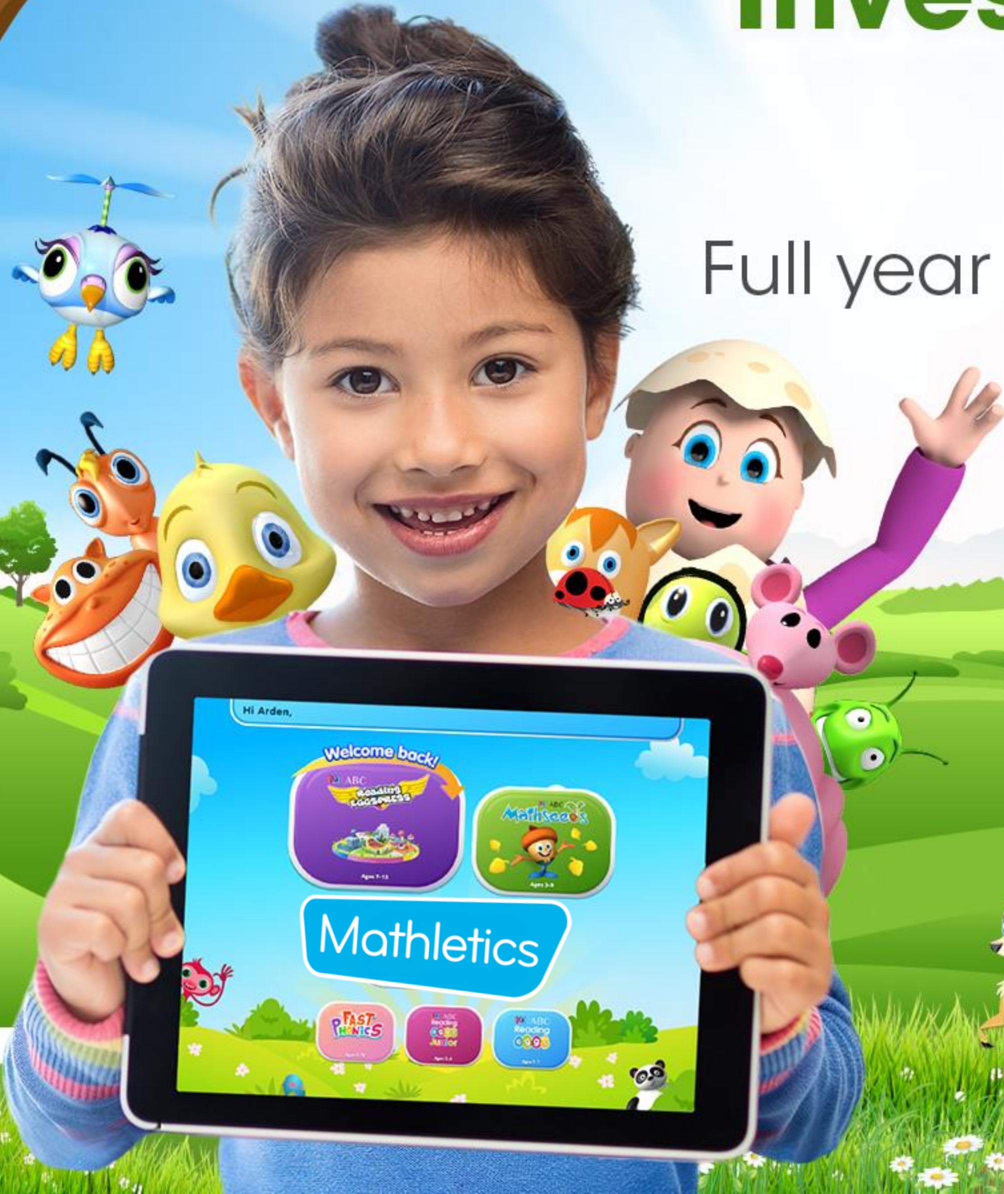
3P Learning

Investor & Analyst Briefing

Full year results to 30 June 2021

25 August 2021



Our Agenda

- Chairman's Update
- Strategic Overview & Business Update
- FY21 Financial Results
- Q&A
- Appendices

Chairman's update

This investor presentation is much longer than what we plan to do in the future but with the merger of Blake eLearning ('Blake') having recently taken place, the newly combined business is very different to what 3PL was. It is therefore important for us to give investors as clear as possible understanding of what the new business will look like.

The merger with Blake provides 3PL with a much better growth, profit and cash generation platform for the years ahead. There are also significant changes in relation to revenue recognition of Blake sales in the merged entity. These have the effect of reducing revenue and EBIT in FY22 before the changes "wash out" the following year.

Overall, the Board and management team are very excited about the prospects of the combined business, and the opportunities afforded by changes in the market that make access to high quality online resources now an essential part of the learning landscape.

Strategic Overview & Business Update

An exciting proposition

The merger with Blake that completed on 28 May 2021 is a transformative event for 3PL.

It forged a combination that embodies key attributes for success in EdTech:

- ✓ Edtech founder, entrepreneur chair and shareholder led
- ✓ Merger integration on track, synergies realised
- ✓ FY21 YoY revenue up 4%, underlying EBITDA up 9%
- ✓ Strong cash generation in FY22
- ✓ Project $92.3m to $97.2m FY22 revenue[1] - leading player in high-growth online learning
- ✓ Global B2B and B2C coverage in the two biggest spend areas in EdTech - literacy and numeracy
- ✓ Owns IP in its hero products and brands (Mathletics, Reading Eggs, Mathseeds)
- ✓ Over 5 million users, over 17,000 subscribed schools

1 Guidance provided in line with the assumptions detailed in the Appendix.

Merger & Business Update

Key items to note:

- The results for FY21 include only 5 weeks of trading for the merged group so the overall results are not an informative guide to the future prospect of the business.
- There were significant costs of $5.5m related to this transaction and other transactions for corporate advisory fees, legal and legal due diligence fees, and other fees considered by 3PL in FY21.
- The new management team has assessed previous product investments by 3PL, which has led to us writing down $4.8m in costs previously capitalised for Readiwriter.

