



Presentation to the

# **Annual General Meeting** of **Kip McGrath Education Centres Ltd**

17 November 2020

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# FY2020 Financial Year Highlights - Revenue

KMEC Ltd Revenue increased by 5.3% to \$17.1M

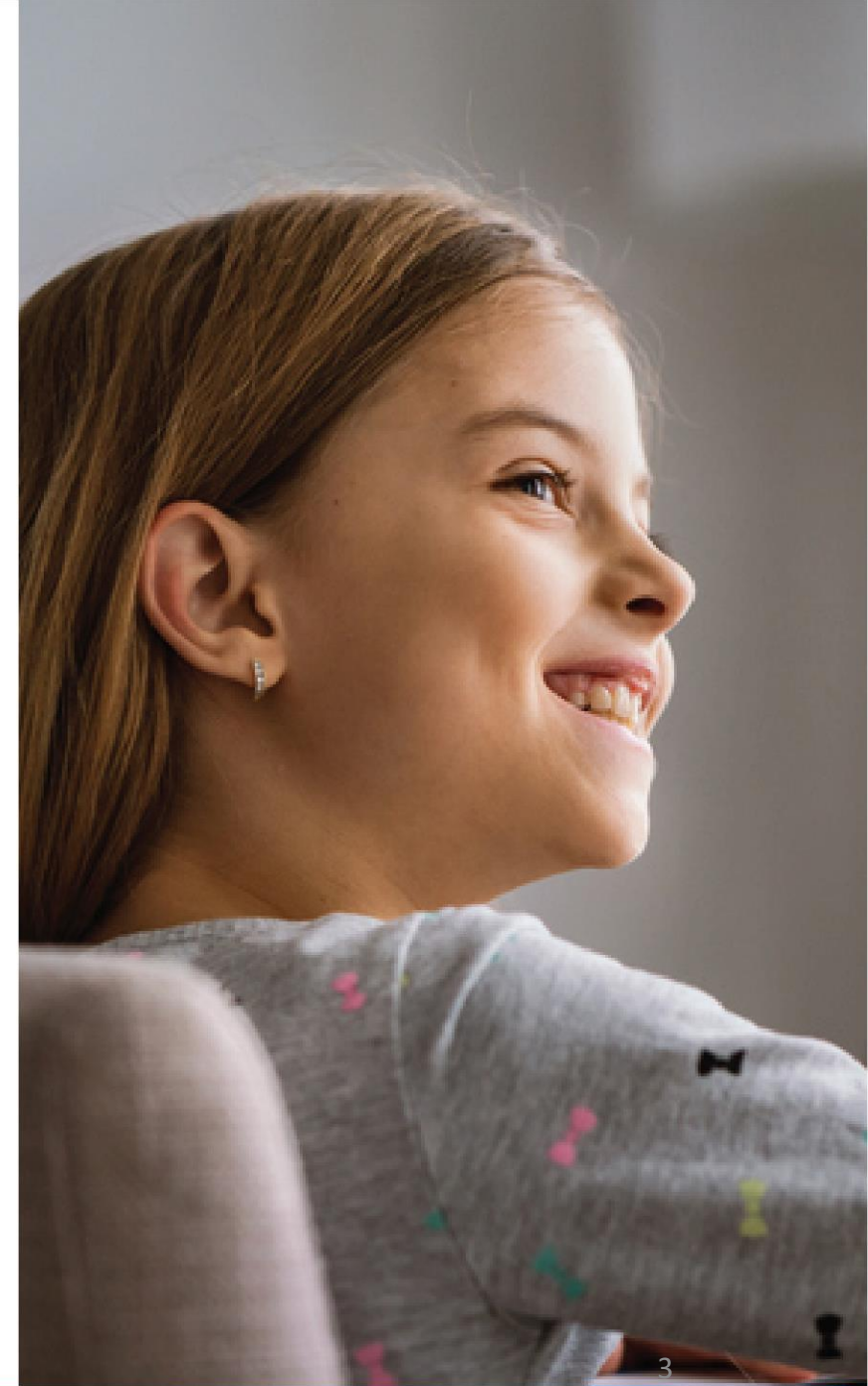
Estimated COVID-19 impact on revenue approximately \$2.4M

Global Network Revenues\* fell by 10.4% to \$83.9M due to COVID-19

Quick pivot to our already built online tutoring platform was critical for franchisees

Revenue growth in FY2020 came primarily from Corporate Centres

\*Network Revenues are total tutoring fees charged by both franchisees and Kip McGrath's owned corporate centres. KMEC Ltd's revenue include the franchise fees and associated fees charged to franchisees for tutoring and the student lesson revenues from company owned Corporate Centres.



