



To protect & support every child's digital journey

# COMPANY DAY

## AUGUST 2022

ASX: FZO





# About

Our mission is to save and better children's lives; to empower parents; to deliver for tomorrow's educators and be a key influencer in cyber safety globally. We seek to deliver for our staff their best ever employment experience and deliver exceptional returns for our investors.



**Peter Pawlowitsch**  
Chairman



**Tim Levy**  
Managing Director



**Crispin Swan**  
COO & Director



**Dr Jane Watts**

**Non Executive Director**

NED Liberty Financial Group  
NED Orygen Youth Mental Health Foundation  
NED Westpac Foundation

*Formerly:* Senior Executive at Westpac, BT Financial, Macquarie, MLC and Lend Lease.



**Matthew Stepka**

**Non Executive Director**

Managing Partner, Machina Ventures  
Lecturer, Berkeley

*Formerly:* VP of Operations & Strategy at Google; GM at Drugstore.com and CEO/Founder of Big World Travel.



**Georg Ell**

**Non Executive Director**

CEO Memsources  
Venture Partner, Craft Partners

*Formerly:* CEO at Smoothwall; Director or Europe at Tesla; GM Sales at Yammer and Senior Sales Executive Microsoft.



## On the call today



**Eduardo Cruz**  
CEO Qustodio



**Gavin Logan**  
VP UK



**Ross Young**  
VP North America



**Jordan Foster**  
Chief E&W



**Viktorija Miliujeva**  
Marketing, Qustodio

**Ben Jenkins**  
joins as CFO this month



**Product fit**  
Establish market leading  
platform and proposition  
and winning products.

**Break-even**  
Achieve operating cash  
flow break-even

**Scale**  
Scale customer base until  
SaaS leverage kicks in

WE ARE  
HERE

**Our commercialisation journey**



# Tim Levy FY 2023 Review and June Qtr



## Qtr Highlights

*"This quarter we once again broke sales records and achieved a remarkable 132% Net Revenue Retention. All SaaS metrics are world class and on the rise. We confidently enter the December half fully funded with strong industry tailwinds; pro-forma \$77 million of ARR and with world leading products and a strong sales pipeline."*

Tim Levy, Managing Director



### Record growth in Recurring Revenue

\$5 million organic ARR added \*



### Record cash collections

\$11.6 million collected nett of channel comms



### World class SaaS metrics

132% NRR, 82% Gross Margin, < 4% Churn \*



### Agreed a merger with Qustodio

Parental controls category leader. Completes 1 Aug.



### Successful institutional capital raising

Completed \$42 million raising and now fully funded

\* NRR = Net Revenue Retention. Gross Margin is after IT, Data & Hosting, Hardware and Selling Costs. Recurring Revenue or ARR includes effective costs of selling through resellers and channel partners.





## AT A GLANCE

San Diego

Charlotte

Orlando

Leeds

Barcelona

✓ 12M students

✓ 24K schools

✓ 38% of UK schools

✓ 16% of US districts

✓ 340K parent accounts \*

✓ \$77 million ARR \*

Perth

Sydney

Melbourne

Auckland

# Family Zone; the global leader in online safety

Family Zone is the only truly global provider of online safety technology offering solutions in K-12 and parental controls.

\* Proforma ARR inclusive of Qustodio. Merger of Qustodio with the Company is to occur 1 August 2022.



Industry



## The online safety industry is growing and funding is expanding

Growing awareness of online safety and new technologies are driving massive expansion of funding in edu-tech and safety-tech.



U.S. Department of Education

Student Loans

Grants

Laws

Building on President Biden's Unity Agenda, Education Department Urges Colleges to Use American Rescue Fund to Provide Mental Health Supports to Students

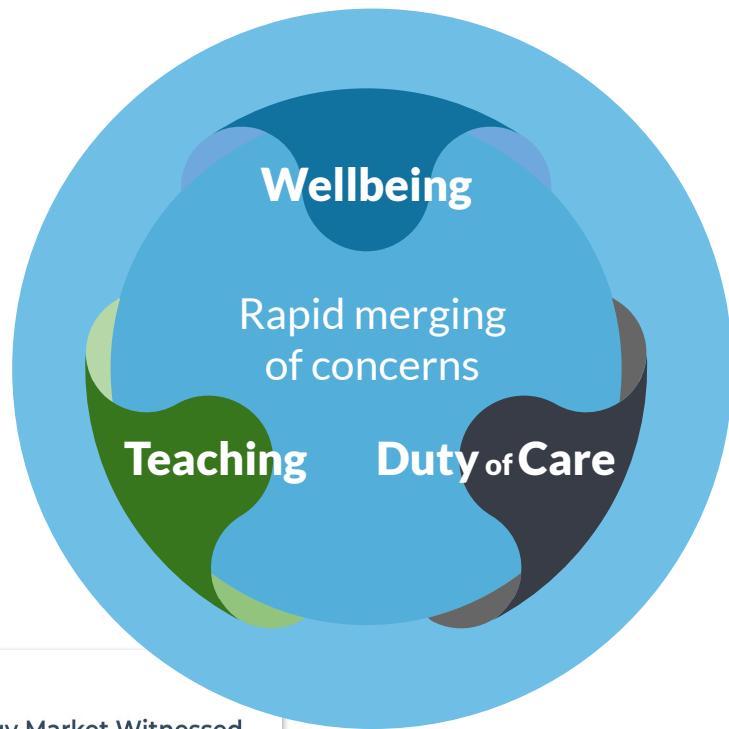
MAY 19, 2022

### SKYQUEST

**Global Education Technology Market Witnessed Gold Rush of Investors, Secured \$35 billion Funding in just Two Years as Market is Eyeing to Surpass \$302 billion by 2028**

Global education technology market was valued at \$105.78 billion in 2021, and it is expected to reach a value of \$302.58 billion by 2028, at a CAGR of 16.20% over the forecast period (2022–2028).

July 21, 2022 10:11 ET | Source: SkyQuest Technology Consulting Pvt. Ltd.





