Emerging stronger

FY21 Results Presentation
June 2021

MindGym

Presentation team

Octavius Black

Chief Executive Officer

- Co-founded MindGym at his kitchen table in 2000
- Co-authored MindGym's four books
- Prior to MindGym: Director for organisational communication consultancy Smythe Dorward Lambert (sold to Omnicom 1996); Analyst at Booz Allen Hamilton

Richard Steele

Chief Financial Officer

- Joined MindGym in March 2018
- 30+ years industry finance experience; started career at Tate & Lyle
- 11 years as FD including Cook Trading Ltd and White Stuff Ltd

Agenda

FY21 highlights and results

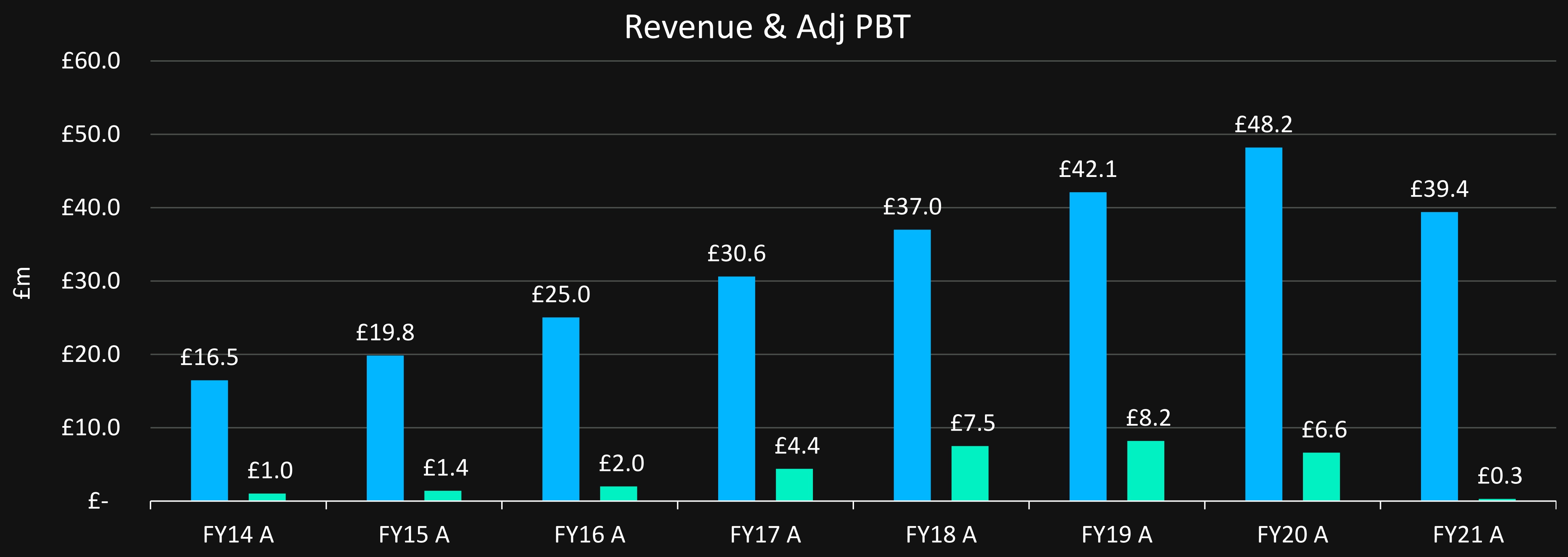
Strategy update

Current trading and outlook

MindGym snapshot

Leading behavioural science company delivering business improvement solutions to companies across the world.

- Founded by Octavius Black and Dr Sebastian Bailey in London in 2001
- Over 275 employees; a network of over 300 coaches across the world; offices in London, New York and Singapore
- Provides integrated culture and behaviour change solutions to blue chip organisations
- Library of >300 proven, bite-size, live and digital experiences using a highly scalable methodology
- Currently investing in a digital transformation programme to produce a data-driven, integrated learning experience



MindGym

Investment summary

Reaching remote workforces
- Over 200 qualified virtual coaches
- 100% FY21 live sessions delivered virtually

Distinctive digital strategy
- Launched 2018
- Currently 16% of revenue from digital
- Next generation digital launching FY22

Rapid innovation unit
- 20 years of proprietary IP
- Responds quickly to changing needs
- New point of view on DEI launched May 2021
- Leadership and wellness in development

Strong leadership and Board

Top-tier client relationships
- C-suite and C-1 strong relationships
- 65% of FTSE 100 and 52% of S&P 100 clients

Healthy balance sheet
- £16.8m cash at bank March 21, no bank borrowings

Large global market
- Global growing L&D market at least $240bn

FY21 highlights

FY21 trading highlights

Revenue down 18%, 16% on a constant currency basis

- Strong bounceback in revenues following initial impact of COVID-19:
  - H2 revenue 79% higher than H1 (in constant currency)
  - H2 revenue 6% higher than H2 FY20 (in constant currency)
  - Progressive bounceback in quarterly revenue
    Q1 -40%, Q2 -38%, Q3 -2%, Q4 +15% (% change vs PY)
- Successful pivot to virtual delivery while progressing digital investment:
  - Digitally enabled revenue (incl. live virtual deliveries) up 102% to £30.5m (77% of total revenue)
  - Pure digital revenue from eWorkouts up 51% to £6.4m (16% of total revenue)
  - Gross profit margin of 87.4% (FY20: 79.9%) due to increased proportion of digital and savings on delivering live sessions virtually
  - Virtual delivery at least as good as face-to-face; participants rating 'Excellent' rose from 50.1% to 56.1%
- Resilient repeat revenue[1] while winning new clients
  - Repeat revenue 78% of total (2020: 88%) reflecting new client wins in H2
  - Revenue from top 25 accounts stable at 41% (2020: 41%)

[1] Defined as clients who have purchased in one or more of the preceding three years.