# Network Revenues FY2020

## United Kingdom / Europe

Network Revenues FY2020	A\$41.9M
COVID-19 Recovery	93%

## Australasia

Network Revenues FY2020	A\$35.2M
COVID-19 Recovery	85%

## Africa / Middle East

Network Revenues FY2020	A\$6.8M
COVID-19 Recovery	57%

## Network Revenues\* of \$83.9M in FY2020

Australasia starting to rebound as restrictions ease in key markets

Watching the UK carefully as they move into lockdown conditions again

Recovery is soft in Africa and the Middle East

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COVID-19 Recovery figures are based on Year to Date Lesson numbers for FY2021 compared to FY2020

# FY2020 Financial Year Highlights - Profit

EBITDA was stable at \$5.2M

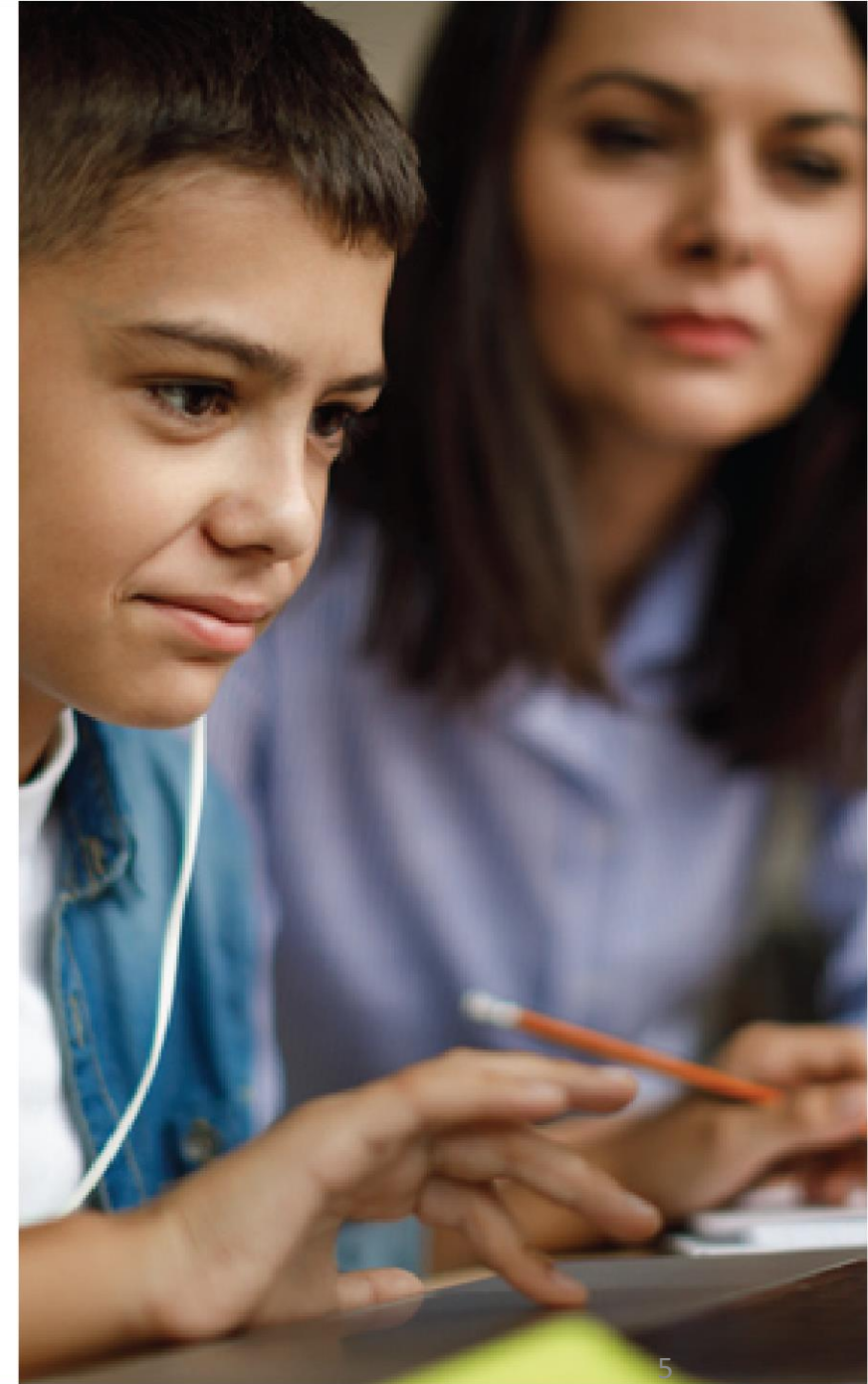
NPAT fell by 40% to \$1.6M

Overall COVID-19 impact reduced net profit for the year by \$1.4M before government grants

