

Kip McGrath Education Centres Ltd

# Investor update

**August 2024**



**Kip  
McGrath**<sup>TM</sup>  
Leaders In Learning

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# Today's objectives

- 1 FY24 financials**
- 2 Key Business Drivers**
- 3 Update on our 4 levers for growth**
- 4 Outlook**

## FY24 financials



**Revenue of \$32.4M**

Up 21.0%



**EBITDA of \$6.5M**

Down 2.7%



**NPAT of \$1.3M**

Down 31.5%



**EPS 2.3 cents**

FY23 3.4 cents



**Franchise Business**

Revenue \$19.0M, Up 6.9%



**Corporate Business**

Revenue \$9.8M, Up 27.4%



**Tutorfly**

Revenue \$3.4M, Up 200.4%



**2.1M**

Global Lessons



**\$116.3M up 7%**

Global Network Billings



**489**

Global Centres



**38**

Corporate Centres

# Our Strategic Pathway

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."

## Our values



### Ensure quality

We are the experts. Our qualifications, experience and commitment to quality lessons and improvement means we hit goals.



### Show passion

We're changing the world one child at a time. It's something we're all passionate about – and we have fun along the way!



### Be curious

We ask questions and love to learn and improve. By always asking 'why', we can see things more clearly and find a better way.



### Work as one

We all have a role to play, but together we make a whole. By working as a team every day, the outcomes are magic.



### Nurture needs

Our customers are at the core of everything we do. By valuing their feedback, we can all have a better journey.



### Unlock potential

We want everyone in the business to be their best. We empower them with respect, tools and information to make this a reality.

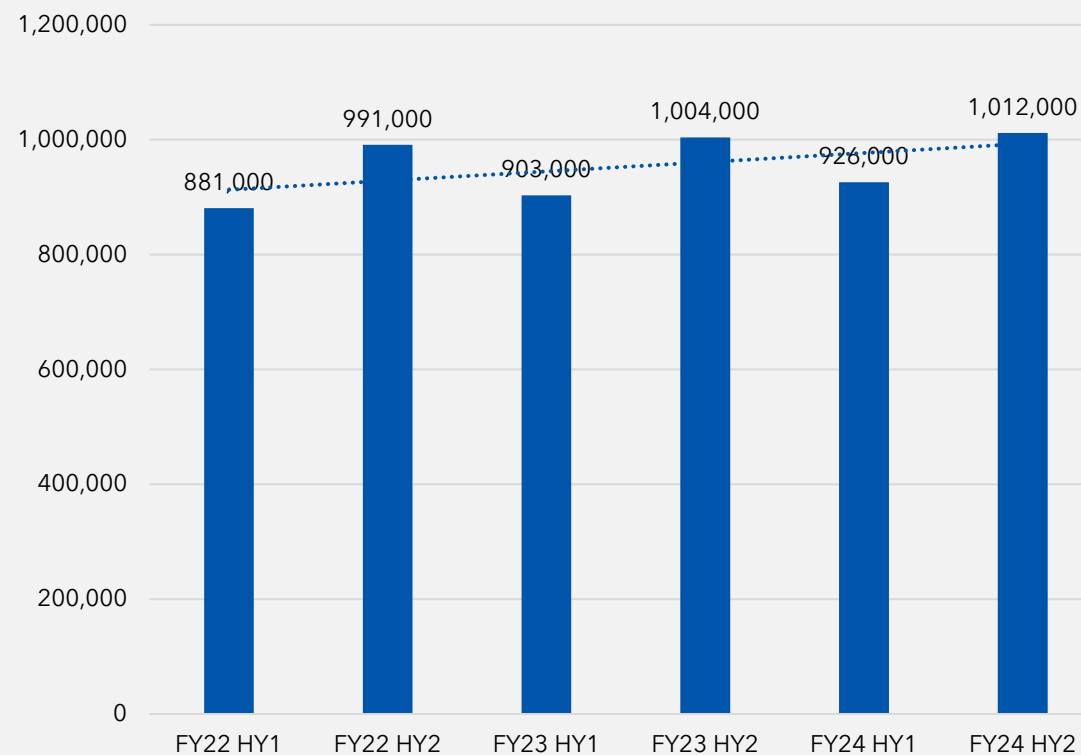
# Our Core Business Drivers

Key focus areas driving shareholder value

## Core Business Driver - Centre Lesson Numbers

The core drivers of our business strategy focus on increasing revenues and margins from our tutoring lessons. Central to this is the quality of our lessons and our centres, measured by the growth in lesson numbers. While quality of teaching is very difficult to define in practice, we believe the strength of our business is demonstrated by our customers' commitment to continue lessons each week, hence our primary focus on lesson numbers. In FY25 we are enhancing our Quality Surveys to provide additional granular feedback on the quality of our services.