# FY2022 Achievements

*In FY 2022 Family Zone was transformed. We enter FY 2023 with scale, international reach, \$77 million of ARR, world class SaaS margins and rates of net revenue retention.*





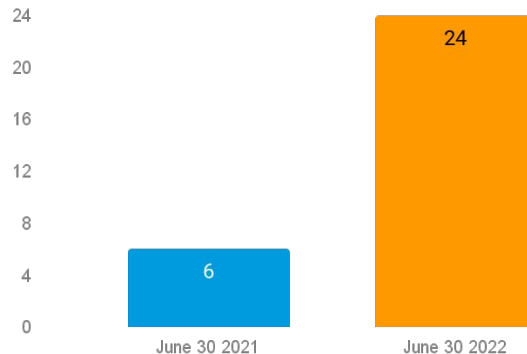
## FY2022 ACHIEVEMENTS

# in FY 2022 we ACHIEVED SCALE

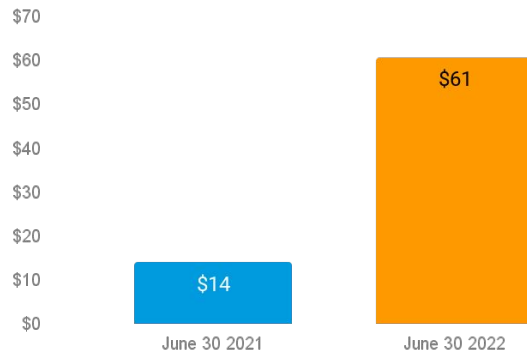
In FY 2022 we:

- ✓ Grew the # of schools serviced by **316%** (6K to 24K)
- ✓ Grew the # students services by **300%** (3M to 12M)
- ✓ Grew our K-12 ARR by **330%** (\$14M to \$61M)
- ✓ Organically grew our ARR by **96%**
- ✓ Reached 16% of US school districts (from < 10%)

School Clients  
Thousands



Annual Recurring Revenue  
AUD Millions







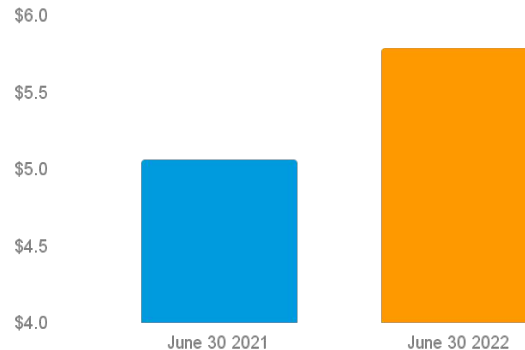
## FY2022 ACHIEVEMENTS

# in FY 2022 we **ACHIEVED LEVERAGE**

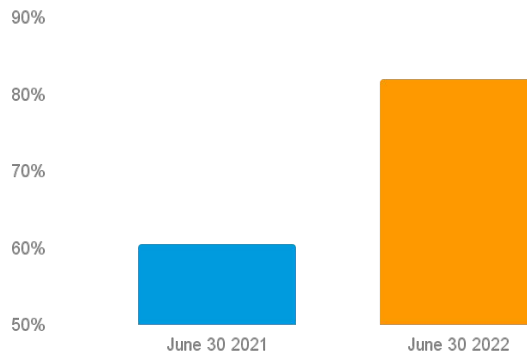
In FY 2022 we:

- ✓ Grew average revenue / student by **14%**
- ✓ Grew gross margin to **82%** (from 61%)

### Average Revenue per Student AUD (GAAP)



### Gross Margin % After IT, Hardware & Selling Costs

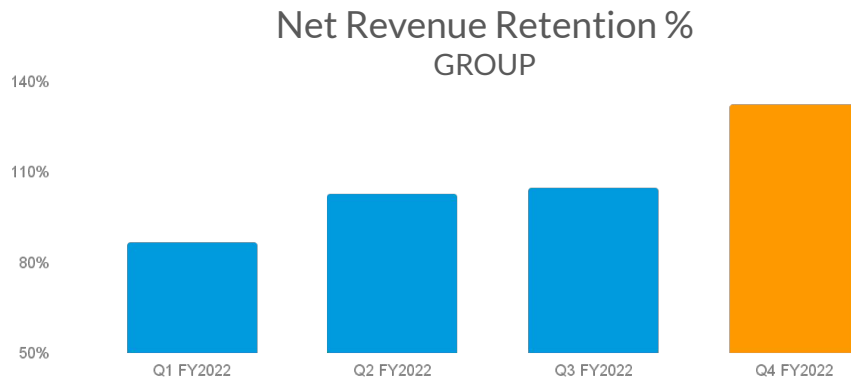




## FY2022 ACHIEVEMENTS

in FY 2022 we  
**TRANSFORMED**  
from a *gross* to a *net new* business

In FY 2022 we achieved massive growth in Net Revenue Retention growing from Qtr 1: 87% to Qtr 4: 132%.

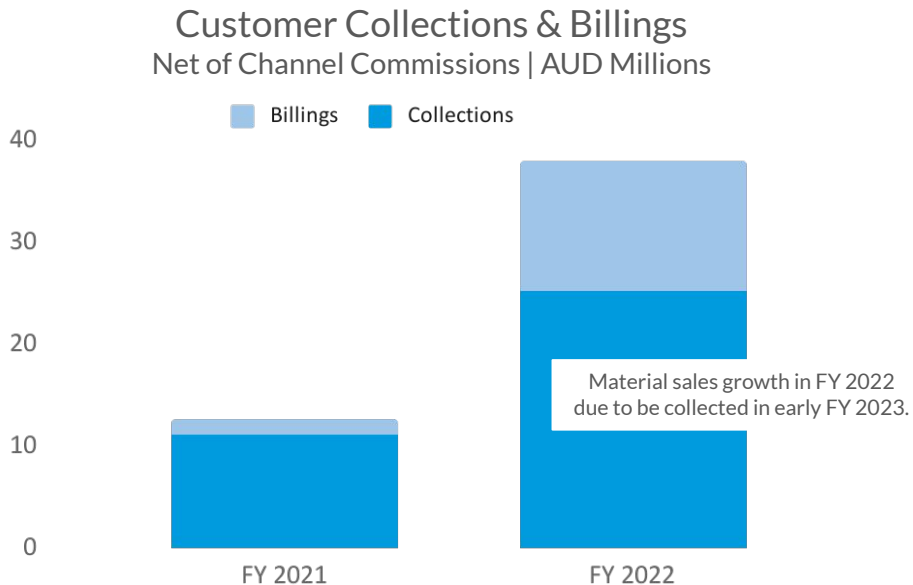




## FY2022 ACHIEVEMENTS

# in FY 2022 we converted **ARR to CASH**

In FY 2022 we billed \$38 million and achieved **125%** growth in customer cash collections.











