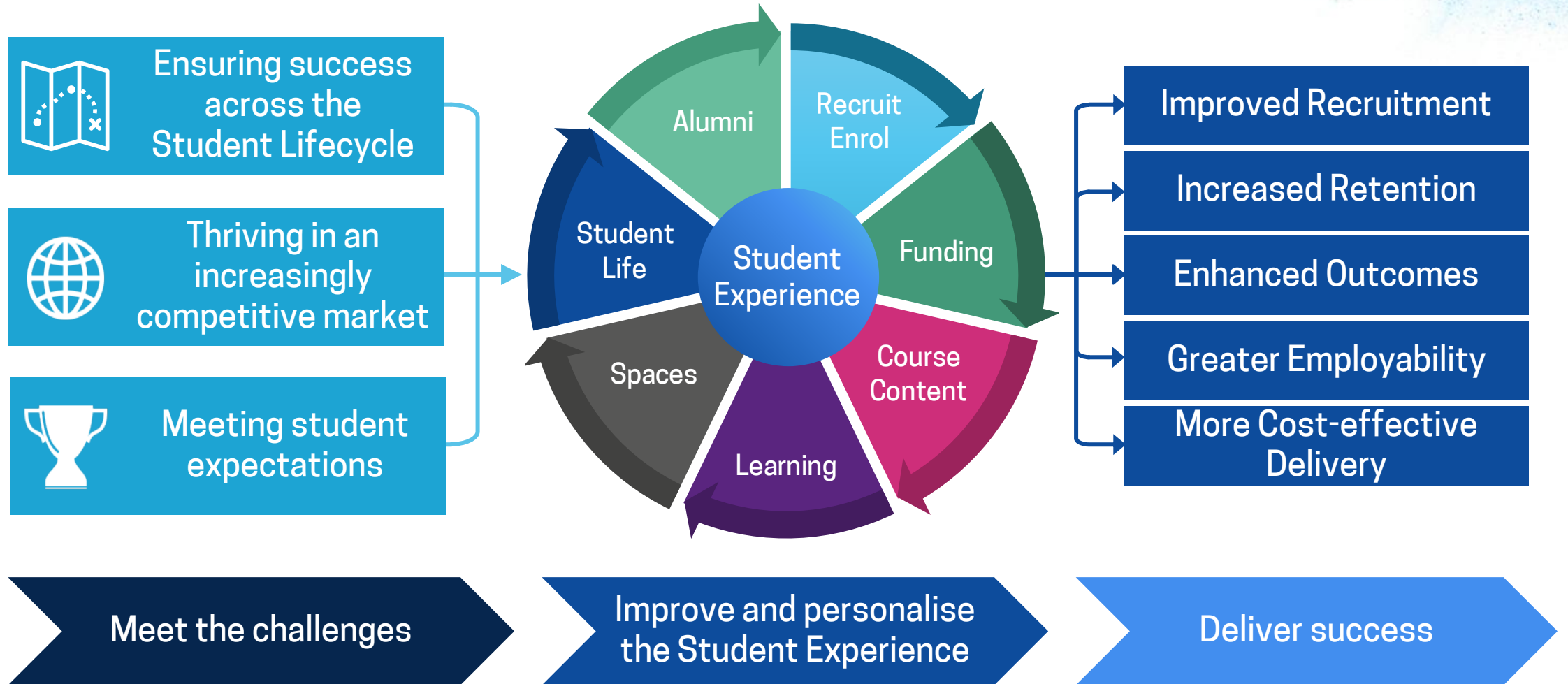
International market leading educational management solutions provider



