

Kip McGrath Education Centres Ltd

# Investor update

February 2025



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# 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.


# Six months to 31 December 2024 audited financials

 **Revenue of \$15.3M**  
Up 2.4% YoY

 **EBITDA of \$3.4M**  
Up 46%

 **NPAT of \$0.6M**  
Up 956%

 **Franchise Business up 13%**  
Revenue \$9.8M \*

 **Corporate Business up 5%**  
(excl Tutorfly)  
Revenue \$5.1M, Up 5% YoY

 **YTD CAPEX \$0.9M**  
v \$2.7M in PY

 **915,000**  
Global Lessons For Half

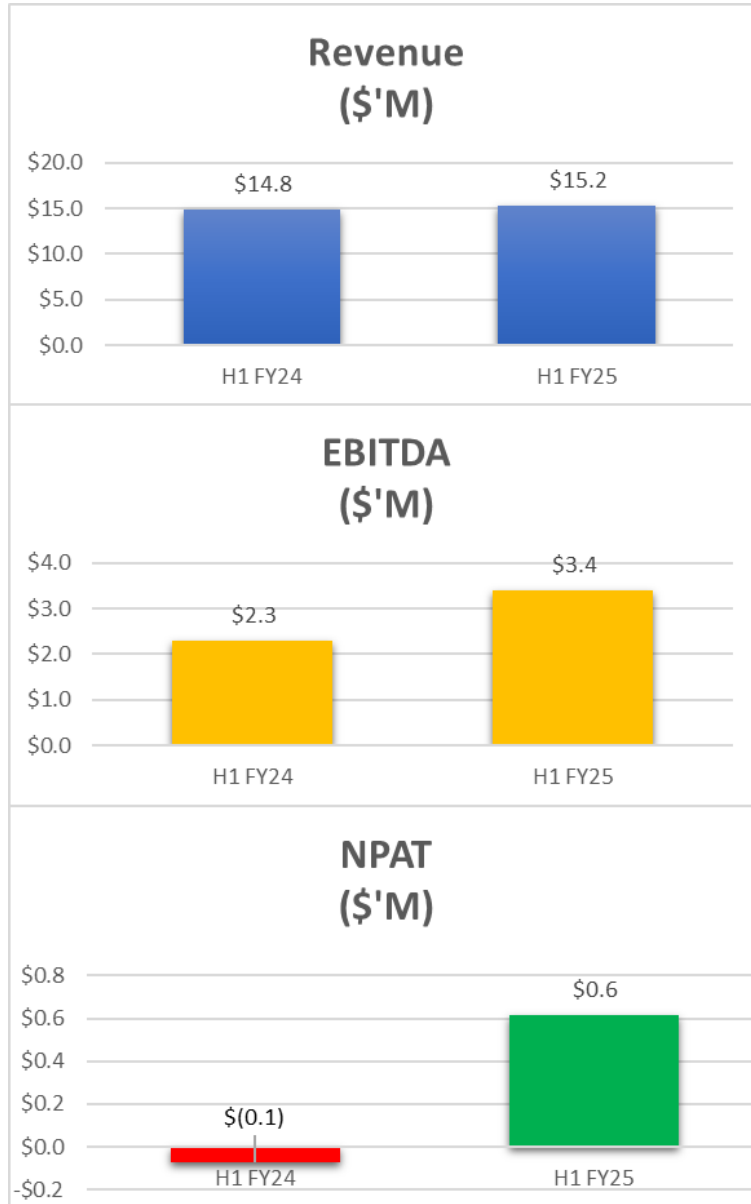
 **\$52.9M up 4.8%**  
Global Network Billings

 **430**  
Global Centres

 **39**  
Corporate Centres

• Franchise business includes franchise fees, National Advertising Contributions, Sales of master territories & franchise centres, and direct sales

