14 February 2020

Investor & Analyst Briefing

Half year results to 31 December 2019

Rebekah O’Flaherty – CEO | Simon Yeandle - CFO

3P Learning

Our Agenda

Strategy Update

Outlook

H1-20 Financial Results

Q&A

Strategy update

APAC

At our FY19 full year results, we communicated that we had sales execution issues in APAC in H2-19 that resulted in licence loss and, consequently, this has negatively impacted our H1-20 result. To re-cap, the execution issues emerged when we moved to a team, rather than individual, commission model and blended our retention and new business sales teams.
In FY20 we returned to individual commissions and separated retention and new business sales teams.

Our course correction efforts are on track as evidenced by:

4%
APAC licences are up 4% from 2,287 (June 2019) to 2,377 (December 2019); higher new business on current products and upsell and lower churn in H1-20 vs. H1-19

6%
6% increase in APAC ARR from June 2019 to December 2019 (in H1-20 ARR increased $2.0m vs. $1.1m in H1-19, again driven by new ARR and lower ARR churn)

89%
APAC total retention* in FY19 88%, H1-20 is 89%

88%
APAC first year retention** in FY19 83%, H1-20 is 88%

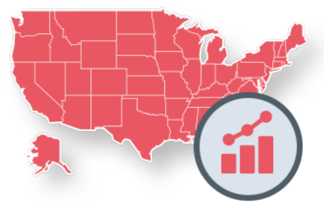
2%
APAC new business billings on current products are up 2%

We expect modest licence revenue and EBITDA growth in APAC in H2-20 vs. H2-19.

***Total retention** refers to retention across the entire cohort of schools and licences.

****First year retention** refers to the cohort of schools who are renewing their annual licences for the first time. See analyst pack for detailed calculation methodology.

2020-2022 Accelerate profitable growth

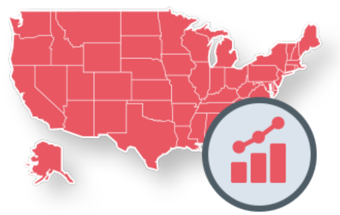
Product and customer expansion	Accelerate profitable sales growth in the Americas	Enhance customer experience and retention	A growth focussed, high performance culture
			

- At the end of FY19 we completed a 3-year long organisational restructure, including tackling technical debt and investing in scalable sales and marketing systems. We now have a stable cost base positioning us well to enjoy operating leverage as we accelerate sales growth.
- Our 20:22 Accelerate Growth strategy announced in August 2019 is unchanged and growth is expected to be driven by our stronger and expanded product portfolio and customer base, accelerated growth in the Americas and customer retention improvements in all regions.

H1 progress and outlook against our strategic plan

Leverage our stronger and expanded product portfolio and customer base

- H1 new business billings on current products up 2% in APAC and EMEA, 59% in AMER (H1-20 vs. H1-19)
- Annual Recurring Revenue (ARR) is up in all regions vs 30 June 2019



Accelerate profitable growth in the Americas

- Licence revenue up 30% in H1-20 vs. H1-19
- Operating profit A$0.3m for H1-20
- ARR up 11% vs. 30 June 2019
- 59% increase in new business billings on current products in H1-20 vs. H1-19
- Deferred revenue is up 8% vs. 30 June 2019
- Mathletics Spanish on track for release in April, unlocking new TAM

Improve customer retention

- First year retention has improved in APAC 83% to 88% and in EMEA 80% to 82% (H1-20 vs. H1-19)
- AMER total retention for H1-20 is down from 87% to 81%, skewed due to seasonality (end of school year churn) and the first Mathseeds churn period since acquiring the distribution rights

H1-20 Financial results

FY20 H1 Investor & Analyst Briefing 14 February 2020

Revenue and EBITDA

We traditionally have a stronger H2 billings and revenue profile, however FY20 will skew more heavily to H2, due to four factors:

- The 12-month effect of APAC FY19 sales execution issues will impact H1-20 more than H2-20;
- Improved retention in APAC will buoy H2 performance;
- Product releases in H1-20 have already shown traction in market and this, coupled with H2-20 product releases, should support stronger sales in H2-20;
- Growth in the Americas is seasonally skewed to H2.

After completing a 3-year period of company restructuring, we now have a stable cost base with expenses more equally weighted between H1 and H2; the cost base can support a substantially larger business and we do not expect to see a substantial cost increase in our BAU activities.