3P Learning

Blake e LEARNING

Merger & Business Update

- Financial results for FY21 show revenue of $57.4m (up 4% YOY), Underlying EBITDA of $10.4m (up 9% YOY) and Underlying EBIT of $1.1m (before extraordinary items that total $11.6m after-tax) which results in a net loss after tax of $9.4m.

- The focus of this presentation is to help investors better understand the revenue and profit drivers of the post-merger 3PL business. Financial information for FY21 is in the final few slides.

3P Learning

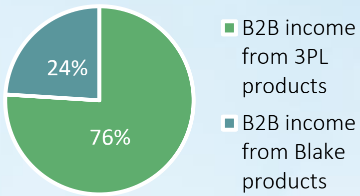
Blake e LEARNING

Merger & Business Update

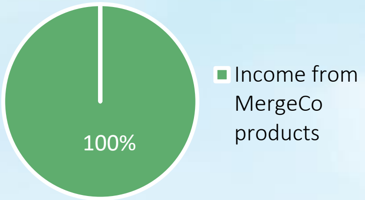
The merger means two important changes:

1. 3PL now owns all the IP for all of its products, including its fastest growing Reading Eggs and Mathseeds.

IP Pre-Merger

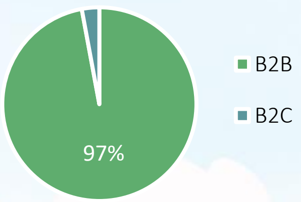


IP Post-Merger

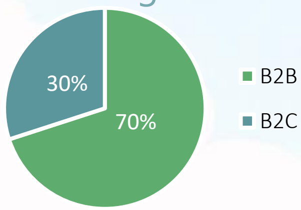


2. 3PL will now make in excess of 30% of its billings from the direct-to-consumer space, compared to 3% previously. While the consumer market has different attributes, including shorter subscription times, this is a fast-growing market that benefits from economies of scale.

Channel Billings Pre-Merger



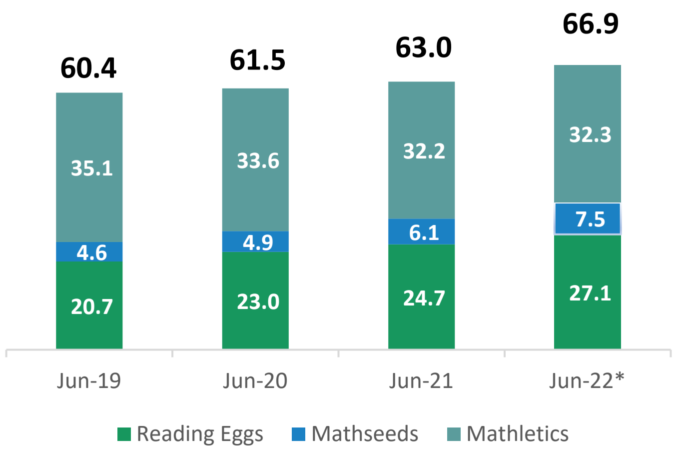
Channel Billings Post-Merger



(1) These metrics were provided in the announcement to the market on the 12th April 2021.
(2) 3PL B2B income from Blake products calculated based on net commission revenue as a percentage of CY20 revenue.
(3) Split based on CY20 revenue.

Schools B2B Market

- The graphs below show the trajectories of school billings for the 3 main 3PL products for the last 3 years and forecasts for FY22 which demonstrates the strong growth of Reading Eggs and Mathseeds while Mathletics has declined in recent years (how we are addressing improving Mathletics is dealt with on a later slide).



* Guidance provided in line with the assumptions detailed in the Appendix.
(1) The chart includes annualised recurring revenue for Reading Eggs, Mathseeds and Mathletics products only.
(2) For comparability, the values presented for June 19 and June 20 include Blakes B2B ARR and 3PL's ARR is gross of royalties.

Key Drivers for increasing revenue growth in the school market

- Doing more large-scale deals with educational bodies at the state and national level, and with corporates as part of their CSR programs. We have a healthy enterprise sales opportunity pipeline at proposal or contract stage with further leads in progress. We have not included enterprise sales in our forecasts due to uncertainty around the timing of deals and when we can recognise revenue.

- Building out further levels of Mathseeds, which is currently a K-3 product. Over the next 2 years we will release grades 4-6. This together with the improvements to Mathletics will help win back lost Mathletics customers and grow market share in the US.

Key Drivers for increasing revenue growth in the school market

- The team that produced Reading Eggs and Mathseeds, and helped create Mathletics originally, is now focusing on making significant improvements to Mathletics. While there are small, quick wins that can be done, it will be an 18-24 month project to fully revamp the program so that it can grow its market share again in mature markets like Australia, the UK and Canada.

The dynamics of the direct-to-consumer market

The three essential ingredients for our success in the consumer online subscriptions market are:

- A good product that has ‘sticky’ monthly renewal rates (in the school market the yearly renewal rate is key but this is not realistic in the consumer space because maintaining engagement with kids with an average age of 5 for more than 12 months is a challenge).

- Highly effective digital marketing techniques, so we can make a decent contribution margin (50%+) selling a subscription that has an average LTV of less than $100.

- The bigger the advertising budget the better.