Board changes

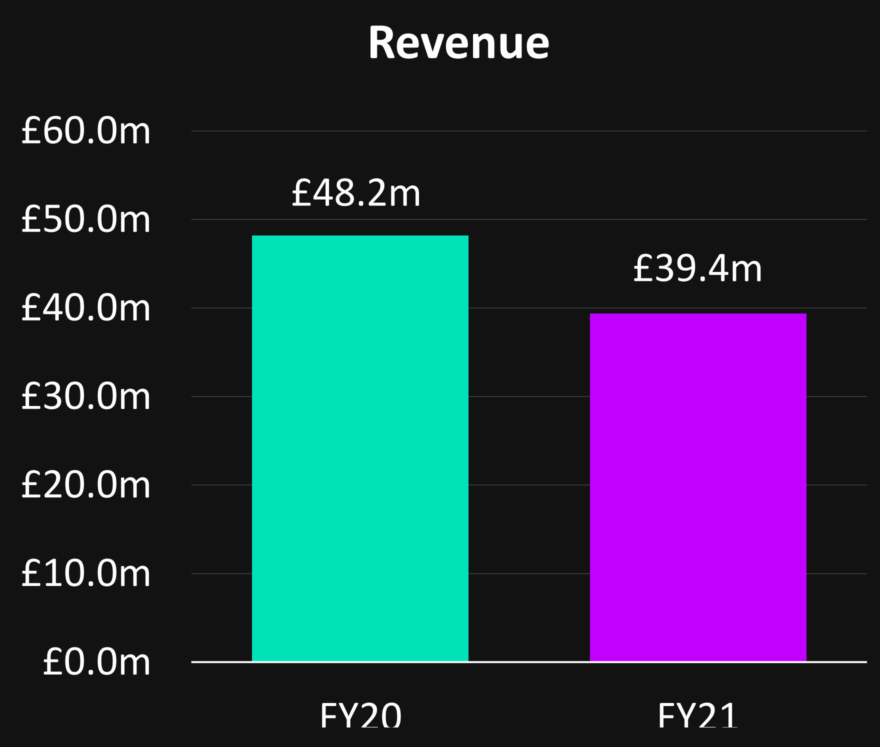
- Ruby McGregor-Smith elected to succeed Joanne Cash as Board Chair effective 15 July 2021, and Joanne will remain a non-executive on the Board
- Trevor Phillips replaces Ruby McGregor-Smith as Chair of RemCo effective 15 July 2021
- Sally Tilleray, Chair of Audit and Risk, replaced Dido Harding as Senior Independent Director during the year

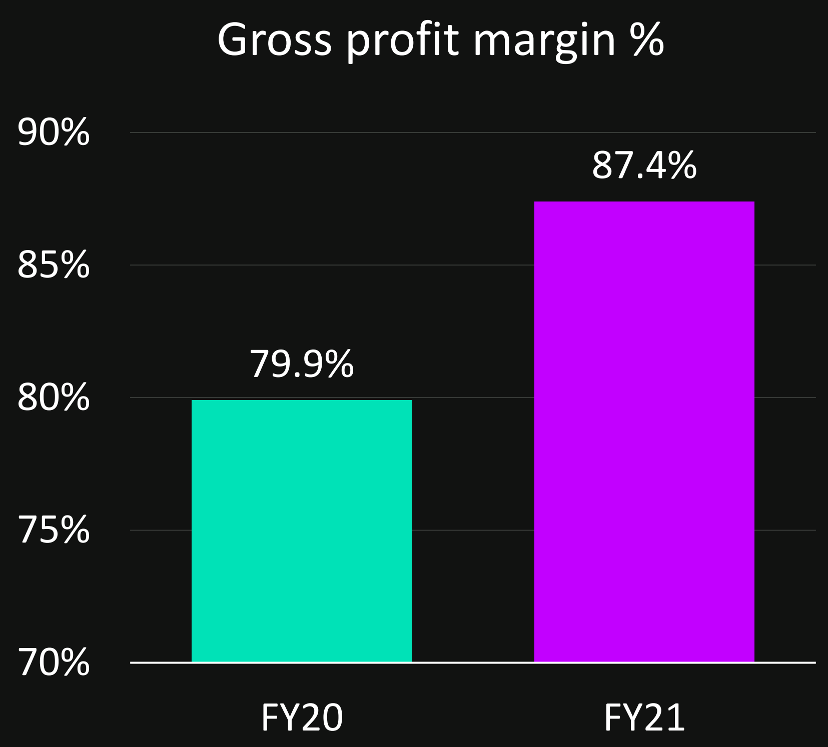
Ruby McGregor-Smith
Independent Non-Executive Director

