

**Kip
McGrath™**



Leaders In Learning

**Investor
Presentation
August 2020**

Disclaimer

This presentation has been prepared by Kip McGrath Education Centres Limited (**Company**). Statements in this presentation are made only as at 26 August 2020 and the information in this presentation remains subject to change without notice. The information in this presentation is of a general nature and does not purport to be complete, is provided solely for information purposes and should not be relied upon by the recipient.

Not financial product advice

This presentation is for informational purposes only and is not a financial product or investment advice or recommendation to acquire any securities in the Company and does not take into consideration the investment objectives, financial situation or particular needs of any particular investor. Each recipient of this presentation should make their own assessment of an investment in the Company and should not rely on this presentation. In all cases, each recipient should carry out its own investigations and analysis of the Company and verify the accuracy, reliability and completeness of the information contained in this presentation or any other form of communication to which the recipient is permitted access in the course of evaluating the Company. Recipients should seek appropriate legal, financial, tax and other advice.

This presentation is not a prospectus, product disclosure statement or other offering document under Australian law or any other law (and will not be lodged with the Australian Securities and Investments Commission or any other foreign regulator. This presentation is not, and does not constitute, an invitation or offer of securities for subscription, purchase or sale in any jurisdiction.

The distribution of this presentation in jurisdictions outside Australia may be restricted by law and you should observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Investment risk

An investment in Shares is subject to known and unknown risks, some of which are beyond the control of the Company, including possible loss of income and principal invested. The Company does not guarantee any particular rate of return or the performance of the Company nor does it guarantee the repayment or maintenance of capital or any particular tax treatment. Investors should have regard to the risk factors outlined in this presentation when making their investment decision.

Disclaimer

To the maximum extent permitted by law, the Company disclaims all responsibility and liability for any loss arising from this presentation or reliance on anything contained in or omitted from it or otherwise arising in connection with this presentation and does not make any representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation or that this presentation contains all material information about the Company or the Offer that a prospective investor may require in evaluating a possible investment in the Company.

Past and future performance

Past performance information given in this presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

This presentation contains certain forward-looking statements with respect to the financial condition, operations and business of the Company and certain plans and objectives of the Company. Forward-looking statements can be identified by the use of forward-looking terminology, including, without limitation, the terms “believes”, “estimates”, “anticipates”, “expects”, “predicts”, “intends”, “plans”, “targets”, “aims”, “outlook”, “guidance”, “forecasts”, “may”, “will”, “would”, “could” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. Such forward looking statements involve known and unknown risks, uncertainties and other factors that because of their nature may cause the actual results or performance of the Company to be materially different from the results or performance expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding the Company’s present and future business strategies and the political and economic environment in which the Company will operate in the future, which may not be reasonable, and are not guarantees or predictions of future performance. No representation is made that any of these statements or forecasts will come to pass or that any forecast result will be achieved, or that there is a reasonable basis for any of these statements or forecasts.

