

**Kip
McGrath™**



Leaders In Learning

**Shareholder
Presentation
August 2018**

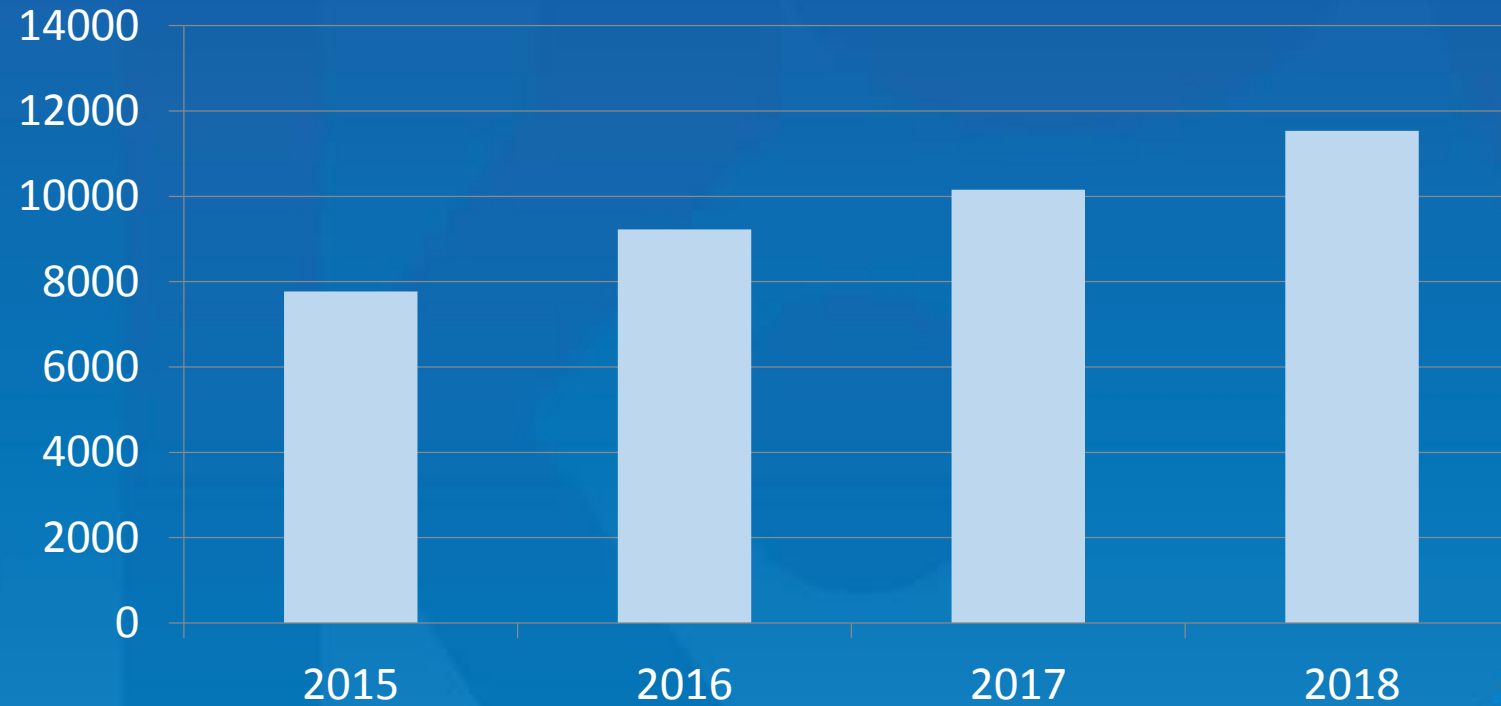
2018 results

- Franchise fee revenue increase: 16%
- Profit increase: 40%
- EBITDA margin increase: 19.5% to 27%
- EPS: 3.2 to 4.5
- Dividend increase: 2c to 3c
- Gold Partners increase: 230 to 267
- Total centre numbers increase: 546 to 550