**Centre Lesson Numbers**



Global Centre Numbers by Model



## Core Business Driver - Centre Numbers

Despite the significant increase in the use of online and blended lessons, physical centres remain key to the operations of Kip McGrath globally

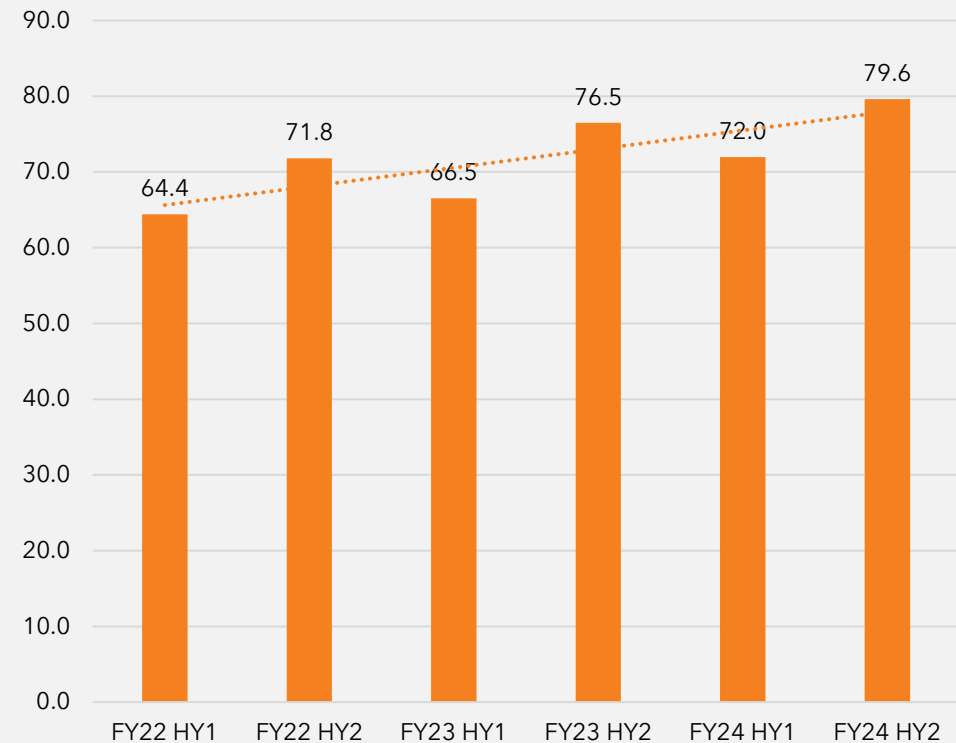
Our focus is on ensuring all centres use our latest technology and provide a high quality teaching experience for every student. This is reflected in the global move towards Gold Partners and Corporate Centres

