

Kip McGrath Education Centres Ltd

Investor update

February 2023



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Today's objectives

1

Half year financials

2

Where we have come from

3

Anchor everyone on our strategic path forward

4

Understand our 4 levers for growth

5

Confirm our focus on margins

6

Appreciate our social impact

Half year financials



Revenue of \$12.4M

Up 9.2%



Franchise Business

Revenue \$7.6M from Fees, Up 11.4%



EBITDA of \$2.97M

Up 4.4%



Corporate Business

Student Lesson Revenue of \$3.2M, up 20.0%



NPAT of \$0.65M

Down 29.0%



Tutorfly

EBITDA Loss of \$0.61M on revenues of \$0.29M



1.0M

Global Lessons



\$50.9M

Global Network Revenue



522

Global Centres

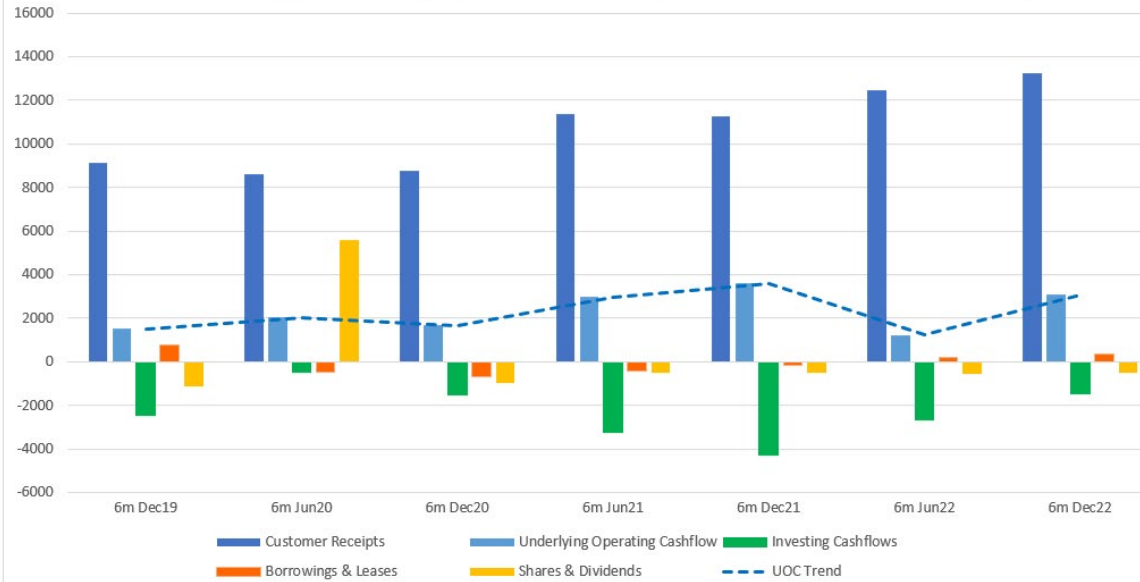


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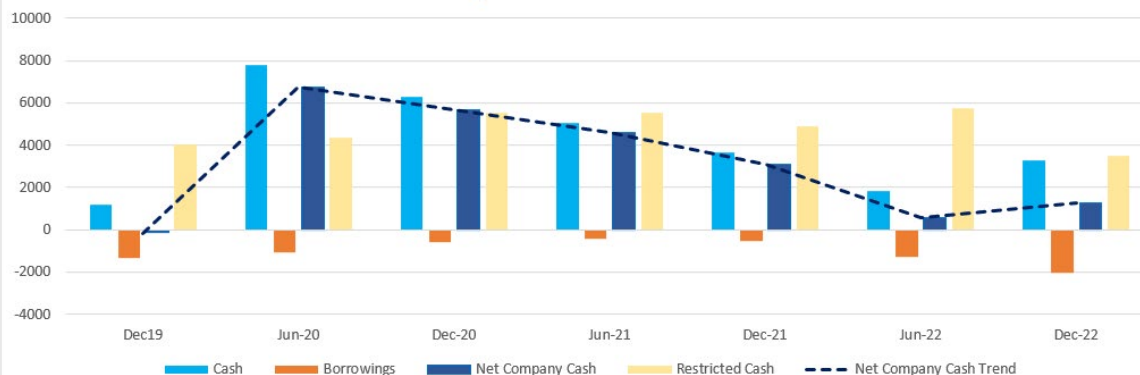
Corporate
Centres