Aggressive focus on cost control during pandemic to maintain profitability

Well supported Institutional placement in June 2020 raised \$5.9M to fund growth opportunities

Dividend of 2.0 cents per share paid





# Technology & IP

Ongoing IT development has been at the core of our DNA for over 40 years

The online tutoring platform has been very stable during lesson increase

New platform upgrade to be released early in 2021 for multiple devices and browsers

No reliance on 3<sup>rd</sup> party software for core functionality

Learning Management System, Centre Management Software and Online Tutoring Platform all integrated and internally developed by KMEC



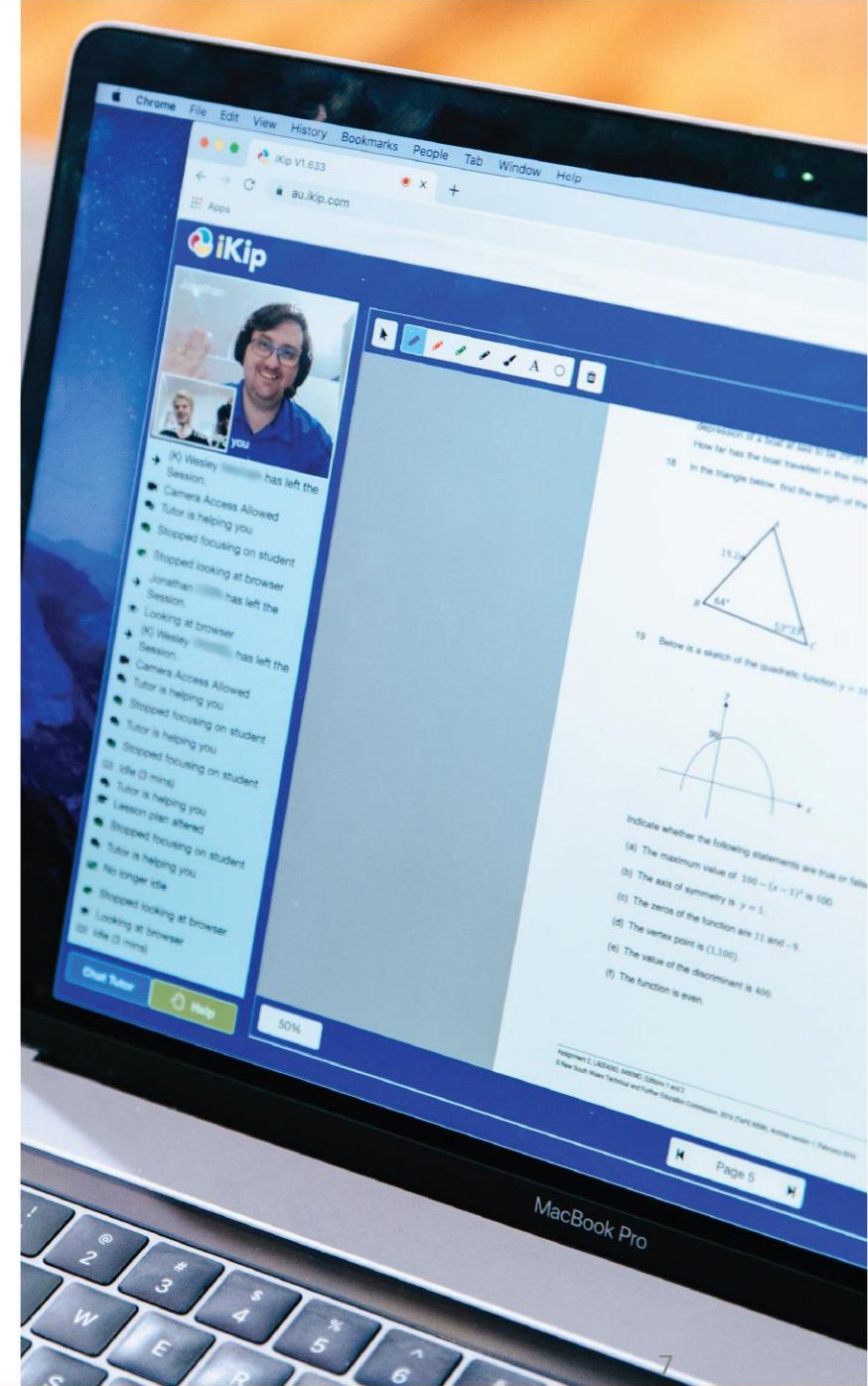
