

To: ASX
From: Brett Edwards, Company Secretary
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ASX Code: KME

Market Update – COVID-19

Kip McGrath Education Centres Ltd (ASX: KME) today provides an update on the impact of COVID-19 on its business and the strategies it has implemented to take advantage of opportunities emerging in key markets.

Storm McGrath, CEO and Managing Director said “the company is being impacted heavily by lock downs in all of its key markets but is pivoting rapidly to an online offering. There has been a near complete cessation of face to face teaching across the globe, with Australia, the United Kingdom, New Zealand and South African centres all temporarily closing over the last 3 weeks. Prior to this we had been teaching over 36,100 face to face lessons each week.

Fortunately, the company’s online offering has been seen high volumes of utilisation, with over 13,000 online lessons occurring in March, up significantly from the 1,900 online lessons a month earlier in February. Staff at 384 centres around the world are already trained in the software and 274 centres delivered 10,200 online lessons for the first full week of April. Importantly our systems are handling the growth in volumes without any noticeable scaling issues. We expect online numbers to continue to climb steadily as franchisees, parents and students become more comfortable with the tailored experience our online product provides.”

The unaudited results for the 9 months to 31 March 2020 show revenue of \$13.3 million, an increase of 13.7% over the previous corresponding period with earnings before interest, tax, depreciation and amortisation of \$3.8 million unchanged from the corresponding same period, due primarily to initial expenses incurred in rolling out new software and our corporate owned centre strategy. The year to date unaudited net profit after tax of \$1.3 million is down from \$1.9 million earned in the previous corresponding period due largely to higher amortisation expenses.

The Board and management have responded quickly in implementing strategies to mitigate the financial impact of COVID-19 including the deferral of the interim dividend, reductions in Board and staff costs, a recruitment freeze and the deferral of non-essential expenditure. The company’s results for the final quarter of this financial year are expected to be significantly affected by large reductions in revenue in all markets and accordingly due to the highly uncertain global trading environment and associated challenges in providing accurate forecasts, no earnings guidance can be provided.

The focus of the business now is on the online product and ensuring the company continues to capitalise on the online tutoring opportunities that are emerging globally.

Please contact the company secretary if you require any further information.



Authorised by: Brett Edwards , Company Secretary
Kip McGrath Education Centres Limited