# Kip NcGrath

Leaders In Learning

Investor
Presentation
August 2020

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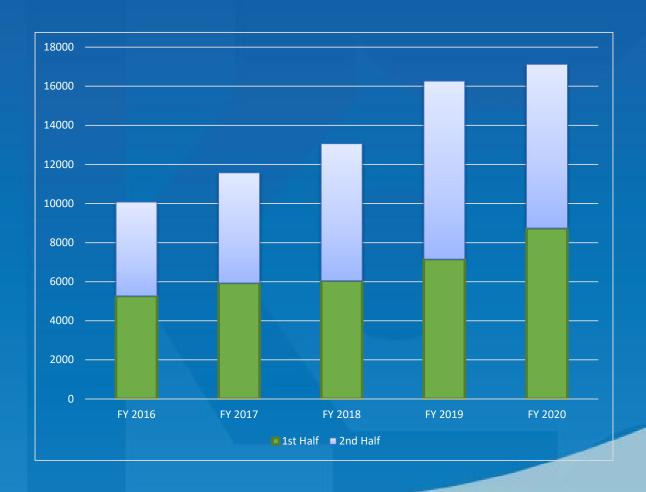
### **2020 Full Year Results**

- Revenue increased by 5.3% to \$17.1M
- EBITDA stable at \$5.2M
- Pre-AASB16 EBITDA down 10% to \$4.7M\*
- NPAT fell by 40% to \$1.6M
- Dividend of 2.0 cents per share

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<sup>\*</sup> EBITDA if AASB16 had not been applied to 2020 results (adjustment of \$0.532m)

# Revenue Growth 2016 – 2020 (\$'000)



- Second half franchise fee revenue affected by Covid-19 by over \$2M
- Corporate revenue affected by \$200K for the second half



### PROFITABILITY DRIVERS

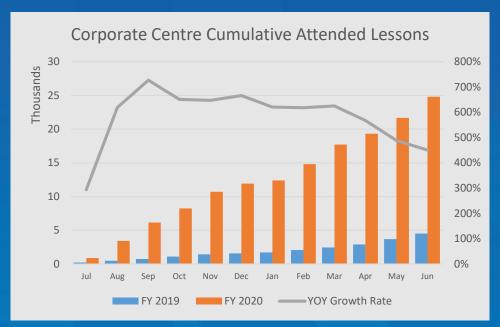
**Key Expenses as % of Revenue** 

	FY 2019 I	Y 2020	
Royalties & Commissions	11.5%	7.6% Down	-3.8%
Staff Costs	22.3%	32.2% Up	9.9%
Marketing Costs	18.2%	16.2% Down	-2.0%
Other Costs	15.0%	15.2% Up	0.1%
Lease Costs / AASB16 Costs	2.0%	3.2% Up	1.3%
Intangibles Amortisation	9.4%	11.7% Up	2.2%

- The growth in corporate centres is increasing staff costs through the employment of tutors and managers. (\$1M for the year)
- Royalties & Commissions are down with the buy back of area developer rights plus the drop in sales, but there is a small rise in staff costs to service these additional territories.

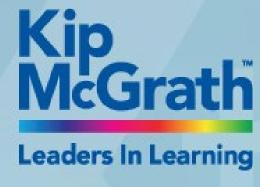


### Revenue Growth Drivers – Corporate Centres

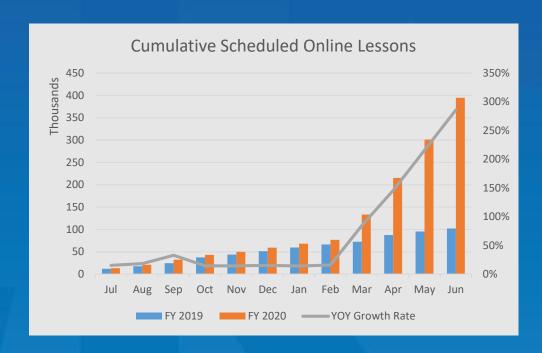




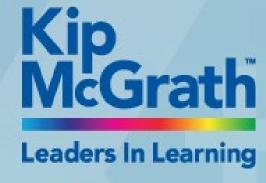
- Revenue from franchise fees fell rapidly following commencement of COVID19 lockdowns, with drop in enrolments and attendance rates
- Revenue from Corporate Centre Lessons jumped following the acquisition of Belconnen centre and, whilst slower with COVID19, maintained a growth rate over 400% for the year



