

Kip McGrath Education Centres Ltd

# Investor update

**August 2023**



**Kip  
McGrath™**  
Leaders In Learning

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# Today's objectives

**1**

**FY23 financials**

**2**

**5-year trend**

**3**

**Our strategic pathway**

**4**

**Update on our 4 levers for growth**

**5**

**Update on our focus on margins**

# FY23 financials



**Revenue of \$26.8M**

Up 8.7%



**Franchise Business**

Revenue \$17.8M, Up 6.3%



**EBITDA of \$6.7M**

Up 8.1%



**Corporate Business**

Revenue of \$7.7M, up 22.5%



**NPAT of \$1.9M**

Up 2.4%



**Tutorfly**

EBITDA Loss of \$0.93M on revenues of \$1.2M



**2.1M**

Global Lessons



**\$108.2M**

Global Network Revenue



**505**

Total Centres



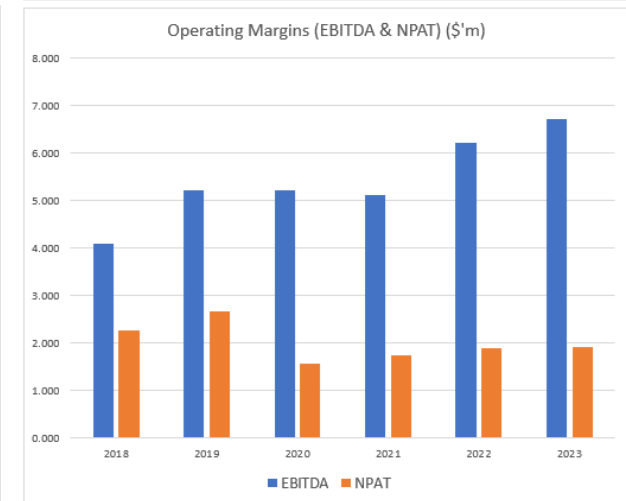
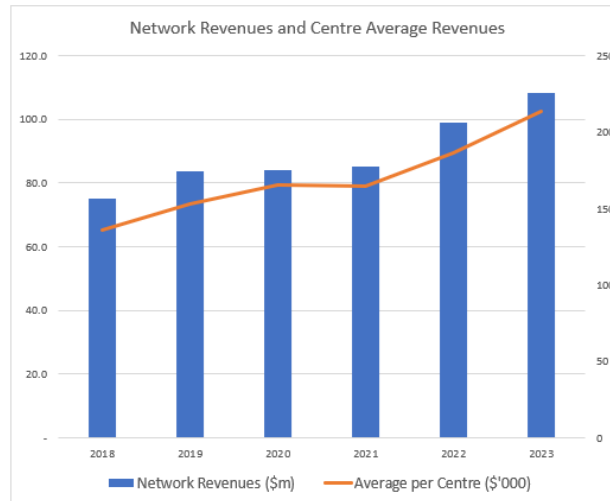
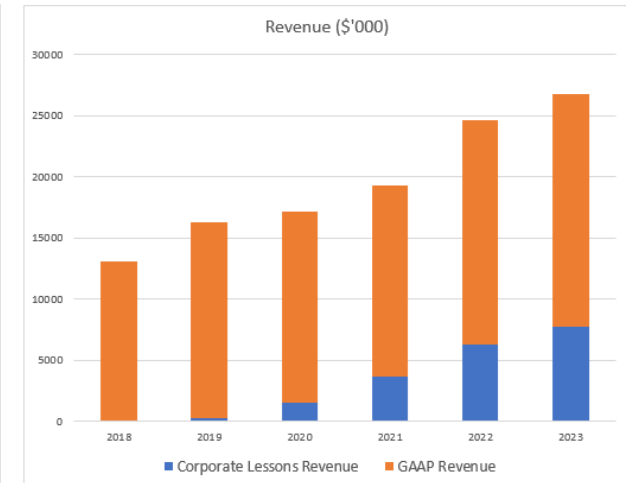
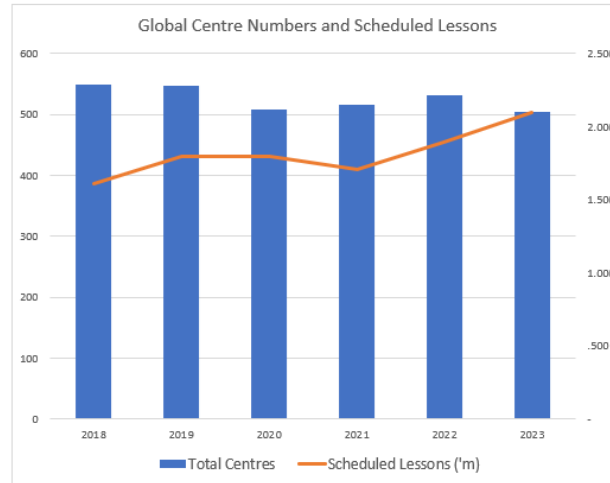
**29**