Valued by

- Customers
- Staff
- Shareholders

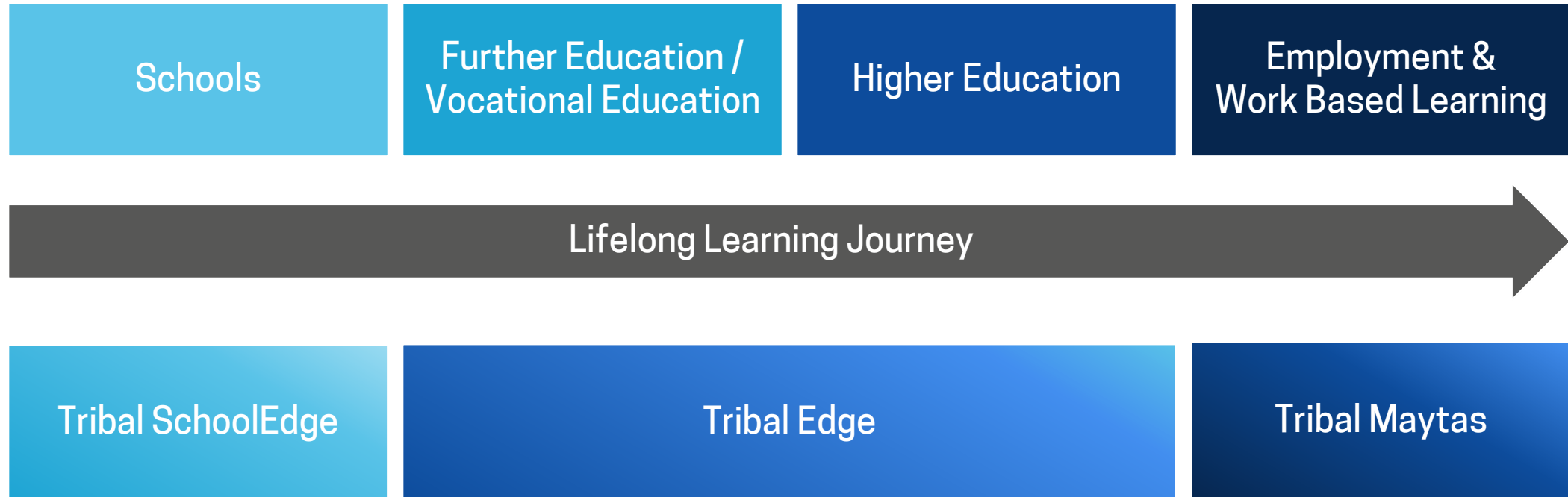
Meeting Educational Institutions' Challenges



Market Position

- **No.1 provider of student management systems to universities in the UK, Australia & New Zealand**
 - Australia we work with 90% of Universities
 - New Zealand we work with 100% of Universities
 - Facilitates and asset management software provides the NZ Ministry of Education with an effective tool to manage more than 2,300 properties, valued at around NZ\$25 billion
 - \$17 billion of expenditure benchmarked to enable tertiary institutions in Australia and New Zealand to identify achievable cost savings and opportunities for re-investment and improvement
 - Implementing technology to support one of the world's largest educational change programs, covering over 2,000 schools and TAFE's and 1.4 million students.
- **No.1 Provider to schools in Australia (2000+ by end of 2017)**
- **Global benchmark for student experience**
 - 2.9 million detailed student survey responses
 - used by 600 universities worldwide
 - across 33 countries
- **Next generation cloud solution is being deployed by the British Council**
 - 100 Teaching Centres in 59 countries
 - 300,000 student records annually

Student Information Systems Strategy



A student's lifelong learning journey underpinned by Tribal Student Information Systems

Consolidated Income Statement

	2017 £m	2016 £m
Revenue	84.9	90.3
Gross profit margin	50%	43%
Adjusted operating profit	8.5	4.7
Adjusted operating profit margin	10.1%	5.2%
Other Items	(4.8)	(4.6)
Statutory operating profit/(loss)	3.7	0.1
Finance costs	(0.3)	(1.0)
Statutory profit/(loss) before tax	3.4	(0.9)
Income tax (charge)/credit	(0.8)	(0.3)
Statutory profit/(loss) after tax	2.6	(1.2)

Other Items

	FY 2017 £m	FY 2016 £m
Share based payment charges	1.7	1.0
Profit on sale of Synergy	-	(0.3)
Restructuring	1.0	1.9
IFRS3 amortisation	2.0	1.9
Acquisition related cost/(credits)	-	0.3
Other	0.1	(0.2)
Other Items (excluded from Adjusted Operating Profit)	4.8	4.6
Finance costs	0.1	0.4
Tax credit on other items	(0.9)	(0.6)
Total Other Items (excluded from Statutory Profit/(Loss))	4.0	4.4

To assist understanding of the underlying performance of the business, certain items are included in Other Items.

The main items are Share-based Payments, Deferred Contingent Consideration, Amortisation of IFRS3 Intangibles, and Restructuring and associated costs.

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