

Kip McGrath Education Centres Ltd

Investor update

November 2024



**Kip
McGrath**TM
Leaders In Learning

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Annual General Meeting

AGENDA

26th November 2024

1

Chairman's Introduction

2

CEO's presentation

3

Formal Business of the Meeting

4

Questions

Chairman's Introduction

The past financial year had 2 distinct performance halves, a poor first half followed by a significantly improved second half. The year was also characterized by targeted investments and tactical initiatives. Our corporate centres and expanding school partnerships in the US have started to become key revenue contributors, and recent operational changes have enhanced efficiencies. This momentum was reflected in the improved profitability of the second half versus the first. Whilst pleased with this turnaround, the company's overall return on capital was still not adequate, notwithstanding the second half improvements.

The core profitability and sustainability of our company remains in our operating performance of Australia (APAC) and the UK (EMEA). The UK business performed well and remains a shining light in the portfolio. Within the APAC region, overall growth in lesson volumes and network billings highlights the continued value of our educational services. The Australian business remains a staple, and whilst steady, has some room for improvement.

We have previously identified growth opportunities across high-demand areas like the US, Corporate, and UK sectors. Parents and schools increasingly recognize the benefits of our blended learning options, which combine in-person and online tutoring, helping us maintain strong demand even in challenging economic conditions. We will continue to cautiously invest in the growth opportunities but will remain self-constrained until we confirm that further investment will meet return on capital hurdles.

The restructuring undertaken in the APAC region has streamlined operations, consolidated management and achieved notable cost savings. We are seeing enhanced cost management in the company into the first 4 months of FY25 - our CEO will update you on this in a moment. This efficiency, along with our ability to maintain over two million lessons delivered globally, underscores our value - the company can leverage its business further to benefit the parents, students and communities.

Chairman's Introduction (continued)

Our US-based Tutorfly brand has also expanded its influence, securing preferred supplier status in multiple states and school districts, reinforcing our alignment with current educational needs. This business is not yet performing to the level expected, and we continue to work hard to grow this business within a challenging US government funding environment. Further progress is required in the next 6 months to prove the value the company sees in this potentially valuable platform.

The evolving educational landscape demands agility, and our long-standing industry expertise, positions us well to respond to shifting funding trends, particularly in regions such as Abu Dhabi, Australia, and New Zealand. We remain dedicated to providing high-quality tutoring services that adapt to local market demands.

To sustain this growth, we continue to invest in our people, supporting learning and collaboration to meet our strategic goals. Our approach, guided by market insights and customer feedback, remains focused on enhancing the value we deliver across our regions.

The strategy of the company remains unchanged. Your Board is dedicated to set a tactical path towards further revenue growth (students, classes, lessons) with strong expense management and investment capex directed into high return activities.

Today we also want to recognize and thank Di Pass for her dedication and work over the past seven years as a Director, she retires at the conclusion of this AGM. Her commitment has helped guide our organization through a critical period including the substantial Covid challenges. We wish her all the best in her next chapter and thank her sincerely for her contributions.

CEO Presentation

A decorative graphic element consisting of a thick, curved band that transitions from yellow at the top to orange and then to red at the bottom, curving from the top right towards the bottom left, separating the blue background from the white background.

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.

