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# Investor Update

## Kip McGrath Education Centres Ltd

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24 August 2021

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# 30 June 2021 Highlights

Business remains resilient considering the global pandemic. The pivot to online has delivered impressive results and reshaped the business

Focus is on transforming from a franchise only face to face tuition business, to a multi-channel, blended learning global tutoring business

Online lessons were 654,000 (FY2020: 295,000), an increase of 221%.

Face to face lessons remained constant at 1,440,000 (FY2020: 1,425,000)

Acquisitions in 2H FY21 included centres in Brisbane, Melbourne, Perth and Gloucester in the UK. Buybacks included the Scotland Area Developer and the South Africa Master Franchisee

Executive team strengthened with hiring of new CTO, CCO and CPO



# Network Revenues

## FY2021

### United Kingdom / Europe

Network Revenues	A\$43.0M Down 2%
Online Lessons	A\$21.3m Up 172%

### Africa / Middle East

Network Revenues HY1	A\$4.7M Down 31%
Online Lessons	A\$0.7m Up 119%

### Australasia

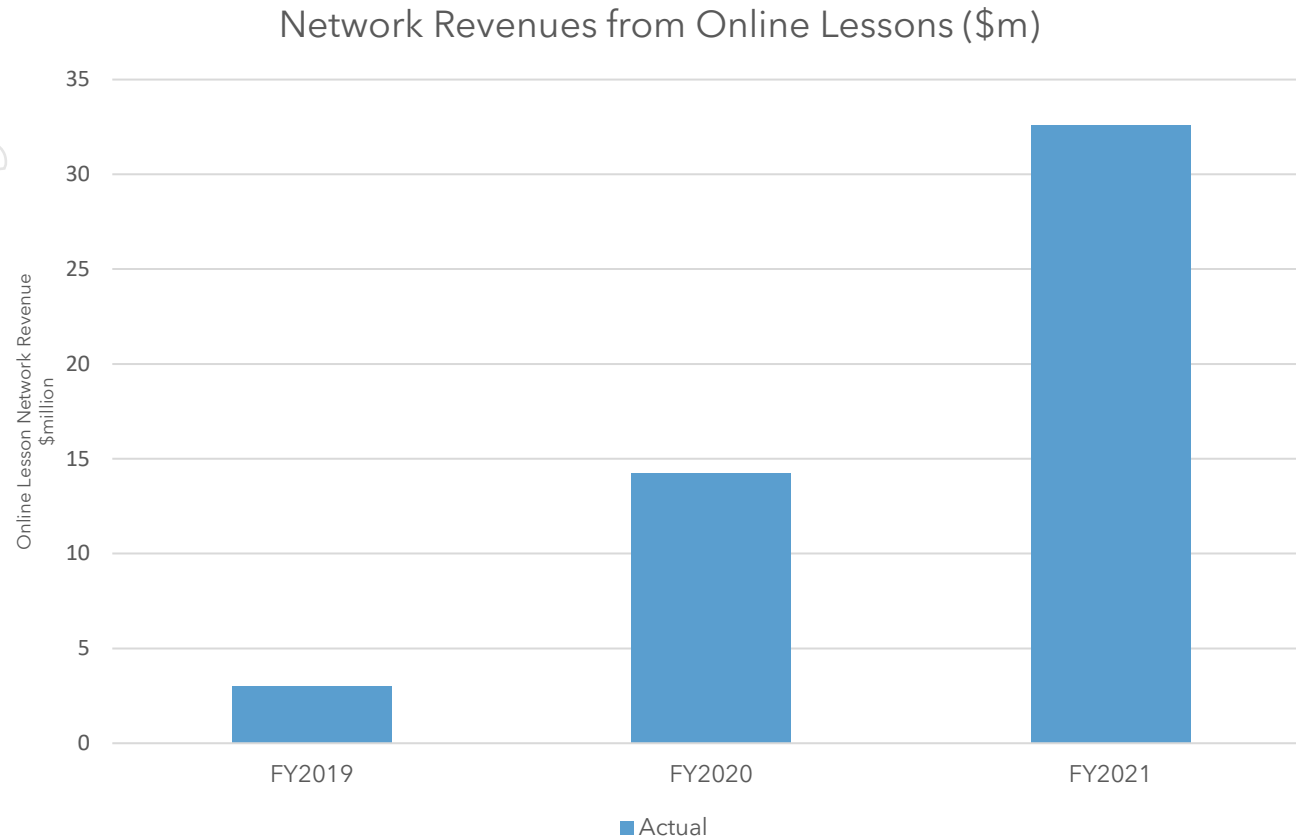
Network Revenues HY1	A\$37.4M Up 6%
Online Lessons	A\$10.5M Up 73%

**Global Online  
Network Revenues\***  
of A\$32.6M up 129%

**Global Network  
Revenues\* of  
A\$85.1M** down 1%

\*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.