# Technology & IP

Learning Management System has 55,000 questions with over 20 question types

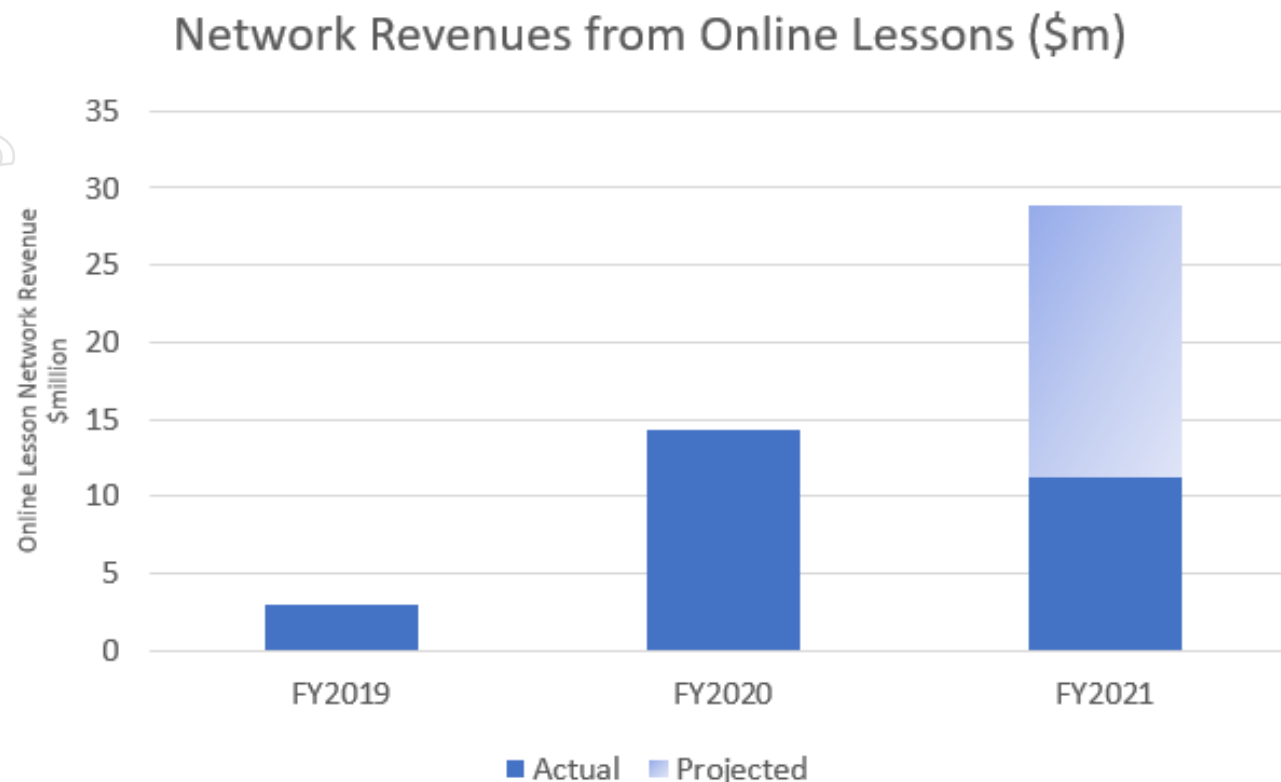
All lessons & progress are recorded for future learnings, modifications and development

All systems in the cloud - up time 99.95% for the year

Senior CTO added to the team in September



# Online Tutoring Growth



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COVID-19 has changed market

Network revenues\* from online tutoring have grown significantly in all key markets

FY2020 Network revenues from online of \$14.3M (up 372%)

FY2021 YTD October 2020 Network Revenues from online have exceeded \$11M, averaging over 11,000 online lessons per week

Expecting network revenues from online tutoring to range from \$25M to \$30M in FY2021