# 1HY FY25 Key financials



## Franchise Network

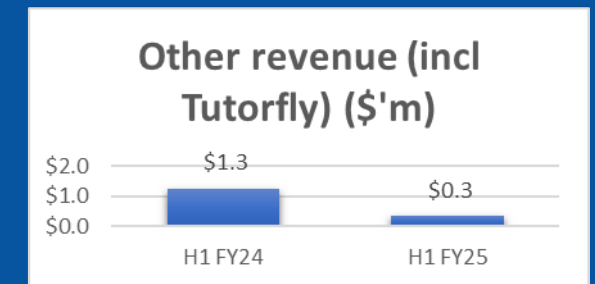
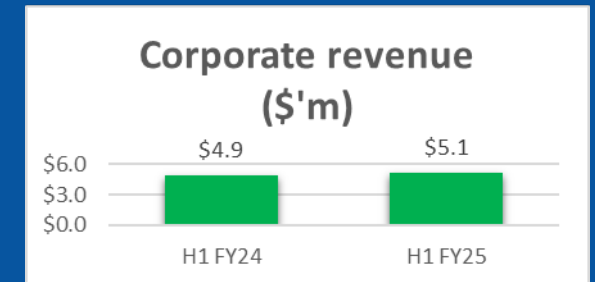
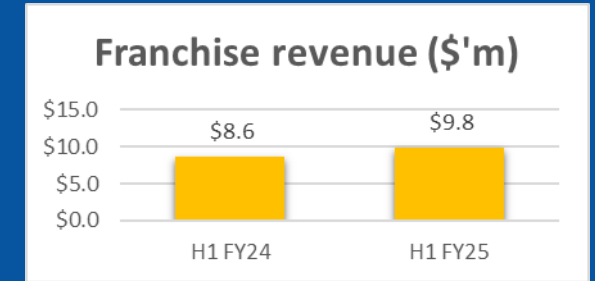
- Franchise business Revenues +13% YoY
- 430 active centres streamlined with focus on high-margin

## Corporate Centres

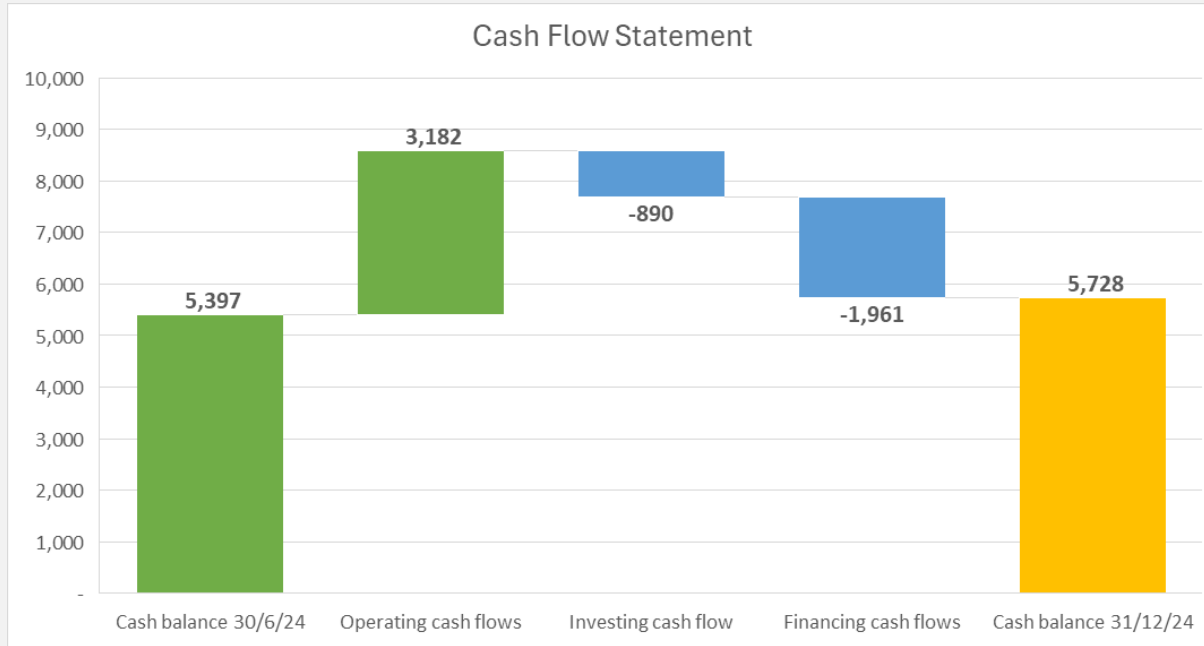
- Corporate Revenues +5% YoY
- Grown globally to 39 centres up from 35 compared to previous period, with a new UK centre open Jan 2025

## Tutorfly

- Revenues of \$0.3M substantially lower than LY (\$1.3M) reflecting uncertainty pre- and post-US elections and reluctance by schools to spend allocated funding on tutoring
- Pivoting to new products to meet changing customer demands