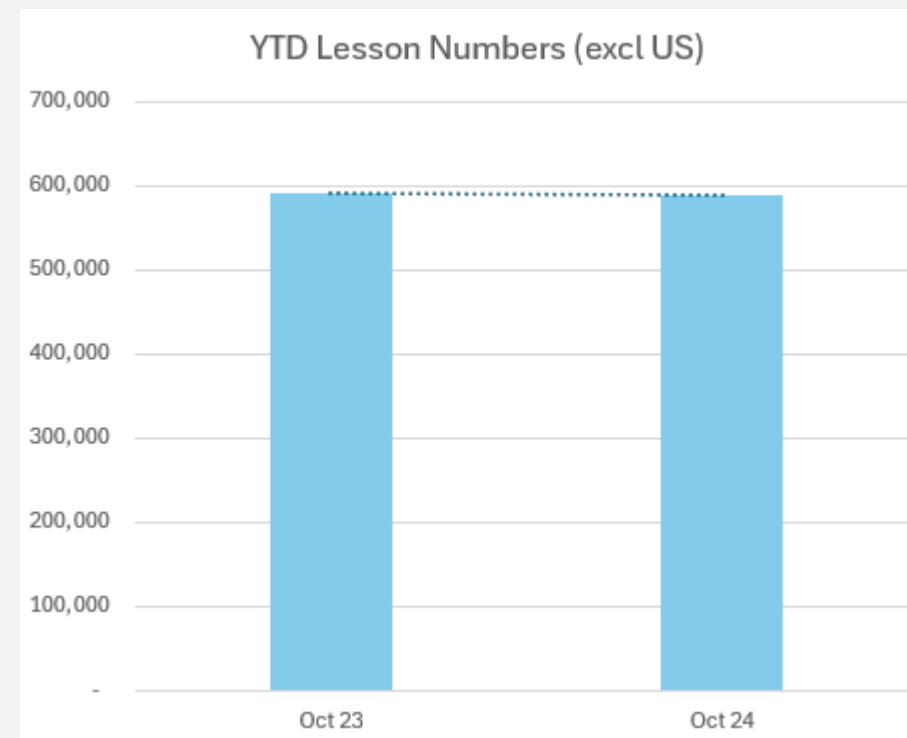
Our Core Business Drivers

Key focus areas driving shareholder value

Core Business Driver - Centre Lesson Numbers

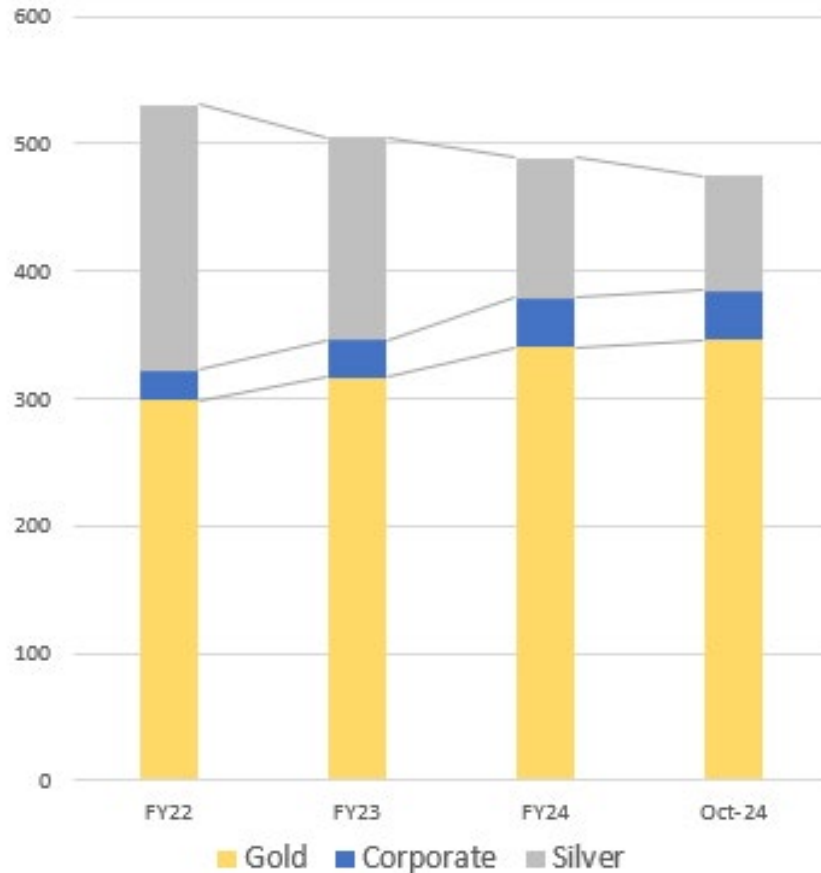
Our business strategy prioritizes boosting revenues and margins through tutoring lessons, with lesson quality and centre standards at the core. Growth in lesson numbers reflects our strength, as customer retention is a key indicator

