



---

# Investor Update

## Kip McGrath Education Centres Ltd

---

1 March 2021

# Disclaimer

This presentation has been prepared by Kip McGrath Education Centres Limited (**Company**). Statements in this presentation are made only as at 1 March 2021 and the information in this presentation remains subject to change without notice. The information in this presentation is of a general nature and does not purport to be complete, is provided solely for information purposes and should not be relied upon by the recipient.

## **Not financial product advice**

This presentation is for informational purposes only and is not a financial product or investment advice or recommendation to acquire any securities in the Company and does not take into consideration the investment objectives, financial situation or particular needs of any particular investor. Each recipient of this presentation should make their own assessment of an investment in the Company and should not rely on this presentation. In all cases, each recipient should carry out its own investigations and analysis of the Company and verify the accuracy, reliability and completeness of the information contained in this presentation or any other form of communication to which the recipient is permitted access in the course of evaluating the Company. Recipients should seek appropriate legal, financial, tax and other advice.

This presentation is not a prospectus, product disclosure statement or other offering document under Australian law or any other law (and will not be lodged with the Australian Securities and Investments Commission or any other foreign regulator. This presentation is not, and does not constitute, an invitation or offer of securities for subscription, purchase or sale in any jurisdiction.

The distribution of this presentation in jurisdictions outside Australia may be restricted by law and you should observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

## **Investment risk**

An investment in Shares is subject to known and unknown risks, some of which are beyond the control of the Company, including possible loss of income and principal invested. The Company does not guarantee any particular rate of return or the performance of the Company nor does it guarantee the repayment or maintenance of capital or any particular tax treatment. Investors should have regard to the risk factors outlined in this presentation when making their investment decision.

## **Disclaimer**

To the maximum extent permitted by law, the Company disclaims all responsibility and liability for any loss arising from this presentation or reliance on anything contained in or omitted from it or otherwise arising in connection with this presentation and does not make any representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation or that this presentation contains all material information about the Company or the Offer that a prospective investor may require in evaluating a possible investment in the Company.

## **Past and future performance**

Past performance information given in this presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

This presentation contains certain forward-looking statements with respect to the financial condition, operations and business of the Company and certain plans and objectives of the Company. Forward-looking statements can be identified by the use of forward-looking terminology, including, without limitation, the terms "believes", "estimates", "anticipates", "expects", "predicts", "intends", "plans", "targets", "aims", "outlook", "guidance", "forecasts", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. Such forward looking statements involve known and unknown risks, uncertainties and other factors that because of their nature may cause the actual results or performance of the Company to be materially different from the results or performance expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the political and economic environment in which the Company will operate in the future, which may not be reasonable, and are not guarantees or predictions of future performance. No representation is made that any of these statements or forecasts will come to pass or that any forecast result will be achieved, or that there is a reasonable basis for any of these statements or forecasts.

Forward-looking statements speak only as at the date of this presentation and to the full extent permitted by law, the Company disclaims any obligation or undertaking to release any updates or revisions to information to reflect any change in any of the information contained in this presentation (including, but not limited to, any assumptions or expectations set out in the presentation).

# 31 Dec 2021 Half Year Highlights

Business extremely resilient considering global business conditions. The pivot to online across the network is proving very successful with the previous investment made to our online platform

Focus is on transforming from a franchise only face to face tuition business to a multi-channel, blended learning global tutoring business

KME delivered 280,000 online lessons for the half, an increase of 800%. Total lessons delivered for the half were 660,000

Gross network revenue from Online at the student level of \$16.1M, compared to \$1.7M in the previous first half year 2020. Total network revenues for the half year were \$41.0M

Investing in systems, processes and people to increase growth when global lockdowns subside. Appointment of new CTO, CCO, and CPO during the half

\*Network Revenues are total tutoring fees charged by both franchisees and Kip McGrath's owned corporate centres. KMEC Ltd's revenue include the franchise fees and associated fees charged to franchisees for tutoring and the student lesson revenues from company owned Corporate Centres.