# 1HY FY25 Key financials - Cash Flow



## Highlights

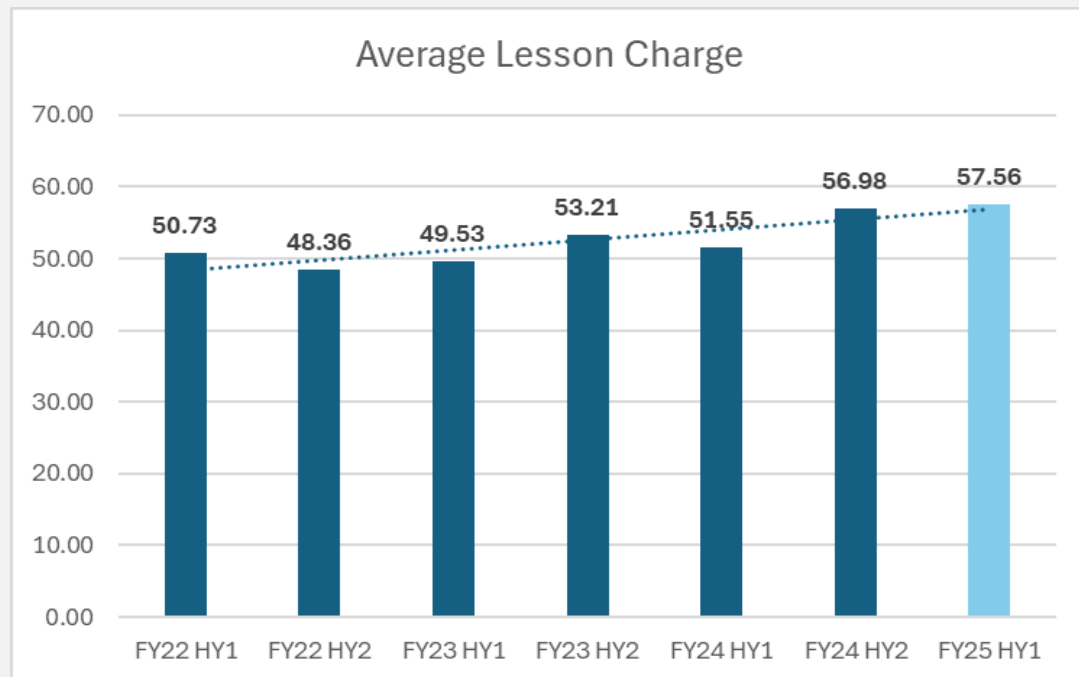
- Higher operating cash on the back of strong EBITDA and working capital management
- Investing cash flow reduced by tightly controlled capex spend
- Financing cash flow include repayment of \$1.4M US-denominated debt facility
- Revised AUD-denominated facility negotiated totaling \$1.85M providing enhanced flexibility with a maturity date of 30 November 2027



- **Significant disruption in the US education sector around the US election with revenue down 78%**
- **Despite a large contract win, work for the bulk of schools was delayed in the lead up to the election - specifically school/district uncertainty regarding appropriation**
- **Since the election, the funding for tutoring from the federal sector has been frozen, impacting many operators in the industry**
- **However tenders for tutoring assistance continue to be issued and we continue to work with schools on these opportunities using our core global system capabilities to provide efficient solutions**
- **Even with current headwinds, we remain optimistic on the growth potential in the medium term for Tutorfly in the US market**