Cash flow update

6 Monthly Underlying Cash flows (excludes restricted cash)



6 Monthly Cash & Debt Balances



Underlying Operating Cash Flow remains strong for half at \$3.1M. This excludes a \$2.3M reduction in restricted cash

Restricted cash holdings on the balance sheet are falling as we roll out Xero to franchisees and move cash to their accounts faster - this trend is expected to continue into 2024

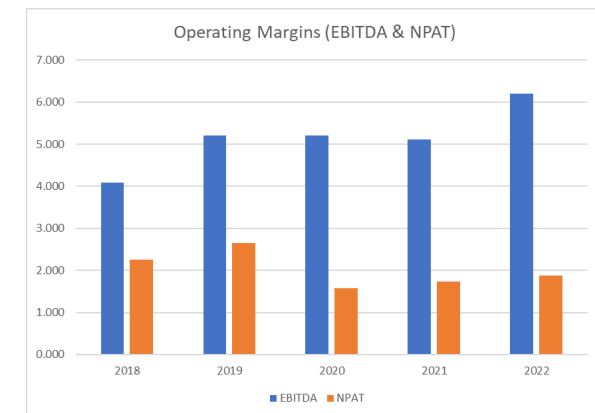
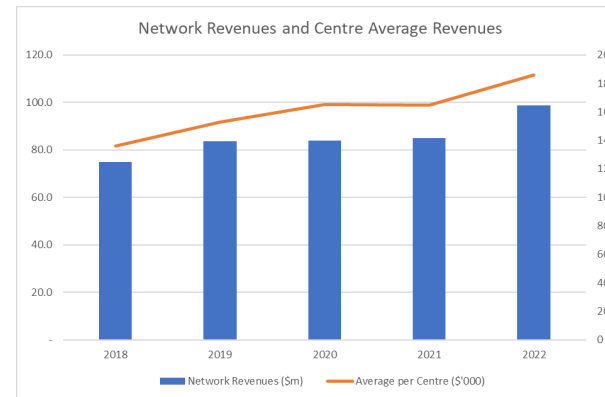
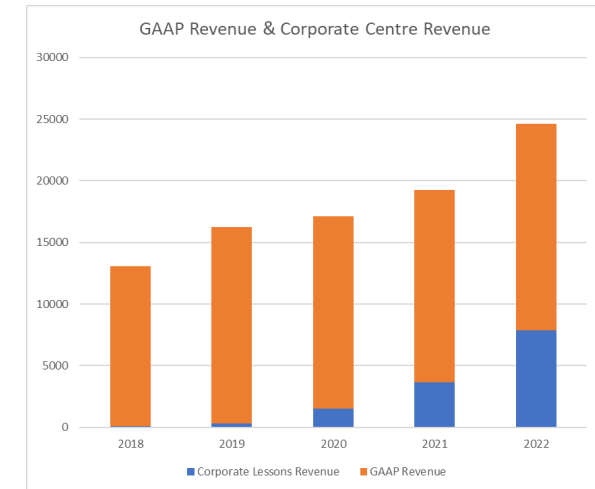
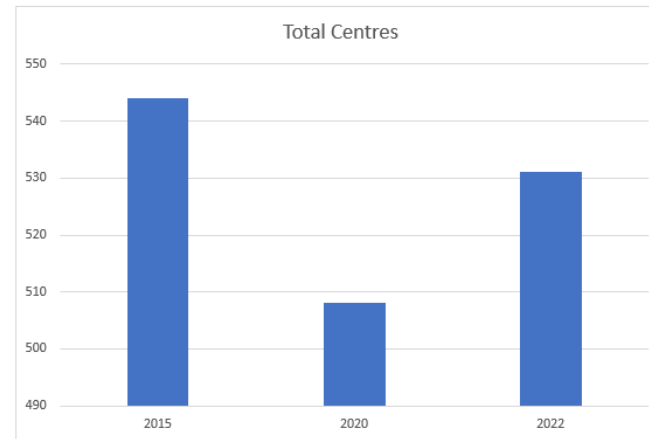
Underlying Cash Flow trend over last 7 half year periods show outflows tightly correlated with inflows. An increase in investing flows followed on from the June 2020 capital raise