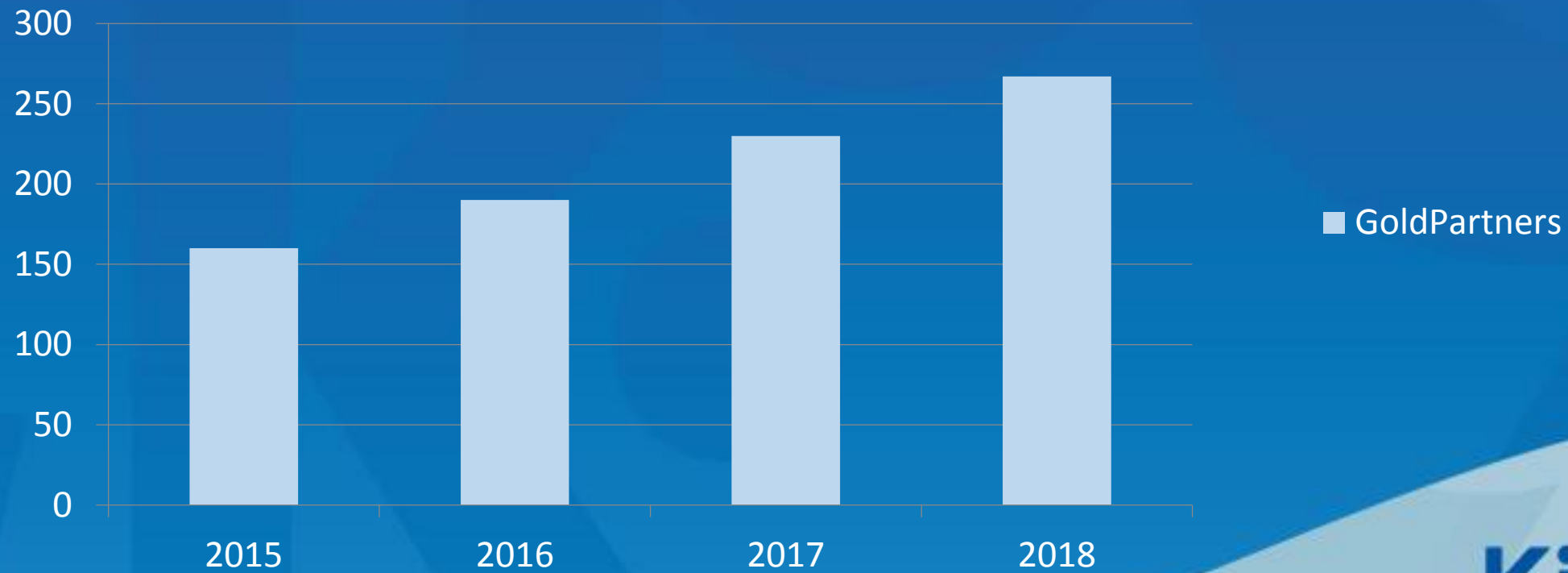
Current Growth Drivers

- The business revenue and profit is growing due to increase in Gold Partner franchisees. Revenue increased by 24%.
- Centralisation of servicing franchisees globally (COGS decrease 25%). We have been buying back Master Franchisee and Area Developers for over 6 years in mature markets. Risk is minimised over time.
- Onscreen lessons increase by 50% to 1500 lesson per month. Onscreen tutoring can allow KME to grow into areas where we do not have centres.
- National advertising increasing to grow leads for franchisees.
- National advertising very cost effective for franchise at 2-4% of franchise revenue.