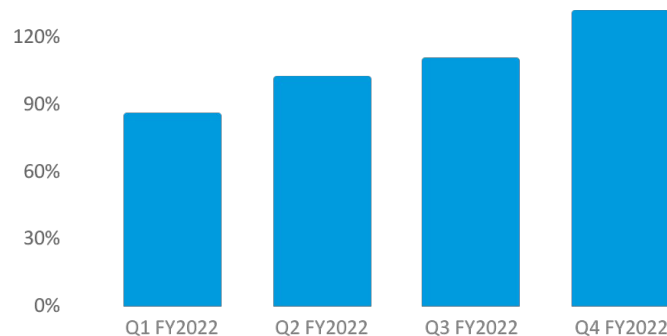
## Sales and renewals

Driving growth in NRR and revenue / student

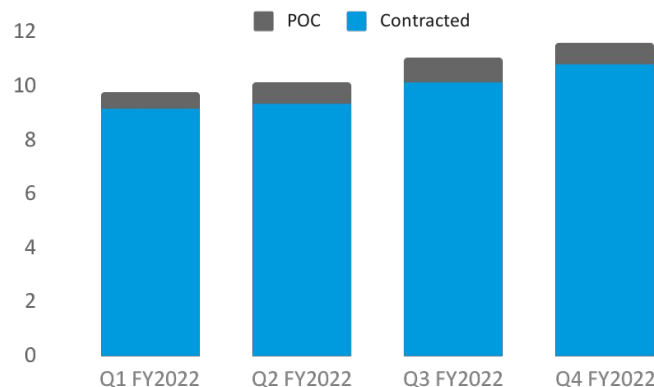
### Highlights

- Added ~\$5 million of ARR
- US added ~ \$4.5 million of ARR
- Achieved 132% Net Revenue Retention
- ARPs on deals doubled in 12 months (\$4.5 > \$9)
- Passed through 12 million students
- Passed through 24 thousand schools

Net Revenue Retention  
Group | % or Renewal Deals in Qtr



Student Licences  
Group | Count | Millions





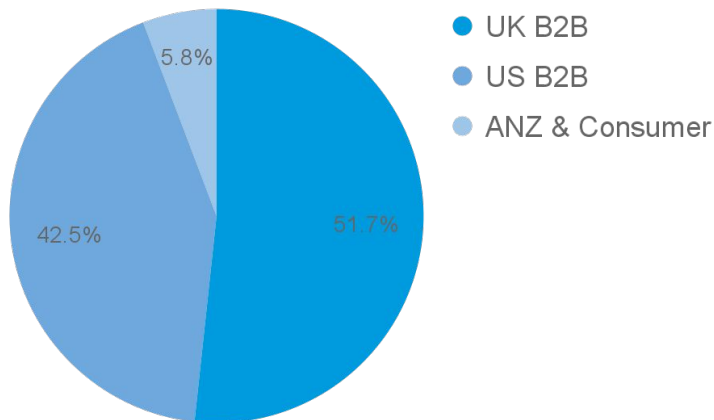


# Annual Recurring Revenue

Record organic growth in revenue

## Highlights

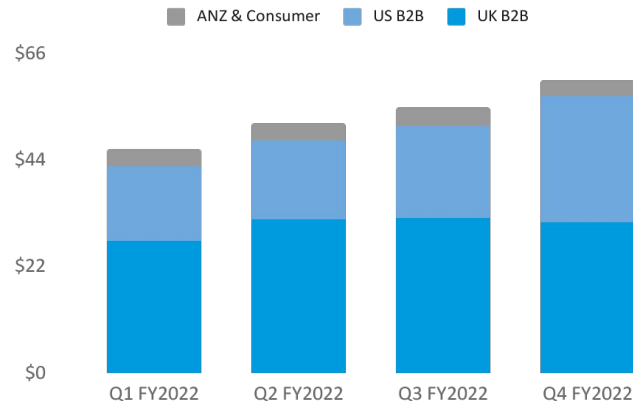
- Added ~\$5 million of ARR
- Ended with circa \$61 million ARR
- UK: 52% (from 59%)
- US: 42% (from 34%)



NOTE: These charts exclude Qustodio. These will be incorporated in the September quarter.

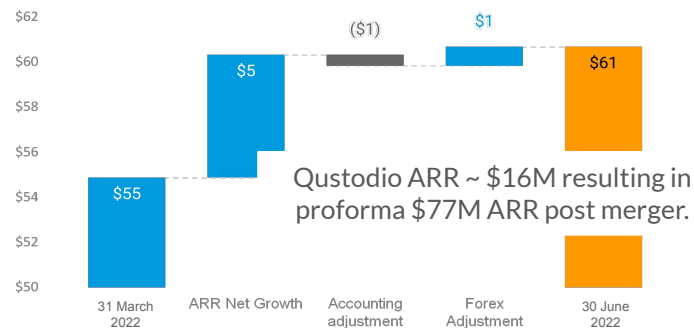
## ARR by Region

Group | AUD Millions



## ARR Waterfall

Group | AUD Millions







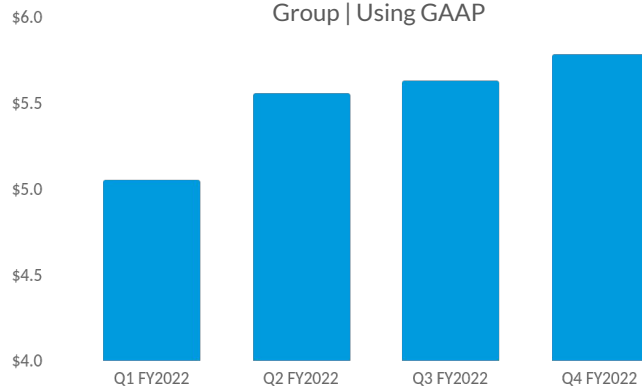
## Operating leverage

Continuing improvements

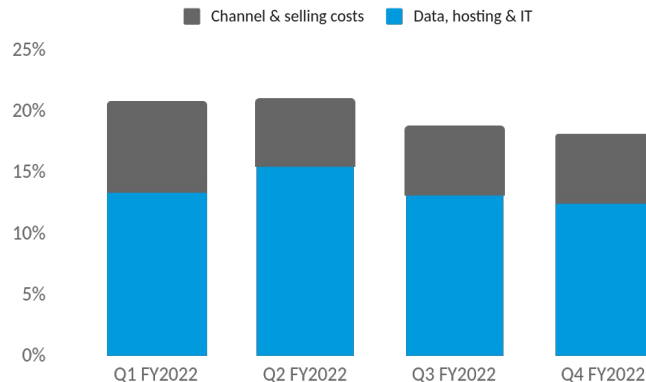
### Highlights

- Cross selling delivering ARPS growth
  - GAAP going from ~\$5 to ~\$6 pa
  - Target K-12 ARPs is \$10 pa
- Direct costs / student continue to fall
- Industry grade margins > 82%
- Margins to increase with integration of Qustodio

