

Market Update 29 May 2020

Kip McGrath Education Centres (KME) directors are pleased to provide the following update on its current business and key growth initiatives going forward.

Covid-19 Update:

Prior to the Covid-19 outbreak Kip McGrath were delivering 36,000 face to face lessons and 550 online lessons a week. Last week we achieved a significant milestone and delivered globally 20,000 online lessons as well as 2,400 face to face. We anticipate a steady increase in face to face tutoring as the current pandemic subsides and students return to school in our key markets. While total lessons are still down overall it has shown a significant shift in the way our business will deliver lessons in the future.

Financial Update

We have made significant changes to our cost base and remain cash flow positive. Revenue for the ten months to 30 April of \$14.3 million is 12.4% ahead of the previous corresponding period, and despite the effects of Covid-19 is expected to remain ahead of the previous year come year end. Our cash position remains consistent with the start of the financial year. No further guidance is given to net profit after tax although EBITDA is currently slightly lower than the previous ten month period.

Due to the continued uncertainty and duration of the Covid-19 pandemic, the Board has taken the precautionary position and cancelled the interim dividend of 1.5 cents per ordinary share announced to the ASX on 25 February 2020 and updated on 20 March 2020.

Kip Online and the opportunity ahead:

Over the last five years the management of Kip McGrath has spent considerable time and resources building an online offering. As such our bespoke propriety remote learning platform, Kip Online, is well positioned for current and future growth. Prior to the current pandemic this cloud based system provided over 10,000 lessons to our students over the last 5 years. As mentioned last week alone Kip Online provided over 20,000 lessons to our students and is highly scalable across all our key Domestic and International markets.

Whilst the pandemic has created some short-term upheaval management believe that online will continue to see a strong uptake from existing and new students. The transition to Kip Online has numerous benefits for our students, parents and shareholders. Our addressable market is large with over 20 million school age students in our key markets of Australia, the United Kingdom, New Zealand, and South Africa alone.

Summary:

We believe a pivotal point has been reached in how we deliver education in our long and successful history. The current pandemic has exponentially accelerated this change from what we believed would take years to months. We believe we will come out of this crisis a better, stronger, more profitable business and look forward to updating you on progress.

The Board has approved this announcement.

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