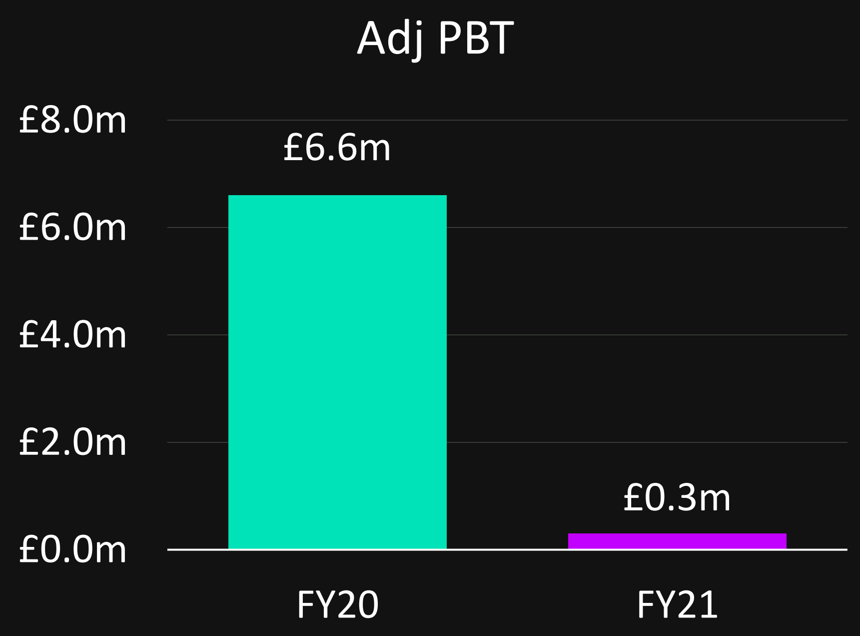
Trevor Phillips
Independent Non-Executive Director

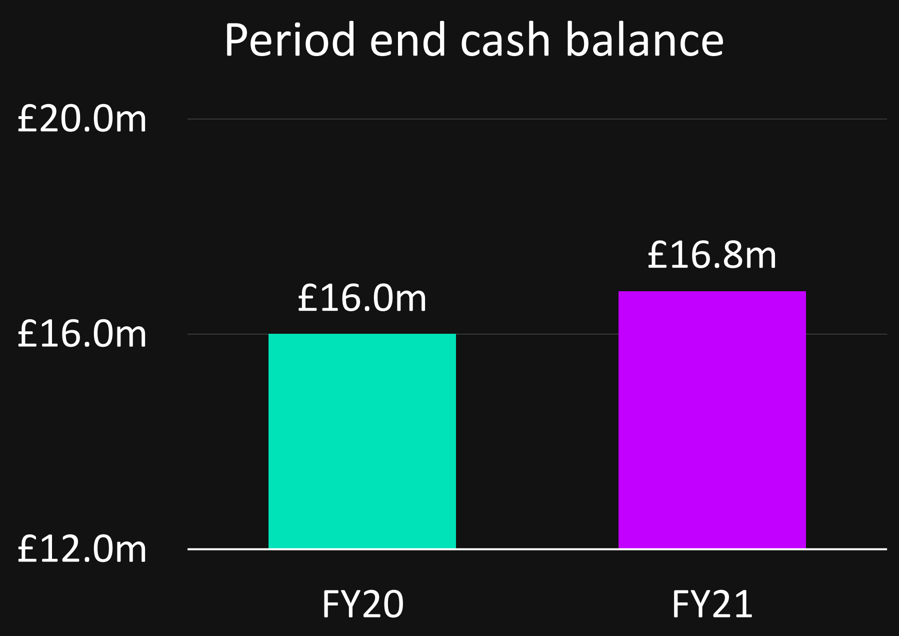
FY21 financial highlights

- H2 profitable, recouping loss in H1 and allowing continued investment in infrastructure, leadership and talent to support future top-line growth
- Year-end cash of £16.8m (2020: £16.0m) due to strong cash conversion and near doubling in deferred income, together with significant fall in overdue debt
- £2.8m capex on developing new digital offer, with two products on track to launch in FY22
- No dividends to be paid as we continue to invest









FY21 Financials – P&L

	FY21 £m	FY20 £m	Change
Revenue	**39.4**	**48.2**	-18%
Gross profit margin	87.4%	79.9%	
Gross profit	**34.4**	**38.6**	-11%
Staff costs (incl. share-based pay)	(25.9)	(23.8)	9%
Other admin costs	(8.1)	(8.1)	-1%
Adjusted administration costs	**(34.0)**	**(31.9)**	7%
Net finance costs	(0.1)	(0.1)	
Adjusted profit before tax	**0.3**	**6.6**	-95%
Adjusted PBT margin	0.8%	13.7%	
Adjustments	(0.7)	0.8	
Profit before tax	**(0.4)**	**7.4**	
Tax	0.1	(1.5)	
Profit after tax	**(0.2)**	**5.9**	
EPS-adjusted diluted (pence)	**0.30**	**5.22**	-94%
EPS-basic (pence)	(0.23)	5.93	
Dividend per share (pence)	-	1.10	

-16% at constant currency

Increased proportion of digital and lower cost of virtual delivery

Average headcount growth of 2% and on more senior hires

FY21: Restructuring costs
FY20: Release of provision relating to employee options