Closing unrestricted cash balance on 31 December 2022 was \$3.3M while borrowings higher with drawdown of USD facility to fund Tutorfly growth.

Where we have come from

Covid-19 period showcased resiliency in our business

Increasing lessons post lockdowns, mix shift to corporate centres and potential for franchise business growth means we are well positioned for growth



Completed Financial Year Figures

Steadfast in our mission with a strategy to deliver our vision

Our mission

'We truly believe every child can learn; they just need to be taught properly.

By setting meaningful goals and delivering engaging, high-quality lessons tailored to a student's individual needs, we create confident, independent learners who go on to achieve their highest potential.'

Our vision

"To deliver measurable improvement and change the lives of as many students as possible around the world."

We have a strategic investment focus

Major initiatives driving long-term growth

Corporate Centres



- Grown from pilot to 26 centres globally in 4 years
- Revenue from 0 to annual recurring revenue of \$7M
- Staff now at 300 or 100 FTE
- Now cash flow positive

Tutorfly



- Small US investment
- Largest tutoring market for English speakers in the world
- Have previously franchised into the US market
- Building locally based management team

Investment in Corporate Centres

What has it told us?

1

Centres have capacity not yet reached in existing markets

2

Technology, tablet innovation and blended delivery to reach all customers within the geographical location

3

Hub model increases opportunities to scale

4

Expanding the advertising spend increases reach and student numbers

5

Opportunities to increase lifetime value of customer

Investment in Tutorfly

What has it told us?

- 1** Validated School District 'high-dosage' and 'drop-in on demand' models
- 2** Peer to peer, marketplace business is provisioning a pipeline of expert tutors and students fuel business
- 3** Tutorfly's 'Marketplace' business a launching pad for advanced/exam prep market
- 4** A launching pad for KME's branded centres into the US
- 5** Opportunities to scale products and services globally
- 6** Investing to grow the US faster

Company strategy

The company is now primed for continued growth



We have invested in our people, building capability at all levels to allow for growth



Our investment in technology drives efficiencies across the business



Simplified systems enable us to scale globally



We continue our strategic investments in Corporate Centres and Tutorfly

Our four key levers to deliver strategic growth

LEVER 1 **Increase students per centre**

LEVER 2 **Increase number of centres in existing markets**

LEVER 3 **Increase global market footprint**

LEVER 4 **Increase lifetime value of customer**

'To deliver measurable improvement and change the lives of as many students as possible around the world.'

