22 August 2019

Investor & Analyst Briefing

Full year results to 30 June 2019

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3P Learning

Our Agenda

- Introduction
- Strategy
- FY19 Summary
- Outlook
- Financials
- Q&A

Introduction

2017-2019 Laying the foundation for profitable growth

Strengthen product

Create a scalable sales and marketing model

Globalise the business

- To understand how we are positioned to execute our next 3 year strategy, it's worth doing a quick recap on how we've been setting the business up for this growth phase.
- Across 2017-2019 our unwavering focus was on 3 strategic priorities: strengthen the product portfolio, create a scalable sales and marketing model and globalise the business.
- These 3 strategic priorities have now laid the foundation for 3P to realise its ambition to be a leading global SaaS K-12 education brand and business.

FY19 Summary

FY19 Results summary

- Licence revenue up 1% to $51.1M with APAC (3%) and Americas (7% in A$ terms)
- Group revenue declined 2% due to EMEA licence revenue (-7%) and decline in other income
- Strong green shoots of growth in the Americas, with 10% licence growth year-on-year and licence revenue up 14% in H2 over H1, number of schools up by 39% and retention up 14 %pts for new customers
- First year customer retention up in all regions, globally up 11% and number of schools up 6% globally
- Group revenue impacted by previously flagged reductions in industry wide copyright revenue, removal of Intoscience and sponsorship revenue
- Expenses up 1% and underlying Core EBITDA $17.7M (down $1.3M) in line with group revenue performance
- Underlying core NPAT $5.9M (down $1.2M) after increased amortisation expense
- $25.8M cash on hand and no debt

AU$M	FY19	FY18	$+/-	%+/-
Revenue & other income	**54.4**	**55.4**	**(1.0)**	**(2%)**
Licence revenue				
APAC	31.1	30.3	0.8	3%
EMEA	12.1	13.0	(0.9)	(7%)
Americas	7.9	7.4	0.5	7%
Licence revenue	**51.1**	**50.7**	**0.4**	**1%**
Other revenue & income	3.3	4.7	(1.4)	(30%)
	54.4	**55.4**	**(1.0)**	**(2%)**
Mathematics	40.4	40.9	(0.5)	(1%)
Literacy	10.7	9.8	0.9	9%
Other	3.3	4.7	(1.4)	(30%)
	54.4	**55.4**	**(1.0)**	**(2%)**
Expenses	(36.7)	(36.4)	(0.3)	1%
Underlying core EBITDA	**17.7**	**19.0**	**(1.3)**	**(7%)**
EBITDA margin (%)	*33%*	*34%*	*(1%)*	
Share of Associate's Profit	-	0.6	(0.6)	-
Underlying EBITDA	**17.7**	**19.6**	**(1.9)**	**(10%)**
Underlying core NPAT	**5.9**	**7.1**	**(1.2)**	**(17%)**
Non-recurring costs (loss on disposal of Learnosity and change in US tax rate)	-	(25.8)	25.8	-
Statutory NPAT	**5.9**	**(18.7)**	**24.6**	**132%**

APAC – ready for growth on a large install base

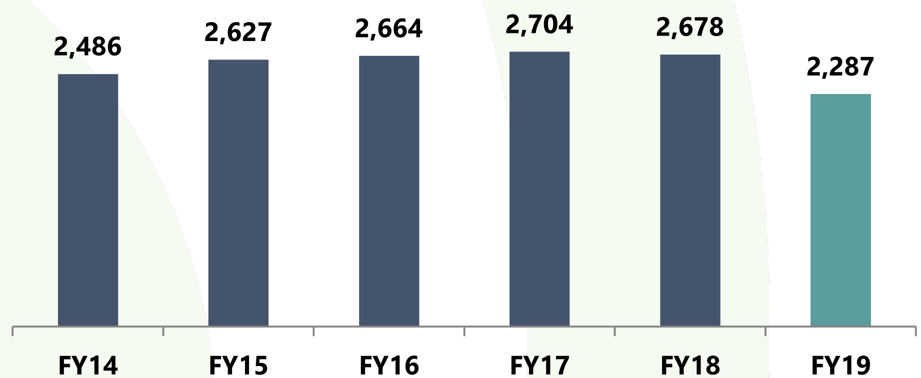
- Licence revenue growth ($0.8m) ahead of cost growth ($0.4m) but negatively impacted by a disappointing retention performance (-1 %pt) due to execution rather than market issues. Corrective action implemented and signs of turnaround
- Encouragingly new customer retention up 10 %pts and revenue from new business up 22% year-on-year
- EBITDA down $1.1m driven mainly by non-trading income decrease