Gold Partners are our highest service offering franchise contract

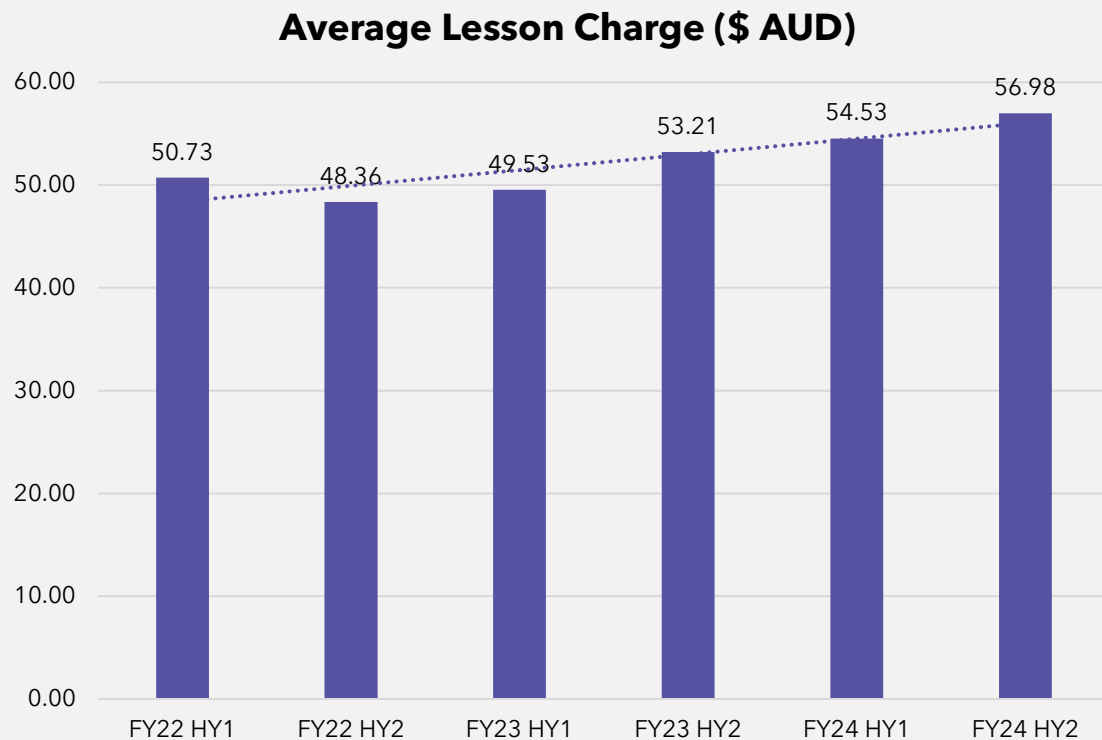
## Core Business Driver - Average Weekly Lesson numbers per Centre

To generate a viable business, the average weekly attendance levels of students is critical. With franchise operations, they typically break even at 50 students. The break even point for Corporate Centres was initially planned at 120 students. However improvements in technology and the efficiencies from hub operations has meant the breakeven point has fallen to 85. At a global level we are seeing positive increases with our latest training and software updates which allow wider adoption of our 48 week and 52 week packages for tutoring (versus traditional 40 week packages).

Average weekly lessons per centre



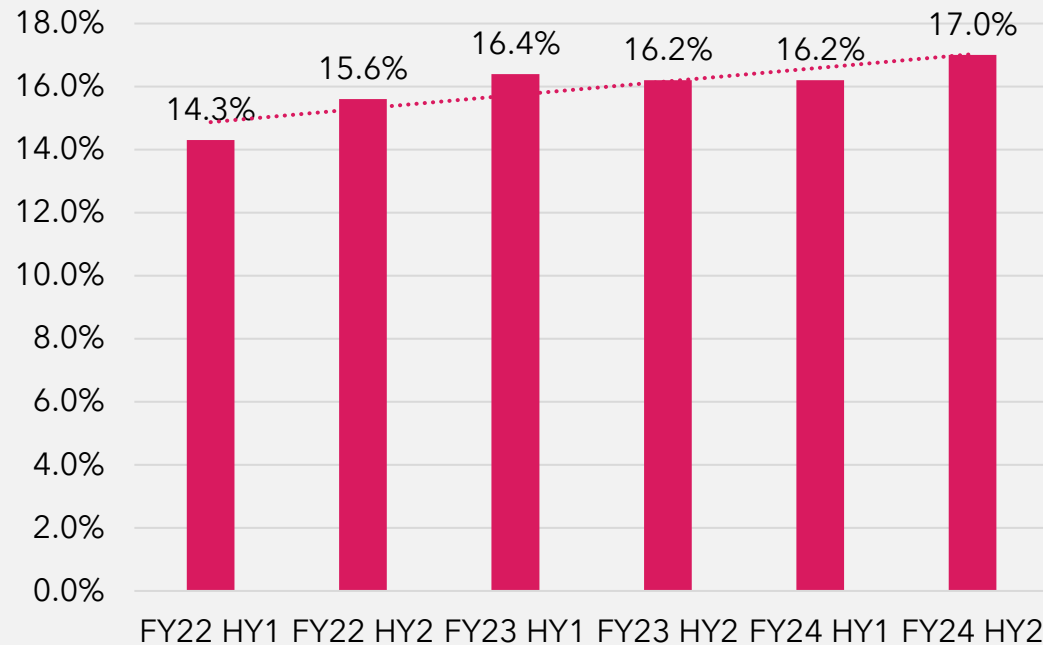




**Core Business Driver -  
Average Lesson Charge  
(AUD per week)**

To ensure satisfactory margins for franchisees and the franchisor, it is critical for lesson pricing to balance competitive pressures, value for money for our customers and the ability to cover the costs of strong teachers and world class tutoring systems. The pricing being lower than the Australian average is a reflection of some weaker currencies in international locations.

