

Presentation to the

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# **Annual General Meeting**

## **Kip McGrath Education Centres Ltd**

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16 November 2021

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# 2021 Financial Year Highlights

Seeing growth in areas coming out of lockdown

FY2021 Revenue of \$19.3m, up 12.6% compared to prior FY2020 year

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

Online lessons increased by 121% (654,000 in FY2021 vs 295,000 in FY2020). Total overall lessons remained constant for the year despite lockdowns

Acquisitions in 2H FY2021 included centres in Brisbane, Melbourne, Perth and Gloucester in the UK



# 30 June 2021 Profit Commentary

Stable EBITDA of \$5.1M in FY2021

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

Marketing of \$3.5M spent to maintain leading brand awareness (up 25%) to grow faster when conditions return to normal for face to face tutoring

Wages & Salaries of \$7.1M as corporate centre head count increases (up 30%). Expect core head office wages to be stable while wage growth will come from employing additional tutors

Invested \$2.7M in technology for the year (up 63%) to move to multichannel blended learning model

Final Dividend of 1 cent per share (2 cents for the full year)



# Network Revenues FY2021

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

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

## United Kingdom / Europe

Network Revenues A\$43.0M  
Down 2%

Online Lessons A\$21.3m  
Up 172%

## Africa / Middle East

Network Revenues A\$4.7M  
Down 31%

Online Lessons A\$0.7m  
Up 119%

## Australasia

Network Revenues A\$37.4M  
Up 6%

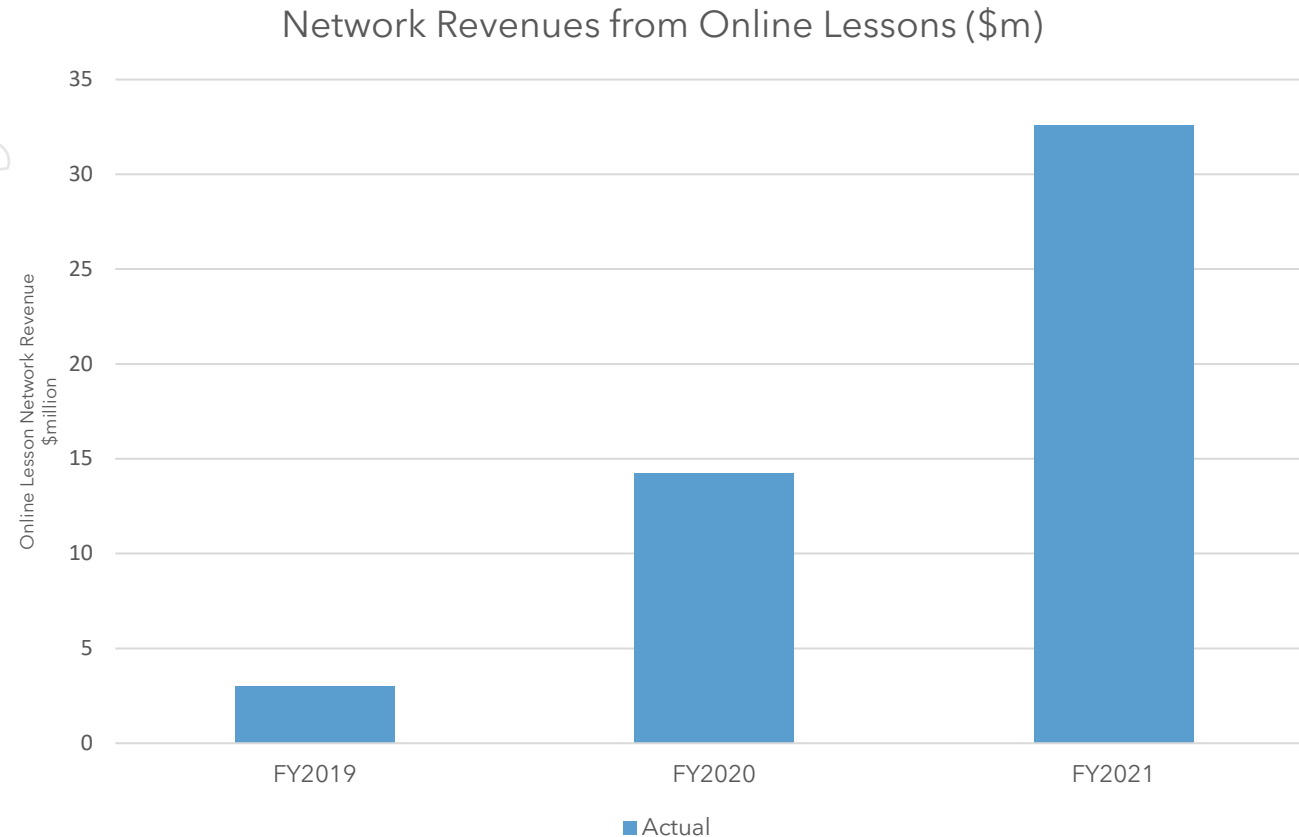
Online Lessons A\$10.5M  
Up 73%

## USA - Tutorfly

Acquired Q1 FY2022

\*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 now standard



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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 FY2021 Network revenues\* were 85.1M, down 1% on the prior year



# Tutorfly Acquisition



Purchased a 70% stake in the US based business Tutorfly.com ('Tutorfly') in September

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

Technology stack is a marketplace business where tutors and students are matched through a pairing algorithm with software which is globally scalable

Current 4 full time employees, recruiting 2 additional staff to cater for near term growth prospects