This shift in our revenue and expense profile results in a lower EBITDA in H1, but lead indicators in the regions are consistent with group licence revenue and EBITDA growth for the second half of FY20 compared to H2-19.

H1-20 Results summary

- Licence revenue was down 2% to $22.8M, with Americas up 30%, offset by declines in APAC and EMEA as we exited FY19 with lower licences in those regions.
- Group revenue was down 4% after a reduction in other income due to the impact of AASB16 Leases.
- Our expanded and stronger product portfolio has driven new business billings on current products up 59% in the Americas and 2% in APAC and EMEA and we expect billings growth in all regions in H2.
- Annual Recurring Revenue grew 6% from 30 June 2019.
- Expenses are up $2.5M for the half vs. H1-19 (and EBITDA down $3.4M) due to increased headcount in the Americas and product development to support our growth agenda. We have now completed the majority of our organisational restructure and will enjoy a more level cost base going forward, however operating leverage has suffered in H1-20.
- NPAT was down $3.9M to ($1.9M).

AU$M	H1-20	H1-19	$+/-	%+/-
Revenue & other income [1]	**23.1**	**24.0**	**(0.9)**	**(4%)**
Licence revenue				
APAC	12.5	13.6	(1.1)	(8%)
EMEA	5.5	6.0	(0.5)	(8%)
Americas	4.8	3.7	1.1	30%
Licence revenue	**22.8**	**23.3**	**(0.5)**	**(2%)**
Mathematics	19.7	20.0	(0.3)	(2%)
Literacy	3.1	3.3	(0.2)	(6%)
Other Products	0.0	-	0.0	NM
Other	0.3	0.7	(0.4)	(57%)
	23.1	**24.0**	**(0.9)**	**(4%)**
Expenses	(19.6)	(17.1)	(2.5)	15%
EBITDA	**3.5**	**6.9**	**(3.4)**	**(49%)**
EBITDA margin (%)	*15%*	*29%*	*(14%)*	
Net Profit After Tax	**(1.9)**	**2.0**	**(3.9)**	**(195%)**
Revenue vs. H1-19 under AASB16	**23.1**	**23.7**	**(0.6)**	**3%**
Expenses vs. H1-19 under AASB16	(19.6)	(16.5)	(3.1)	19%
EBITDA vs. H1-19 under AASB16	**3.5**	**7.2**	**(3.7)**	**(51%)**
ARR (Annual Recurring Revenue) 31-Dec-19 vs. 30-Jun-19	**54.4**	**51.3**	**3.1**	**6%**

[1] Interest revenue of $0.1m (H1-19: $0.1m) is shown in Net Interest here and not in Revenue & other income as per the statutory half-year report.

APAC

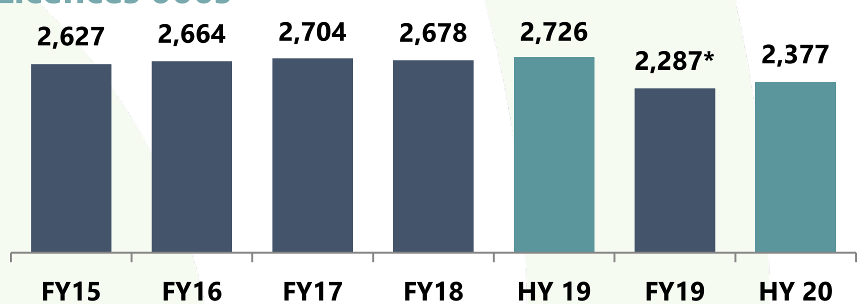
- Licence revenue was down 8% due to previously advised FY19 churn issues.
- Corrective action is on track with new business billings on current products in H1-20 up 2% vs. H1-19, first year retention up 5%pts vs. FY19 and ARR up 6% since 30 June 2019.
- Expenses are up $0.2M due to a change in timing of a portion of sales commissions on renewals from H2 to H1 (no full year increase), as well as increased marketing spend to support product releases.

H2 Focus & Outlook

- We expect to see retention improvements from improved product and customer experience.
- We will leverage our installed base with our expanded and stronger product portfolio, including a significant back-to-school product release in Mathletics which includes a stronger 7-10 offering.
- New opportunities outside ANZ to increase licences.
- The impact of FY19 churn will diminish in H2-20 and we expect modest licence revenue and EBITDA growth in H2-20 vs. H2-19.
- A decline in copyright income.
- FY21 will see a full year of improvements.