Prioritising investment over dividends

FY21 Financials – P&L – A tale of two halves

	H1 £m	H2 £m	FY21 £m
Revenue	**14.5**	**24.9**	**39.4**
Gross profit margin	88.3%	86.8%	87.4%
Gross profit	**12.8**	**21.6**	**34.4**
Staff costs (incl. share-based pay)	(10.7)	(15.2)	(25.9)
Other admin costs	(3.3)	(4.8)	(8.1)
Adjusted administration costs	**(14.0)**	**(20.0)**	**(34.0)**
Net finance costs	-	(0.1)	(0.1)
Adjusted (loss)/profit before tax	**(1.3)**	**1.6**	**0.3**
Adjusted PBT margin	(9.2)%	6.6%	0.8%
Adjustments	(0.7)	-	(0.7)
(Loss)/profit before tax	**(2.0)**	**1.6**	**(0.4)**
Tax	0.4	(0.3)	0.1
(Loss)/profit after tax	**(1.6)**	**1.4**	**(0.2)**

H2 is 72% up on H1

H1 reduced by salary reduction and furlough income
H2 increased by H2 commission and repayment of salary reduction

H2 profitable on both adjusted and reported basis

FY21 Financials – Balance sheet

	FY21 £m	FY20 £m
Intangible assets	2.9	0.1
Property, plant and equipment	3.4	4.4
Deferred tax assets	0.2	0.1
Other receivables	0.4	0.6
Non-current assets	**6.9**	**5.1**
Inventories	-	0.1
Net trade receivables	8.9	7.9
Accrued income	0.7	1.1
Other receivables and prepayments	1.0	1.1
Current tax receivable	0.3	-
Cash and cash equivalents	16.8	16.0
Current assets	**27.7**	**26.2**
Total assets	**34.6**	**31.3**
Trade and other payables	(13.8)	(8.9)
Current tax payable	(0.1)	(0.4)
Current and non-current lease liabilities	(3.2)	(4.4)
Total liabilities	**(17.1)**	**(13.7)**
Net assets	**17.5**	**17.6**

£2.8m digital development capitalised in FY21

Mar 21 revenue £1.9m higher than Mar 20 => trade receivable and accrued income days up 21 days to 89 days

Overdue debt down from 20% to 11% of total

Carry back of UK tax loss

Deferred income up £2.3m and accruals up £2.5m

FY21 Financials – Cash flow

	FY21 £m	FY20 £m
Adjusted profit after tax	0.3	5.2
Depreciation and amortisation	1.2	1.2
Net finance costs	0.1	-
Tax (credit)/charge	-	1.4
Working capital – receivables and inventory	(0.2)	2.3
Working capital – payables and other	4.9	0.2
Share-based payments	0.3	0.3
Adjusted cash generated from operations	6.6	10.6
Adjusted cash conversion	***418%***	***136%***
Adjustments after tax	(0.7)	0.7
Tax credit on adjustments	0.1	0.1
Adjustments not paid/(received)	(0.1)	(0.8)
Cash generated from operations due to adjustments	**(0.7)**	**-**
Cash generated from operations	**5.9**	**10.6**
Tax (paid)/received	(0.5)	0.6
Interest received	-	0.1
Capex	(3.2)	(0.6)
Lease payments	(1.0)	(0.5)
Shares issued	-	-
Dividends paid	-	(2.5)
Reported cash generated	**1.2**	**7.7**
Opening cash	16.0	8.3
Effect of foreign exchange rate changes	(0.4)	
Closing cash	**16.8**	**16.0**

High March 21 billing offset by improved collection

Higher customer prepayments and accruals

Adjusted cash generated from operations/adjusted EBITDA

Restructuring cost paid

£2.8m digital development + £0.4m PPE

Paid £1.6m FY19 final and £0.9m FY20 interim div. in FY20

The Group currently has no debt facilities. The Board believe it would be prudent to have a facility in place.

Strategy update

Strategy update

The L&D market is at least $240bn, continues to grow and is increasingly digital. It is highly fragmented with no player > 0.1%