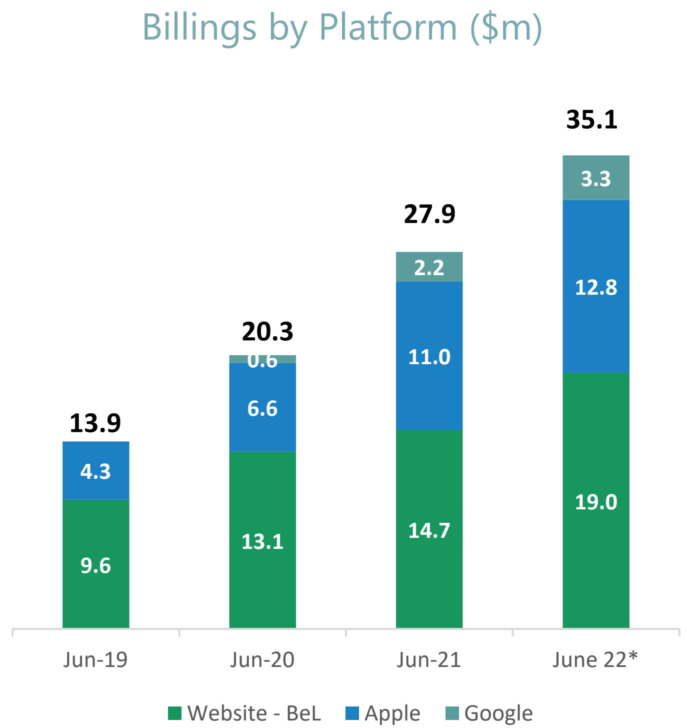
- The above 3 essential ingredients improve as you scale.

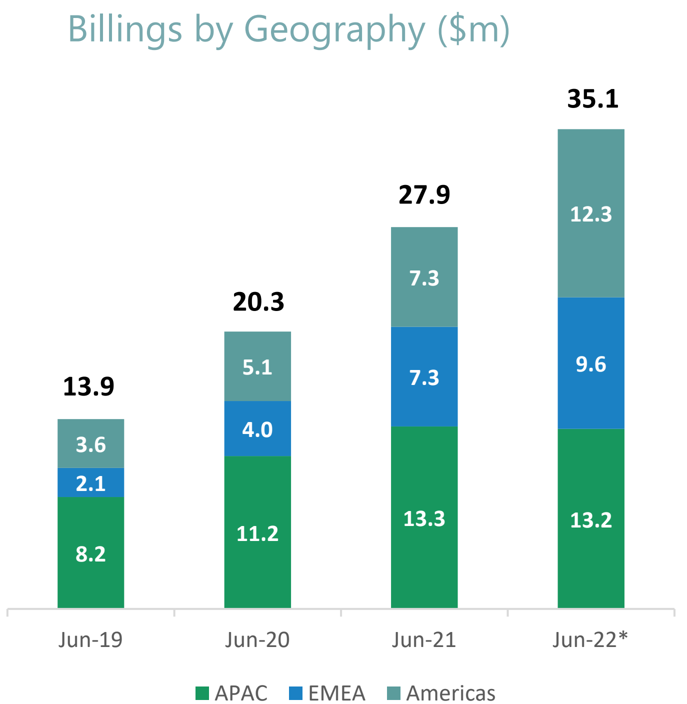
The dynamics of the direct-to-consumer market

- The more customers you have, the more data you have on customer behaviors and the stickier you can make your product.
- The bigger your digital marketing team, the more market specialists you can afford to employ. This includes specialists in different social media platforms, content producers for better SEO, and data scientists to learn more about your customers (the parents).
- The bigger your advertising spend (mostly digital), the quicker you can accumulate bigger data sets, run A/B testing, and further optimise your marketing messages.
- Our guidance shows approximately $34m in revenue will be earned in FY22. So we have decent scale but we are still relatively low on the digital economies of scale curve.

Sales Performance in the consumer market

- Below is the consumer billings performance for Reading Eggs and Mathseeds for the last three years and the forecast for FY22.





* Guidance provided in line with the assumptions detailed in the Appendix.

(1) IoS and Apple billings are shown at net receipts, exclusive of their commissions. It also excludes Mathletics consumer sales which are currently less than $2m.

Where do we expect to get further growth in the consumer space?

- In the last nine months we have changed our web free trials for parents from no credit card required to credit card required, like what we do with Apple App Store and Google Play Store. This has increased our web paid conversion rate by at least 50% in all markets. Web sales have typically made up more than 50% of consumer sales.

- In dollar terms our strongest growth has been in the US and UK and we plan to keep growing strongly in these markets. In the UK we are a top 10 educational app but in the US we are not even in the top 25, so we see plenty of room to grow. Scale is particularly important in the US, where we are competing against larger, well-funded rivals.

- We have done a lot of work with US parents who home school their children. Up to 3m children were being homeschooled before COVID-19 and it looks like many more will in the future.

- There are quite a few smaller markets like Canada, Ireland and South Africa where we are growing strongly and getting a good ROI on our advertising spend. Collectively these markets will become similar in size to the markets of Australia, US and the UK over the next 2 to 3 years.

Key Accounting Policies

Capitalisation and product impairment:

- 3PL, under the new leadership team, is committed to making its accounts as simple to understand as possible. In a business like 3PL, where usually it gets paid in advance of delivering its services, the level of cashflow should be higher than the reported EBITDA unless the company is making large investments to grow the business. In the past 3PL has capitalised a lot of its product development costs on the basis that these assets would generate future economic benefit and would deliver significant revenue growth.

- It is the assessment of the current board and management that historical investment in Readiwriter has not delivered new sales and therefore has been retired and fully impaired. Additionally, the accounting policy has been changed retrospectively to account for customisation and configuration costs incurred in relation to Software-as-a-Service ('SaaS') arrangement as an expense.