Average Revenue per Student  
Group | Using GAAP



Direct Costs by Category  
Group | % of ARR







## Community & B2B2C

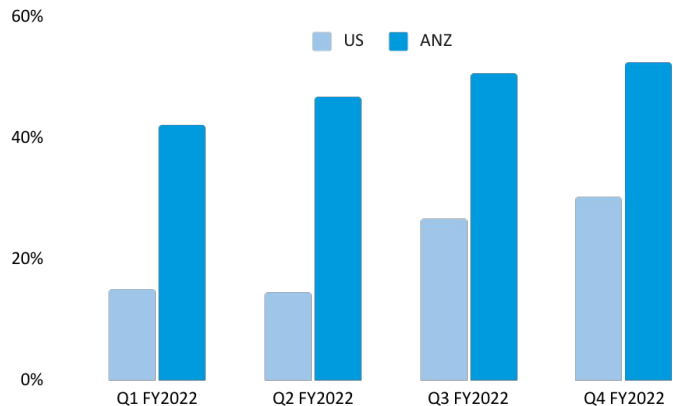
Launching category leader Qustodio in August

### Highlights

- Roll out of Community kicked up in preparation for launch of Qustodio this quarter
- Over 30% US districts sign-up
- Qustodio integration is live and customer trials start this month
- Company is looking forward to a mass launch in coming months

### Community Penetration by Region

Group | % of Clients with a Community Hub







# Capital Management

Driving towards positive operating cash flow

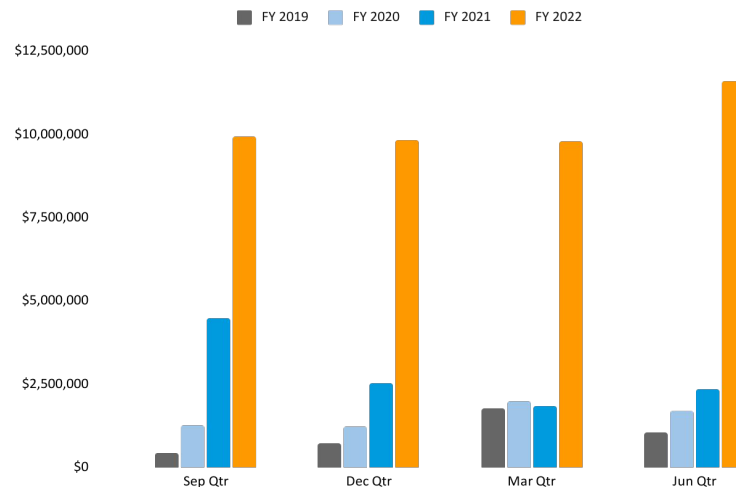
## Highlights

- Collected a record \$12 million in the Quarter
- Continued focus on managing cash costs
- Share based pay & ESS containing wage inflation
- Stable costs and predictable sales growth driving the company to cashflow breakeven
- Ended the quarter with \$43 million in funds

Adjusted 4C Cashflow	Dec 2022	Mar 2022	Jun 2022
Direct Costs	(\$2,405)	(\$2,571)	(\$2,306)
Variable Staff	(\$4,534)	(\$4,363)	(\$4,934)
Fixed Staff	(\$6,490)	(\$7,508)	(\$7,577)
Fixed Other	(\$3,655)	(\$2,718)	(\$2,798)

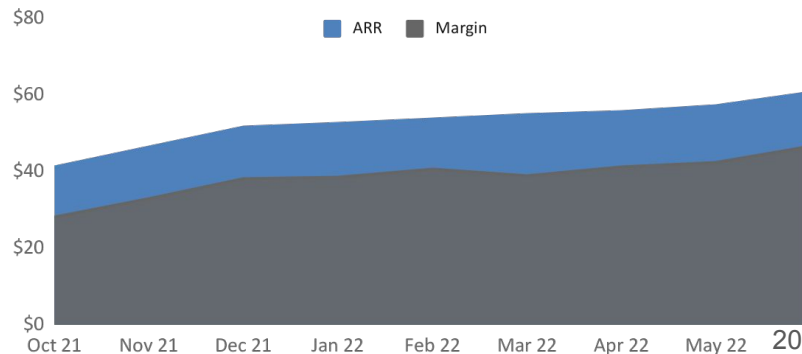
Normalised quarterly cash outflows in AUD Thousands.  
Adjusted for one-off / non-operational flows & timing.

## Customer Receipts | Group | Nett of Commissions



## Run Rate ARR and Contribution

Group | AU\$ Millions







## Outlook

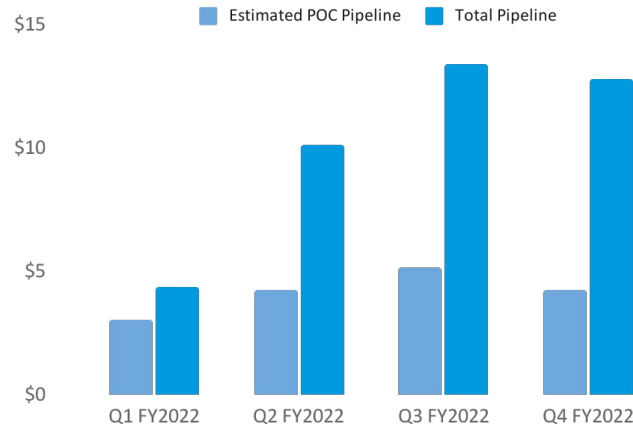
Product & funding expansion driving growth

### Highlights

- Strong K-12 pipeline circa \$12 million
- Qustodio transaction completed and Qustodio B2B2C launching this CY
- Net Revenue Retention / cross & upsells a continued focus
- Product expansion into “Wellbeing” this FY
- Driving towards operating cash flow break even in FY 2023

### B2B Sales Pipeline

Group | AU\$ Millions







AVAILABLE FUNDING	\$43M <sup>5</sup>
ORDINARY SHARES	857,795,699
MARKET CAP (@35c)	\$300M
TOP 20 SHAREHOLDERS	63%
FOUNDERS & EXECUTIVES	4%

