

To: ASX  
From: Brett Edwards, Company Secretary  
Announcement Date: 1 September 2021  
**ASX Code: KME**

### **Kip McGrath to Acquire Majority Stake in Tutorfly**

Kip McGrath Education Centres Ltd (ASX: KME) (Kip McGrath) is pleased to announce it has agreed to purchase a 70% stake in the US based business Tutorfly.com. ('Tutorfly').

Tutorfly is an incubator tutoring business concentrating on the peer-to-peer section of the market, which achieved rapid growth during its initial start-up phase. The business has developed a scalable technology stack which demonstrated rapid growth in the 2020/21 US school year, increasing quickly from 1,300 to 5,500 active students, peaking at 3,200 hours of tutoring per month. Entering the US summer break the business was still delivering around 900 hours of tutoring per month.

Kip McGrath will take a 70% stake in the business for an initial payment of USD 500,000 via its newly incorporated subsidiary, Tutorfly Holdings Inc. The remaining 30% will be held by the founders through their existing company, Tutorfly Inc.

Kip McGrath will make a further payment of USD 500,000 to Tutorfly Inc. when Tutorfly achieves USD20,000 per month net revenue targets (calculated as revenue less tutor fees).

Under the Agreement Kip McGrath grants an option for Tutorfly Inc. to sell its remaining 30% stake to Kip McGrath for USD 2,000,000 in cash, an equivalent number of Kip McGrath shares or a mixture of cash and shares. This option may be exercised once the business achieves USD 50,000 per month net revenue targets. The option will allow Tutorfly Inc. to subscribe for and be issued USD 2,000,000 in Kip McGrath shares up to a maximum of 2,000,000 shares. If the USD equivalent price of Kip McGrath shares that may be issued under the option at the time of exercise is less than USD2,000,000, then Kip McGrath will pay Tutorfly Inc. the shortfall amount in cash. The option is issued within Kip McGrath's 15% placement capacity under ASX Listing Rule 7.1. Alternatively, Tutorfly Inc. may elect to receive cash instead of Kip McGrath shares at the time of exercise.

Completion of the acquisition is expected to occur in September 2021 and is conditional on a number of standard corporate conditions precedent being satisfied or waived, including:

- **Systems:** All relevant IT and telecommunications systems being in place for Tutorfly Holdings Inc. to operate the business.
- **Support Agreement:** Tutorfly Inc. entering into an agreement to provide software and business advisory support to Tutorfly Holdings Inc. on terms satisfactory to it.
- **Third party consents:** Tutorfly Holdings Inc. receiving duly executed copies of all required third-party consents, approvals and assignments (including any assignments of software licenses) required to effect the sale.

## Management Commentary

The Kip McGrath CEO and Managing Director, Storm McGrath advises Tutorfly is a strategic move for the company. "We are looking to expand our business into other areas of the tutoring and supplementary education market and in particular the USA, which is the largest tutoring market in the world. Tutorfly is a marketplace business where tutors and students are matched through a pairing algorithm with software which is globally scalable. The rapid growth of the business during the difficult 2020/21 US school year was very exciting. Through the injection of additional funding, it is expected these numbers will grow quickly again for the new 2021/22 school year.

In addition, there are other synergies between the businesses. Being able to share the technology of a fast and nimble online only business with the experience and knowhow of Kip McGrath, opportunities will be realised almost immediately. The Texas-based Tutorfly Head Office will also provide Kip McGrath with a launch pad for centres into the USA market."

The co-founder and CEO of Tutorfly Inc., Parsa Rezvani said

"The combination of an established bricks and mortar tutoring centre brand and the know-how within the tutoring space of Kip McGrath, along with the robust technology stack, with differentiated and effective peer tutors in Tutorfly, will be a significant force.

The Tutorfly brand is already well established in tutoring marketplaces across the USA and allows parents to browse, contact, and hold virtual tutoring sessions with tutors of their choosing, without needing to go through a Tutorfly employee. The Tutorfly Team is especially excited to team up with Kip McGrath to further equip Tutorfly Tutors and students with proprietary Kip McGrath content, curriculum, and training materials. We also see other synergies between the two groups down the line, especially as Kip McGrath looks to provide more flexible tutoring options to its tutoring centres globally.

My co-founder, Alejandro Mendoza and I will be pleased to serve on the Board of Tutorfly Holdings Inc. from completion and commit to being great partners to Tutorfly's new management team. In fact, we intend to sign a Service Level Agreement (SLA) that has our new company, GoSchoolBox.com, maintaining the technology stack of Tutorfly for at least 12 months, to enable the management team to focus on scaling the business operations of the company.

On a more personal note, my parents immigrated from Iran as teenagers during the revolution of 1979 in search of educational and work opportunities. Education propelled them from their status as poor immigrants to becoming successful in their respective careers in education and engineering. Amidst an ever-changing world, we remember that education is the one true equalizer in our world. It's humbling to become a part of an organization started by the McGrath family that shares our Rezvani family's values".

Storm McGrath added: "The global tutoring market is changing rapidly. Parents and governments are looking at ways to rectify the learning gap created by COVID-19 and to ensure children have the best opportunity possible to reach their highest potential. Being able to offer two brands working together in different segments of the market, demonstrates Kip McGrath is focused on additional ways to grow the business faster. With Tutorfly a standalone business it will allow us to continue to focus on growing the core Kip McGrath Business at the same time. We look forward to working with Parsa and the Tutorfly Team to grow the Tutorfly business."

The Board has approved this announcement.

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