Key Accounting Policies

Capitalisation and product impairment:

- This includes:
  - $6.5m[1] in investment in the Readiwriter program which to date has only delivered $0.5m in revenue. We have stopped further investment in this program and will sunset it.
  - $7.2m[1] investment in other programs and software over the last 3 years. Due to the IFRIC guidance on capitalisation of cloud computing costs, this amount has now been recognised in the profit and loss, including prior year restatement.
- In the future we will clearly identify any new programs, or substantial additions to existing programs, that we are making and the amount of that investment. The costs of any new program released to the market will be amortised over its useful life. Currently 3PL's internally developed programs are amortised over 3 years.

(1) Amounts presented represent the total capital expenditure plus total operating expenditure on the product development areas over the last 3 years. The $4.8m impairment of intangibles recorded in FY21 relates to the full impairment of the remaining written-down-value of the Readiwriter product.

Key Accounting Policies

Revenue recognition:

- The integration of the Blake business with 3PL has resulted in some significant changes in the accounting treatment of how Blake's revenue will be recognised.
  Previously 3PL as the distributor recognised its share of sales to schools (generally 60%) at the time of invoice. In turn Blake as a private, unaudited, company recognised its share of the sale (generally 40%) when the distributor supplied a monthly sales statement.
- Subsequent to the merger, 100% of the revenue from Blake products to schools will be recognised evenly over the length of the contract (as per AASB 15 Revenue from Contracts with Customers), consistent with 3PL's accounting policies. Effectively, because the majority of school sales happen in the second half of the FY, only approximately 40% of Blake school billings will be recognised as revenue in the FY22 year with the remainder to be recognised in FY23 and beyond.
- This will have the effect of reducing recognised net revenue by approximately $13m in FY22 compared to what the standalone businesses would have otherwise recorded. The impact on the EBIT line is the same amount as the cost base does not change. These changes will "wash out" from FY23.
- Another significant accounting change that boosts top line revenue, but has no positive impact on EBIT, is that Blake sales made through distributors like Apple or Edmentum now have to be grossed up to include the fees retained by distributors. Previously Blake only accounted for the net sales after distribution fees. We estimate this will have the effect of increasing top line revenue by approximately $5.0m in FY22.

Guidance for FY22

- The tables show a range of potential outcomes in FY22.
- The performance in FY22 versus prior year and future years will be significantly impacted by transitional accounting matters explained on the previous slide.
- Significant cash generation with operating cash flows expected to be above EBITDA over the full course of the financial year.
- Guidance is based on the previously mentioned key drivers and as detailed in the appendix.

AU$m	Low	High
Licence revenue		
B2B	57.8	60.3
B2C	31.8	34.0
Total Licence revenue	**89.6**	**94.3**
Other revenue and other income	2.7	2.9
Total Revenue & Other income	**92.3**	**97.2**
Cost of revenue	(12.9)	(13.1)
Gross Profit	**79.4**	**84.1**
Gross margin (%)	86%	87%
Expenses	(67.3)	(68.7)
EBITDA	**12.1**	**15.4**
EBITDA margin (%)	*13%*	*16%*

FY21 Financial Results

FY21 Results Summary

- Licence revenue was up \$2.3m to \$53.8m. Blake contributed \$3.4m to licence revenue. This was offset by \$1.2M due to B2B revenue on Reading Eggs & Mathseeds post acquisition being recognised on a straight-line basis and not at point of sale.
- Gross margin percentage is 86% and indicates that as the business scales up incremental revenue will generate significant EBIT growth.
- Sales and marketing costs, ex-acquisition have declined \$2.2m, due to the revised strategy which has meant a partial reduction in headcount particularly in the Americas combined with savings on sales-related travel.
- Product & Technology is consistent with prior year and is yet to reflect the revised hero product strategy which will see a reduction in product development costs next year.
- General & Administration has increased due to adverse foreign exchange movements
- Adjustments made for significant one-off items.
  - Corporate advisory costs relating to corporate activity experienced during the year;
  - Integration and restructure costs for incorporating Blake into the group; and
  - Impairment charges recorded against product development assets due to the revised product strategy.

AU\$m	FY21 ex Acquisition	FY21 Acquisition	FY21	FY20[1]	Growth %	Growth ex Acquisition %
Licence revenue						
B2B	49.0	1.1	50.1	50.0	-	(2%)
B2C	1.4	2.3	3.7	1.5	147%	(7%)
Total Licence revenue	**50.4**	**3.4**	**53.8**	**51.5**	**4%**	**(2%)**
Other revenue and other income	3.5	0.1	3.6	3.5	3%	-
Total Revenue & Other income[2]	**53.9**	**3.5**	**57.4**	**55.0**	**4%**	**(2%)**
Cost of revenue[3]	(7.9)	(0.3)	(8.2)	(8.2)	-	(4%)
Gross Profit	**46.0**	**3.2**	**49.2**	**46.8**	**5%**	**(2%)**
Gross margin (%)	85%	91%	86%	85%		
Expenses						
Sales & Marketing	(15.4)	(0.9)	(16.3)	(17.6)	(7%)	(13%)
Product & Technology	(9.9)	(1.0)	(10.9)	(10.4)	5%	(5%)
General & Administration	(11.4)	(0.2)	(11.6)	(9.3)	25%	23%
Expenses	**(36.7)**	**(2.1)**	**(38.8)**	**(37.3)**	**4%**	**(2%)**
Underlying EBITDA	**9.3**	**1.1**	**10.4**	**9.5**	**9%**	**(2%)**
Underlying EBITDA margin (%)	*17%*	*31%*	*18%*	*17%*		
Depreciation & Amortisation	(8.6)	(0.7)	(9.3)	(7.9)	18%	9%
Underlying EBIT	**0.7**	**0.4**	**1.1**	**1.6**	**(31%)**	**(56%)**
Underlying EBIT margin (%)	*1%*	*11%*	*2%*	*3%*		
Underlying Net Profit After Tax	**1.8**	**0.4**	**2.2**	**0.6**	**267%**	**200%**
Underlying NPAT margin (%)	*3%*	*11%*	*4%*	*1%*		
Corporate advisory costs (after-tax)	(5.1)	-	(5.1)	(0.1)	5000%	5000%
Integration costs (after-tax)	(1.7)	-	(1.7)	-	-	-
Impairment charges (after-tax)	(4.8)	-	(4.8)	-	-	-
Net Profit After Tax	**(9.8)**	**0.4**	**(9.4)**	**0.5**	**(1980%)**	**(2060%)**

[1]Results restated for change in accounting policy following the clarification guidance on cloud computing arrangements released by IFRIC in April 2021. Refer to Appendices and Annual Report for further details.