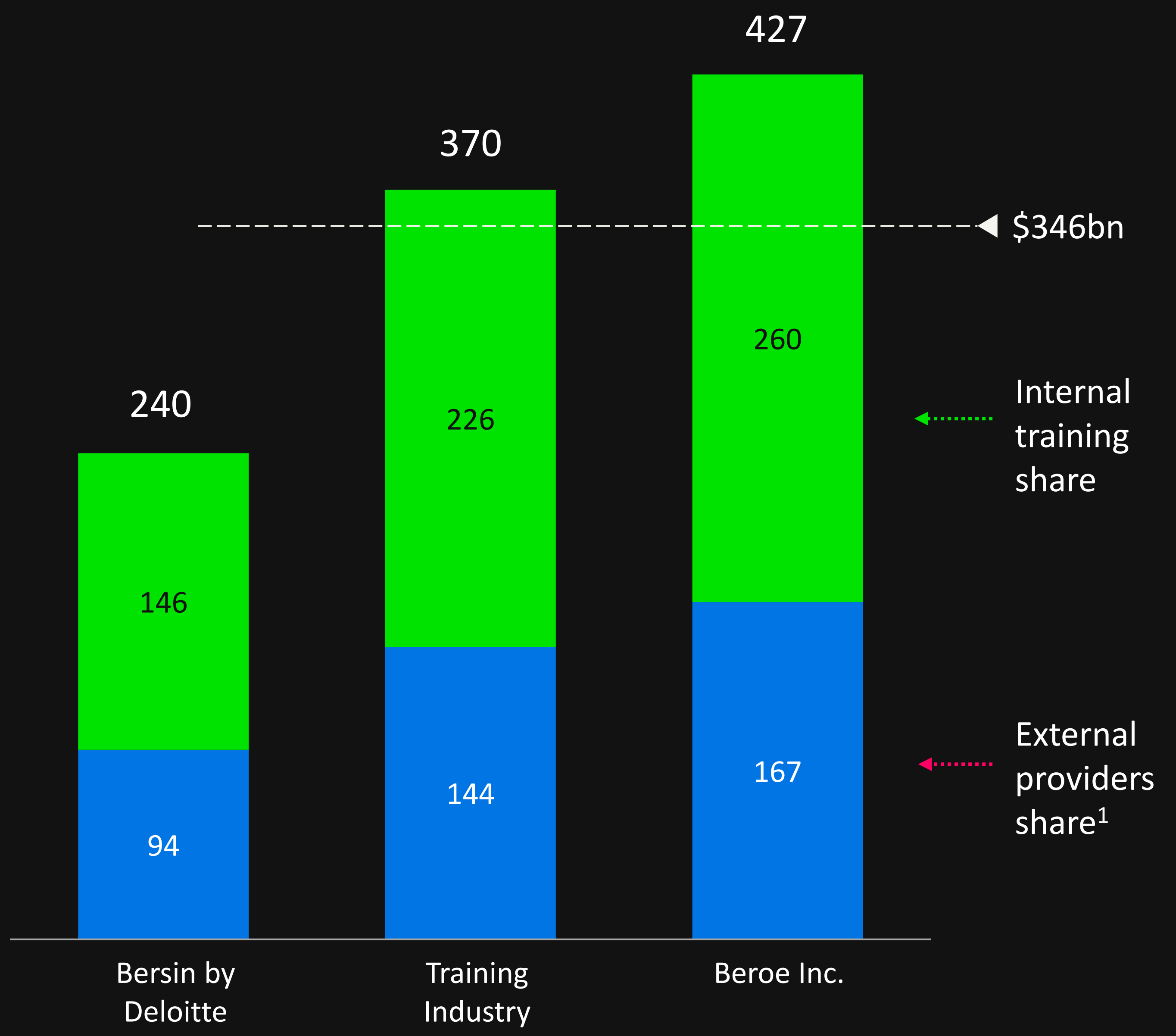
There is significant corporate activity with tech companies, consultancies and PE-backed start-ups making sizeable investments

Our vision is to use data and technology to deliver highly personalised, integrated learning to build the human advantage that delivers business performance. This will enable companies to:

- Deliver global behaviour change at scale at the 'speed of life'
- Use machine learning to deliver hyper-personalised development
- Respond to changing business priorities immediately and without additional cost
- Continuously improve their return on investment with consistent, real-time data
- Replace disparate existing content and platforms
- Make significant cost savings

MindGym is uniquely placed with a committed blue chip client base, over 3m alumni, proprietary IP, over 300 proven assets and a quality-assured global network of coaches, all built over 21 years

MindGym's large and growing addressable market



Sources: CHRO Interviews, Beroe Inc., Training Industry 2019, CCL (Centre for Creative Leadership), Brandon Hall Report, ATD State of the Industry 2019, Bersin HR Disruptions Report 2019. Note: 1 External providers assumed to be c.39% of the market, using sources from ATD, Training Industry and Centre for Creative Learning. 2 Performance Management as an L&D domain not explicitly called out, but associated training will be covered in Manager Development and Team Effectiveness.