# COVID-19 has accelerated consumer acceptance of online tutoring

## Step Change in KipOnline

### CY 2019

~450 average weekly lessons online in calendar year 2019

### NOW

~11,000 average weekly lessons online since lockdown in March 2020

## Consumer Behaviour Shift

- Lockdown has forced a **behaviour shift**
  - Parents previously concerned about the effectiveness of online tutoring have been driven to use the platform
- The online learning experience has been **highly positive**, with Kip McGrath experiencing **improved student retention**
- Convenience of online, coupled with consistent learning outcomes is driving **accelerated**, but **sustainable growth**

## KMEC Investment

- The step change in online has proven highly sustainable
- In line with consumer feedback, KME anticipates online to be a key driver of growth going forward, with a distinct opportunity to take a global leadership role in a fragmented online tutoring market
- As a result, KME continues to invest in online, through:
  - Further development of **platform software**
  - Increased **marketing** spend, to target new or previously hard-to-reach students
  - Hire of additional teachers and operations staff to increase platform **scale and student servicing capability**

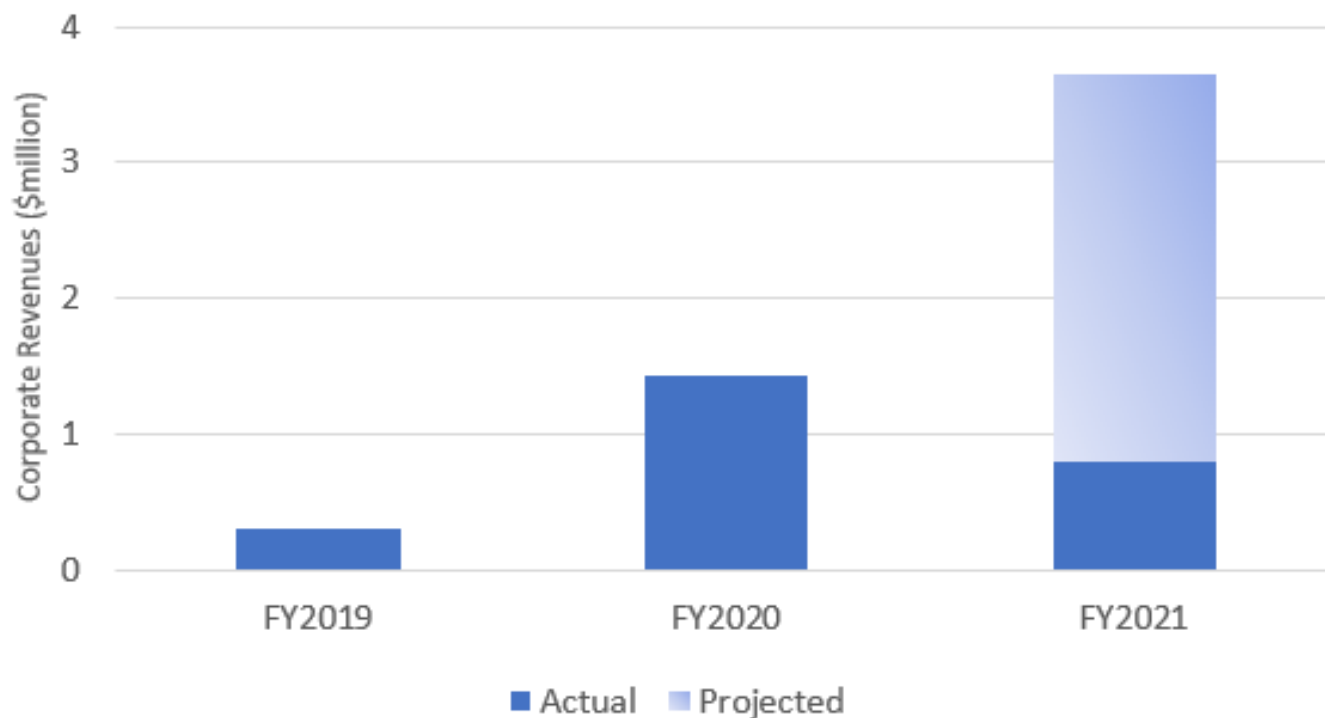
# Corporate Centre Performance

Corporate Centres now operational in 3 major markets:

- **Australia**  
Newcastle, Canberra & Online Direct
- **New Zealand**  
Online Direct
- **UK**  
Online Direct

In early negotiations to buy back an additional 5 centres in our key markets

Corporate Centre Revenues (\$m)