### Average Franchise Fees %



### Core Business Driver - Franchise Fees Percentage

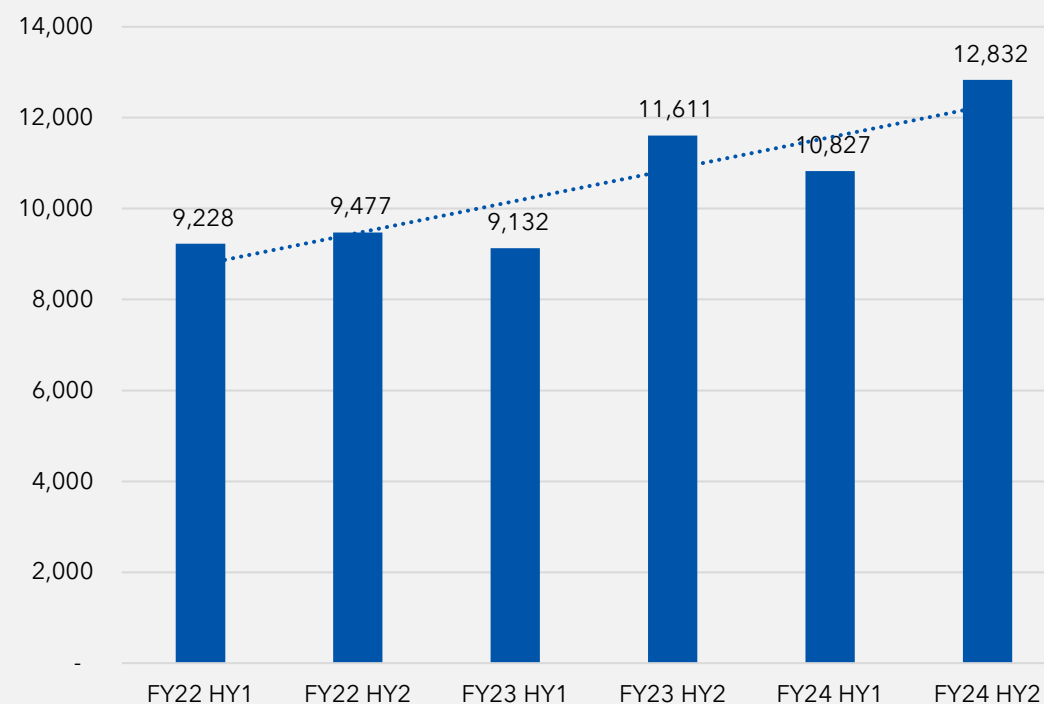
As more than 90% of our centres around the world are franchisees, maintaining adequate returns from franchising is critical for providing support to the franchisee network and to contribute to product development (for both software and curriculum). With the move towards greater Gold Partner contracts (our highest service offer for franchisees) the franchise fee percentage continues to improve overall (Gold Partners standard 20% contract, Silver Partners 10%)

## Core Business Driver - Contribution Margin per Centre (AUD per half)

A critical driver of business profitability is the contribution margin each centre is making towards the global costs of running the operations, particularly the global cloud infrastructure to ensure the delivery of high quality lessons to all students. Margins overall continue to improve globally as we focus on operational efficiencies in all our key markets.