The way the market works today is slow, complex and expensive

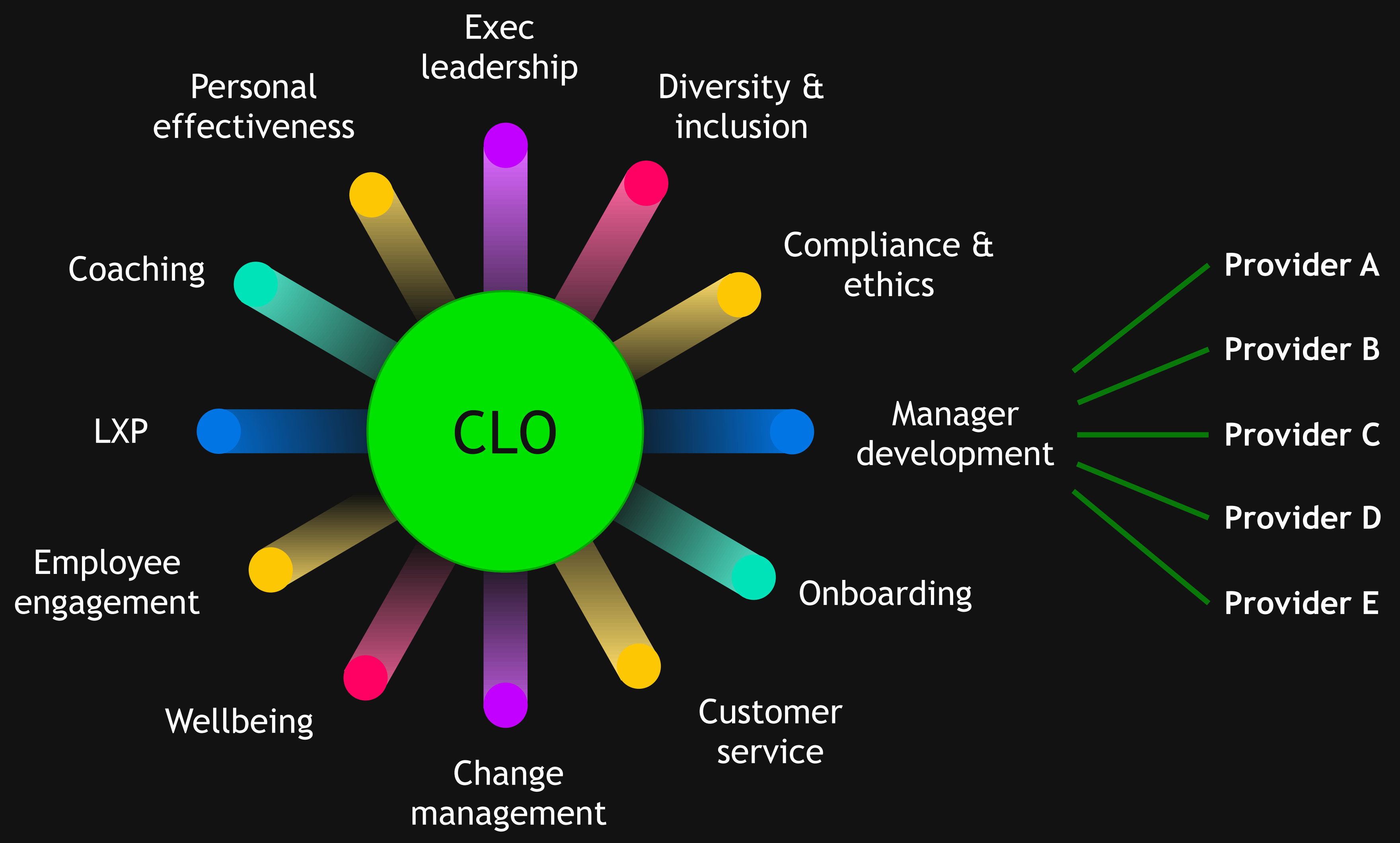
Slow

Business challenges emerge more quickly than programmes take to be commissioned.

Activity	Months
Needs analysis	2
Exec commitment	2
Source supplier	2
Design	2
Pilot	1
Adapt	1
Plan rollout	2
TOTAL	**12–18**

Complex

Managing multiple providers across different priorities is hugely complex.



And low impact

Confusing

Participants are expected to piece together different advice from divergent sources.

Disengaging

The top three L&D challenges in 2021 all centre on building engagement:

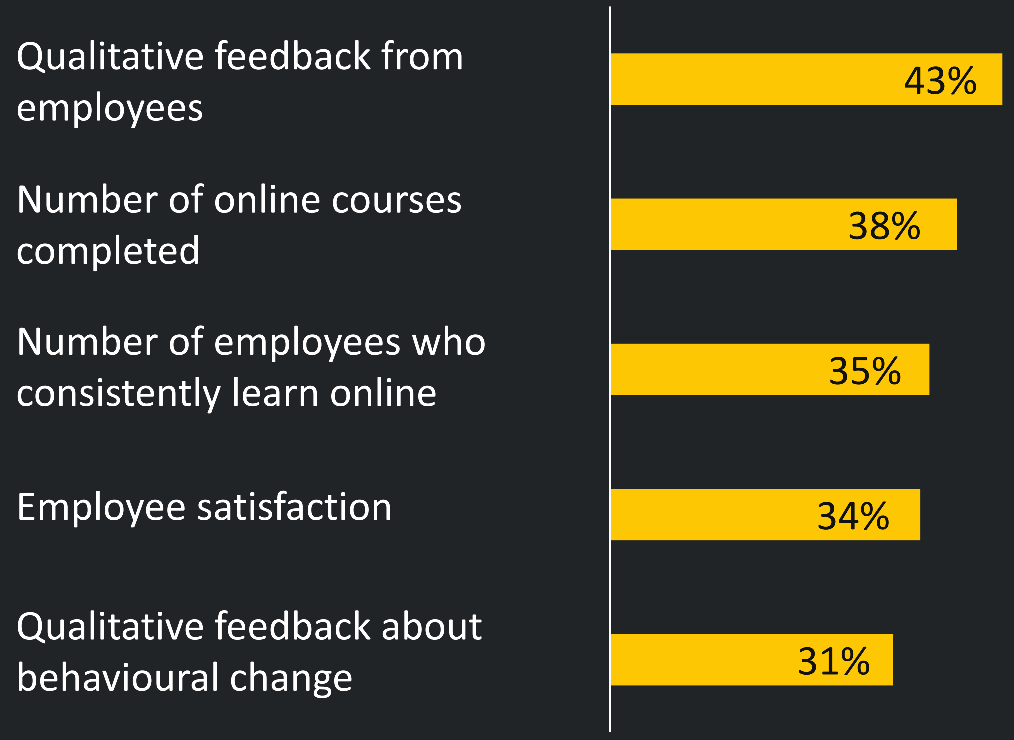
01 Getting managers to make learning a priority for their teams

02 Creating a culture of learning

03 Increasing employee engagement in learning

Data-light

Evaluation beyond self-report ‘satisfaction’ is rare and inconsistent.