# Our Core Business Drivers

Key focus areas driving shareholder value

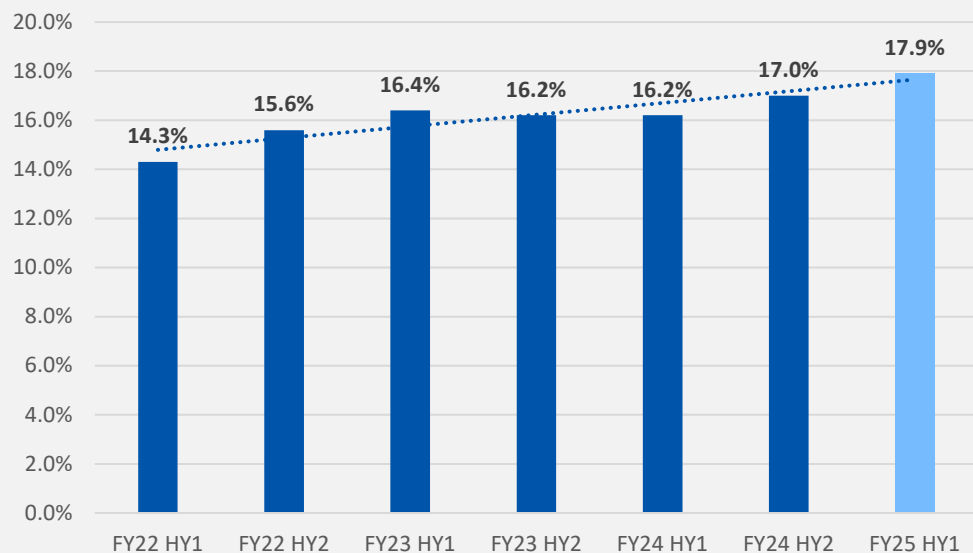


## Core Business Driver - Average Lesson Charge (AUD per week)

To sustain healthy margins, lesson pricing must strike a balance between competitiveness, customer value, and investment in quality educators and premium tutoring systems. With modest price adjustments in key markets during this period, average lesson fees continue to rise.



Average Franchise Fees



## Core Business Driver - Franchise Fees Percentage

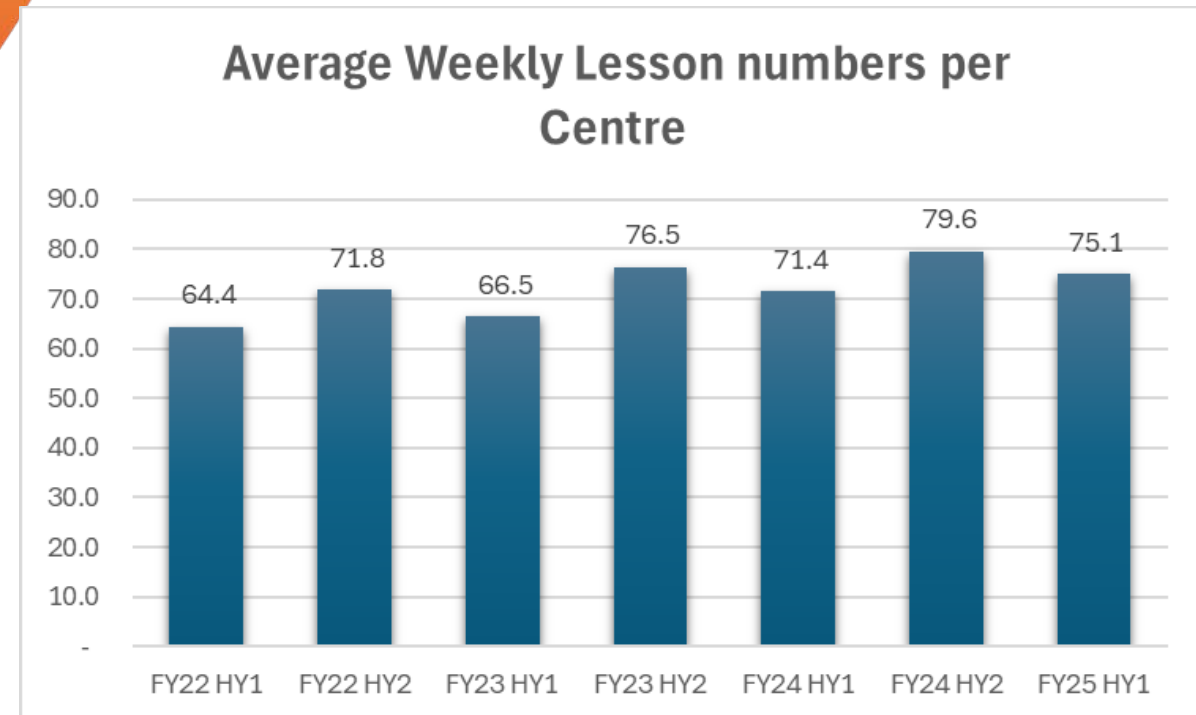
The transition to more Gold Partner contracts (which carry a 20% franchise fee compared to 10% for Silver) is driving an increase in overall franchise fee percentages.

Year to date, the growing number of Gold Partners continues to enhance the average franchise fee.