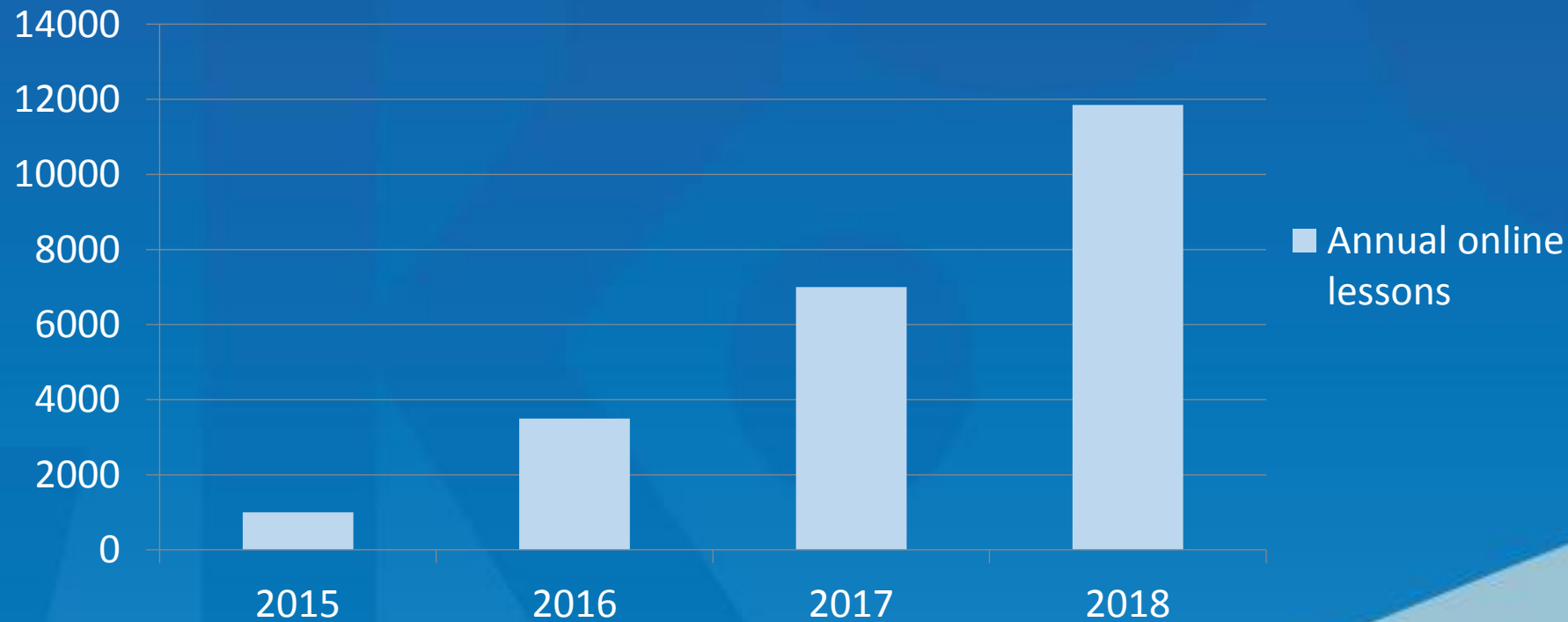
Growth franchise fees and non sales revenue (\$'000)



Growth in gold partners



Annual Online lesson growth



Market/Growth Opportunity

- No competitors in our area of the market.
- No organised global competitor.
- Number of school children in Australia is 3M, and according to a survey conducted by the ATA around 20% receive tuition.
- KME currently teaches 14,000 lessons a week in Australia.
- School children in UK is 12M, and KME currently teaches 24,000.
- We are yet to see full year affect of Victorian and New Zealand acquisitions.
- \$200K in amortisation for Area Developers purchase non-cash.
- We have 2 more Area Developers to acquire.

Kip Onscreen

- Children are taught via web cam with real teachers.
- Allows tutoring to be done anywhere and anytime.
- Allows greater scale in the business and sharing of resources.
- National advertising is gaining traction in areas we do not have centres.
- Current student numbers are growing weekly.
- Onscreen centre in Head Office used to help grow the business.

Outlook

- We expect Gold Partner to continue to grow at previous levels.
- We expect Gold Partner revenue to continue previous growth.
- Increase in national advertising in Australia and UK to continue to grow student lessons in centres.
- Increased focus on Onscreen for centres to grow.
- Further increase in margins from centralisation.
- No need to acquire and divert our attention from core business.
- Dividend to remain strong and fully franked.

Disclaimer

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