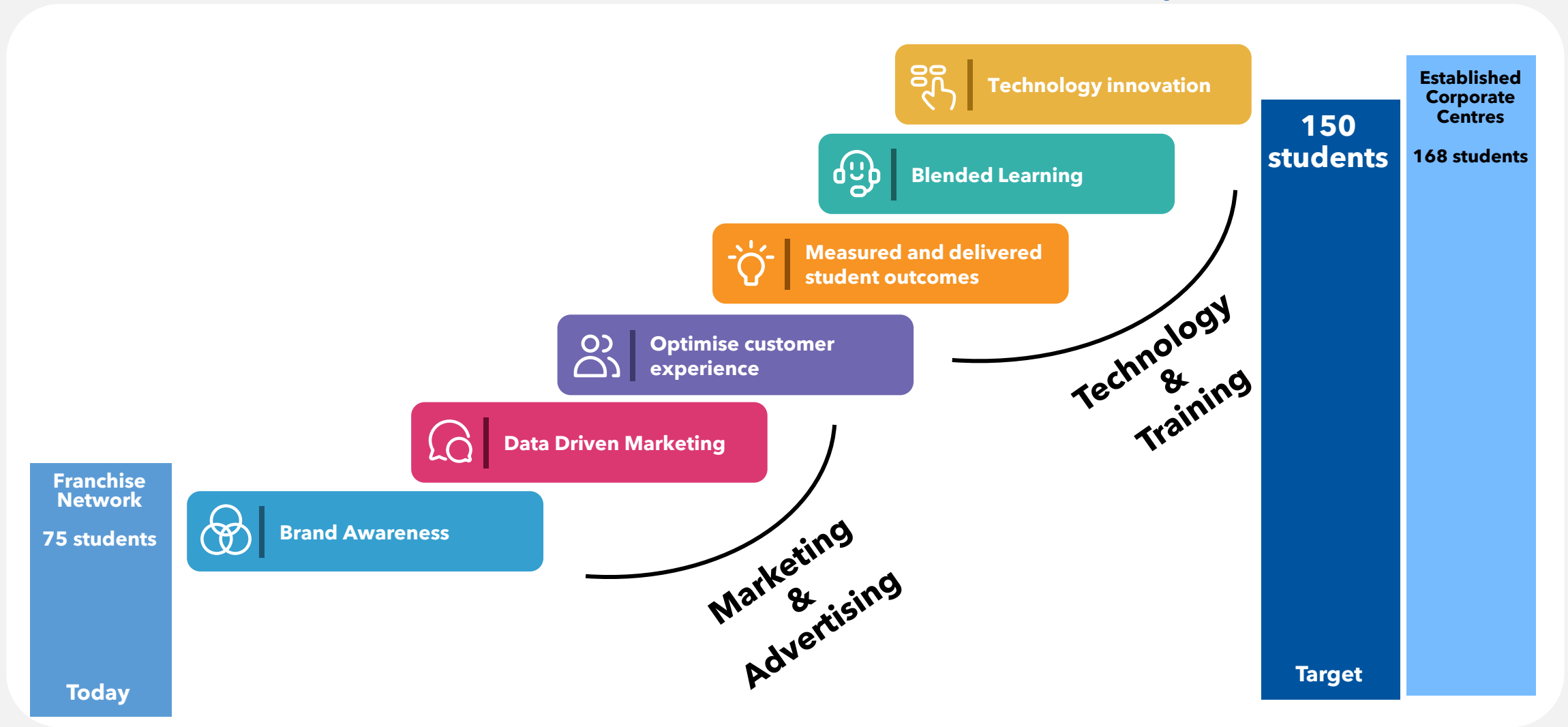
LEVER 1

Increase students per centre



We have a clear path for continued revenue growth within centres

150 students delivers a viable revenue stream and an ability to scale further



Marketing & Advertising

Increased spend increases brand awareness

We continue to invest in our tried, tested and trusted brand



We are seen as experts in our field
45+ years of market presence



A trusted household name and proven track record of
affordability, quality and student success



500+ strong franchise footprint



Data driven marketing plans to increase the life time
value of students

NAC brand activity



Google
Ads



kidspot

5NOW



Technology & Training

KipLearn delivers blended learning and measurable and reportable outcomes



Blended Learning

Delivery via an interactive live tutor environment whether the lesson is in centre or online due to our interactive technology



Student reporting

To show student growth and parents' return on investment



Content

Content specifically designed for tutoring and constant improvement



Specifically designed tutoring tools

Tools for tutoring: small groups, individualised learning, technology with 45+ year of knowledge.