## Notes

At 24 July 2022

1 Remaining Linewize acq securities have target of NZ\$9.25M ARR from NZ and Linewize technology.

2 Exec salaries received PRs in lieu of cash

3 Employee incentives time based milestones

4 Various performance based targets

5 Includes \$33M cash as at 30 June 2022 & \$10M undrawn WC facility described on the next page

## Perf Shares/Rights 47,225,670

\$9.25m Rev' from NZ<sup>1</sup> 3,000,000

Exec salaries<sup>2</sup> 3,734,702

Employee<sup>3</sup> 14,405,968

Employee & Exec<sup>4</sup> 26,085,000

## Options

16,337,500

21c (expiring 2022) 1,537,500

18c-24c (expiring 2023) 2,700,000

50-68c (expiring 2025) 5,000,000

ZEPOs (expiring 2024) 2,000,000

60c (expiring 2026) 5,100,000



A photograph of three young people, two boys and one girl, smiling and holding a large American flag. The image is overlaid with a semi-transparent blue filter. In the background, a yellow school bus is visible.

# Ross Young / Crispin Swan US K-12 Online Safety





## Market overview

### World's largest online safety market

- ✓ 135k schools & 57m students
- ✓ Required to filter by law
- ✓ Mature budgets, market & channels
- ✓ CIPA drives the market

#### Categories

- ✓ Compliance
- ✓ Classrooms
- ✓ Safeguarding
- ✓ Wellbeing
- ✓ Online safety education
- ✓ Parents

#### Estimate TAM

- ~ US\$2-300M
- ~ US\$3-400M
- ~ US\$3-400M
- ~ US\$3-400M
- ~ US\$1-200M
- ~ US\$3-4,000M

DISTRICTS  
**13,800**

SCHOOLS  
**135,000**

STUDENTS  
**57m**

FAMILIES  
(WITH CHILDREN)  
**84m**



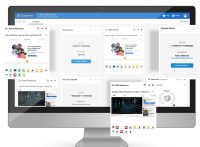


## Our ecosystem, market trends & why we win



### School Manager

An education-focused filtering and reporting platform enabling schools to positively guide every student's digital journey.



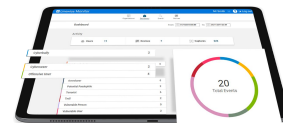
### Classwise

A teacher dashboard providing screen visibility of all devices in class, helping to keep students learning and teachers teaching.



### Community

Community Education via an OS Hub, parent, teacher & student webinars and the Qustodio App for parent visibility & engagement



### Monitor

A proactive monitoring tool to help schools detect online & offline risks before they become real-life incidents.

## Key Market Trends

- Increased funding for digital safety. Large untapped market at premium price points
- Channel Partners seeking to consolidate suppliers
- K-12 recognition parents need to be part of the solution
- Filtering pricing pressure to be outpaced by increasing Monitor yields

## Why We Win

- The quality and passion of our People
- The quality of our Support
- The competitiveness of our Ecosystem
- The strength of our Channel partners
- The Vision of our Company



## FY 22 Highlights

USA	July '21	July '22	Change
Students	2.5M	4.7M	88%
Schools	3,476	9,085	161%
ARR	US\$6M	US\$18M	200%
NRR	90%	150%	67%
Retention	94.7%	95%	3%

*"The USA has continued to win meaningful market share in the traditional filtering & Classroom management domains, whilst achieving extremely high customer retention rates. Pleasingly Monitor has seen significant uptake at premium prices which sets us up for a very exciting FY23".*



**Record growth in Recurring Revenue**  
\$US ~12M of ARR added = 200% growth



**Record Monitor Sales Growth**  
Monitor 1% of US students inside 8 months



**Retention & Net Retention**  
Delivered >150% NRR in June qtr



**Continued strong gross Retention**  
Industry leading renewals > 95%



**Strong Pipe Creation & Win Ratios**  
Outstanding pipeline consistently > \$10 million





# FY 23 Outlook

*"We've built the platform to support continued exceptional rates of growth in NA, with opportunities now to "go up market".*

*Changes to team structures will support continued low retention rates and high Net Revenue Retention via dedicated Up/xsell teams.*

*With multi-product bundling and the expected success with Monitor as a premium offering, we are confident in driving meaningful increases in ASP & ARPU.*

*Parental engagement will be taken to a new level with Qustodio and what they bring the table".*



**Increases in Federal Funding for K-12**  
Will create new budget streams for Monitor



**Drive continued market domination**  
Achieve high double digit ARR & ARPU growth



**Continue extremely low churn < 10%**  
Implementation of ChurnZero & team restructuring



**Bring Qustodio to USA parents**  
Extend the success of the OS Hub for parental engagement & eventual upsell to Q Premium



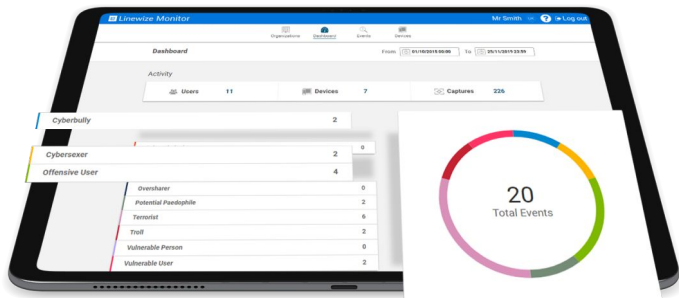
**Accelerate growth in Monitor**  
Target ~3% of students by end of FY23



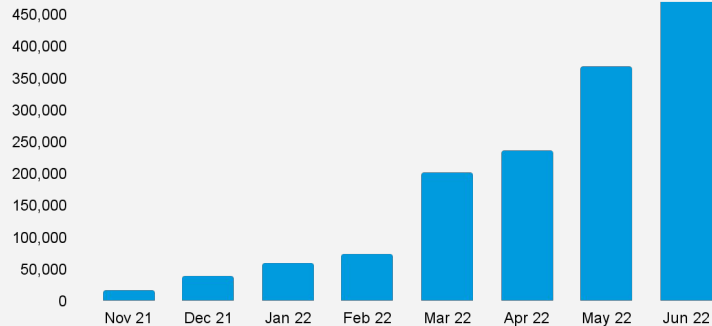


## Monitor in the US

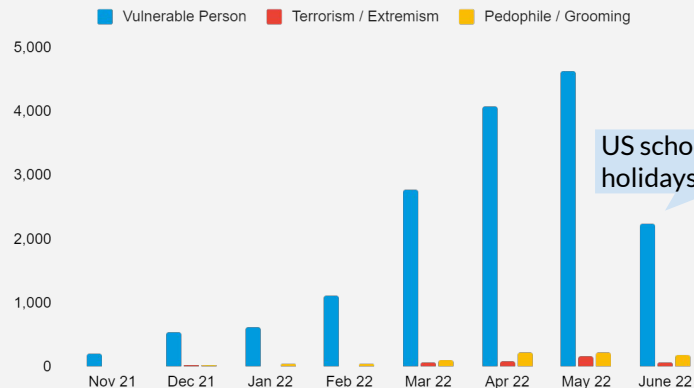
- Fast growing category, driven by increasing concerns and new funding
- We now protect 1% of US students - within only 8 months of launch