\*Contribution margin on this slide excludes head office and US school costs

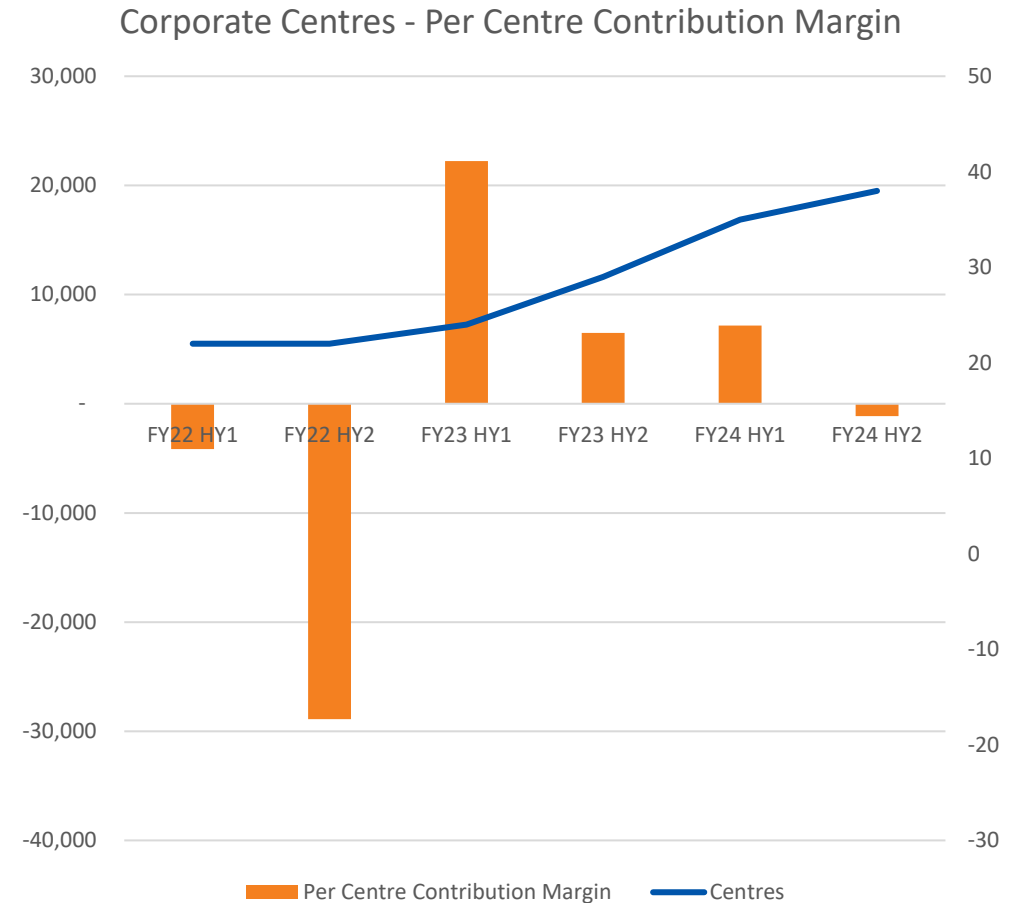
Contribution Margin per Centre\* (\$)



# Corporate Centre Contribution Margin per Centre (AUD per half)

## Corporate Centre Margins Improving

- Rapid growth in corporate centre numbers put margins under stress
- Original model was break even at 120 students. With efficiencies from hub model and technology changes, now at 85 student break- even point
- Contribution margin from corporate centres comparable to franchise model at 100 students per centre
- 2HY FY24 includes restructuring costs and new centre start ups



# 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.'**

# Technology & Training – Key to increase student numbers

KipLearn delivers blended learning and measurable and reportable outcomes



## Blended Learning

Successful release of blended model to 70% 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 of tools, extending into the direct-to-school market: small groups, individualised learning, “drop in” and “high dosage” tutoring

**To scale we  
will continue  
to invest in  
technology**

# Education Centres Globally



United Kingdom / Europe  
**247 Centres**

Africa / Middle East  
**54 Centres**

Australia / New Zealand  
**188 Centres**

USA  
New Texas Centre  
now open

# Franchise Centres Growth Strategy



## Open more greenfield centres

Of the 34 sales in FY24, 30 were resales and 4 were new sites. Our focus continues to be expanding to new sites



## Multiple centre ownership

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



## New technology excitement

New technology continues to be a catalyst for increased sales





# Corporate Centres

The highlights



**Currently 39 Corporate centres** (up from 29 in FY23) including new centre in Texas



**Buyback strategy** is securing ownership of franchisees in high-potential locations to drive increased revenue - targeting 5-6 locations per year



**Corporate Centre's "lighthouse approach"** accelerates adoption of technology delivering significant network-wide margins



# Tutorfly

Continued significant growth potential for Tutorfly in the US market



**Increase in school districts** From 5 in FY23 to 25 schools in 15 School Districts (FY24)



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



**Real time research and market testing** Increasing speed to market of new solutions



**Levering KME Tech** US Business now operating on KMEC technology with new tools developed that are available in other global markets



# Outlook

- Enhanced technology is propelling franchise network expansion and higher engagement, while improved centre placement will maximise revenue potential
- Our four strategic levers remain central to sustained growth, emphasising revenue and margin enhancement
- Corporate Business is past break even point and expected to grow
- Expecting CAPEX to reduce significantly in FY25 with key technology updates now complete
- Tutorfly expected to continue growing in an evolving government funded landscape
- Revenue and profit growth for FY25 with increased focus on Return on Capital