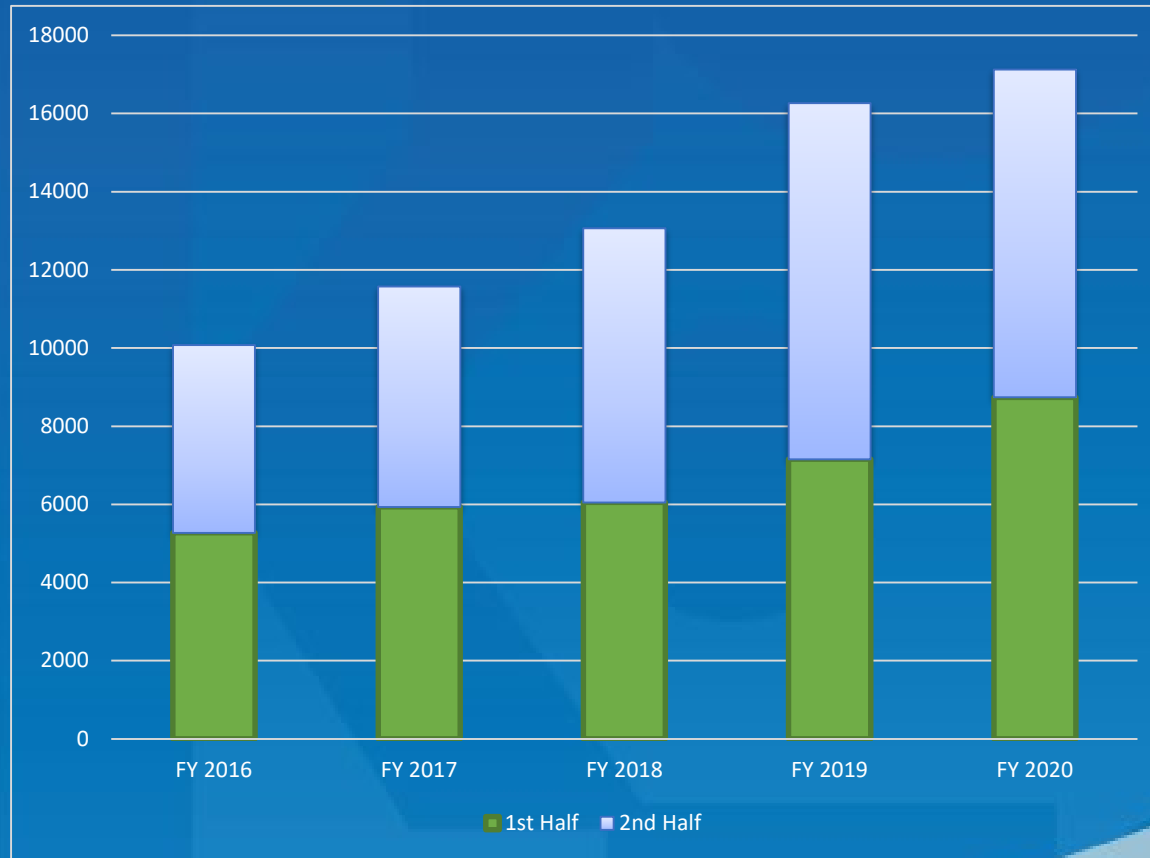
Forward-looking statements speak only as at the date of this presentation and to the full extent permitted by law, the Company disclaims any obligation or undertaking to release any updates or revisions to information to reflect any change in any of the information contained in this presentation (including, but not limited to, any assumptions or expectations set out in the presentation).

2020 Full Year Results

- Revenue increased by 5.3% to \$17.1M
- EBITDA stable at \$5.2M
- Pre-AASB16 EBITDA down 10% to \$4.7M*
- NPAT fell by 40% to \$1.6M
- Dividend of 2.0 cents per share

* EBITDA if AASB16 had not been applied to 2020 results (adjustment of \$0.532m)

Revenue Growth 2016 – 2020 (\$'000)



- Second half franchise fee revenue affected by Covid-19 by over \$2M
- Corporate revenue affected by \$200K for the second half