Corporate Centres

# 5-year trend

Covid-19 showcased our resilience

Maintaining growth as the demand for high quality tutoring rises globally, and we focus on a mix shift to corporate centres and franchise expansion



# Our Strategic Pathway

Major initiatives driving long-term growth

## Franchise Network



- Franchise Revenues rises 6.3% to \$17.8M
- 476 active centres streamlined with focus on high-revenue areas
- KipLearn (learning management system) drove 16% Q4 FY23 lesson growth (vs. Q4 FY22) for centres adopting new system - in place now at 70 centres globally

## Corporate Centres



- Grown globally to 29 centers in 4 years
- \$7.7M annual recurring revenue; 22.5% revenue growth
- 162 staff (61 FTE)
- Positive cash flow in FY23

## Tutorfly



- 2021 strategic acquisition gives strong foothold in US market
- EBITDA Loss of \$0.93M on revenues of \$1.2M
- Contracted works of \$2.6M for FY24
- Capitalising on enhancements and ongoing US government funding

# 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.'**



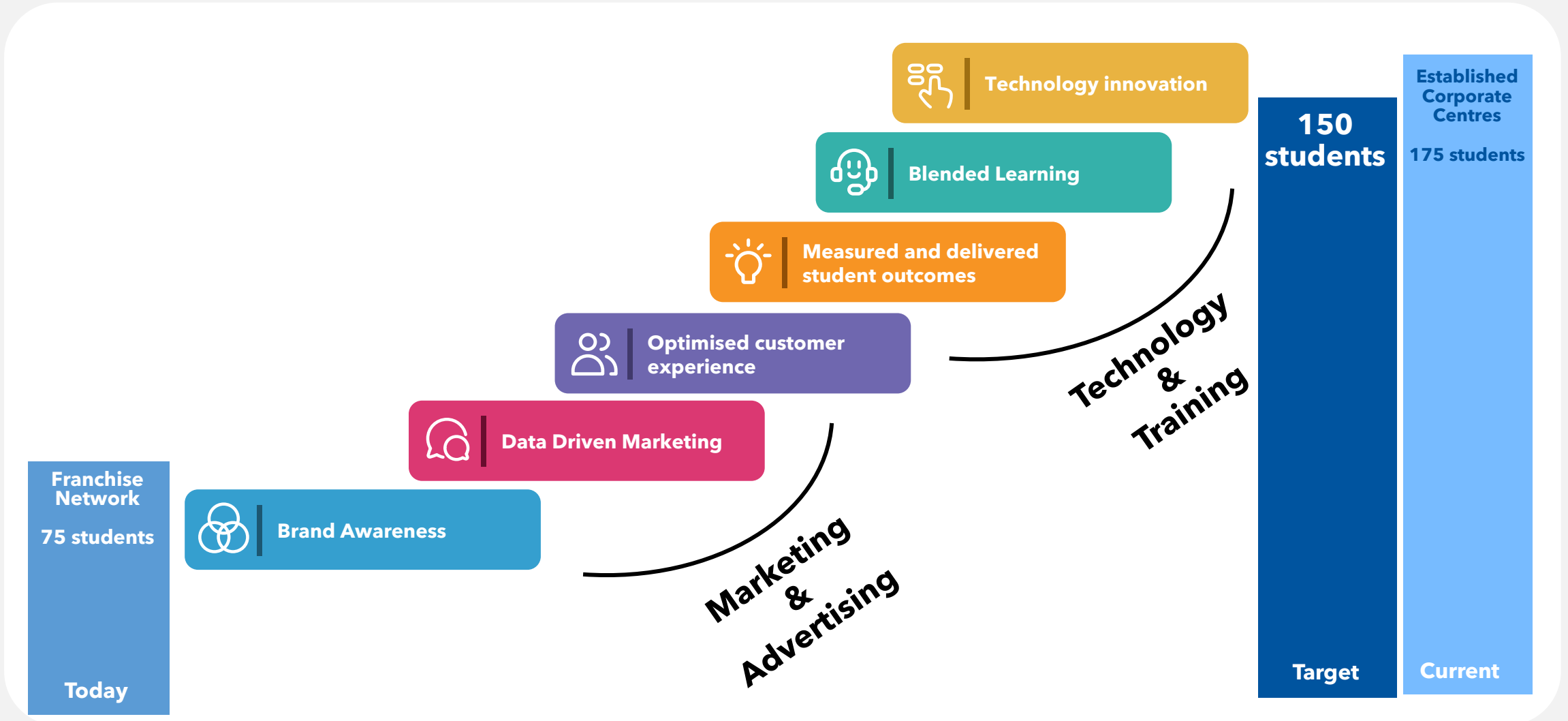
# LEVER 1

## Increase students per centre



# We have a clear path for continued revenue growth within centres

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



# Increase students per centre

## The highlights

- Revenue growth supported by strong demand for high-quality, small-group tutoring in UK, US, and Australasia post-COVID-19 era
- Over 2 million reported lessons, a record-high, despite a strained economic environment
- Achieved an average 14.9% increase in student numbers per centre during the year
- Approximately 20% of our centres worldwide have adopted our revolutionary KipLearn tutoring platform, enabling more teaching time and building more profitable business
- In Australia, KipLearn franchisees have witnessed an average revenue growth of 16% in Q4 FY23 compared to Q4 FY22
- Continued to leverage our 45+ year brand, resulting in lowering of customer acquisition cost while maintaining a steady pipeline

# Technology & Training

KipLearn delivers blended learning and measurable and reportable outcomes



## Blended Learning

Successful release of blended model to 20% of centres globally offering a seamless learning experience



## Student reporting

Successful trial of student reporting feature, showing student growth and parents' return on investment



## Content

Tailored content designed for tutoring and continuous improvement, extensively adapted for use in the US market



## Specifically designed tutoring tools

Ongoing development, extending into the direct-to-school market: small groups, individualised learning, drop in, high dosage

**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 and high revenue potential locations



## Open more centres

Our target is 1500 centres globally in the next 10 years



## Multiple centre ownership

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



## Focused marketing spend on franchise sales

Franchise growth potential remains high, with under penetration in major and large secondary cities in Australian and UK markets