Focus & Outlook

- Retention improvements expected with new sales leadership and customer experience enhancements
- Large install base to drive cross sell with new Stemscopes product
- Expanded Mathseeds and Reading Eggs distribution outside ANZ to grow sales
- Readiwriter Spelling launch and a stronger product offering in Mathletics 7-10 to also buoy sales growth and improve retention
- We anticipate modest licence revenue and EBITDA growth; FY21 will see a full year impact of improvement
- We start FY20 strongly with July billings up 79% on PY

AU$M	FY19	FY18	Mvmt	Growth
Revenue - Maths and Literacy	31.1	30.3	0.8	3%
Revenue - Copyright fees, sponsorship and other income	2.6	4.1	(1.5)	(37%)
Total revenue and other income	33.7	34.4	(0.7)	(2%)
Expenses	(7.8)	(7.4)	(0.4)	5%
EBITDA before corporate overheads	25.9	27.0	(1.1)	(4%)
EBITDA margin (%)	*77%*	*78%*	*(1%)*	
ARPU ($) (see analyst pack for details)	$11.65	$11.37	+$0.28	2%
Full Time Equivalents	56	52	4	8%

Licences 000s



EMEA – impacted by market conditions but also poised for growth

- Revenue down A$0.9m (7%) due to continued uncertainty around Brexit as well as a A$0.3M (110k licence) impact from the ADEC Middle East contract
- Despite licence numbers down 13%, school retention was constant year-on-year and up 11 %pts for new customers
- Non-revenue generating staff costs were reduced in line with sales performance
- EBITDA down 1% after FX gains

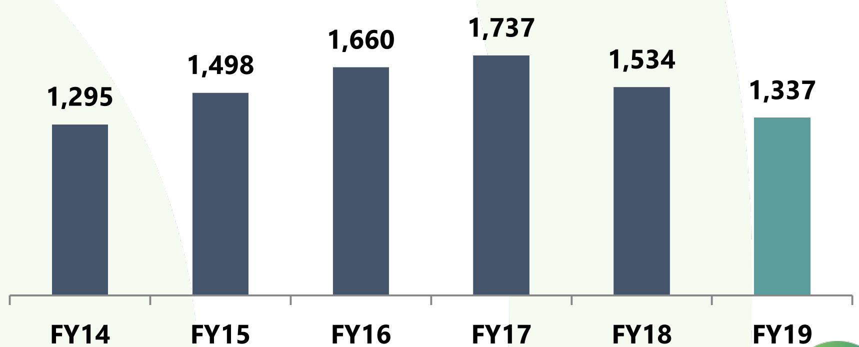
Focus & Outlook

- Despite market conditions, growth is expected from higher retention from new process and customer experience improvements
- Install base to drive cross sell with new Stemscopes product
- Readiwriter Spelling launch and a stronger product offering in Mathletics 7-10 to also buoy sales growth and improve retention
- Expanded distribution of Mathseeds and Reading Eggs in markets outside UK
- July billings are up 13% year-on-year

£M	FY19	FY18	$+/-	%+/-
Revenue - Maths and Literacy	6.7	7.5	(0.8)	(11%)
Total revenue	6.7	7.5	(0.8)	(11%)
Expenses	(2.9)	(3.2)	0.3	(9%)
EBITDA	3.8	4.3	(0.5)	(12%)
EBITDA margin (%)	*57%*	*57%*	-	
ARPU (£)	£4.67	£4.57	+£0.10	2%

AU$M	FY19	FY18	$+/-	%+/-
Revenue - Maths and Literacy	12.1	13.0	(0.9)	(7%)
Total revenue	12.1	13.0	(0.9)	(7%)
Expenses	(4.7)	(5.5)	0.8	(15%)
EBITDA	7.4	7.5	(0.1)	(1%)
EBITDA margin (%)	*61%*	*58%*	*+3%*	
Full Time Equivalents	52	55	(3)	(5%)