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

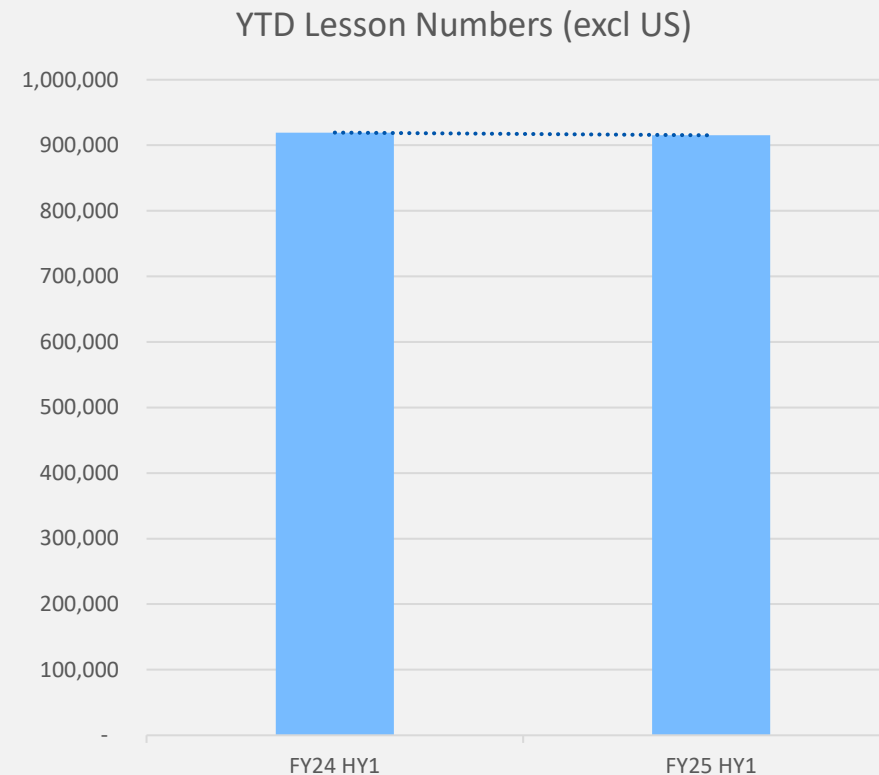
Globally, new training and software updates are driving adoption of 48 and 52 week tutoring packages, up from the traditional 40 weeks.

For the half year to December 2024, weekly lessons per centre were 75.1, comparable to the FY24 HY1 period of 71.4.