AU$M	H1-20	H1-19	$+/-	%+/-
Licence revenue	12.5	13.6	(1.1)	(8%)
Revenue - Copyright fees, sponsorship and other income	0.1	0.3	(0.2)	(67%)
Total revenue and other income	12.6	13.9	(1.3)	(9%)
Expenses	(3.6)	(3.4)	(0.2)	6%
EBITDA before corporate overheads	9.0	10.5	(1.5)	(14%)
EBITDA margin (%)	*72%*	*76%*	*(4%)*	*(5%)*
ARPU ($) (FY19 was $11.65)	$11.75	$10.64	$1.11	10%
Full Time Equivalents	55	59		
ARR: 31-Dec-19 vs. 30-Jun-19	**33.6**	**31.6**	**2.0**	**6%**

Licences 000s



* The change in licence numbers from FY18 to FY19 included the sunsetting of Spellodrome and IntoScience legacy products (~60k) and cessation of selling licences by volume bands and move to the sale by exact student numbers (~110k)

EMEA

- Due to continued uncertainty around Brexit revenue was down 9% vs. H1-19, however new business billings on current products were up 2%.
- First year retention improved 2%pts this half vs. H1-19 and ARR was up 2% vs. 30 June 2019.
- Expenses were impacted $0.4m by a $0.3m FX loss vs a $0.1m gain last year.

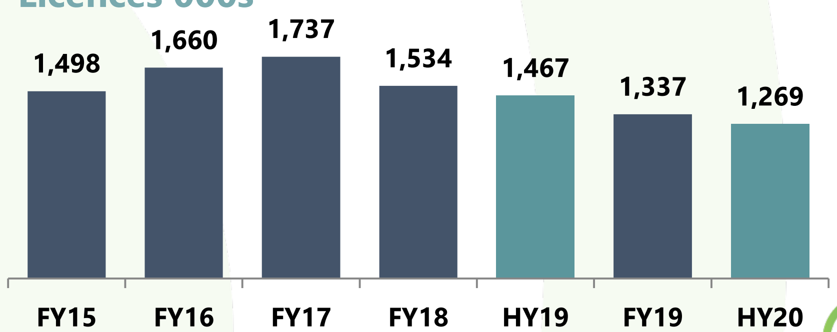
H2 Focus & Outlook

- We expect retention improvements from improved product and customer experience.
- We will leverage our installed base with our expanded and stronger product portfolio, including important Phonics release in REGGS and 7-10 releases in Mathletics.
- We are ready to capitalise on any improved trading conditions in the UK.
- Continue to diversify revenue outside UK through our new Head of Sales.

£M	H1-20	H1-19	$+/-	%+/-
Licence revenue	3.0	3.3	(0.3)	(9%)
Total revenue	3.0	3.3	(0.3)	(9%)
Expenses	(1.6)	(1.2)	(0.4)	33%
EBITDA	1.4	2.1	(0.7)	(33%)
EBITDA margin (%)	*47%*	*64%*	*(17%)*	
ARPU (£) (FY19 was £4.67)	£4.69	£4.43	£0.26	6%

AU$M	H1-20	H1-19	$+/-	%+/-
Revenue – Licenced products	5.5	6.0	(0.5)	(8%)
Total revenue	5.5	6.0	(0.5)	(8%)
Expenses	(2.9)	(2.2)	(0.7)	32%
EBITDA	2.6	3.8	(1.2)	(32%)
EBITDA margin (%)	*47%*	*63%*	*(16%)*	
Full Time Equivalents	53	55		
ARR: 31-Dec-19 vs. 30-Jun-19	**12.4**	**12.1**	**0.3**	**2%**

Licences 000s



Americas

- Licence revenue was up 30% in AUD and 22% in USD vs. H1-19.
- New business billings on current products were up 59% vs. H1-19 and ARR up 11% since 30 June 2019.
- Licences were down due to H1 seasonality: H1 contains the end of the school year and the first Mathseeds churn period since acquiring the distribution rights from January 2019.
- Expenses up over H1-19 as previously flagged, due to hiring of sales people and increases in marketing activity.