**To scale
we will
continue
to invest in:
Technology**

LEVER 2

Increase number of centres in existing markets



Increase number of centres in existing markets



Increase marketing spend on franchise sales

Now the pandemic is over we can increase our focus on growing the franchise business



Open more corporate centres

We can open 10+ corporate centres per year across existing markets



Multiple centre ownership

Corporate centres have developed tools to make multicentre ownership easier for franchisees



New technology excitement

New technology in the past has been a catalyst for increased sales



Increase number of centres in existing markets

Existing market potential
From 522 to 800+



United Kingdom / Europe
262 ⇒ 400+

Africa / Middle East
66 ⇒ 150+

Australia / New Zealand
194 ⇒ 250+

Lever 3

Increase global market footprint



Focus on increasing global centre numbers

Global centre potential is 1500+

United Kingdom / Europe
400+

North America
400+

Asia
300+

Africa / Middle East
150+

Australia / New Zealand
250+

Accelerate new market growth

Commencing groundwork for moving into Asia and other major markets

A clear
3-pronged
approach

Build out and
support existing
markets



Develop new and
targeted markets



Early groundwork
for key major
markets



300+

Potential
Centres



560 million school-age children
throughout the Asia Pacific region



Business systems and
training market-ready



40% growth in international schools
since 2017 (English Language)



Target market primed for online/
blended tuition post Covid-19



International General Certificate of
Secondary Education (IGCSE)
curriculum suits dominant international
school model

Tutorfly

Significant growth potential for Tutorfly in the US market

Increase in school districts

Tutorfly is now contracted into 5 school districts

Preferred status

Tutorfly granted 'Preferred Supplier' status in Texas and Alabama, now working with Arizona and New Mexico