Texas-based Tutorfly Head Office will provide Kip McGrath with a launch pad for KMEC centres into the USA market in FY2023



# 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 (5 centres, with Kellyville centre to open by start of new year)
- Brisbane (2 centres, with 4 more expected by start of new year)
- Melbourne (2 centres)
- Canberra (1 centre)
- Newcastle (3 centres)
- Perth (2 centres)
- New Zealand (1 centre)
- The United Kingdom (1 centre)

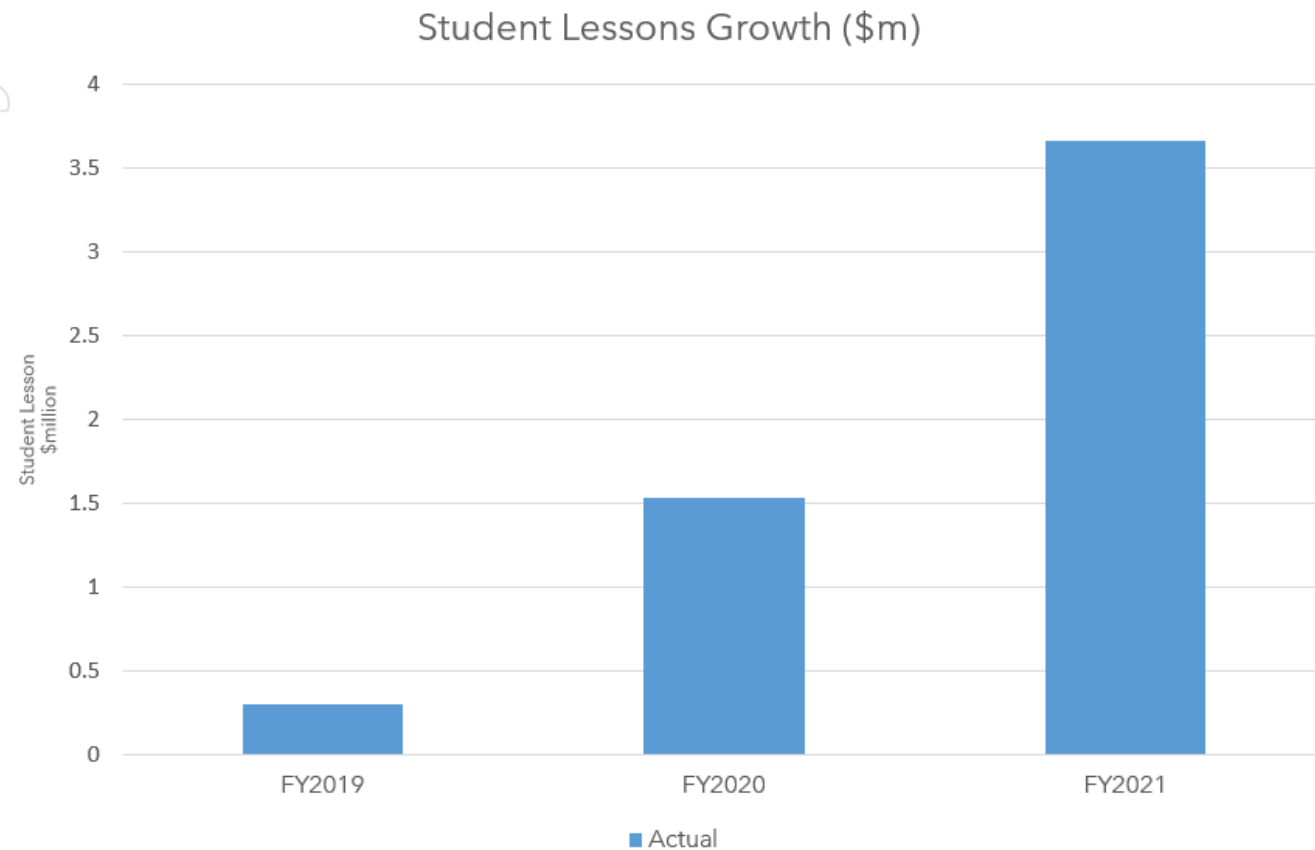
Current lesson numbers of 2,500 per week (FY2020 - 800) - an increase of 212%

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





# Corporate Centres Channel



# Franchise Channel

Lesson demand strong where markets have emerged from lock down. Number of weekly lessons now returned to pre-Covid levels and growing

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

Currently 284 Gold Partner centres operating globally, including 104 in the Australian market, 172 in the UK market and 8 in New Zealand

COVID closures still impacting various locations with currently 503 active Kip McGrath Education Centres across 11 countries



# Technology & IP

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 work continues. New software expected to reduce student leakage, remove barriers to entry for new customers. Educationally it will significantly enhance teaching experience and student outcomes



# Q1 FY2022 Update

Business now seeing a strong uplift in UK and Australian markets, with 8% less on growth rates compared to last year

Revenue tracking 21% higher than prior year, driven significantly by Corporate Centre transitions

Working to execute contracts for the purchase of 5 additional Corporate Centres by early 2022 in Australia. This will give a total of 22 Corporate Centres world wide

Tutorfly acquisition seeing early wins in the US market

Completing transition of centres in South Africa and Scotland following buy backs





# Outlook

We expect the business to continue to focus on growth opportunities worldwide to increase our lesson numbers

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

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

Seeing both consumer and Government focus moving towards plugging the gap left by 2 years of interrupted schooling

Revenue, profit and profit margins will continue to grow as the customer focus switches to ensuring students are catching up