Despite strong economic headwinds in all key markets global lesson numbers at our Education centres remain stable



475 Global Centres

Global Centre Numbers by Model



Core Business Driver - Centre Numbers

Physical centres remain essential to Kip McGrath's global operations

We are committed to equipping all centres with the latest technology for top-quality teaching, highlighted by our global shift toward gold partners and corporate centres—our highest service-level franchise contracts

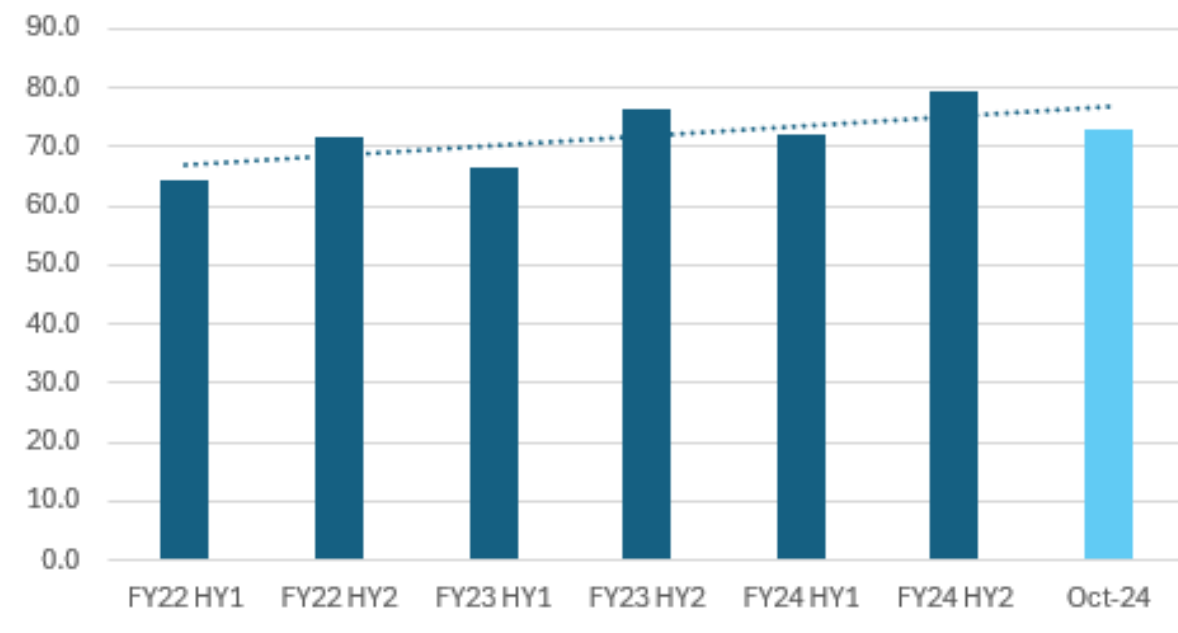
Gold Partners now number 346, along with 39 corporate centres.