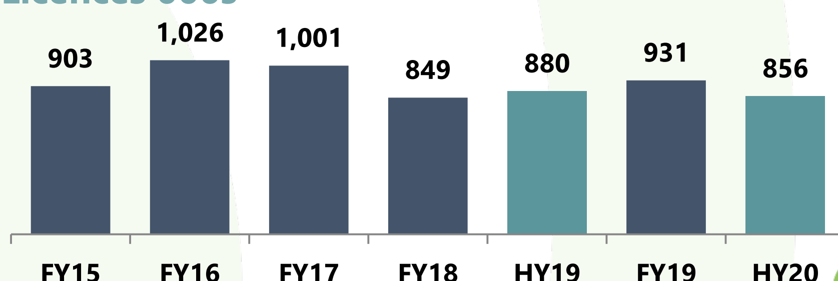
H2 Focus & Outlook

- Sales growth momentum from our expanded and stronger product portfolio as well as Mathletics Spanish due for April release.
- Investment in marketing and sales headcount commensurate with growth.
- Expected double digit licence revenue growth for FY20 will deliver higher EBITDA.

US$M	H1-20	H1-19	$+/-	%+/-
Licence revenue	3.3	2.7	0.6	22%
Other revenue and income	0.1	0.3	(0.2)	(67%)
Total revenue	3.4	3.0	0.4	13%
Expenses	(3.2)	(2.6)	(0.6)	23%
EBITDA	0.2	0.4	(0.2)	(50%)
EBITDA margin (%)	*6%*	*13%*	*(7%)*	
ARPU (US$) (FY19 was $6.25)	$7.16	$6.44	$0.71	11%

AU$M	H1-20	H1-19	$+/-	%+/-
Revenue - Licenced products	4.8	3.7	1.1	30%
Revenue – Other	0.2	0.4	(0.2)	(50%)
Total revenue	5.0	4.1	0.9	22%
Expenses	(4.7)	(3.6)	(1.1)	31%
EBITDA	0.3	0.5	(0.2)	(40%)
EBITDA margin (%)	*6%*	*12%*	*(6%)*	
Full Time Equivalents	58	47		
ARR: 31-Dec-19 vs. 30-Jun-19	**8.4**	**7.6**	**0.8**	**11%**

Licences 000s



H1-20 Income statement

- At the group level, expenses are level with H2-19 (as we have completed the majority of our organisational structuring) and are up $2.5M vs. H1-19.
- Sales-related employee costs have increased by $1.6M (13%).
- Headcount increase from December 2018 of 253 to 269 FTEs due to the increase in sales staff in the Americas and an increase in product development staff to accelerate releases.
- Marketing expenses have increased by $0.3M.
- Technology and occupancy costs have decreased by $0.5M due to $0.6M reduction to occupancy expenses from the adoption of AASB16 Leases.
- Other expenses include a $0.8M swing in FX losses ($0.3M FX loss this half vs. $0.5M gain in H1-19), and a $0.3M increase in outsourced product development.
- Increased amortisation due to $0.5M of lease expense presented here under AASB16 Leases (see Analyst pack for details). FY20 will see amortisation increase approximately $1.0M due to AASB16 and approximately $1.0M due to the amortisation of Readiwriter beginning this year.
- The effective tax rate has decreased due to prior year adjustments of $0.2M, but no material change in effective tax rate is expected for the full year.

$M	H1-20	H1-19	$+/-	%+/-
Total Revenue [1]	**23.1**	**24.0**	**(0.9)**	**(4%)**
Employee expenses	(14.1)	(12.5)	(1.6)	13%
Marketing expenses	(1.0)	(0.7)	(0.3)	43%
Technology and occupancy expenses	(2.4)	(2.9)	0.5	(17%)
Other expenses	(2.1)	(1.0)	(1.1)	110%
Expenses	**(19.6)**	**(17.1)**	**(2.5)**	**15%**
EBITDA	**3.5**	**6.9**	**(3.4)**	**(49%)**
EBITDA margin (%)	*15%*	*29%*	*(14%)*	
Depreciation & amortisation	(5.6)	(4.6)	(1.0)	22%
EBIT	**(2.1)**	**2.3**	**(4.4)**	**(191%)**
EBIT margin	*(9%)*	*10%*	*(19%)*	
Net interest [1]	0.0	0.0	0.0	0%
Profit before tax	**(2.1)**	**2.3**	**(4.4)**	**(191%)**
Tax benefit/(expense)	0.2	(0.3)	0.7	(233%)
Tax rate	*10%*	*13%*	*6%*	
NPAT	**(1.9)**	**2.0**	**(3.9)**	**(195%)**
Statutory EPS (cents)	(1.35)	1.44	(2.79)	(194%)

[1] Interest revenue of $0.1m (H1-19: $0.1m) is shown in Net Interest here and not in Revenue & other income as per the statutory half-year report.