# Corporate Centre Performance

Increase of corporate delivered lessons drives incremental revenue growth and increased profitability per lesson delivered

## Overview

- Corporate Centres are now a significant part of the Australian operations, with numbers building in NZ and the UK
- In a corporate delivery model, gross lesson revenue is attributed directly to KMEC
  - Given the scale and efficiency of the corporate platform, KMEC is able to make significant savings on lesson delivery expenses and generate better margins
- The acceleration of lesson delivery via the online platform is expected to generate higher free cash flow to KMEC given these higher margins**

## Key Highlights

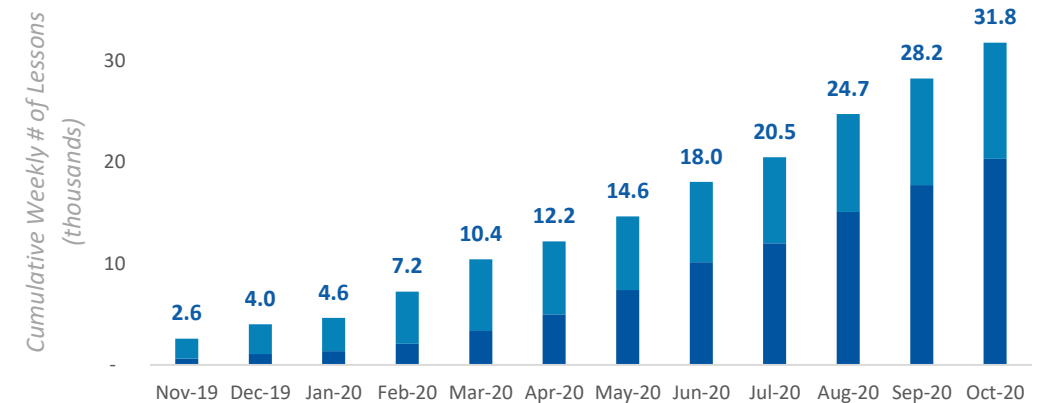
**Higher Incremental margins** due to direct flow-through of revenue and corporate efficiencies

Increased control over product, delivery and customer acquisition, drives **incremental revenue and cost benefit**

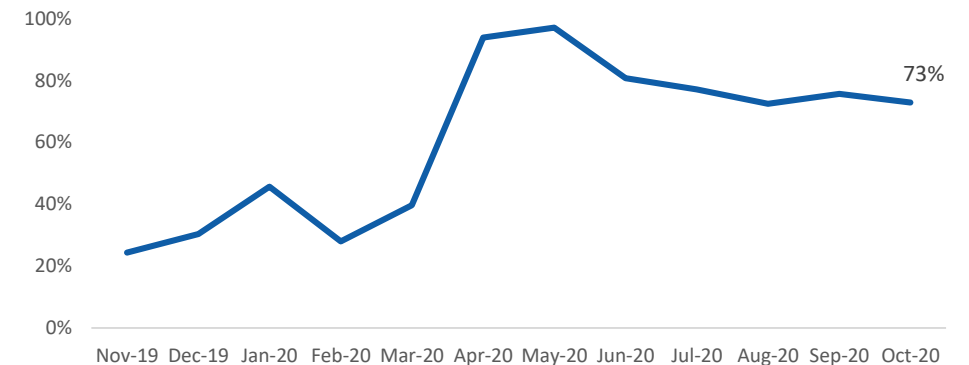
Contemporaneous increase in online as a percentage of total delivery further improves profitability and reach - enabling Kip McGrath to **target previously underserved or hard to reach geographic areas**

## Corporate Centres Experiencing Significant Growth and an Increasing Proportion of Online Delivered Lessons

Prior 12 months Scheduled Corporate Lessons – Global (Cumulative)



Monthly Corporate Online Scheduled Lessons as a Percentage of Corporate Scheduled Lessons



# Franchise Performance

Covid-19 lockdowns in some key markets (UK, Victoria) inhibiting face-to-face learning with online tutoring facilitating business continuity

7 buyback transactions in pipeline (5 Centres and 2 Area Developers)  
– but COVID-19 trading conditions are impacting timing

New franchise sales remain reasonable with 10 sold year to date.  
Buyer interest starting to increase

Significant Government COVID-19 spending initiatives for tutoring in key markets – but focus is on placing teachers directly into schools. We are positioning our franchisees to be able to assist where possible



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Further focus on expanding the number of corporate centres in all key markets over the coming 12 months