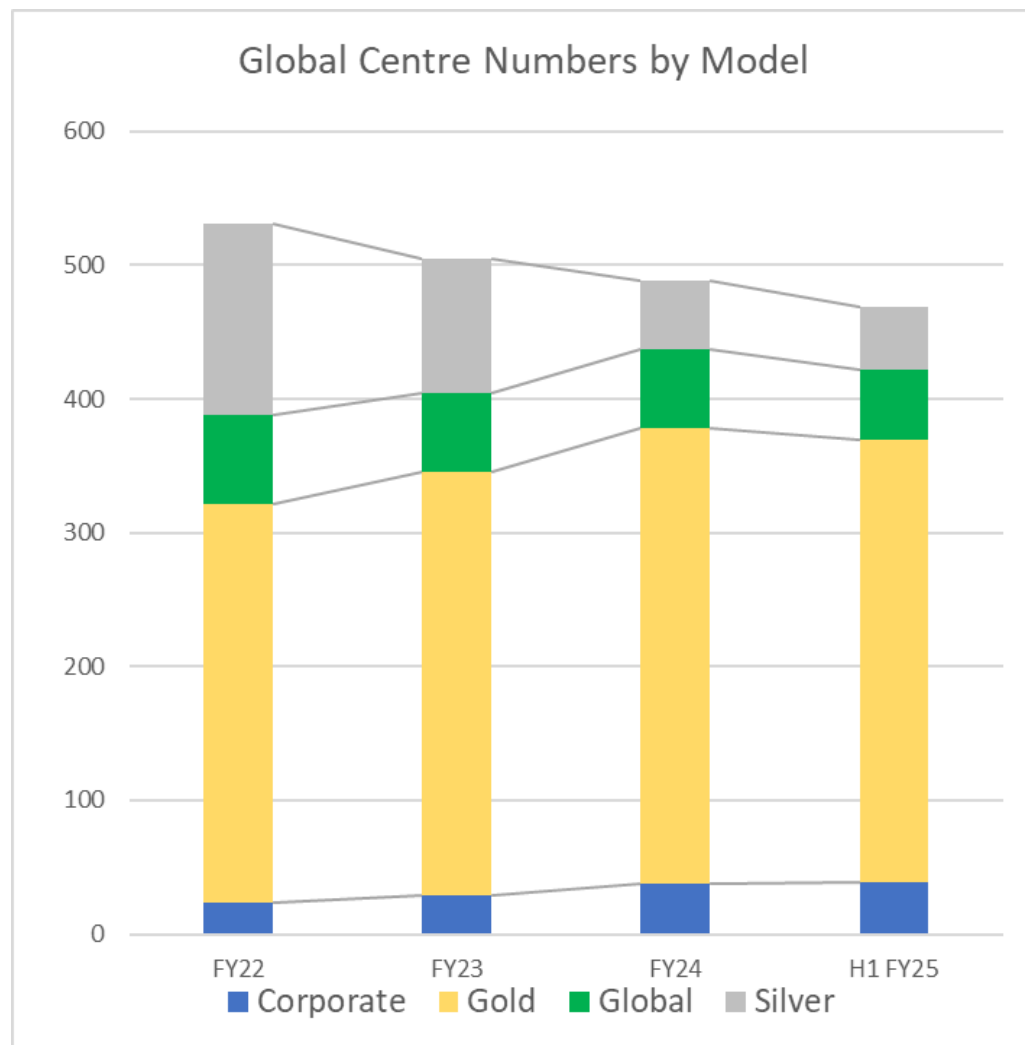


## Core Business Driver - Centre Lesson Numbers

Our business strategy focuses on increasing revenues and margins by enhancing the quality of tutoring lessons and maintaining high standards at our centres. Strong lesson enrollments underscore our strength, highlighting customer retention as a crucial metric. Despite significant economic challenges across all major markets, lesson numbers at our Education centres globally have remained steady (0.4% decline).



# 469 Global Centres



## Core Business Driver - Centre Numbers

Physical centres continue to be a cornerstone of Kip McGrath's global operations. We are dedicated to equipping every centre with cutting-edge technology to ensure top-tier teaching quality. This commitment is reflected in our global transition toward Corporate Centres and Gold Partners - our highest service-level franchise agreements.

(Global contracts related to centres in locations where Gold Partner services are not available)

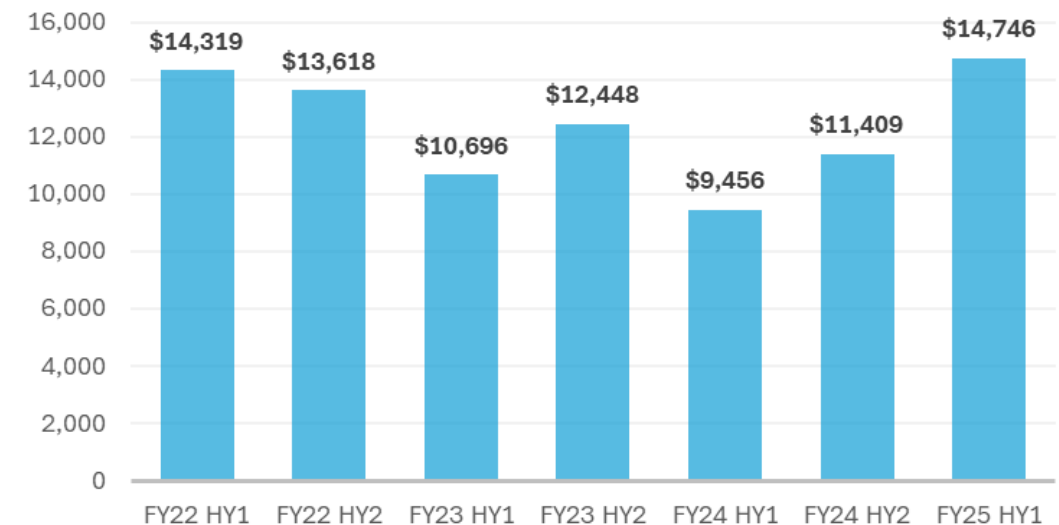
## Core Business Driver - Contribution Margin per Centre (AUD)