H1-20 Cash flow

- The reduced change in working capital is due to the higher than usual trade receivables balance at 30 June 2019 ($10.8M vs $6.6M at 30 June 2018). As these receivables were collected this half, there is an increase in cash collected.

- We have released a significant amount of new product in H1-20 and plan even more releases in H2-20; our capitalised product and system development costs are $0.7M higher than H1-19 due to a higher proportion of later stage development work carried out, in line with our product release roadmap.

- The decrease in net tax payments is due to timing of UK and NZ income tax payments.

$M	H1-20	H1-19	$+/-
EBITDA	**3.5**	**6.9**	**(3.4)**
FX and other non cash expenses	(0.8)	(0.4)	(0.4)
Change in working capital	(9.9)	(13.8)	3.9
Operating free cash flow before intangibles	**(7.2)**	**(7.3)**	**0.1**
Investment in product development & other intangibles	(4.9)	(4.2)	(0.7)
Operating free cash flow after intangibles *	**(12.1)**	**(11.5)**	**(0.6)**
Net interest received/(paid)	0.0	0.0	0.0
Payments in respect of leases	(0.7)	0.0	(0.7)
Receipts for sub-leases	0.3	0.0	0.3
Income tax paid	(0.8)	(1.1)	0.3
Net cash flows before investments	**(13.3)**	**(12.6)**	**(0.7)**
Purchase of PP&E	(0.1)	(0.3)	0.2
Net cash flows after investments	**(13.4)**	**(12.9)**	**(0.5)**
Cash flow conversion[1] (before capital expenditure)	(206%)	(106%)	(100%)
Cash flow conversion[2] (after capital expenditure)	(346%)	(167%)	(179%)
Impact of AASB16			
*** Operating free cashflow after intangibles (H1-19 under AASB16)**	**(12.1)**	**(10.9)**	**(1.2)**

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

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

H1-20 Balance sheet

- Trade receivables down $1.0M to $12.0M, due to some state education departments in Australia changing their procurement practices where invoices need to be issued in the calendar year the licences begin.
- Increase in intangibles due to continued investment in product development.
- Contract liabilities (deferred revenue) balances are skewed to H2 by minor delays in invoicing in AMER and APAC, and do not reflect a downwards trend in users or ARR.
- No dividend declared with cash being retained to support working capital and growth opportunities.

AU$M	31-Dec-19	30-Jun-19	31-Dec-18
Cash and cash equivalents	12.5	25.8	10.1
Trade and other receivables	12.0	10.8	13.0
Income tax receivable	0.2	-	0.3
Lease receivable	0.5	-	-
Total current assets	**25.2**	**36.6**	**23.4**
Lease receivable*	1.4	-	-
Property, plant and equipment	0.8	1.0	1.1
Right-of-use assets*	3.4	-	-
Deferred tax assets	5.4	5.0	6.3
Intangibles and goodwill	20.4	19.5	18.9
Total non-current assets	**31.4**	**25.5**	**26.3**
Total assets	**56.6**	**62.1**	**49.7**
Trade and other payables	4.4	7.2	4.3
Income tax payable	0.1	0.4	0.3
Contract liabilities	19.3	24.3	20.6
Lease liabilities	1.5	-	-
Provisions	1.2	1.5	1.0
Total current liabilities	**26.5**	**33.4**	**26.2**
Provisions	0.7	0.7	0.8
Borrowings	-	-	-
Lease liabilities*	4.1	-	-
Contract liabilities	2.3	3.4	1.6
Total long term liabilities	**7.1**	**4.1**	**2.4**
Total liabilities	**33.6**	**37.5**	**28.6**
Net assets	**23.0**	**24.6**	**21.1**
Contributed equity	34.4	34.4	34.4
Retained earnings	(19.6)	(18.0)	(21.7)
Reserves	8.2	8.2	8.4
Total equity	**23.0**	**24.6**	**21.1**

* Impact of AASB16 Lease accounting standard

Investment in products & technology assets

- We launched Readiwriter Spelling and enhanced Mathletics (Problem Solving & Reasoning and strengthened 7-10) and expect to launch Mathletics Spanish, and further Mathletics enhancements (Understanding, Practice & Fluency) in H2-20.
- Because of this high volume of product releases in H1-20 and planned in H2-20, a higher proportion of product development was capitalised in H1-20 due to more later-stage development work in both maths and literacy, as we continue to release new products and content.
- The capitalised investment of $3.4m in Readiwriter is being amortised.
- Software and curriculum content is amortised over 3 years.
- FY20 will see an increase of approximately $1M in software amortisation charge vs. FY19 now that Readiwriter is launched.