#### Revenue Growth Drivers – Online Lessons

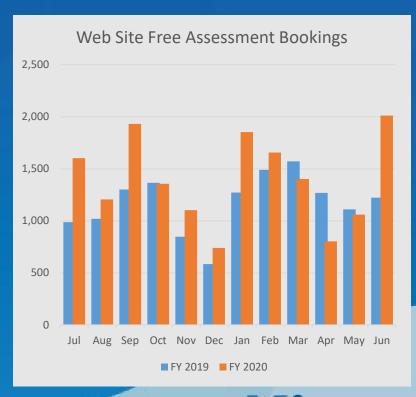


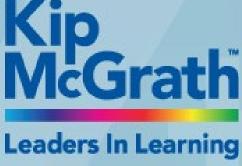
- Online lessons grew rapidly following the commencement of COVID19 lockdowns in all key markets during March
- Franchise preference is for face to face when markets normalise, but customers and corporate centres are ensuring online growth rates are being sustained
- Higher margins from online as all franchisees are charged the same percentage regardless of model



# Revenue Growth Drivers – Marketing & Leads

- Increased focus and expenditure in digital marketing was showing solid increases in leads and free assessment booking requests across all key markets
- The COVID19 lockdowns in March, April and May reduced the level of leads around the world.
- Marketing expenditure was tightly managed during this period. We have also redone all marketing collateral to show our online product
- Global leads have bounced back to all time highs from June as parents worry about the impact of lockdowns.





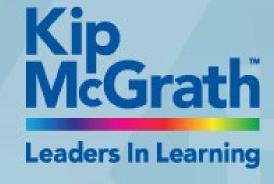
# Market/Growth Opportunity

- Market is growing, with minimal competitors in our segment of the market
- KME market share, in a fragmented market, remains low (less than 2%)
- New software and systems upgrade, focused on improving student onboarding and retention will lead to continued growth for many years
- Margins for online and for corporate direct are higher than current business



# Online/ Corporate owned centres

- Corporate Centres and Corporate Online have grown very well over the past 20 months. The number of students being taught is now over 800 and growing at 20 per week.
- A Corporate Centre and Corporate Online Manager has been recruited in the UK to grow the business further from September.
- The company plans to acquire or establish additional centres in strategic locations in Australia and the UK
- The company has also dedicated marketing funds and resources to focus on the growth of our Corporate business.



### **COVID-19 Update**

- Kip McGrath reached a new milestone in May, providing 20,000 online lessons in one week
- Australian and New Zealand lesson numbers are currently at 80% of pre COVID19 levels
- 50% of Australian students are still online and 20% of New Zealand
- UK lessons numbers peaked at 55% of pre-covid numbers. The numbers currently sit at 52% during the summer holiday break which is significantly higher than traditionally during this time.
- All regions are expected to see improvements over the coming months with lockdowns easing and normality resuming. We are also seeing an increase in leads for tuition with parents concerned about the progress of their children
- Online lessons are expected to represent a significant portion of lessons provided in the future due to the safety and convenience they provide

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 Notable shift in customer acceptance of online learning platform following COVID19 learning from home

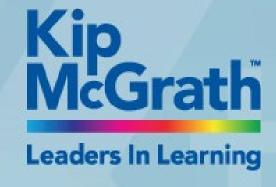
## **The Kip Online Opportunity**

- The addressable market is very large with 20m school age students in our key markets of the UK, Australia, New Zealand, and South Africa
- The Australian market alone has 3.95m school age students. If we see a 1% penetration that is 39,500 students from the 12,000 we currently tutor
- Over 60% of school age students are not in close proximity to a Kip McGrath Learning Centre
- KME has its own Online platform that it has developed over the past 5 years. This gives us an advantage for the short term
- No online tuition provider has a dominant market share to date
- Pivotal growth opportunity is occurring as a result of the current pandemic and we will not let this crisis go to waste

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### Online Growth via \$5.9m Placement

- Institutional Placement of 6,585,000 shares at 90 cents per share to raised \$5,925,000 AUD in June 2020
- The funds are being used to accelerate growth of the Kip Online platform:
  - development of new software being brought forward
  - substantial increase in marketing for Kip Online
  - hire of additional personnel to build capability
  - expansion of corporate centres into key markets in Australia, the UK and NZ with great focus on online delivery



### Outlook

- We expect Gold partner numbers, student lessons and revenue to continue to grow
- We anticipate further increase in margins from centralisation and online revenue increases
- Corporate centres to deliver further growth and profit
- Dividend to be maintained and fully franked