Licences 000s



Americas – green shoots showing and set for accelerated profitable sales growth

- Full year revenue up $0.6m (8%), H2-19 licence revenue up 14% (7% local currency) on H1-19
- 10% full year licence growth, schools up 39%
- New customer retention up 14 %pts to 88%, and all customers increased 4 %pts to 87%
- Investments in sales staff impacted EBITDA margin

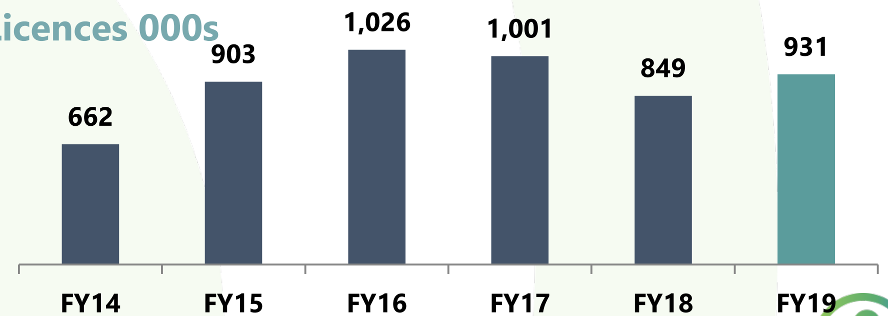
Focus & Outlook

- H2 sales growth momentum to continue, buoyed by expanded distribution of Mathseeds in North America and Mathseeds and Reading Eggs in Latin America
- Cross-selling Stemscopes to our Mathletics install base in Canada as well as higher contract value district-level selling across the Americas, to drive growth
- Increased investment in marketing and sales headcount commensurate with growth
- Targeting double digit licence growth which will deliver higher EBITDA
- July shows strong momentum with billings up 23% year-on-year

US$M	FY19	FY18	$+/-	%+/-
Revenue - Maths and Literacy	5.6	5.8	(0.2)	(3%)
Other revenue and income	0.5	0.5	-	-
Total revenue	6.1	6.3	(0.2)	(3%)
Expenses	(5.9)	(5.4)	(0.5)	9%
EBITDA	0.2	0.9	(0.7)	(78%)
EBITDA margin (%)	*3%*	*14%*	*(11%)*	
ARPU (US$)	$6.25	$6.13	+$0.12	2%

AU$M	FY19	FY18	$+/-	%+/-
Revenue - Maths and Literacy	7.9	7.4	0.5	7%
Revenue - Other	0.7	0.6	0.1	17%
Total revenue	8.6	8.0	0.6	8%
Expenses	(8.2)	(6.9)	(1.3)	19%
EBITDA	0.4	1.1	(0.7)	(64%)
EBITDA margin (%)	*5%*	*14%*	*(9%)*	
Full Time Equivalents	51	42	9	21%

Licences 000s



FY19 Income statement

- Sales-related employee cost increases of $1.4m (6%)
- Headcount: 255 FTEs (June 2018: 243); additional staff in sales in the Americas
- Marketing costs down $0.2m reflects pivot to digital
- Lower doubtful debt provisions, third party selling costs saving of $0.2m, $0.5m of FX gains
- Increased amortisation of product development and $0.3m amortisation of capitalised third party commissions ('customer contracts')
- Net interest expense improved $0.7m which reflects our positive cash position with no debt.
- Effective tax rate has decreased from 34% to 32% due to recognition of current year R&D credits.