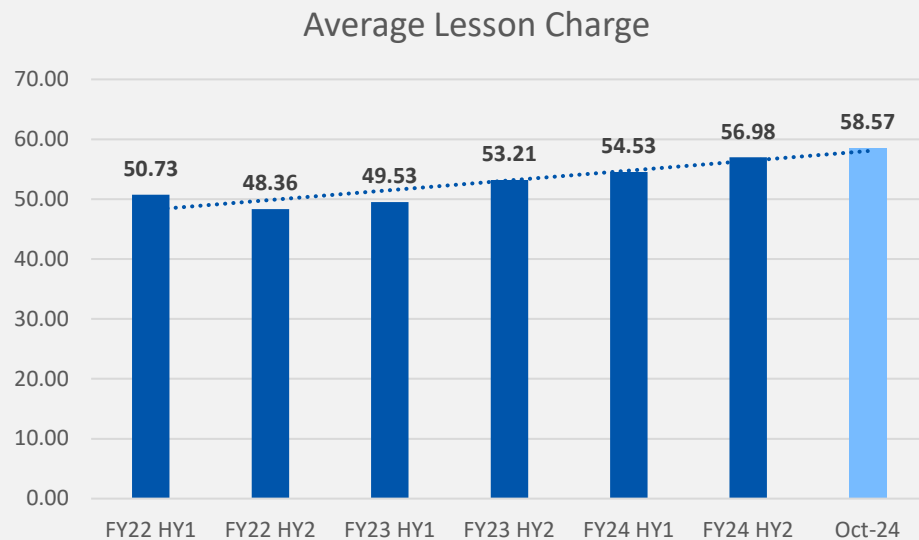
Core Business Driver - Average Weekly Lesson numbers per Centre

Weekly student attendance is crucial for business viability. Franchise centres break even at 50 students, while corporate centres, originally set at 120, now break even at 85 due to technology and hub efficiencies. Globally, new training and software updates are driving adoption of 48- and 52-week tutoring packages, up from the traditional 40 weeks.

For the YTD to October 2024, weekly lessons per centre grew to 73, up from 72 in the comparable FY24 HY1 period.

Average weekly lessons per centre

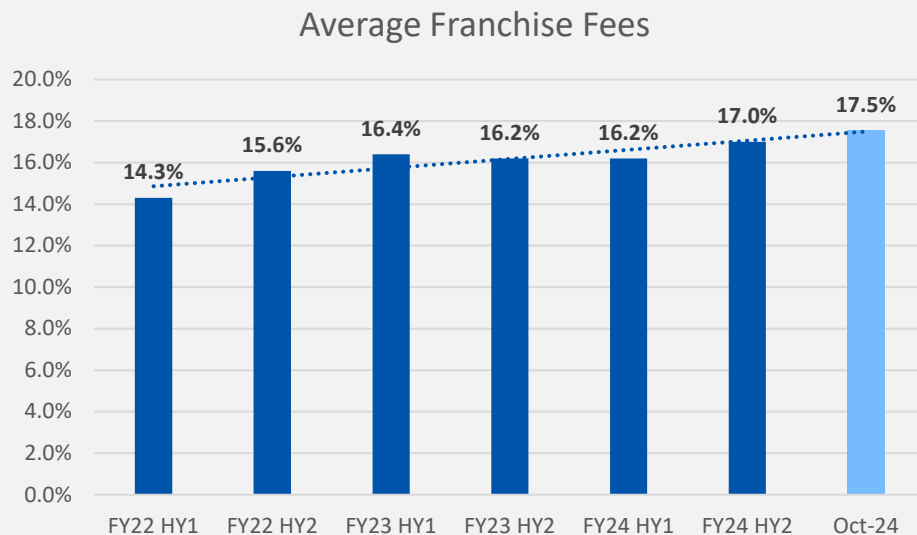




Core Business Driver - Average Lesson Charge (AUD per week)

To maintain healthy margins, lesson pricing must balance competitiveness, customer value, and support for quality teachers and top-tier tutoring systems.

With small price increases in key markets during the current period, average lesson charges continue to improve.



Core Business Driver - Franchise Fees Percentage

Franchise fees remain critical to the financial performance of the business.

The shift toward more Gold Partner contracts (20% franchise fee vs. 10% for Silver) is boosting overall franchise fee percentages.

In the current year to date, the increase in Gold Partners continues to improve overall average franchise fees.