[2] Interest revenue of \$0.1m (FY20: \$0.3m) is not shown in revenue and other income as per the statutory full-year report.

[3]Cost of revenue includes hosting & infrastructure costs and cost of employees engaged in renewal and expansion activities.

Schools & Enterprise Sales (B2B)

- Licence revenue on an ex-acquisition basis was down 2%. This was impacted $1.2m by the B2B revenue on Reading Eggs & Mathseeds post acquisition being recognised on a straight-line basis and not at point of sale.
- Blake eLearning contributed $1.1m of revenue generated from sales made by distributors.
- Sales and marketing costs have declined $2.3m due to the revised strategy which has meant a partial reduction in headcount particularly in the Americas combined with savings on sales-related travel.

AU$m	FY21 ex Acquisition	FY21 Acquisition	FY21	FY20	Growth %	Growth ex Acquisition %
Revenue	**49.0**	**1.1**	**50.1**	**50.0**	**0%**	**(2%)**
Cost of revenue[1]	(7.8)	-	(7.8)	(8.1)	(4%)	(4%)
Gross Profit	**41.2**	**1.1**	**42.3**	**41.9**	**1%**	**(2%)**
Gross margin (%)	84%	100%	84%	84%		
Expenses						
Sales & Marketing	(14.8)	-	(14.8)	(17.1)	(14%)	(14%)
Product & Technology	-	-	-	-	-	-
General & Administration	(2.2)	-	(2.2)	(2.6)	(15%)	(15%)
Total Expenses	**(17.0)**	**-**	**(17.0)**	**(19.7)**	**(14%)**	**(14%)**
Underlying EBITDA	**24.2**	**1.1**	**25.3**	**22.2**	**14%**	**9%**
EBITDA margin (%)	49%	100%	50%	44%		
Depreciation & Amortisation	(1.6)	-	(1.6)	(1.7)	(6%)	(6%)
Underlying EBIT	**22.6**	**1.1**	**23.7**	**20.5**	**17%**	**10%**
EBIT margin (%)	46%	100%	47%	41%		
Licences (M)	4.5	1.0	5.5	4.7	17%	(4%)
Annual Recurring Revenue ($M)[2]	57.4	7.0	64.4	56.1	15%	2%
Exit ARPU ($)	12.8	7.0	11.7	11.9	(2%)	8%
Full Time Equivalent (number)	154.6	-	154.6	164.6	(6%)	(6%)

[1] Cost of revenue includes hosting & infrastructure costs and cost of staff engaged in renewal and expansion activities.

[2] As a result of the change in revenue recognition policy, annual recurring revenue (ARR) on Blake products is now shown at the gross value as this is the value that will be recognised in the profit and loss going forward. The comparative has been restated on such basis for comparability.

Parents(B2C)

- Licence revenue is down $0.1m on a like-for-like ex-acquisition basis.
- Blake contributed $2.3m of revenue to performance, generating gross margins percentage of 87% and EBIT margin of 39%.

AU$m	FY21 ex Acquisition	FY21 Acquisition	FY21	FY20	Growth %	Growth ex Acquisition %
Revenue	**1.4**	**2.3**	**3.7**	**1.5**	**147%**	**(7%)**
Cost of revenue[1]	(0.1)	(0.3)	(0.4)	(0.1)	300%	-
Gross Profit	**1.3**	**2.0**	**3.3**	**1.4**	**136%**	**(7%)**
Gross margin (%)	93%	87%	89%	93%		
Expenses						
Sales & Marketing	(0.6)	(0.9)	(1.5)	(0.5)	200%	20%
Product & Technology	-	-	-	-	-	-
General & Administration	-	(0.2)	(0.2)	-	-	-
Expenses	**(0.6)**	**(1.1)**	**(1.7)**	**(0.5)**	**240%**	**20%**
EBITDA	**0.7**	**0.9**	**1.6**	**0.9**	**78%**	**(22%)**
EBITDA margin (%)	50%	39%	43%	60%		
Depreciation & Amortisation	-	-	-	-	-	-
EBIT	**0.7**	**0.9**	**1.6**	**0.9**	**78%**	**(22%)**
EBIT margin (%)	50%	39%	43%	60%		
Licences (k)[2]	20	264	284	21	1252%	(5%)
Full Time Equivalent (number)	1.0	107.8	108.8	1.0	10780%	-

[1] Cost of revenue includes hosting & infrastructure costs and cost of staff engaged in renewal and expansion activities.

[2]B2C Licences reported reflect the number of parent subscribers using 3P Learning products. This metric differs from that reported in the ASX release on 12th April 2021 which was a count of the number of students using the product. The change has been made as company started offering family subscriptions which offer up to 5 student users per parent subscriber.

FY21 Cash flow

- Cash flow conversion (before capital expenditure) is 79% and was impacted adversely by a decline in working capital.
- The decline in working capital was due to the timing of large vendor payments in June 2021.
- Cash flows presented exclude:
  - $3.6m cash acquired on the acquisition of Blake.
  - $5.9m paid related to corporate advisory, employee restructure and integration costs in FY21.