## New technology excitement

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



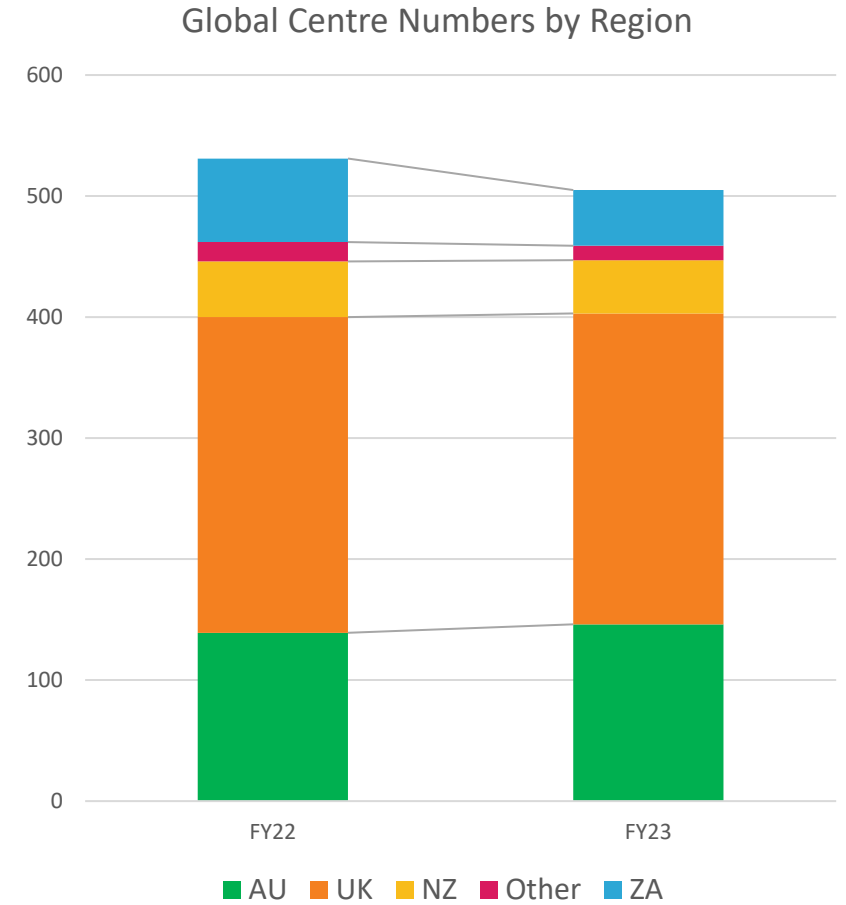
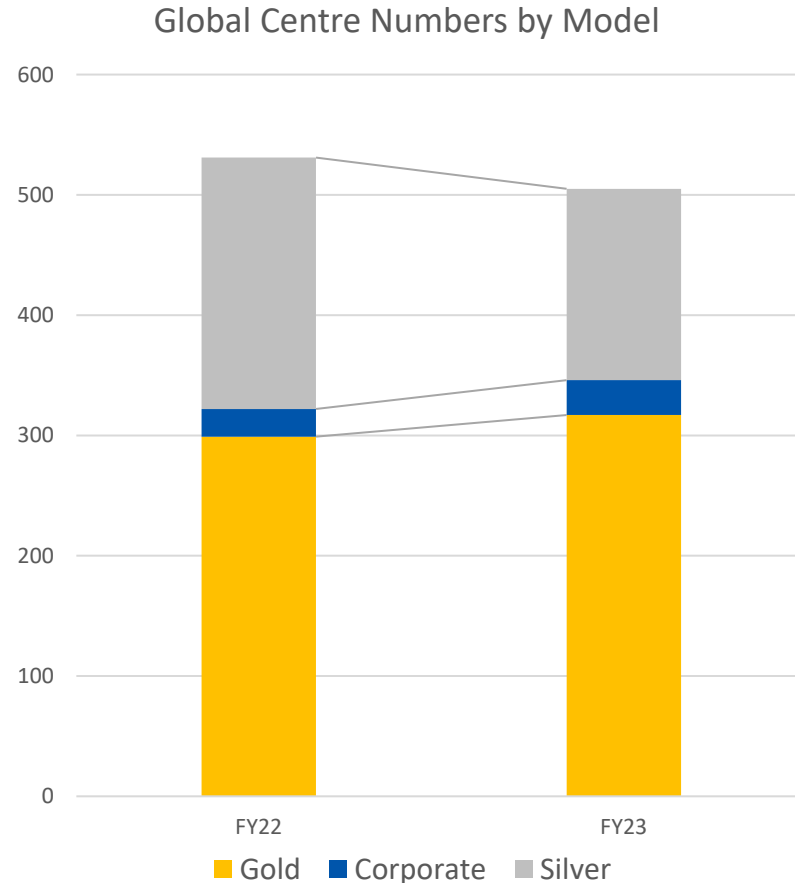
# Increase in Corporate Centres

## The highlights

- **Buyback strategy** is securing ownership of franchisees in high-potential locations to drive increased revenue. Negotiations underway for 10-15 strategic locations per year
- **Corporate Centre** accelerates adoption, delivering significant network-wide return on investment and business growth
- **Talented management team** has a focus on streamlining and building development pathways to ensure a pipeline of capable center managers to fuel continued growth
- **Completed FY23 with 29** corporate centers, up from 24 in FY22

# Centre Numbers by market

- **Solid growth in higher margin centres with Gold Contract or operating as Corporate Centres**
- **Stable in core markets in APAC and the UK despite post COVID-19 drop in other markets**



# Increase number of centres in existing markets

Existing market potential  
From 505 to 800+

United Kingdom / Europe  
257 ⇒ 400+

Africa / Middle East  
58 ⇒ 150+

Australia / New Zealand  
190 ⇒ 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+