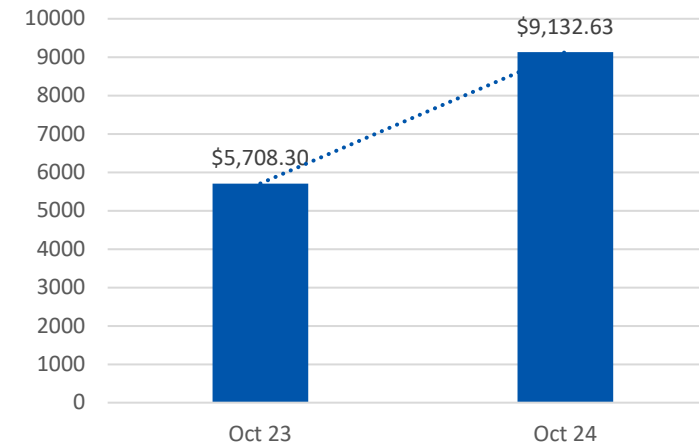
Core Business Driver - Contribution Margin per Centre

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.

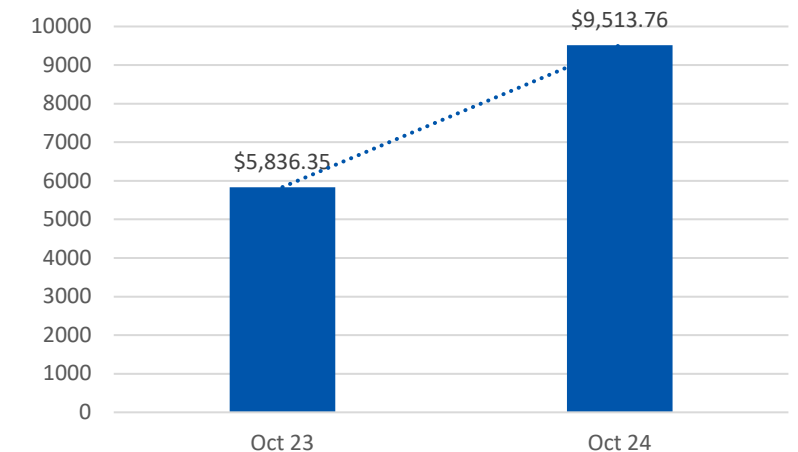
Year to date the EBT contribution margin per centre has improved significantly over the prior comparative period with the move to Gold partner contracts and reduction in smaller centres.

*Contribution margin excludes head office and US school costs

Oct YTD Total Centre EBT
Contribution Margins (Unaudited)
(Franchising and Corporate Centres)



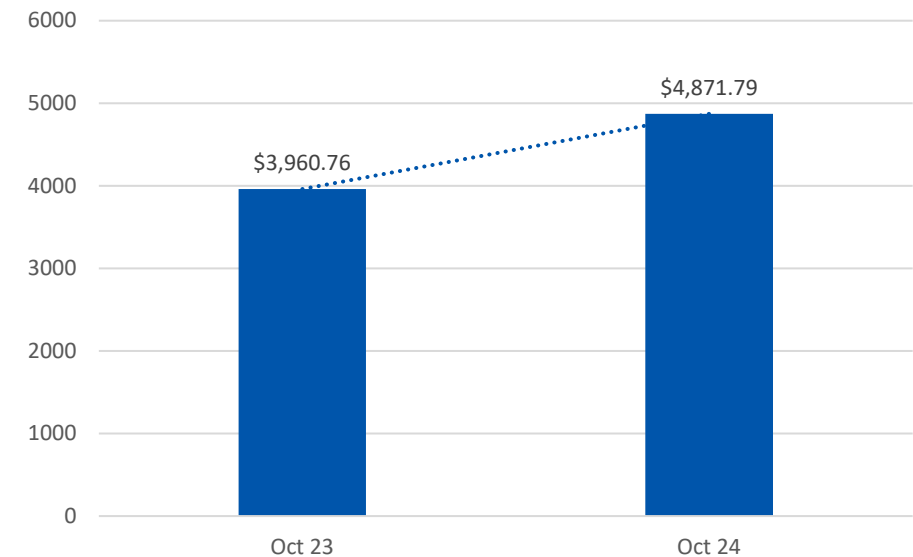
Oct YTD Franchising EBT Contribution
Margins (Unaudited)