FY23 contracts

FY23 YTD contracted work \$1.1M

Brand Building

Building Brand for potential bricks & mortar centre investment



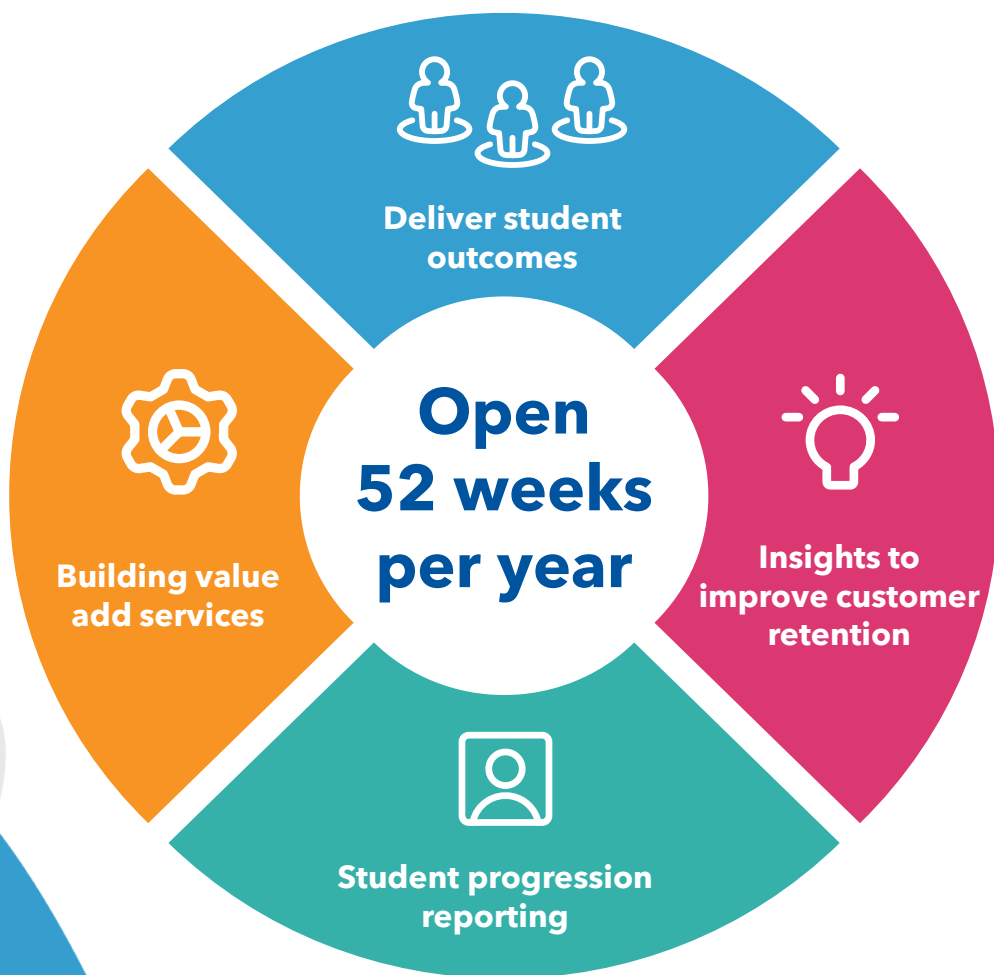
LEVER 4

Increase lifetime value of customer



Increase lifetime value of customer

Using data insights to unlock meaningful top line growth



Open 52 weeks per year



Drop-in tutoring



Exam preparation days



Practice papers and topic tests

Our 4 levers maintain a focus on margins

- 1 Franchise centre unit profitability**
- 2 Corporate centre unit profitability**
- 3 Increased focus on global margins**
- 4 Scale efficiencies with Government and Non-governmental organisation (NGO) work**

Indicative franchise centre unit profitability to KMEC

		Franchisee Fees		Franchisor Gross Margin*	
Student number	Centre Revenue (ex GST)*	Silver (10%)	Gold (20%)	Silver	Gold
60	\$190,000	\$19,000	\$38,000	\$5,200	\$22,200
100	\$320,000	\$32,000	\$64,000	\$18,100	\$46,400
150	\$480,000	\$48,000	\$96,000	\$34,200	\$76,600

*Assumptions: Revenue based on recommended Fee of AUD68 inc. GST per lesson using Kip Learn 52 week lesson bundle. Franchising Operations Gross Margin based on FY2022 margin of 59.0% - excludes head office costs and software amortisation