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

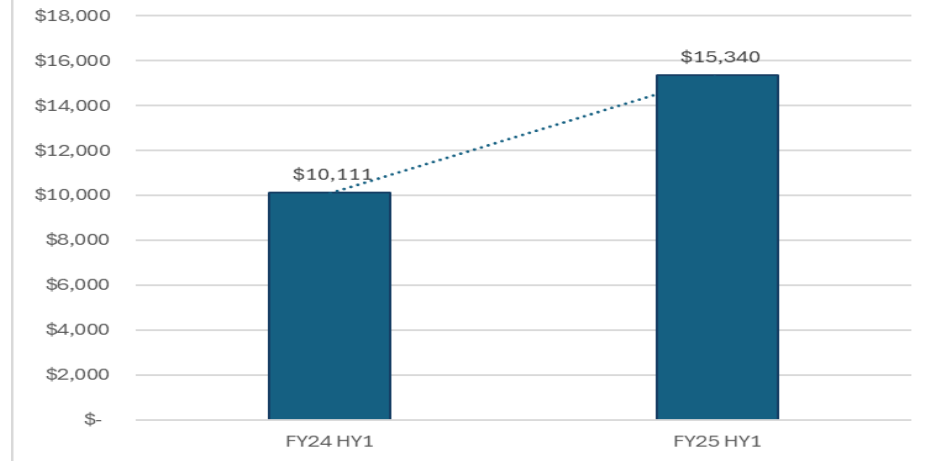
Total EBT Contribution Margin per Centre



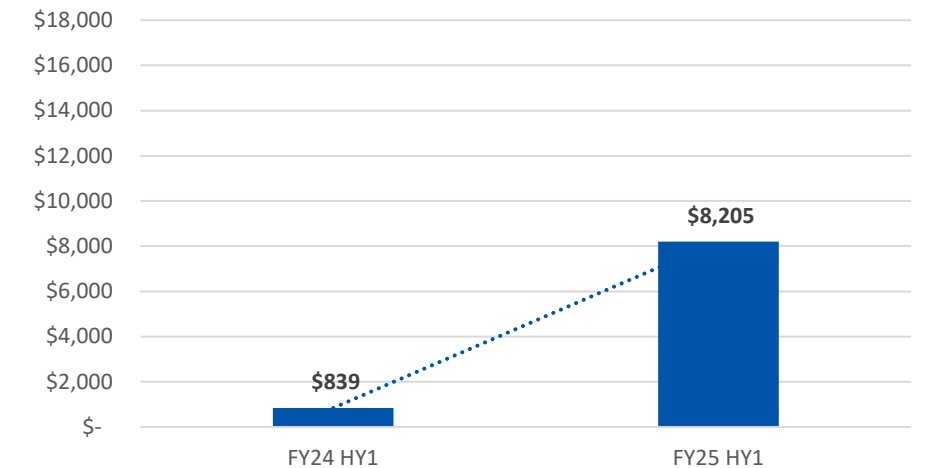
## Contribution Margin per Centre (AUD)

- Both Franchised and Corporate centres contributed solid margins with focus on productivity improvements
- Continuing plans to grow corporate centre numbers in APAC, UK and US markets
- US Centre now operational and establishing a brand presence in the Frisco, Texas market - but not yet contributing margin

Franchising EBT Contribution Margin per Centre



Corporate Centre EBT Contribution Margin per Centre



# Update on progress with Focused AI tools

## Focus 1

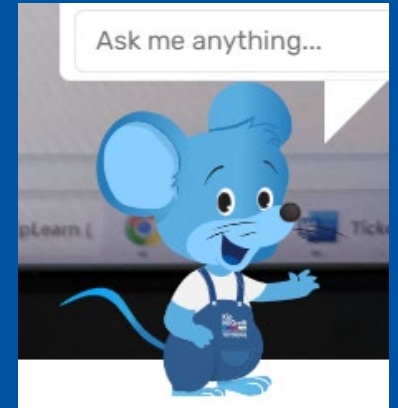
**Automated lesson notes - Improving retention and reducing fixed cost per centre where we have implemented teacher student reports**

## Focus 2

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

## Focus 3

**Interactive lesson assistant now rolled out to students to provide additional education support**



Monty

***Microsoft Funding Partnership to develop enhanced lesson experiences for US market is providing strong support on approaches to maximise value***

# Outlook

- Enhanced technology is increasing margins
- US government policy impacts remain high risk to Tutorfly growth but optimistic on medium term
- CAPEX down significantly with key technology updates now complete
- Strong cash flow with return to paying a dividend
- For FY25 full year, anticipate consistent revenue and profit growth with a continued focus on Return on Capital





# Questions