$M	FY19	FY18	$+/-	%+/-
Total Revenue	**54.4**	**55.4**	**(1.0)**	**(2%)**
Employee expenses	(26.2)	(24.8)	(1.4)	6%
Marketing expenses	(1.8)	(2.0)	0.2	(10%)
Technology and occupancy expenses	(6.0)	(5.9)	(0.1)	2%
Other expenses	(2.7)	(3.7)	1.0	(27%)
Expenses	**(36.7)**	**(36.4)**	**(0.3)**	**1%**
Underlying core EBITDA	**17.7**	**19.0**	**(1.3)**	**(7%)**
Share of Associate's Profit*	-	0.6	(0.6)	(100%)
Underlying EBITDA	**17.7**	**19.6**	**(2.0)**	**(10%)**
EBITDA margin (%)	*33%*	*35%*	*-2%*	
Depreciation & amortisation	(9.1)	(8.3)	(0.8)	10%
EBIT	**8.6**	**11.3**	**(2.7)**	**(24%)**
EBIT margin	*16%*	*20%*	*-4%*	
Net interest	0.1	(0.6)	0.7	(117%)
Profit before tax	**8.7**	**10.7**	**(2.0)**	**(19%)**
Tax expense	(2.8)	(3.6)	0.8	(22%)
Tax rate	*32%*	*34%*	-	
Underlying core NPAT	**5.9**	**7.1**	**(1.2)**	**(17%)**
Non-recurring deferred tax charge (reduction in the USA tax rate)	-	(0.5)	0.5	-
Non-recurring loss on disposal of investments & impairment (after-tax)	-	(25.3)	25.3	-
NPAT	**5.9**	**(18.7)**	**24.6**	**132%**
Underlying EPS (cents)	4.2	4.7	(0.5)	(11%)
Statutory EPS (cents)	4.2	(13.4)	17.6	131%

* Share of associate's profit is Learnosity contribution based on 40.00% share of NPAT up to date of sale 25 May 2018.

FY19 Cash flow

- Operating cash flow before intangibles down $1.3m, in line with underlying core EBITDA
- Total product and system development comparable with prior year, however capitalised portion $0.8m lower, at $9.0m, due to a higher % of spend on 'early stage' R&D that is expensed
- Interest receipts reflect positive cash balance
- Increase in net tax payments include:
  - $0.6m decrease in AU tax refunds
  - $0.4m in timing differences in international withholding tax payments relating to intra-group royalties
  - $0.4m higher income tax payments in the UK and NZ
- Cashflow conversion % steady with prior year

$M	FY19	FY18	$+/-
Underlying core EBITDA	**17.7**	**19.0**	**(1.3)**
FX and other non cash expenses	(0.9)	(0.4)	(0.5)
Change in working capital	(3.2)	(3.7)	0.5
Operating free cash flow before intangibles	**13.6**	**14.9**	**(1.3)**
Investment in product development & other intangibles	(9.0)	(9.8)	0.8
Operating free cash flow after intangibles	**4.6**	**5.1**	**(0.5)**
Net interest received/(paid)	0.1	(0.7)	0.8
Income tax paid	(1.6)	(0.2)	(1.4)
Net cash flows before investments	**3.1**	**4.2**	**(1.1)**
Disposal of investments	-	24.9	(24.9)
Purchase of PP&E	(0.4)	(0.3)	(0.1)
Net cash flows after investments	**2.7**	**28.8**	**(26.1)**
Net cash used in financing activities	-	(9.5)	9.5
Net increase in cash[1]	**2.7**	**19.3**	**(16.6)**
Cash flow conversion[2] (before capital expenditure)	**77%**	**76%**	**1%**
Cash flow conversion[3] (after capital expenditure)	**26%**	**26%**	**-**

[1] Net cash increase on Balance Sheet is $2.8M due to a $0.1M difference rounding to millions.

[2] Cash flow conversion calculated as operating free cash flow before capital expenditure as a percentage of EBITDA.

[3] Cash flow conversion calculated as operating free cash flow after capital expenditure as a percentage of EBITDA.

FY19 Balance sheet

- Cash of $25.8m up from $23.0m with no debt
- Trade receivables are up $4.2m to $10.8m:
  - FY18 balance was $2.0M lower than usual due to Americas renewal billings deferred; and
  - a higher level of multi-year deals and earlier billings in APAC and the Americas.
- Increase in intangibles due to continued investment in product development
- Increased trade and other payables is due to royalty accruals and timing of tax & other payments

AU$M	2019	2018
Cash and cash equivalents	25.8	23.0
Trade and other receivables	10.8	6.6
Income tax receivable	-	0.2
Total current assets	**36.6**	**29.8**
Property, plant and equipment	1.0	0.9
Deferred tax assets	5.0	6.0
Intangibles and goodwill	19.5	18.4
Total non-current assets	**25.5**	**25.3**
Total assets	**62.1**	**55.1**
Trade and other payables	7.2	5.6
Income tax payable	0.4	0.8
Contract liabilities (deferred revenue)	24.3	26.0
Provisions	1.5	1.3
Total current liabilities	**33.4**	**33.7**
Provisions	0.7	0.8
Contract liabilities (deferred revenue)	3.4	1.6
Total long term liabilities	**4.1**	**2.4**
Total liabilities	**37.5**	**36.1**
Net assets	**24.6**	**19.0**
Contributed equity	34.4	34.2
Retained earnings	(18.0)	(23.7)
Reserves	8.2	8.5
Total equity	**24.6**	**19.0**