Users of Linewize Monitor  
US Only | Count



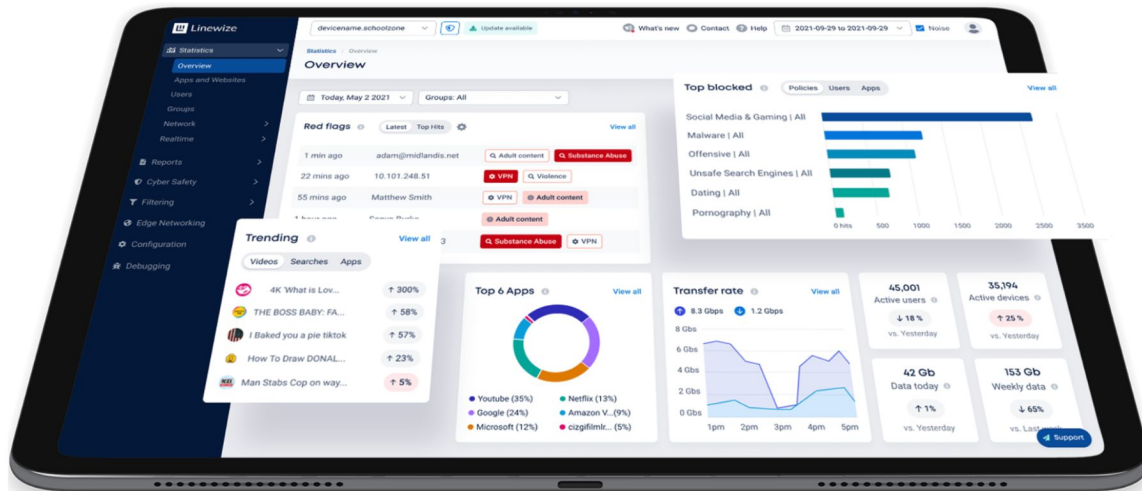
Level 5 Events  
US Only | Count







# Product Demonstration





The background of the slide is a blue-tinted photograph of a young child with blonde hair, wearing a light-colored shirt, holding a large Union Jack flag. The child is looking down at the flag. The entire image is overlaid with a semi-transparent blue filter.

# Gavin Logan / Crispin Swan

## UK K-12 Online Safety





## Market overview

### Mature leader in safeguarding

- ✓ 28k schools & 12.2m students
- ✓ Progressive safety regime (KCSIE)
- ✓ Mature budgets, market & channels

#### Categories

- ✓ Compliance
- ✓ Classrooms
- ✓ Safeguarding
- ✓ Wellbeing
- ✓ Online safety education
- ✓ Parents

#### Estimate TAM

- ~ AU\$40-50M
- ~ AU\$25-30M
- ~ AU\$70-80M
- ~ AU\$30-40M
- ~ AU\$50-60M
- ~ AU\$5-700M

MATs  
**1,500**

SCHOOLS  
**28,000**

STUDENTS  
**12.2m**

FAMILIES  
(WITH CHILDREN)  
**19.4m**





# Market Trends & why we win

## Key Market Trends

- KCSIE continues to drive awareness and accelerating demand for Digital Safeguarding
- Ongoing consolidation of standalone schools into MATs
- Acceleration of school one-to-one programs
- Continued academization offering new opportunities for new and growing MAT's (some from our own base)
- Other vendors pushing solely cloud - this is why our hybrid definition is so important
- Growth of IPAD utilisation in the market

## Why We Win

- Reputation - we are a trusted pair of hands
- Consultative sales approach from our Sales teams and Channel partners
- Deployment flexibility across product set
- The quality of our Filtering, Firewall & Monitoring products
- Proactive in response to legislation - influence legislation, UK edu focus meaning we take care of meeting with new amendments for prospects & clients
- True human moderated Monitoring service that integrates into record management



# FY 22 Highlights

UK	July '21	July '22	Change
Students	5.6M	5.8M	4.3%
Schools	11,707	12,393	5.9%
ARR (GBP)	£16M	£18M	14%
NRR	109%	110%	8.3%

*"UK has gone from strength to strength throughout FY 22 with records broken in ARR growth, win ratios and retention. Monitor continues to exceed all predictions with not only new and cross sales but with incredible ARPU growth, Gross and Net Retention!"*



**Significant growth in Recurring Revenue**  
£ 2.5m of New & Cross Sell added



**Record Monitor Sales Growth**  
37% growth, APRU £3.82, ARR Grown to £4.7m



**Retention & Net Retention**  
93% Gross Retention & 109% Net Retention



**Fantastic Monitor Gross & Net Retention**  
112% Gross Retention and 136% Net Retention



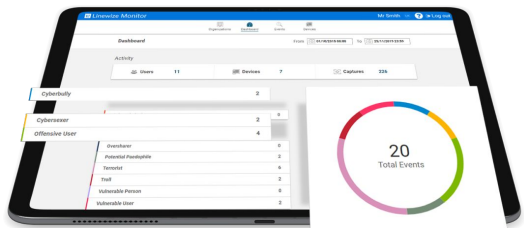
**Strong Pipe Creation & Win Ratios**  
£3.2m of pipe created - Won 77% of deals bid on





# How Monitoring is Saving Children's lives in the UK

Early identification of a risk, means early intervention and improved student outcomes. Educators can focus on the business of educating knowing that their students and digital devices are protected both online and offline.