# Online Tutoring



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## Online Tutoring Growth

COVID-19 has changed market

Network revenues\* from online tutoring have grown significantly to \$32.6M (up 129%)

We expect online blended lessons to be 20%-40% of the business in the future

Post lock down experience is a move back to face to face - but online preference is rising

Overall global Network revenues\* were 85.1M, down 1% on the prior year

# 30 June 2021 Profit

Stable EBITDA of \$5.1M

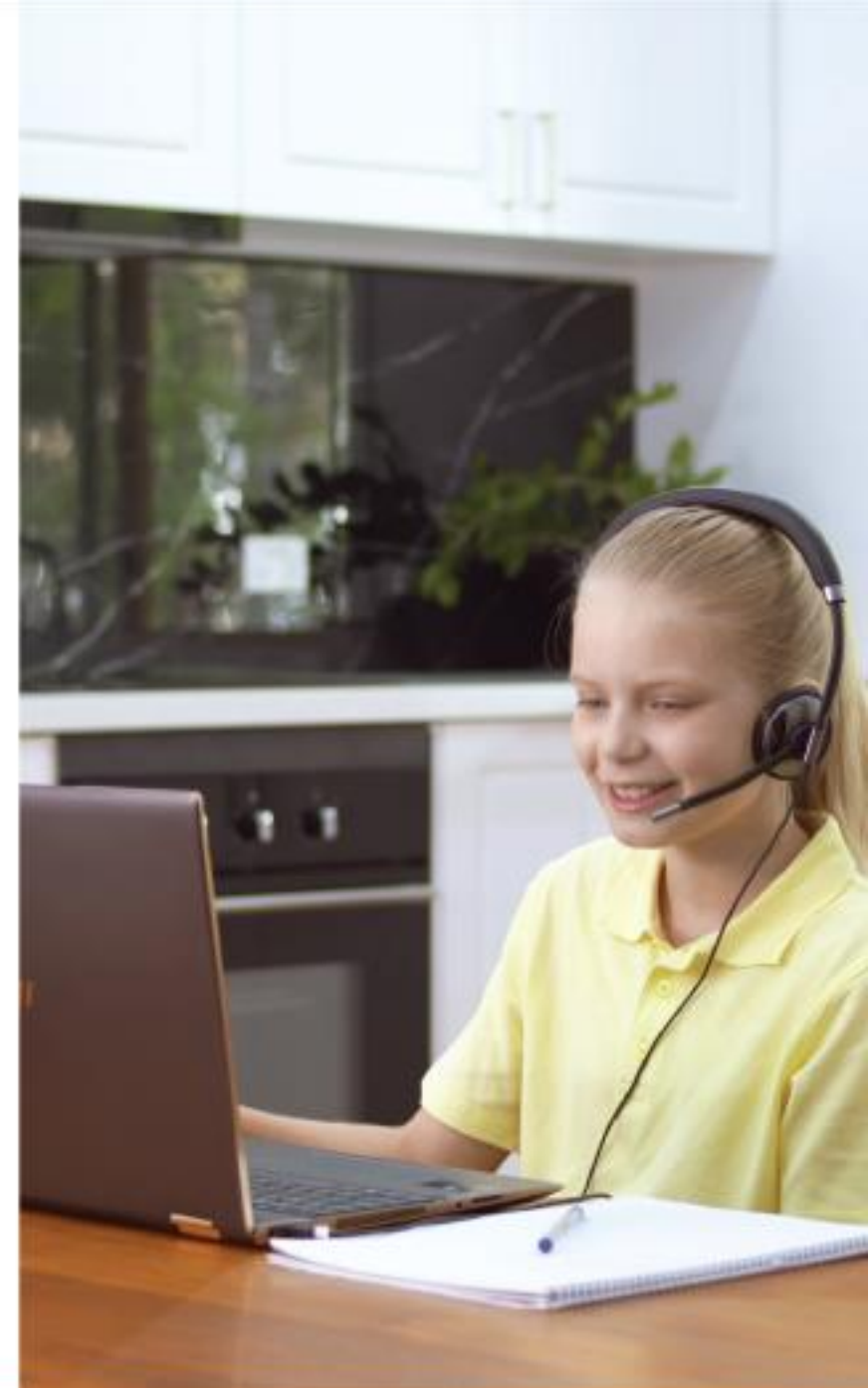
Profit after tax of \$1.7M (up 10%) despite COVID-19 lockdowns

Marketing of \$3.5M spent to maintain leading brand awareness (up 25%)

Wages & Salaries of \$7.1M as corporate centre head count increases (up 30%)

Invested \$2.7M in technology for the year (up 63%)

Full Year Final Dividend of 1.0 cents per share ( + 1 cent paid for half year)





# Technology & IP

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

The platform remains very stable with the higher online tutoring lesson numbers

Centre Management Software upgrade launched for use by all centres, with a more flexible platform, allowing increasing efficiencies to be rolled out to Centres

Implementation of new data warehouse to improve insights for quality of lessons, acquisitions and retention of students, as well as identify additional opportunities for growth

Learning Management System upgrade now in beta testing, expected to commence in centre usage next month. New software expected to reduce student leakage, remove barriers to entry for new customers. Educationally it will significantly enhance teaching experience and student outcomes.