# Network Revenues

## 1HY 2021

United Kingdom / Europe	
Network Revenues HY1	A\$20.1M Down 6%
Online Lessons	A\$9.8m Up 2050%

Australasia	
Network Revenues HY1	A\$18.7M Down 7%
Online Lessons	A\$5.8M Up 480%

Africa / Middle East	
Network Revenues HY1	A\$2.2M Down 45%
Online Lessons	A\$481k

### Network Revenues\* of A\$41.0M in HY1

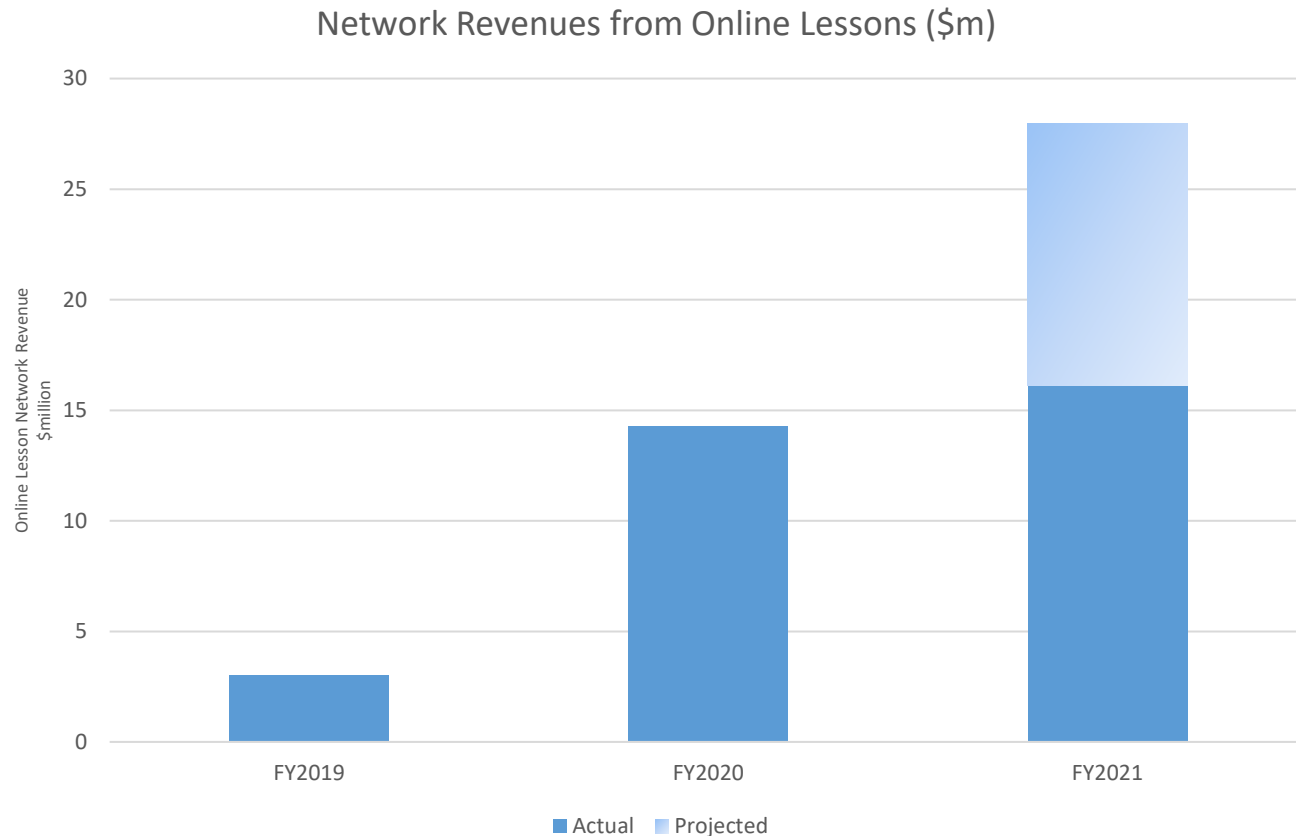
Australasia starting to rebound as restrictions ease in key markets

UK remains resilient despite 3<sup>rd</sup> wave lockdown

Patchy Recovery in Africa and the Middle East

\*Network Revenues are total tutoring fees charged by both franchisees and Kip McGrath's owned corporate centres. KMEC Ltd's revenue include the franchise fees and associated fees charged to franchisees for tutoring and the student lesson revenues from company owned Corporate Centres.

# Online Tutoring



\*Network Revenues are total tutoring fees charged by both franchisees and Kip McGrath's owned corporate centres. KMEC Ltd's revenue include the franchise fees and associated fees charged to franchisees for tutoring and the student lesson revenues from company owned Corporate Centres.