## Serious Risk

### Every 5 Minutes

Detected a child at serious risk - 71% increase in previous year

## School Testimony

"We had a sixth form student who typed something extremely concerning as a cry for help and it enabled us to get safeguarding colleagues to them within a matter of minutes. They said I typed it because I knew someone would be watching"

## Predators/Grooming

### 3 incidents a day

We detected a potential pedophile

## Cyberbullying

### Every 22 Minutes

Found a child involved in serious cyberbullying incident

## Saving a Pregnant lady & unborn child

Managed to track pregnant student having great difficulty she wasn't able to call or phone but by messaging on her monitored device the school arranged an ambulance which they argued potentially saved hers and the unborn babies life

## Incidents of a Cybersexual Nature

### Every 12 minutes

We found a child involved in a serious sexual incident

## Commercial Stats

Grew Monitor users to 907k in the UK - Added 247k in FY

Average price per user increased to £3.82

Added £1.26m ARR in FY

Gross Retention 112% & Net Retention 136%



# FY 23 Outlook

*"Focus is to further accelerate sales of Monitor into the current UK customer base.*

*Enhance net retention into significant double digit growth by enhanced launch of Classroom and Community incl. Qustodio.*

*Enabling the UK to increase its stakeholder reach, enhancing customer relationships and increase how "sticky" our customer base is. Drive APRU increases from Monitor through feature enhancements being delivered.*



## Further Acceleration of Monitor

Target = £1.3m - Additional £342k students



## Double digit increase in NRR Growth

Targeting 115% - Dedicated Up/Xsell Teams in place



## Continue fantastic retention <10%

Enhancements in service & Customer Success



## Launch of Community offering incl. Qustodio

UK is the leading safeguarding authority in the world!



## Price increase into Filter customers

As delivering enhancements and added Classroom functionality



A woman with long dark hair, wearing a black sleeveless top and a grey patterned skirt, stands on the left side of the frame, addressing a group of students. The students, mostly young women, are seated in bleachers on the right side of the frame. Many of the students have their hands raised, indicating an interactive session. The entire image has a blue color overlay.

# Jordan Foster Education & Wellbeing





# Children are being harmed at alarming rates.

*The cost to schools for the involvement of senior staff in resolving cyber bullying matters is estimated at **\$300 million** every 5 years.*

## Mental Health

### Teen suicide rates

Have doubled in Australia & tripled in the US in the past decade.

## Gaming

### 4 million kids

In Australia & USA display clinically disordered gaming problems.

## Pornography

### 11 years old

is the average age of exposure to pornography.

## Sexual abuse

### 1/3 sexual abuse

towards children is perpetrated by other children.

## Predators

### 200% increase

of child sexual exploitation content posted in 2020.

## Sexual Exploitation

### 44% sexual content

distributed by paedophiles online is self-generated by children.

## Screen time

### 7.5 hours a day

children and teens are averaging on screens.

## Cyber bullying

### 70% teens

have been treated in a distressing or harmful way in the past year (2021)



## The online safety industry is growing and consolidating rapidly

Growing awareness is driving new regulation and new technology has enabled a coalescing of concerns.

This is driving a remarkable expansion in the addressable market.





## Wellbeing is the focus of our evolving market

---

*“...lost contribution to economies due to mental disorders among young people estimated at nearly **\$390 billion** a year”*

Unicef, 2021

*“1 in 5 teens globally suffer from depressive disorders”*

*American Psychological Society*





# Funding sources exploding

There is unprecedented **funding** flooding into the space of student wellbeing. Our customers are trying to address wellbeing at scale with efficient tools and solutions.

The Biden administration has committed

**\$125 billion in funding**  
for districts to support student wellbeing and other programs.

Wellbeing funding framework:

**Prevention**

Established funding regimes eg e-rate

**Early Detection & Intervention**

**\$64.5B<sub>USD</sub>**

**Education**

**\$53.3B<sub>USD</sub>**





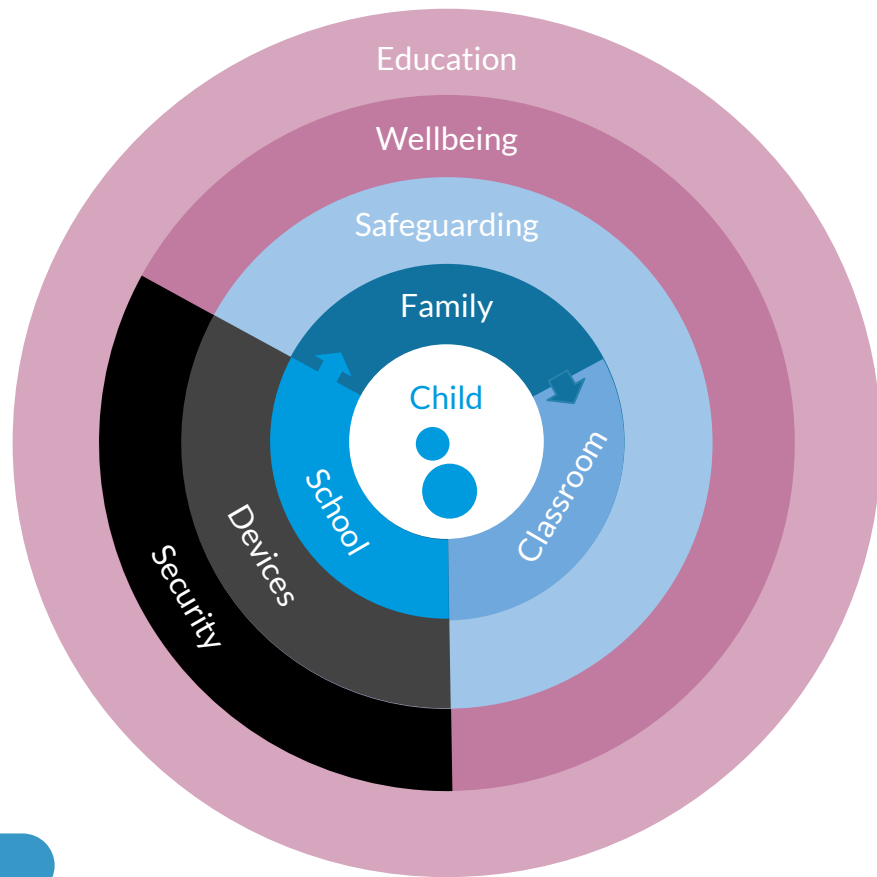
# Our unique vision is a unified approach to online safety

Family Zone seeks out the best technology and people so we can create a fundamental change in our children's online experience.