Indicative Corporate centre unit profitability

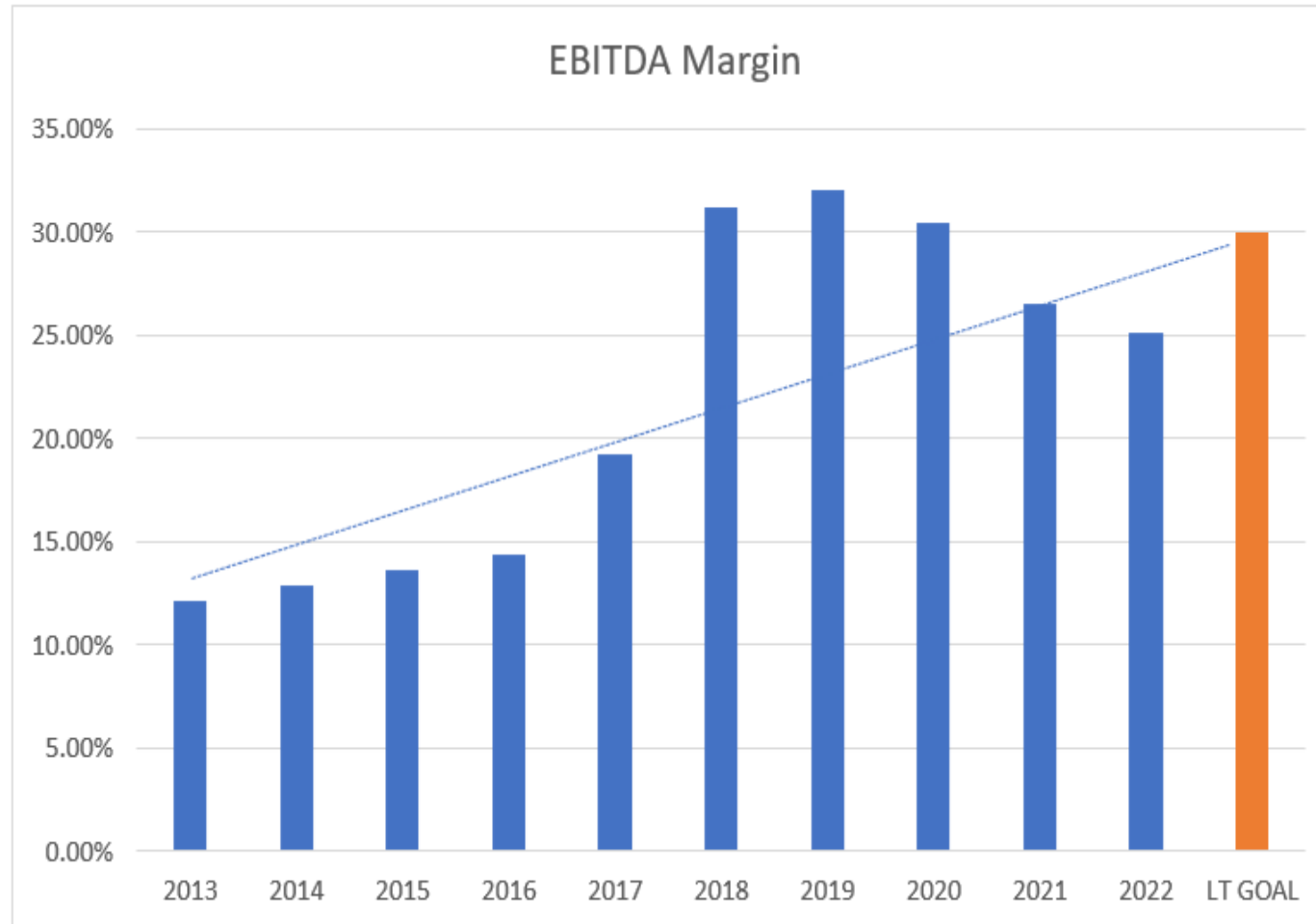
Student number	Centre Revenue (ex GST)*	Gross Margin*
60	\$190,000	\$-40,000
100	\$320,000	\$15,000
150	\$480,000	\$85,000

Greenfields Site Investment
\$150k

Two years to reach break-even

*Assumptions: Revenue based on recommended Fee of AUD68 inc GST per lesson using Kip Learn 52 week lesson bundle. Gross Margin based on margin of 18.5% at 150 lessons per week - excludes head office costs and software amortisation

KME EBITDA margin



Targeting EBITDA margin to return to 30% in the medium to longer term

Covid-19 impacts restricted margins in Corporate Centres but improving again

Impacted by AASB16 Leasing standards which push rental expenses below EBITDA line

Outlook

Free assessment requests in a number of locations have bookings at levels we have not seen since Covid-19 interruptions

Expect US business will achieve accelerated growth from the first half

Number of opportunities to grow from work in schools worldwide

Second half has always been more profitable than the first half and this year is poised for a similar outcome

Kip Gives Back...

... by supporting students in need worldwide through various means such as African schools, scholarships, and subsidised lessons, across our corporate and franchised centres.



**PROVIDING
REMEDIATION
FOR CHILDREN
IN UNDERPRIVILEGED
COMMUNITIES
IN AFRICA**



2022 highlights



**+10 years servicing
South African
communities via
enrichment centres
within schools**



**Thousands of lessons
delivered every year**



**45+ years making a
difference to help
students reach their
true potential**



**Kip
McGrath™**
Leaders In Learning

Thank you