## Online Tutoring Growth

COVID-19 has changed market

Network revenues\* from online tutoring have grown significantly to \$16.1M (up 900%)

Expecting network revenues from online tutoring to range from \$25M to \$30M in FY2021

We expect online blended lessons to be 20%-40% of the business in the future

Post lock down experience is a move back to face to face – but online preference is rising

# 31 Dec 2021 Half Year Profit

EBITDA for Half Year of \$2.458m

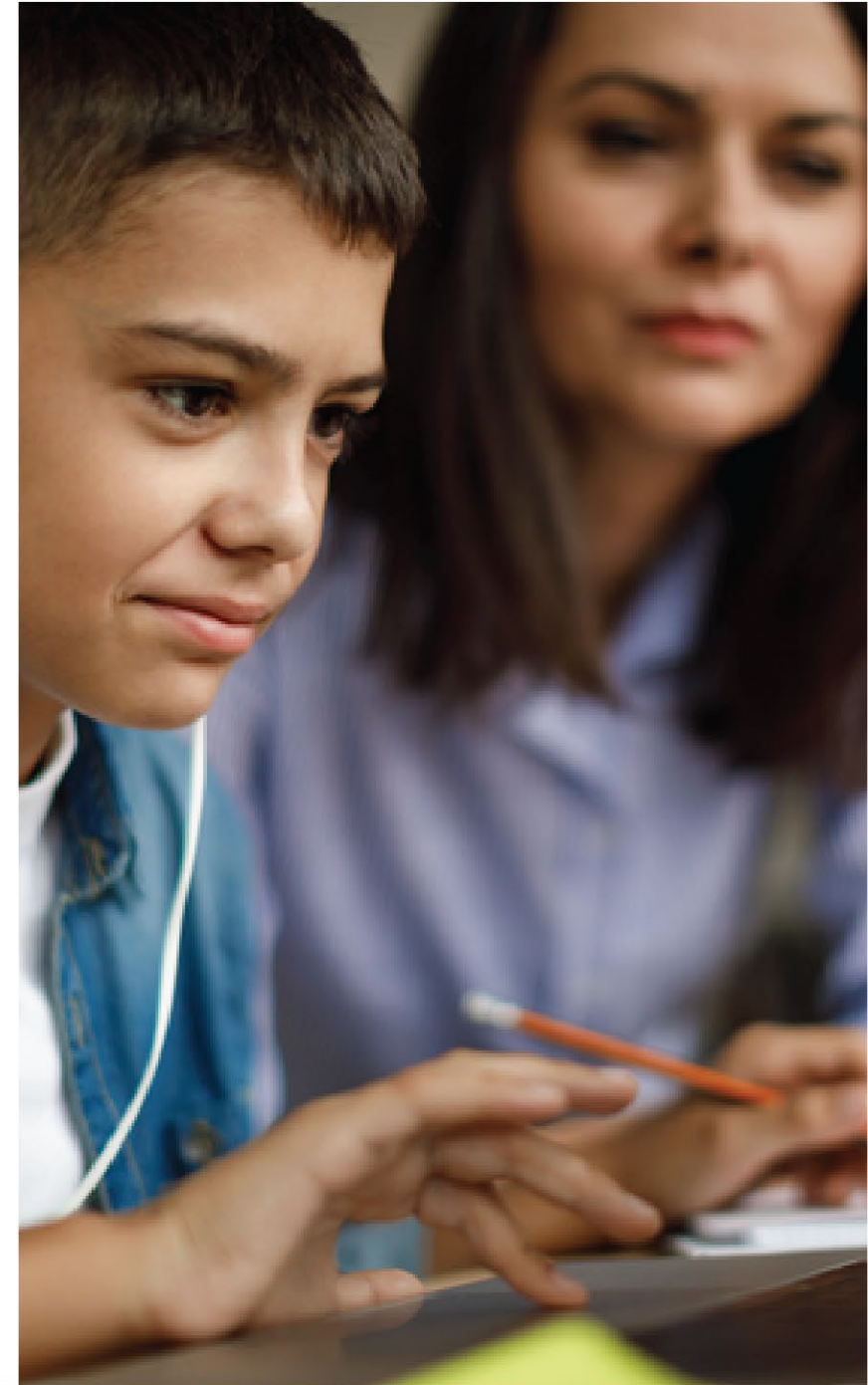
Remarkably resilient result despite COVID-19 lockdowns

