

Kip McGrath provides FY25 Trading Update (unaudited) and USA announcement

24 June 2025 : Kip McGrath Education Centres Limited (ASX:KME) today provides a trading update (unaudited) for FY25 and announces it is ceasing funding for and subsequently will exit from its USA Businesses.

Kip McGrath's Executive Chair, Mr Damian Banks, said "Today we are announcing an underlying FY25 trading update as well as a number of non-recurring charges to be taken during the half. We are also announcing that we will cease funding and will therefore exit from the USA operations of Tutorfly and closure of our Frisco tutoring centre effective 27 June 2025. The expansion of the Kip McGrath business into the USA has proved to be uneconomic and likely to remain so even if persevered with by the Company.

The Tutorfly business that was acquired to spearhead the USA expansion has not proved to be a sustainable business model. Under the weight of operating losses (circa A\$1.4m in FY25), the Board has decided against investing further capital. We are grateful for the support of the students, parents, schools and our staff who have partnered with us.

As a consequence of this decision the USA operations will be reported as a discontinued business and our investment and deferred tax assets will be either fully impaired or written off. In addition, we will recognise the exit costs as part of the discontinued business.

The company has recently announced our new CEO, Melinda Smith will commence in the second half of 2025. The company will be recognising the contractual entitlements, and legal and recruitment costs of the changeover of CEO as outside of the underlying results.

Finally, the Company having transferred its registered office from Newcastle to Sydney, will recognise the vacated Newcastle premises as an onerous lease, outside of the underlying results presented."

Revenue Guidance (unaudited):

AUD'000	FY25	FY24	%
Total Revenue	\$31.0m - \$31.3m	\$32.2m	(3.7-2.8)%
US Revenue (discontinued)	\$0.4m	\$3.4m	(88.2)%
Underlying Revenue (ex US)	\$30.6m - \$30.9m	\$28.8m	6.3-7.3%

Underlying and Statutory EBITDA Guidance (unaudited):

AUD'000	FY25	FY24	%
Underlying EBITDA	\$8.1m - \$8.5m	\$7.0m	15.7-21.4%
USA Discontinued EBITDA*	\$(2.0)m	\$(0.4)m	(400)%
CEO Changeover costs	\$(0.5)m	-	n.a.
Onerous Lease – Newcastle	\$(0.2)m	\$(0.1)m	(100)%
USA Asset Write-off	\$(5.0)m	-	n.a.
Statutory EBITDA	\$0.4m - \$0.8m	\$6.5m	n.a.

*including \$0.6m exit costs

Discontinued Business item included in the Tax line:			
USA Deferred Tax Asset Impairment	\$(0.6)m	\$(0.3)m	(100)%

Cash position 31 May 2025 and Capital Considerations

The company's (unreserved) cash balance as at 31 May 2025 was \$4.7m (30 June 2024: \$3.2m) with no bank term debt (30 June 2024: \$1.4m).

The Board is currently reviewing the company's capital management strategy including the potential dividends and/or buybacks. Any final decision on these items is expected to be made at our full year's results announcement in August 2025.

Authorised for release by the Board.

For enquiries, please contact

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