Investment split by asset type and accounting treatment

H1-20 AU$M	CAPEX	%	OPEX	%	Total
Mathematics	3.6	82%	0.8	18%	4.4
Literacy	0.8	89%	0.1	11%	0.9
Digital Systems	0.5	45%	0.6	58%	1.1
Total cash investments	**4.9**	**77%**	**1.5**	**23%**	**6.4**

H1-19 AU$M	CAPEX	%	OPEX	%	Total
Mathematics	3.2	68%	1.5	32%	4.7
Literacy - WIP	0.6	55%	0.5	45%	1.1
Digital Systems	0.4	40%	0.6	60%	1.0
Total cash investments	**4.2**	**62%**	**2.6**	**38%**	**6.8**

Product and systems balances

AU$M	Opening Value	Additions	Amortis-ation	Closing Value
Mathematics	10.4	3.6	(3.5)	10.5
Literacy	2.6	0.8	(0.3)	3.1
Digital Systems	1.6	0.5	(0.4)	1.7
Total product and systems development assets	**14.6**	**4.9**	**(4.2)**	**15.3**

Outlook

Outlook

- Regional outlook for FY20:
  - APAC: While APAC sales execution issues have moderated our growth in FY20, our corrective action is on track and we expect to see modest licence revenue and EBITDA growth in H2-20 vs. H2-19;
  - EMEA: we have a well qualified pipeline of large opportunities in EMEA that are well placed to close in H2 and we are ready to capitalise on any improved trading conditions in our core UK market;
  - AMERICAS: accelerated profitable sales growth.

- Consistent with the improvements we have made across the group, we expect increased revenue and EBITDA for H2-20 vs. H2-19, but with full FY20 EBITDA down vs. FY19.

- FY20:22: Our cost base is now set, our mix of cost is optimised and we expect to deliver revenue growth with increased operating leverage.

Q & A

For further information, analysts, investors and other interested parties should contact:

Rebekah O'Flaherty

Chief Executive Officer
rebekah.oflaherty@3plearning.com

Simon Yeandle

Chief Financial Officer
simon.yeandle@3plearning.com

The release of this announcement has been authorised by the Board of 3P Learning Limited

Important Notice and Disclaimer

The material in this presentation is a summary of 3P Learning Limited's ('3P') activities and results as at the time of preparation, 14 February 2020.

No representation, express or implied, is made as to the fairness, accuracy, completeness or correctness of information contained in this presentation, including the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this presentation ('forward-looking statements'). Such forward-looking statements are by their nature not based on historical facts and are subject to significant uncertainties and contingencies and are based on a number of estimates and assumptions that are subject to change (and in many cases are outside the control of 3P and its Directors and officers) which may cause the actual results or performance of 3P to be materially different from any future results or performance expressed or implied by such forward-looking statements. Reliance should not be placed on forward-looking statements and except as required by law or regulation 3P assumes no obligation to update these forward-looking statements. To the maximum extent permitted by law, 3P and its related corporations, directors, officers, employees and agents disclaim any obligation or undertaking to release any updates or revisions to the information in this presentation to reflect any change in expectation or assumptions and disclaim all responsibility and liability for the forward-looking statements (including without limitation, liability for fault or negligence).

This presentation provides information in summary form only and is not intended or represented to be complete. Further, it is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation, or needs of any particular investor.

Due care and consideration should be undertaken when considering and analysing 3P's financial performance. All references to $ are to Australian $ unless otherwise stated.

To the maximum extent permitted by law, neither 3P nor its related corporations, directors, officers, employees and agents, nor any other person, accepts any liability, including without limitation, any liability arising from fault or negligence, for any loss arising from the use or reliance on this presentation or its content or otherwise arising in connection with it.

This presentation is not and should not be considered as an offer or invitation to acquire shares in 3P and does not and will not form part of any contract for the acquisition of shares.

This presentation should be read in conjunction with other publicly available materials. Further information is available on 3P's website at: http://www.3plearning.com/investors/