AU$m	FY21	FY20	$+/-
Underlying EBITDA[3]	**10.4**	**9.5**	**0.9**
Other non-cash items	(0.6)	(0.5)	(0.1)
Change in working capital	(1.6)	0.3	(1.9)
Operating free cash flow before intangibles[3]	**8.2**	**9.3**	**(1.1)**
Investment in product development & other intangibles[3]	(5.5)	(5.5)	-
Operating free cash flow after intangibles*	**2.7**	**3.8**	**(1.1)**
Net interest (paid)/received	(0.1)	-	(0.1)
Repayment of lease liabilities	(1.4)	(1.4)	-
Receipts from sub-leases	0.6	0.5	0.1
Income tax (paid)/refunded	(1.4)	(1.3)	(0.1)
Net cash flows before investments	**0.4**	**1.6**	**(1.2)**
Purchase of PP&E	(0.3)	(0.1)	(0.2)
Net cash flows after investments	**0.1**	**1.5**	**(1.4)**
Cash flow conversion[1] (before capital expenditure)	79%	98%	(19%)
Cash flow conversion[2] (after capital expenditure)	26%	40%	(14%)

[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.

[3] FY20 results were restated for a change in accounting policy which resulted in $5.1m of previously capitalised product development costs being expensed in the period.

FY21 Balance sheet

- Cash of $24.9m with no bank debt.
- Accounts receivables have increased $1.7m from the Blake acquisition with the remainder due to increase in sales.
- Inventories represent workbook inventory from the Blake acquisition.
- Lease receivable, right of use asset and lease liabilities are unwinding with time.
- Increase in intangibles due Blake acquisition including goodwill of $167.5m.
- Deferred tax assets have decreased as deferred tax liabilities increased from the increase in intangibles excluding goodwill.
- Income tax payable increase represents $1.8m tax payable by Blake brought in as part of the acquisition.
- Contract liabilities have increased as a result of the Blake acquisition. Current contract liabilities will flow through to revenue in FY22 with no future cash outflows.
- Provisions increased due to the acquisition of annual leave and long service leave for Blake employees.
- 137m shares were issued for the Blake acquisition resulting in contributed equity increasing.
- No dividend declared with cash being retained to support working capital and growth opportunities.

AU$m	30-Jun-21	30-Jun-20
Cash and cash equivalents	24.9	27.1
Trade and other receivables	13.8	11.1
Inventories	0.3	-
Lease receivable	0.7	0.6
Total current assets	**39.7**	**38.8**
Lease receivable	0.5	1.2
Property, plant and equipment	0.7	0.7
Right-of-use assets	1.6	2.8
Deferred tax assets	5.3	6.8
Intangibles and goodwill	207.7	14.2
Other assets	0.3	-
Total non-current assets	**216.1**	**25.7**
Total assets	**255.8**	**64.5**
Trade and other payables	12.0	8.2
Income tax payable	2.0	0.2
Contract liabilities	35.6	23.9
Lease liabilities	1.6	1.6
Provisions	4.2	1.7
Total current liabilities	**55.4**	**35.6**
Provisions	0.9	0.7
Lease liabilities	1.5	3.2
Contract liabilities	3.2	3.3
Total non-current liabilities	**5.6**	**7.2**
Total liabilities	**61.0**	**42.8**
Net assets	**194.8**	**21.7**
Contributed equity	216.5	34.5
Retained earnings	(30.2)	(20.8)
Reserves	8.5	8.0
Total equity	**194.8**	**21.7**

Q & A

Appendices

Synergies and Strategic Cost Efficiencies

AU$m	Time to Realise (months)[1]	Annualised Enacted Savings[2]	Cost Incurred to Enact Savings[3]	Description
Consolidate and simplify sales, marketing and business processes	0 – 18	3.4	(0.5)	- Simplify marketing approach and leverage joint experience through B2B and B2C channels - Streamline business functions
Consolidate and streamline office and support functions	0 – 18	1.1	(1.2)	- Consolidation of CEO role and simplification of back office functions - Initial savings as offices are consolidated ahead of determining optimal go-forward premises
Product & Technology costs	0 – 18	4.6	(0.7)	- Primarily focused on third party vendor cost savings through product rationalisation and bringing external content production in-house where possible
Total		**9.1**	**(2.4)**	

(1) Expected time to achieve annual run-rate cost savings.
(2) Annualised savings enacted in FY21 as announced on 30 June 2021.
(3) Costs incurred in FY21 to enact savings include $1.7m for employee restructure costs and $0.7m for termination of other services.

- Synergy savings of $9.1m have been enacted through an internal restructure and business consolidation which have been realised in H2 FY21 and beyond. $0.5m was realised in H2 FY21 through non-replacement of impacted open headcount.
- 3PL expects to deliver on annual synergies and strategic cost efficiencies of between $9.1m and $12.5m in total annualised savings.

Transaction Costs

AU$m	FY20	FY21	Total
Transaction Phase			
Phase 1	0.2	0.1	0.3
Phase 2	-	0.8	0.8
Phase 3	-	4.6	4.6
Total Transaction Costs (Pre-Tax)	**0.2**	**5.5**	**5.7**
Transaction Type			
Corporate advisory fees	0.1	2.8	2.9
Legal fees and legal due diligence	0.1	1.4	1.5
Other fees	-	1.3	1.3
Total Transaction Costs (Pre-Tax)	**0.2**	**5.5**	**5.7**
Income tax expense / (benefit)	-	(0.4)	(0.4)
Total Transaction (After-Tax)	**0.2**	**5.1**	**5.3**

- Transaction costs are separated into three key phases since the corporate activity started in FY20:
  - Phase 1 – costs incurred prior to the receipt of IXL's offer announced to the market on 14 August 2020
  - Phase 2 – costs incurred between the date of IXL's offer (14 August 2020) and the date of the scheme meeting to vote on IXL's offer (20 November 2020).
  - Phase 3 – costs incurred since the IXL scheme meeting to 30 June 2021 and in relation to Byju and the successful Blake eLearning Pty Ltd acquisition.
- Corporate advisory fees includes a success fee as a result of the successful acquisition of Blake eLearning Pty Ltd.
- Other fees include other services, other due diligence costs and employee retention costs. We expect further employee retention costs of up to $2.0m in FY22.