# Tutorfly

## Significant growth potential for Tutorfly in the US market

### Increase in school districts

From 5 to **11 School Districts**

### Preferred status

From 4 to **7 States** as 'preferred supplier': Texas, Alabama, Arizona, New Mexico, **adding Ohio, Kansas and Mississippi**

### FY24 contracts

FY24 YTD contracted work approx. AUD **\$2.6M**

### Real time research and market testing

Increasing speed to market of new solutions

### Leveraging KME Tech

**Expanded offering:** drop-in, high dosage, independent learning, custom curriculum, in-person/virtual tutoring, faculty professional development



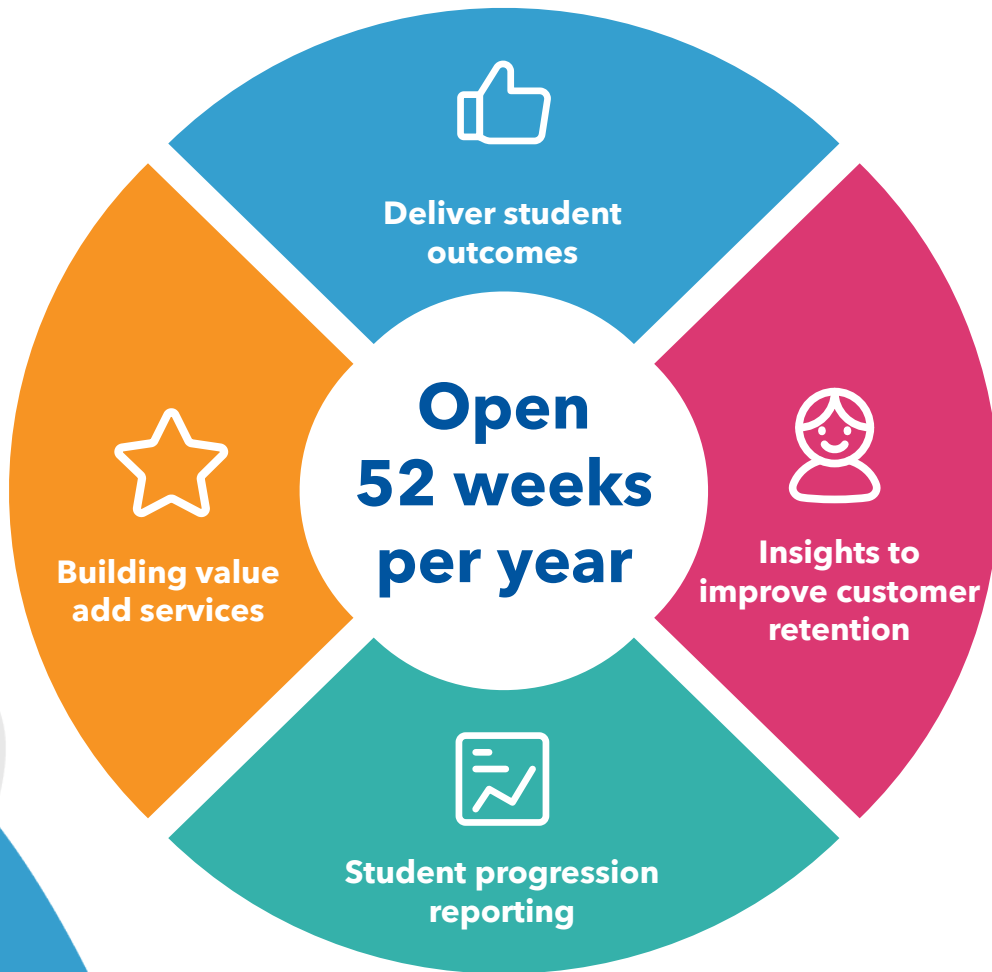
# LEVER 4

## Increase lifetime value of customer



# Increase lifetime value of customer

Using data insights to unlock meaningful top line growth



**Open 52 weeks per year:**  
year-round learning



**Blended learning:**  
in-centre and online lessons, allowing students to join virtually, for enhanced flexibility



**DIY lessons:**  
independent learning options for uninterrupted progress