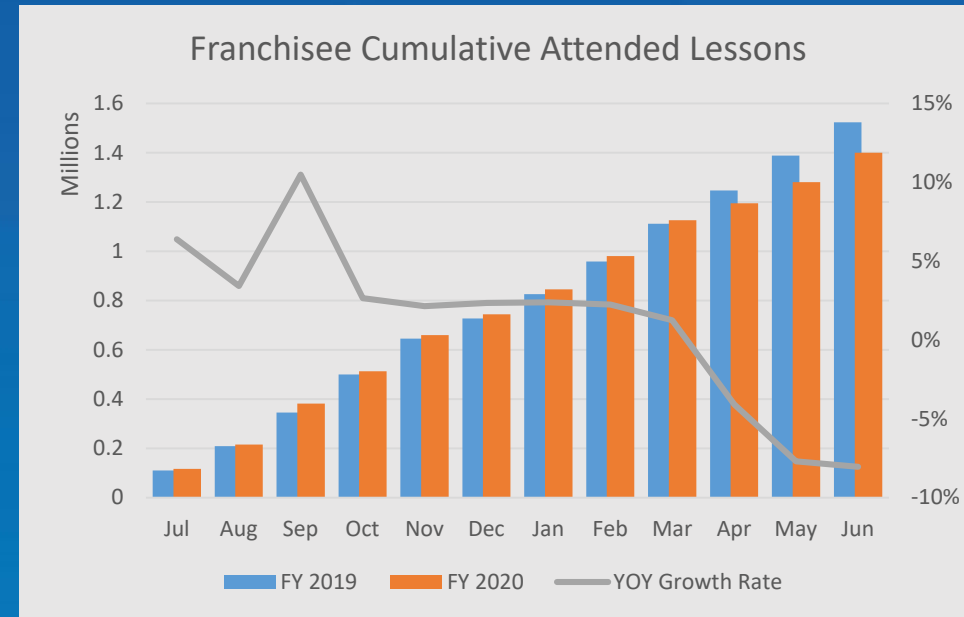
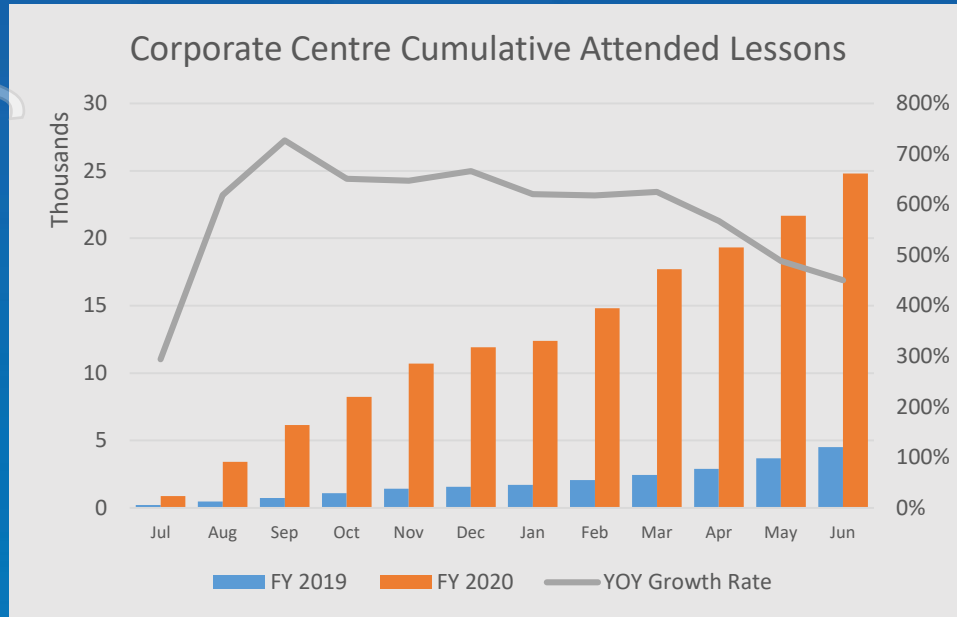
PROFITABILITY DRIVERS

Key Expenses as % of Revenue

	FY 2019	FY 2020		
Royalties & Commissions	11.5%	7.6%	Down	-3.8%
Staff Costs	22.3%	32.2%	Up	9.9%
Marketing Costs	18.2%	16.2%	Down	-2.0%
Other Costs	15.0%	15.2%	Up	0.1%
Lease Costs / AASB16 Costs	2.0%	3.2%	Up	1.3%
Intangibles Amortisation	9.4%	11.7%	Up	2.2%