Purchase Price Accounting

A summary of the transaction between 3P Learning Pty Ltd and Blake eLearning Pty Ltd on 28 May 2021 is below.

Asset	Summary AU$m
Purchase price for shares	182.2
Purchase price adjustments[1]	TBD
Transaction value (market value of equities)	**182.2**
Net interest bearing debt	(4.0)
Debt and cash free Enterprise Value (EV)	**178.2**

[1]Under the share sale agreement an adjustment amount is payable to the Sellers or receivable from the Sellers where there is a variance between available cash, net debt and target work capital on completion date.

A summary of the share transaction between 3PL and Blake on 28 May 2021 is provided in the table below.

3PL Shares	Spot $	Consideration AU$m
137,000,000	1.33	182.2

A summary of the fair value of identifiable intangible determined on assets acquired under the Blake eLearning Pty Ltd transaction is in the table below.

Asset	Fair Value AU$m
Net working capital	(0.3)
Tangible fixed assets	0.1
Products	26.5
Customer relationships - monthly subscriptions	1.5
Customer relationships - annual subscriptions	1.2
Distributor agreement	2.7
Other intangible	0.5
Deferred tax liability	(5.2)
Contract liability	(12.3)
Net assets acquired	**14.7**
Goodwill	167.5
Acquisition date fair value of the total consideration transferred	**182.2**

The purchase price accounting is provisional and will be finalised within 12 months from 28 May 2021 in accordance with AASB 3 ‘Business Combination’.

Product and Technology

- Technology and product spend has remained consistent at 19% of revenue.
- Product strategy has been revised to focus on hero products. Readiwriter will sunset resulting in a write-off of $4.8m.
- A product review of Mathletics has identified it needs to be easier to use, have improved student engagement and better reporting. As a result, some elements of the product will be replaced resulting in accelerated amortisation of $0.7m in the period.
- Fair value of identifiable product assets relating to Reading Eggs and Mathseeds on the acquisition of Blake is $26.8m.
- In April 2021 the International Financial Reporting Interpretations Committee (IFRIC) released clarification guidance on cloud computing arrangements. As a result, the company has changed its accounting policy with regard to capitalisation of customisation and configuration completed on cloud-based software solutions such as Salesforce.

Product & Technology Investment

AU$m	FY21	FY20	$+/-	%+/-
Revenue	57.4	55.0	2.4	4%
Product & Technology				
Expense	5.4	4.9	0.5	10%
Capex	5.5	5.5	-	-
Total	**10.9**	**10.4**	**0.5**	**5%**
% of Revenue	*19%*	*19%*		

Product & Technology Adjustments

AU$m	FY21	FY20
Pre-IFRIC	**14.7**	**14.7**
IFRIC Adjustment	(5.3)	(5.1)
Post-IFRIC	**9.4**	**9.6**
Impairment - Readiwriter	(4.8)	-
Accelerated Amortisation - Mathletics	(0.7)	-
Fair Value of identifiable assets on acquisition of Blake eLearning Pty Ltd	26.8	-
Amortisation of acquired intangibles	(0.5)	-
Revised Carrying Value	**30.2**	**9.6**

Product & Technology balances

AU$m	Useful Life	FY21	FY20
Acquired BeL Products (Reading Eggs & Mathseeds)	5 years	26.8	-
Mathletics	3 years	4.1	5.7
Readiwriter	3 years	-	4.0
Digital Systems	N/A	-	-
Revised Carrying Value		**30.9**	**9.7**

FY22 Guidance Assumptions

Guidance is based on the following significant parameters:

- B2B
  - Allowed single-digit growth on core school market.
  - Seasonality of school sales for all products are mostly recorded in H2 meaning only approximately 40% of the sales will be recorded as revenue in FY22.
  - Excludes upside from any enterprise sales opportunities that could close in FY22 or delivery against the agreement with the Ministry of Education in a Middle Eastern country referred to on 30 June 2021.
- B2C
  - Allowed for double-digit growth on sales driven by expansion in US, UK and emerging countries.
  - Key variables are CAC per new subscriber and retention rate.
- Net cost out of $9-10m through synergies.
- Product investment of between 25-30% of revenue (capex and opex).
- No benefit from any future acquisitions.
- Cash movement is based on FY22 expected performance and excludes any cash payments for proforma costs, one-off items or dividends.

Uncertainty around future economic growth based on COVID pandemic, stimulus measures, foreign exchange rates, and any additional regulatory changes in China may lead to alternative outcomes.

Segment Note Reconciliation

FY21 AU$M	B2B	B2C	Corp & Prod	Total
Total Revenue & Other income	**50.1**	**3.7**	**3.6**	**57.4**
Cost of revenue	(7.8)	(0.4)	-	(8.2)
Gross Profit	**42.3**	**3.3**	**3.6**	**49.2**
Gross margin (%)	84%	89%	100%	86%
Expenses				
Sales & Marketing	(14.8)	(1.5)	-	(16.3)
Product & Technology	-	-	(10.9)	(10.9)
General & Administration	(2.2)	(0.2)	(9.2)	(11.6)
Expenses	**(17.0)**	**(1.7)**	**(20.1)**	**(38.8)**
Underlying EBITDA	**25.3**	**1.6**	**(16.5)**	**10.4**
Underlying EBITDA margin (%)	*50%*	*43%*	*(458%)*	*18%*
Depreciation & Amortisation	(1.6)	-	(7.7)	(9.3)
Underlying EBIT	**23.7**	**1.6**	**(24.2)**	**1.1**
Underlying EBIT margin (%)	*47%*	*43%*	*(672%)*	*2%*
Interest income	-	-	0.1	0.1
Interest expense	-	-	(0.2)	(0.2)
Income tax expense	-	-	1.2	1.2
Underlying Net Profit After Tax	**23.7**	**1.6**	**(23.1)**	**2.2**
Underlying NPAT margin (%)	*47%*	*43%*	*(642%)*	*4%*
Corporate advisory costs (after-tax)	-	-	(5.1)	(5.1)
Integration costs (after-tax)	-	-	(1.7)	(1.7)
Impairment charges (after-tax)	-	-	(4.8)	(4.8)
Net Profit After Tax	**23.7**	**1.6**	**(34.7)**	**(9.4)**