Investment in products & technology assets

- Continued investment in products and technology of $12.8m (FY18: $13.0m).
- We exit FY19 with a stronger product portfolio having completed HTML migration, strengthened Mathletics, efficacy reporting for the Americas and embarked on our own literacy brand to complement Reading Eggs
- Higher proportion expensed - early-stage R&D investment in Mathletics
- Cumulative capitalised investment of $2.6m in Literacy build; amortisation to commence in FY20 upon launch
- Software and curriculum content is amortised over 3 years
- FY20 will see an increase of approximately $1m in amortization charge once Readiwriter is launched

Investment split by asset type and accounting treatment

FY19 AU$M	CAPEX	%	OPEX	%	Total
Mathematics	6.3	72%	2.4	28%	8.7
Literacy - WIP	1.5	75%	0.5	25%	2.0
Digital Systems	1.1	52%	1.0	48%	2.1
Total cash investments	**8.9**	**70%**	**3.9**	**30%**	**12.8**

FY18 AU$M	CAPEX	%	OPEX	%	Total
Mathematics	7.5	84%	1.4	16%	8.9
Literacy - WIP	1.1	58%	0.8	42%	1.9
Digital Systems	1.1	50%	1.1	50%	2.2
Total cash investments	**9.7**	**75%**	**3.3**	**25%**	**13.0**

Product and systems balances

AU$M	Opening Value	Additions	Amortis-ation	Closing Value
Mathematics	11.1	6.3	(7.0)	10.4
Literacy - WIP	1.1	1.5	-	2.6
Digital Systems	1.5	1.1	(1.0)	1.6
Total product and systems development assets	**13.7**	**8.9**	**(8.0)**	**14.6**

Capital management

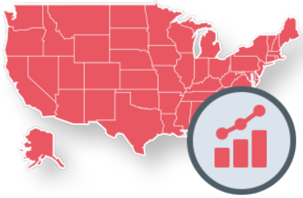
- Confident we can scale and grow the core business globally and profitably in FY20 and beyond and achievement of this does not rely on raising capital or M&A
- Product investment to continue at current levels
- Continued investment in the Americas commensurate with growth
- No dividend this reporting period with cash being retained to support working capital and support growth opportunities

20:22 Strategy

2020-2022 Accelerate profitable growth

Product and customer expansion

Accelerate profitable sales growth in the Americas



Enhance customer experience and retention

A growth focussed, high performance culture

- Having successfully laid a solid foundation, 3P is now poised to accelerate profitable growth.
- Growth will come from all regions leveraging our expanded product portfolio and customer base, improved retention, as well as accelerated profitable sales growth in the Americas where we have already seen 'green shoots' of sales acceleration.
- These growth drivers will be underpinned by developing a growth focussed, high performance culture.

Video: 2020-2022 Accelerate profitable growth

Please be patient
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The video, and a static PDF version of the same content, can be found at:
https://www.3plearning.com/investors/strategy-update-august-2019/

Outlook - Delivered on our 3 year plan, green shoots showing, now poised for growth

- 2017-2019 strategic plan complete, enabling 3P to now profitably scale the business in a multi product environment across a diverse array of country and market settings
- Stronger balance sheet with $25.8M of cash and no debt that will allow us to continue to support growth
- Growth will come from all regions leveraging our expanded product portfolio and customer base, improved retention from enhancements to our product and customer experience as well as accelerated profitable sales growth in the Americas
- Regional Outlook for FY20:
  - APAC: growth from improved retention and expanded product portfolio across our large installed base
  - EMEA: growth, despite tough marketing conditions, from improved retention, expanded product portfolio across our installed base and growth outside of the UK
  - AMERICAS: green shoots delivered and accelerated profitable sales growth expected
- These growth drivers will be underpinned by a growth focussed, high performance culture

Q & A

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