# Franchise Channel

COVID-19 lockdowns still inhibiting face-to-face learning, but parent demand remains strong for our style of learning - so we expect lesson demand will increase on easing of restrictions

New franchise sales remain reasonable with 16 sold during the year. Buyer interest increasing due to our blended learning options

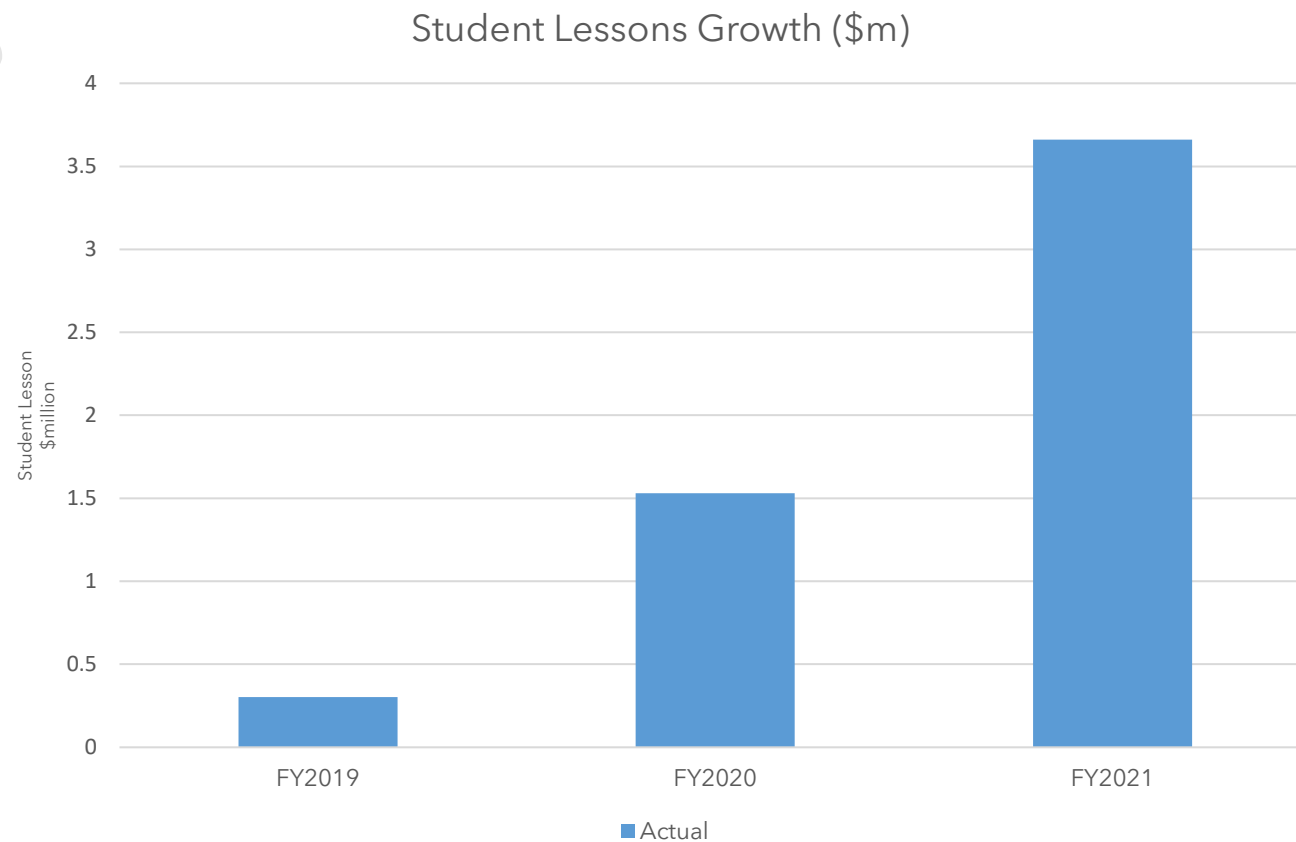
There are now 298 Gold Partner centres operating globally, including 110 in the Australian market, 180 in the UK market and 8 in New Zealand.

Currently 537 active Kip McGrath Education Centres across 11 countries





# Corporate Centres Channel



# Corporate Centres Channel

Corporately owned centres have grown significantly with the addition of 8 centres. This has allowed us to consolidate the regional online services into each hub.

We now have Corporate Centre hubs operating in key markets in

- Sydney
- Brisbane
- Melbourne
- Canberra
- Newcastle
- New Zealand
- The United Kingdom

Current lesson numbers of 2,500 per week (FY20 - 800), an increase of 212%

The Corporate centres provide direct knowledge and feedback for KME for the improvement of the ongoing business model and customer offerings. This channel also proves liquidity to our larger and longer-term franchisees who wish to retire



# Outlook

We expect the business to continue to focus on growth opportunities worldwide to increase our lesson numbers in a rapidly changing tutoring landscape

We will continue to progress the corporate centres strategy to increase revenue and profit, aiming for a similar number of new centres in the coming year

We are leveraging technology to continually improve our student experience through automation and analytics, moving the focus to service delivery through a blended omnichannel approach

Whilst we have maintained our student numbers during Covid, in a post Covid world we expect revenue, profit and profit margins to grow as the customer focus switches to catching up