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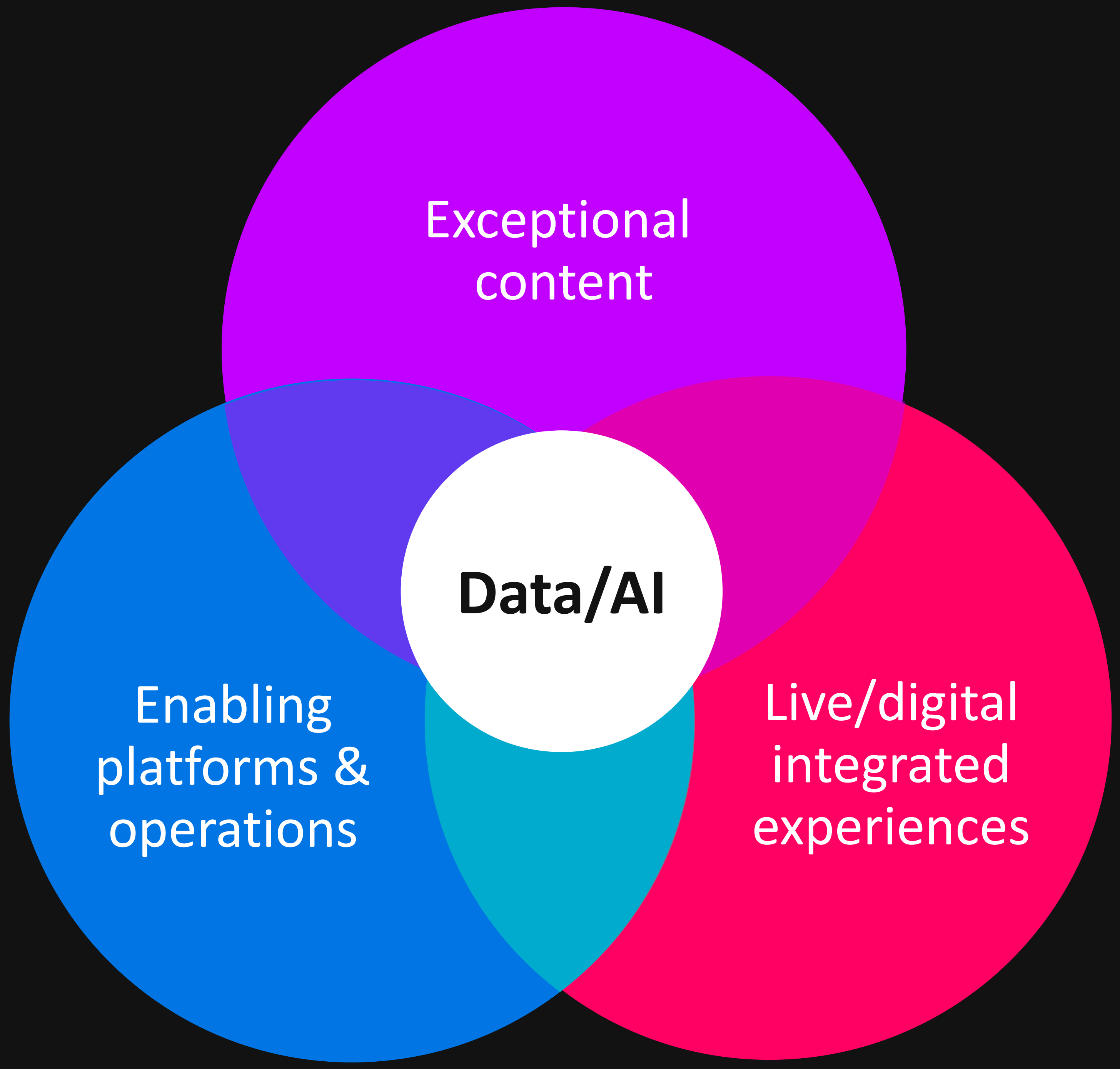
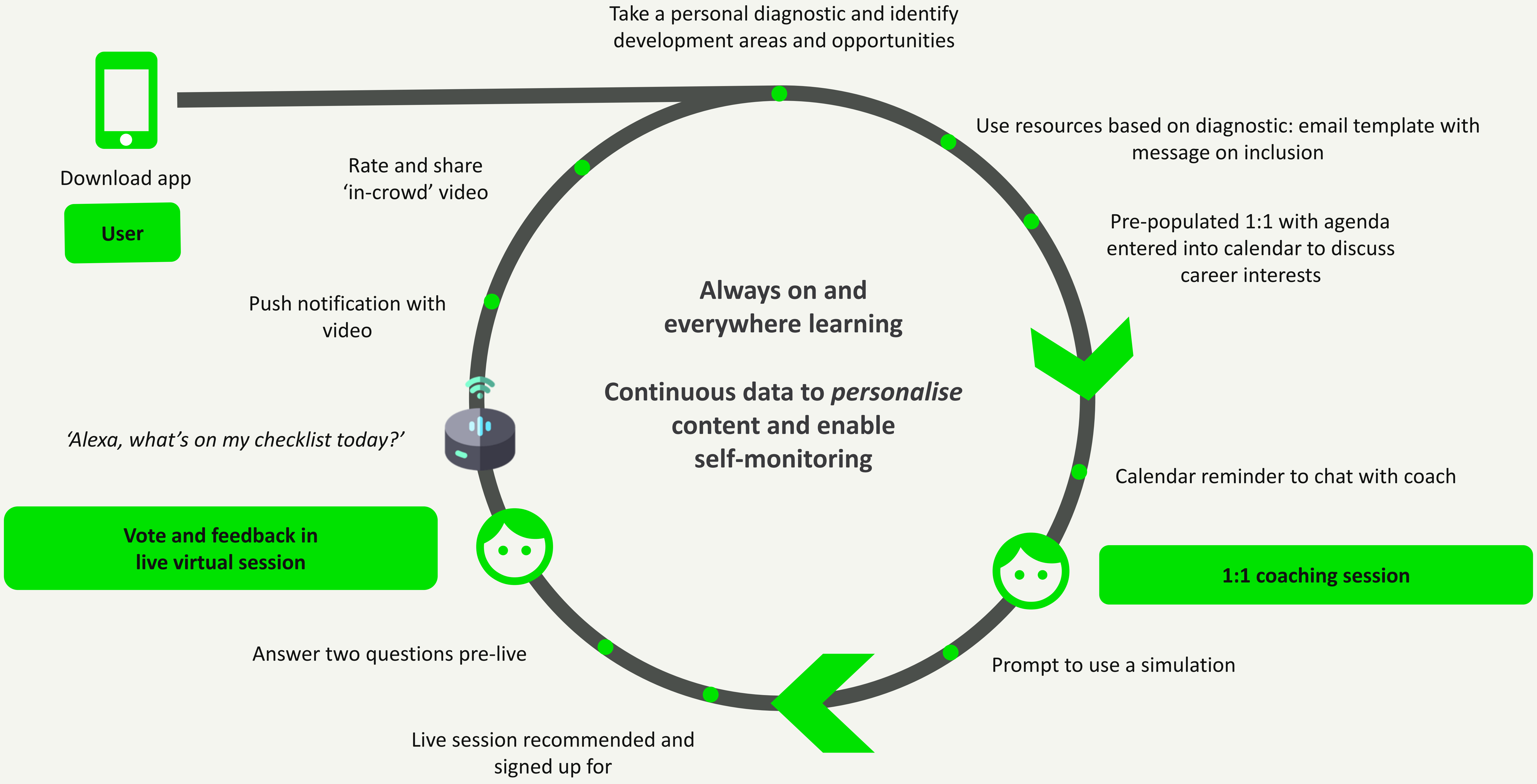
Aggregate and integrate:
The behavioural change ecosystem