Best People

+

Best Products





# Qustodio

a family zone company

## Online safety and digital wellbeing for families

With you today



Eduardo Cruz  
Founder & CEO



Viktorija Miliujeva  
VP Marketing





# Qustodio



Market leader in family safety and digital wellbeing



Founded

**2012**

IN BARCELONA

**85+**

EMPLOYEES

**+280k**

SUBSCRIBERS



**132**

COUNTRIES

**5+**

STRATEGIC ALLIANCES



SoftBank

**Claro**

*Telefonica*

**Singtel**





# Our mission



Help the world maintain a **safe** and **productive** digital balance



## Safety

Keeping kids safe online on any device



## Visibility

Building a better understanding of children's habits



## Wellbeing

Providing balanced digital approach to technology



# The first fully digital generation

Insights reveal how kids are currently using devices\*

**69%**

**of 12-year-olds**  
have their own  
smartphone

**50%**

**of kids** admit being  
attached to their  
smartphones

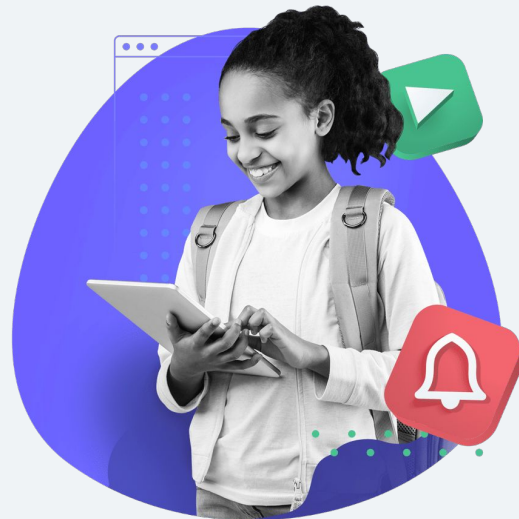
**36%**

**of families** observe kids  
spend more time alone  
when using devices

**4**

**hours a day** being  
spent on apps not  
related to schoolwork

\*Source: Qustodio Annual Report 2021, *Living and learning in a digital world*; Common Sense Media



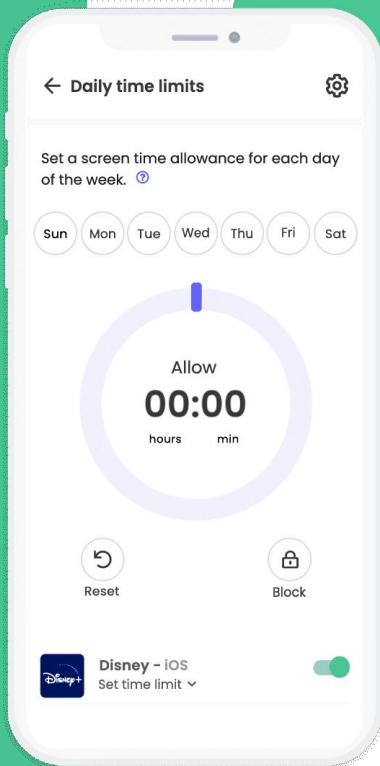






# Qustodio solution

Everything parents need,  
in one place


## Works on




 Filter problematic content

 Screen time limits

 Location sharing

 Control games & apps

 Real-time visibility

 Tailored reports and alerts



# Loved by customers and experts

Achieving long-term value and customer satisfaction



"Qustodio gives me the peace of mind that I have been looking for to ensure my kids are safe online."

**Allison**

Mom of two



"With Qustodio, I don't have to struggle to balance my daughter's online independence with her safety."

**Courtney**

Mom of one

## Parents

"Everything you need to know about your kid's screen time is beautifully displayed on Qustodio's online dashboard."

## Mashable

"From Instagram and YouTube monitoring to a panic button for kids away from home, Qustodio covers just about everything."





# Better together

Joining forces to complete the next chapter of our story

## ✓ **Qustodio & Family Zone – Shared vision**

We share the view of a better world where schools, parents and children can work together to create safe and enriching online experiences.

## ✓ **Unified approach**

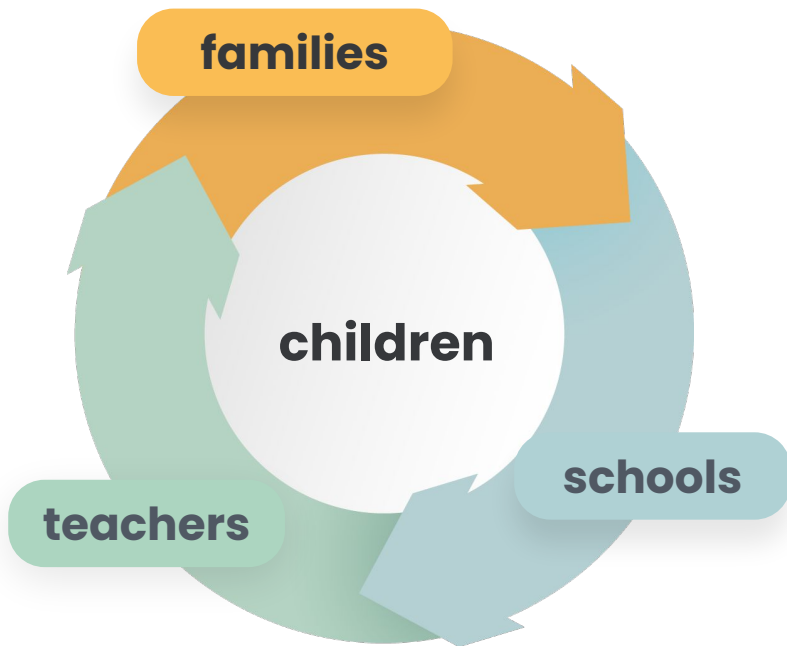
We unite forces to bring game-changing unified approaches in online safety to market.

## ✓ **Global leader**

Our combination represents the creation of a truly global leader in online safety with unmatched scale and capabilities.







## Families are only one piece of the puzzle

Creating **healthy digital citizens** is a communal effort. As the saying goes – it takes a village!



# Home & School digital safety is complicated



## Parents

Fast moving problem

Lacks integrated solutions

Impacts lives



## Educators

No seamless collaboration

Lacks continued safety

Difficult to hand over priorities



# Next generation product stack



Complete solution that  
**Families** love and trust



Hand over and  
Collaboration



Advanced solutions that  
**Schools** love and trust



# Opportunity: Unlock exponential growth



- ✓ **Expand positive impact** on people's lives
- ✓ Leapfrog competition through **product differentiation**
- ✓ **Accelerate our momentum** in a growing market





# Q&A