Profit for Half Year of \$0.826m includes Abnormal One-off Items of \$0.3m

Marketing up \$300k to maintain leading brand awareness when conditions improve

Invested \$1.2m in technology for the half

Half Year Dividend of 1.0 cents per share



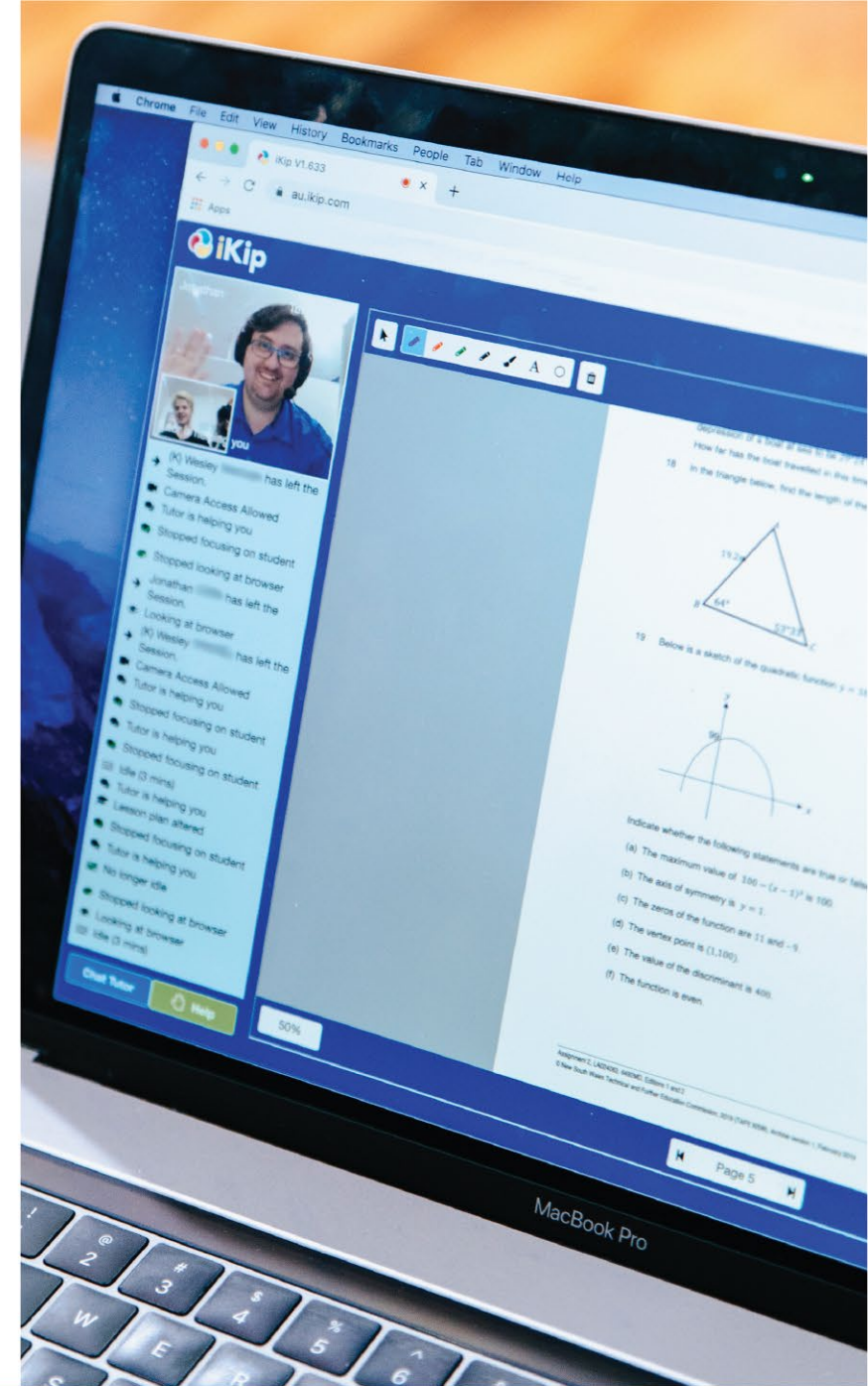
# Technology & IP

Ongoing IT development has been at the core of our DNA for over 40 years

Learning Management System, Centre Management Software and Online Tutoring Platform all integrated and internally developed by KMEC

The platform remains very stable with the higher online tutoring lesson numbers

New platform upgrade for 2021 now in beta testing stage



# Franchise Channel

COVID-19 lockdowns still inhibiting face-to-face learning, but parent demand remains strong for our style of learning - so we expect lesson demand will increase on easing of restrictions

New franchise sales remain reasonable with 10 sold year to date and 10 resales. Buyer interest increasing due to our blended learning options being available