The user's ever more personalised journey

Azim



Clients use consistent data to maximise impact

Why MindGym will win

- 20+ years **of content proven to drive behavioural change**
- **Established relationships** with majority of FTSE 100 and S&P 100
- **Proprietary IP** that addresses ubiquitous 'human capital' challenges
- **400,000 professionals** attend live events pa; over 3 million alumni
- Delivering up to **500 live in-person/virtual experiences** pcm in 50 countries
- **Existing digital products** with growing revenue
- New **market-leading digital** products to be launched this year

Priority investment #1 – Digital

- First generation of 85 eWorkouts has been very successful, generating 16% of revenue in FY21
- On track to launch two new SaaS products this financial year
  1. Digitally enabled product in H1
  2. Pure digital product in H2
- Positive user feedback in alpha and beta testing for both products
- Hiring challenges reflected in lower capex of £2.8m in FY21 than anticipated
- Accelerating recruitment to double team in FY22, including new digital sales capability

Priority investment #2 – Market-leading innovation

MindGym publishes new behavioural science Points of View (PoV), backed up with proven and new products, for universal Human Capital challenges.

We have published a new PoV on DE&I that challenges the value of many of the most popular approaches, such as unconscious bias training, and provides a scientific alternative. This has been very positively received by clients.

We have published a report on a new topic every 18–24 months.

We are investing in a new Innovation team, led by our new Chief Behavioural Science Officer, which will:

- Publish a new PoV every 9 months: the next two are ‘Leadership’ and ‘Wellbeing’
- Provide new scientific approaches to topical issues, e.g. hybrid working
- Ensure the quality of new, leading content for all new products, and consistency across channels

Priority investment #3 – Infrastructure

- Marketing to become more widely known. Includes
  - Rebrand
  - New website
  - Digital marketing

- Commercial talent to support building deeper client relationships
  - New sales talent
  - New CRM
  - New sales operations function

- Target operating model implementation following design work in FY21 to bring clearer accountability and productivity

- Operational investment in systems and processes

Current trading and outlook

Current trading and outlook

Current trading

- Strong start to FY22 – Q1 well ahead of Q1 21 and up on Q1 20; COVID uncertainty remains
- Live deliveries currently remain 100% virtual, though we are prepared for a return to face-to-face delivery when clients are ready

FY22

- We will increase investment in digital, marketing, innovation and infrastructure to support long-term revenue growth
- Two new digital products to launch later in the year
- Recovering profits from existing business will fund start-up losses on new digital products
- Anticipate adjusted profit before tax will be broadly break-even for FY22, skewed towards H2

Overall

- We are well placed to at least match our FY20 pre-COVID revenues in FY22 and return to profitability in FY23

Q&A

END