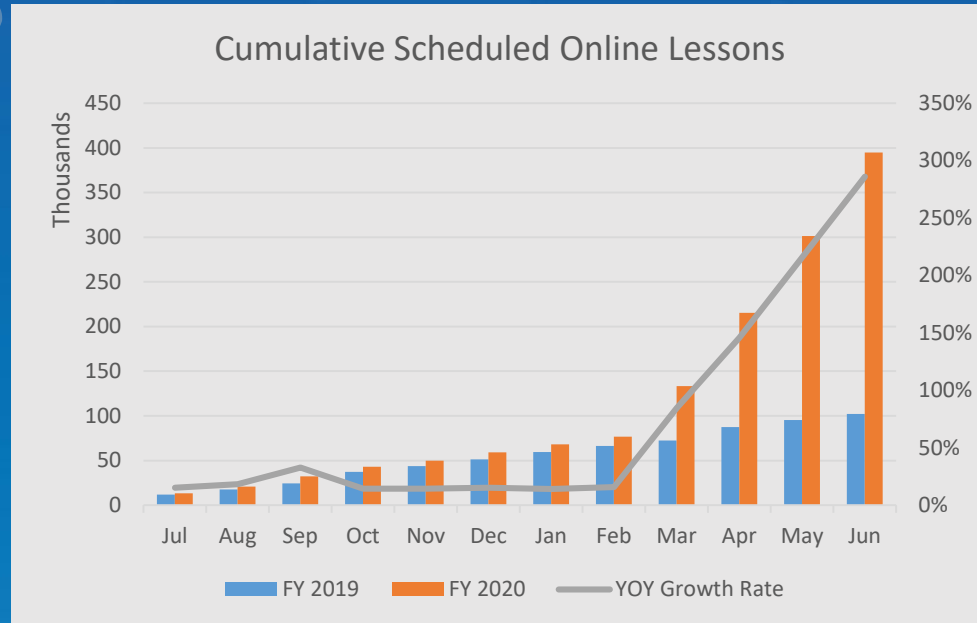
- The growth in corporate centres is increasing staff costs through the employment of tutors and managers. (\$1M for the year)
- Royalties & Commissions are down with the buy back of area developer rights plus the drop in sales, but there is a small rise in staff costs to service these additional territories.

Revenue Growth Drivers – Corporate Centres



- Revenue from franchise fees fell rapidly following commencement of COVID19 lockdowns, with drop in enrolments and attendance rates
- Revenue from Corporate Centre Lessons jumped following the acquisition of Belconnen centre and, whilst slower with COVID19, maintained a growth rate over 400% for the year