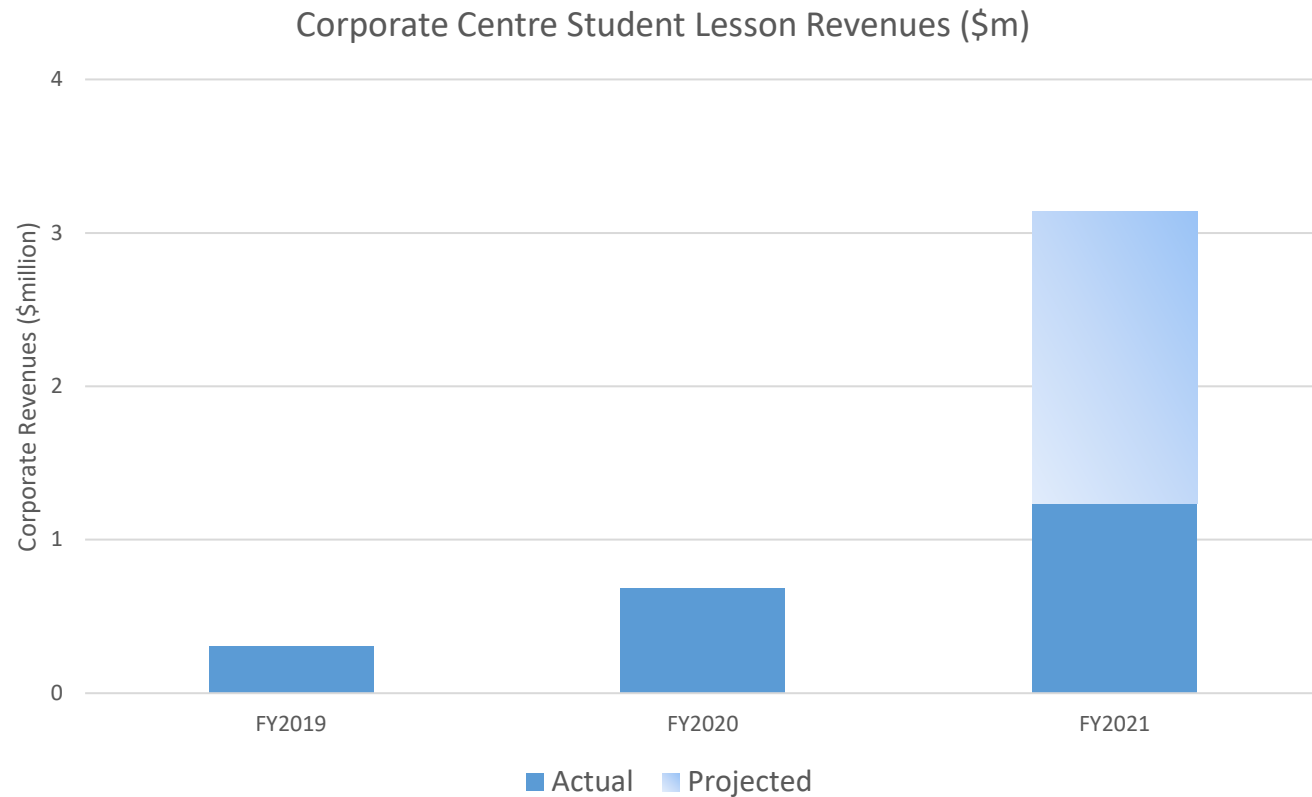
Australian and New Zealand leads and free assessment requests started the year at all time highs

Currently 524 active Kip McGrath Education Centres across 11 countries





# Corporate Channels



## Corporate Channels

- **Australia**
  - **Corporate Direct**
  - **Sydney (5 centres)**
  - **Canberra**
  - **Newcastle**
- **New Zealand**
  - **Corporate Direct**
  - **Palmerston North**
- **UK**
  - **Corporate Direct**

# Corporate Centres Channel

Corporately owned centres have grown significantly with the addition of 6 centres in January 2021

We now have Corporate Centre hubs operating in key markets in Sydney, Canberra, Newcastle and New Zealand

Current lesson numbers exceed 1,200 per week, which is up from 400 a year ago

The Corporate centres provide direct knowledge and feedback for KME for the improvement of the ongoing business model and customer offerings

This channel also provides liquidity to our larger and longer-term franchisees who wish to retire



# Corporate Online Direct Channel

Online tutoring in vacant territories

Online Direct Channel now operational in all key markets

- Australia Operations            350 students
- NZ Operations                    150 students
- UK Operations                    140 students

We advertise in vacant territories in Australia, New Zealand, and the UK

Tutors are employed by Australian and UK head offices

Growth due to the rise in acceptance of online delivery by parents and students

# Corporate Online Direct

Now operational in 3 major markets:

- **Australia**
- **New Zealand**
- **UK**

# Outlook

Historically the second half is stronger than the first half but due to continuing COVID-19 impact, no earnings guidance at this time

Once lockdown eases we anticipate lesson bookings will improve 15-20%

Upgraded software will help with this growth as it will expand access to more devices and browsers, allowing even greater uptake of online sales

Our focus is a blended multi channel tutoring service. We do this by providing a very high quality tutoring experience which is now more convenient and safe for busy parents