Corporate Centre Contribution Margin per Centre (AUD)

- Corporate centres continue to contribute solid margins with focus on productivity improvements
- The UK centre closure in July and August impacts margins for the start of the financial year.
- Advanced plan to grow corporate centre numbers by 15% in FY2025 (6 in total)
- US Centre now operational and establishing a brand presence

Oct YTD Corporate Centre EBT Contribution Margins (Unaudited)



Update on progress with AI

Focus 1

Automated lesson notes - Improving retention and reducing fixed cost per centre where we have implemented teacher student reports

Focus 2

AI generated curriculum enhancing content creation and accelerating speed to market for new US curriculum

Focus 3

Microsoft Funding Partnership to develop enhanced lesson experiences for US market

New Revenue Streams: Value Added Products



Daily Homework



Individualised 2nd lesson delivered by AI tutor



Holiday lessons



AI tutor on demand

Our inhouse developed KipLearn platform now enables us to deliver new learning possibilities to our existing customer base

Tutorfly

Continued significant growth potential for Tutorfly in the US market



Boston Win Preferred supplier to deliver tutoring across the Boston area – delayed due to election



AI Tutoring tendering for new work using AI tutoring platform to provide core components to schools



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



4 months to 31 October 2024 unaudited financials



Revenue of \$10.1M

Up 5.8% YoY



Franchise Business up 15%

Revenue \$5.4M, Up 14.7% YoY



EBITDA of \$1.9M

1.9x PY



Corporate Business up 5%

(excl Tutorfly)

Revenue \$3.5M, Up 5.4% YoY



YTD CAPEX \$0.5M

v \$2.1M in PY



589k

Global Lessons



\$30.8M up 4.5%

Global Network Billings



475

Global Centres



39

Corporate Centres

Outlook

- Enhanced technology is increasing margins depleted over the past 4 years
- Now looking at value added products and AI to further contribute to margins
- CAPEX to reduce significantly with key technology updates now complete
- 2 key short-term risks/opportunities remain - UK and US government policy impacts remain unknown
- Tutorfly expected to continue growing in an evolving government funding landscape
- Anticipate consistent revenue and profit growth with an increased focus on Return on Capital for FY25
- Expecting small profit number for half year NPAT (versus prior year loss) and stronger cash position



Business of Meeting



Business of Meeting

Resolution 1 - Election of Ms. Lynne Lewis

For	Against	Abstain	Discretion	Excluded	Total
21,426,313	44,565	89,175	81,058	-	21,641,111

Resolution 2 – Re-election of Mr Damian Banks

For	Against	Abstain	Discretion	Excluded	Total
21,455,526	15,352	89,175	81,058	-	21,641,111

Business of Meeting (cont.)

Resolution 3 - Adoption of Remuneration Report

For	Against	Abstain	Discretion	Excluded	Total
20,134,264	728,789	700,000	81,058	-	21,641,111

Resolution 4 - Issue of Performance Rights to Mr Storm McGrath

For	Against	Abstain	Discretion	Excluded	Total
20,620,280	934,623	5,150	81,058	-	21,641,111

Thank you and Questions

The logo for Kip McGrath Leaders In Learning is centered within a white circle. It features the name "Kip McGrath" in a bold, dark blue sans-serif font, with a small trademark symbol (TM) to the upper right of "Grath". Below the name is a horizontal rainbow-colored bar. Underneath the bar, the words "Leaders In Learning" are written in a smaller, dark blue sans-serif font.

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