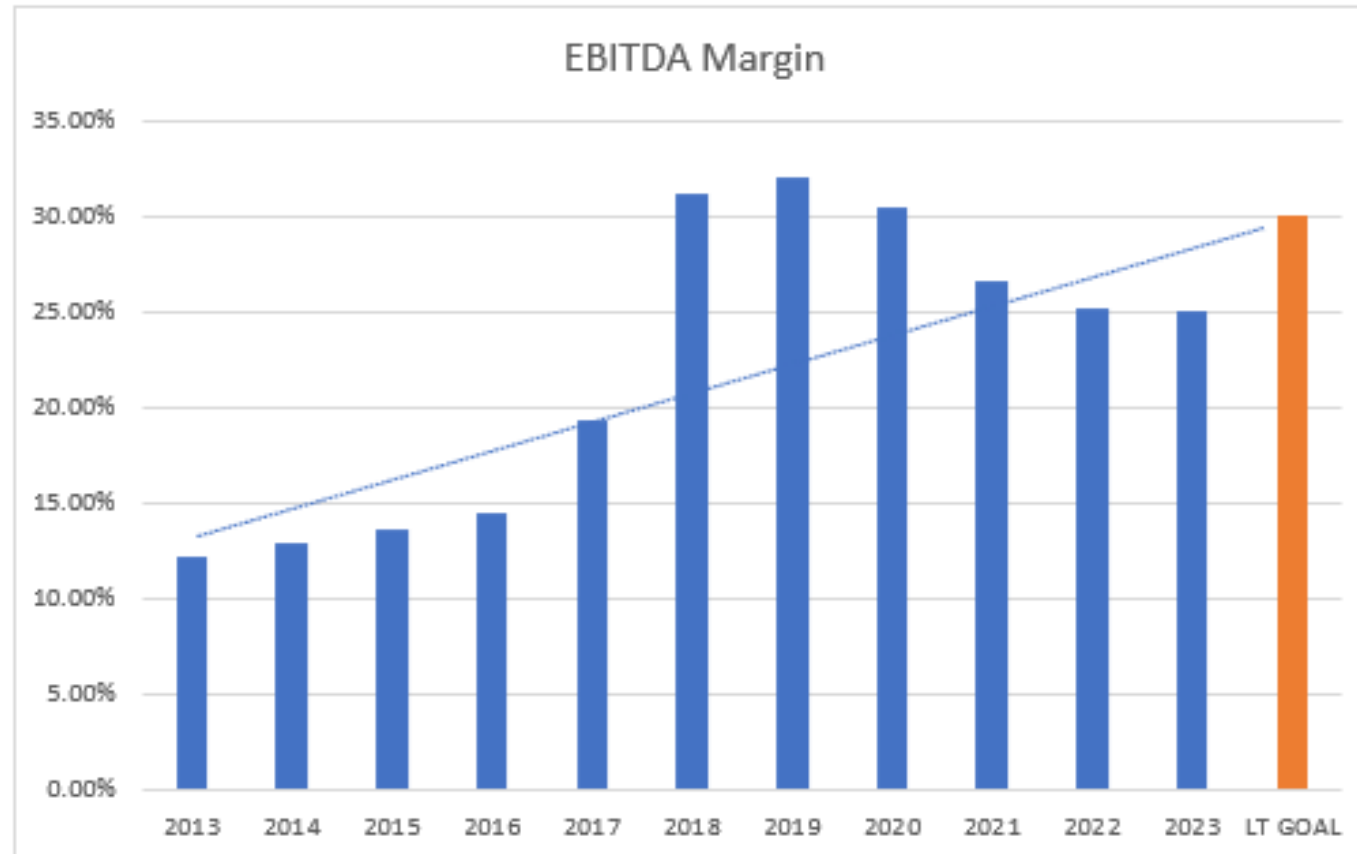


**Parent reporting:**  
visibility into students' learning journey

# 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**

# KME EBITDA margin - Note Tutorfly Margin



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

**Covid-19 impacts restricted margins in Corporate Centres but stable now**

**Margin excluding Tutorfly for FY23 was 28%**

# Outlook

- Free assessment requests mirroring pre-Covid-19 levels while governmental support driving direct-to-school expansion globally
- Enhanced technology is propelling franchise network expansion and higher engagement, while strategic center placement will maximise revenue potential
- Tutorfly poised for growth in a well-funded government landscape
- Our four strategic levers remain central to sustained growth, emphasising revenue and margin enhancement
- Anticipate consistent revenue, profit growth and shareholder returns similar to FY23





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**Thank you**