FY20 AU$M	B2B	B2C	Corp & Prod	Total
Total Revenue & Other income	**50.0**	**1.5**	**3.5**	**55.0**
Cost of revenue	(8.1)	(0.1)	-	(8.2)
Gross Profit	**41.9**	**1.4**	**3.5**	**46.8**
Gross margin (%)	84%	93%	100%	85%
Expenses				
Sales & Marketing	(17.1)	(0.5)	-	(17.6)
Product & Technology	-	-	(10.4)	(10.4)
General & Administration	(2.6)	-	(6.7)	(9.3)
Expenses	**(19.7)**	**(0.5)**	**(17.1)**	**(37.3)**
Underlying EBITDA	**22.2**	**0.9**	**(13.6)**	**9.5**
Underlying EBITDA margin (%)	*44%*	*60%*	*(389%)*	*17%*
Depreciation & Amortisation	(1.7)	-	(6.2)	(7.9)
Underlying EBIT	**20.5**	**0.9**	**(19.8)**	**1.6**
Underlying EBIT margin (%)	*41%*	*60%*	*(566%)*	*3%*
Interest income	-	-	0.3	0.3
Interest expense	-	-	(0.3)	(0.3)
Income tax expense	-	-	(1.0)	(1.0)
Underlying Net Profit After Tax	**20.5**	**0.9**	**(20.8)**	**0.6**
Underlying NPAT margin (%)	*41%*	*60%*	*(594%)*	*1%*
Corporate advisory costs (after-tax)	-	-	(0.1)	(0.1)
Integration costs (after-tax)	-	-	-	-
Impairment charges (after-tax)	-	-	-	-
Net Profit After Tax	**20.5**	**0.9**	**(20.9)**	**0.5**

[1] Corp & Prod: Corporate, General Administration, Product & Technology

School (B2B) ARR Analysis

Group										
AU$m	**FY18**	**H1-19**	**H2-19**	**FY19**	**H1-20**	**H2-20**	**FY20**	**H1-21**	**H2-21**	**FY21**
Opening ARR	**51.5**	**53.4**	**56.6**	**53.4**	**55.3**	**55.0**	**55.3**	**56.1**	**57.9**	**56.1**
Acquired business*	-	3.0	0.3	3.3	-	-	-	-	6.7	6.7
New business	5.3	2.5	3.2	5.7	3.0	5.5	8.5	4.1	3.3	7.4
Net upsell/downsell	2.0	0.8	(0.9)	(0.1)	0.4	(0.6)	(0.2)	0.6	0.9	1.5
Net churn	(9.7)	(3.6)	(4.3)	(7.9)	(4.2)	(3.0)	(7.2)	(2.0)	(5.4)	(7.4)
FX impact	0.8	0.5	0.4	0.9	0.5	(0.8)	(0.3)	(0.9)	1.0	0.1
Closing ARR	**49.9**	**56.6**	**55.3**	**55.3**	**55.0**	**56.1**	**56.1**	**57.9**	**64.4**	**64.4**
Churn %	*(19%)*	*(17%)*	*(15%)*	(15%)	(15%)	(13%)	(13%)	(9%)	(13%)	(13%)
Net dollar churn %	81%	83%	85%	85%	85%	87%	87%	91%	87%	87%
Exit ARPU	10.12	11.48	12.20	12.20	12.27	12.04	12.04	12.23	11.68	11.68

- As a result of the change in revenue recognition policy on Blake product following the acquisition of Blake, School ARR is now shown at the gross value as this is the value that will be recognised in the profit and loss going forward. The comparatives have been restated on such basis for comparability.
- School ARR has also been adjusted from previously reported numbers to exclude B2C licences and ARR
- In FY19, AMER acquired $3.3M upon gaining the Mathseeds distribution rights.
- In FY21, AMER acquired $6.7M as part of the acquisition of Blake which included School sales earned by a third party distributor.

Definitions

Term	Definition
School Annual Recurring Revenue (ARR)	School ARR is the annualised customer contract value of all active licence contracts in effect at a particular date with any B2B school customer.
Licences	B2B Licences reported reflect the number of individual students using 3P Learning products. It excludes any teacher or administrator users. B2C Licences reported reflect the number of parent subscribers using 3P Learning products. This metric differs from that reported in the ASX release on 12th April 2021 which was a count of the number of students using the product. The change has been made as company started offering family subscriptions which offer up to 5 student users per parent subscriber.
Net Churn	Net churn represents the School ARR which were not renewed by a customer at the end of a subscription period, offset by the value of recovered subscriptions previously churned.
Net Dollar Churn Percentage	Net dollar churn percentage is calculated as a proportion of the opening School ARR in a rolling 12-month period.
Licence Revenue	Licence revenue includes all statutory revenue recorded on the sale of online education products. Specifically, it includes first party products recognised as "Licence fees" and third party products recognised as "Net commission revenue" in the statutory financial statements.
Exit Average Revenue per User (Exit ARPU)	Exit ARPU represents the closing ARR - royalty adjusted divided by the closing number of licences.

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