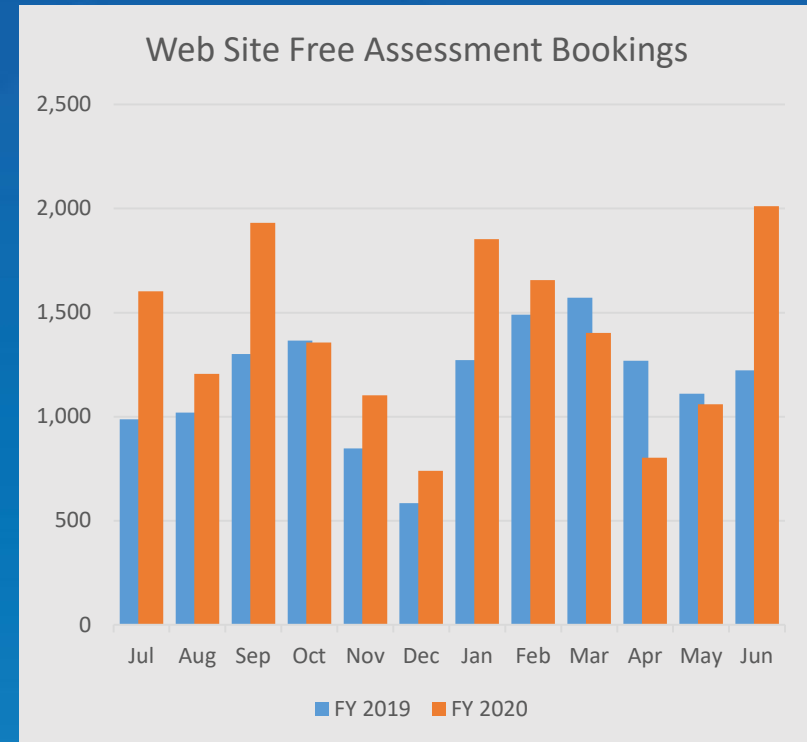
Revenue Growth Drivers – Online Lessons



- Online lessons grew rapidly following the commencement of COVID19 lockdowns in all key markets during March
- Franchise preference is for face to face when markets normalise, but customers and corporate centres are ensuring online growth rates are being sustained
- Higher margins from online as all franchisees are charged the same percentage regardless of model

Revenue Growth Drivers – Marketing & Leads

- Increased focus and expenditure in digital marketing was showing solid increases in leads and free assessment booking requests across all key markets
- The COVID19 lockdowns in March, April and May reduced the level of leads around the world.
- Marketing expenditure was tightly managed during this period. We have also redone all marketing collateral to show our online product
- Global leads have bounced back to all time highs from June as parents worry about the impact of lockdowns.



Market/Growth Opportunity

- Market is growing, with minimal competitors in our segment of the market
- KME market share, in a fragmented market, remains low (less than 2%)
- New software and systems upgrade, focused on improving student onboarding and retention will lead to continued growth for many years
- Margins for online and for corporate direct are higher than current business

Online/ Corporate owned centres

- Corporate Centres and Corporate Online have grown very well over the past 20 months. The number of students being taught is now over 800 and growing at 20 per week.
- A Corporate Centre and Corporate Online Manager has been recruited in the UK to grow the business further from September.
- The company plans to acquire or establish additional centres in strategic locations in Australia and the UK
- The company has also dedicated marketing funds and resources to focus on the growth of our Corporate business.

COVID-19 Update

- Kip McGrath reached a new milestone in May, providing 20,000 online lessons in one week
- Australian and New Zealand lesson numbers are currently at 80% of pre COVID19 levels
- 50% of Australian students are still online and 20% of New Zealand
- UK lessons numbers peaked at 55% of pre-covid numbers. The numbers currently sit at 52% during the summer holiday break which is significantly higher than traditionally during this time.
- All regions are expected to see improvements over the coming months with lockdowns easing and normality resuming. We are also seeing an increase in leads for tuition with parents concerned about the progress of their children
- Online lessons are expected to represent a significant portion of lessons provided in the future due to the safety and convenience they provide
- Notable shift in customer acceptance of online learning platform following COVID19 learning from home

The Kip Online Opportunity

- The addressable market is very large with 20m school age students in our key markets of the UK, Australia, New Zealand, and South Africa
- The Australian market alone has 3.95m school age students. If we see a 1% penetration that is 39,500 students from the 12,000 we currently tutor
- Over 60% of school age students are not in close proximity to a Kip McGrath Learning Centre
- KME has its own Online platform that it has developed over the past 5 years. This gives us an advantage for the short term
- No online tuition provider has a dominant market share to date
- Pivotal growth opportunity is occurring as a result of the current pandemic and we will not let this crisis go to waste

Online Growth via \$5.9m Placement

- Institutional Placement of 6,585,000 shares at 90 cents per share to raised \$5,925,000 AUD in June 2020
- The funds are being used to accelerate growth of the Kip Online platform:
 - development of new software being brought forward
 - substantial increase in marketing for Kip Online
 - hire of additional personnel to build capability
 - expansion of corporate centres into key markets in Australia, the UK and NZ with great focus on online delivery

Outlook

- We expect Gold partner numbers, student lessons and revenue to continue to grow
- We anticipate further increase in margins from centralisation and online revenue increases
- Corporate centres to deliver further growth and profit
- Dividend to be maintained and fully franked