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# Investor Update

## Kip McGrath Education Centres Ltd

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28 February 2022

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# 31 December 2021 Highlights

Growth returning across all major markets despite Omicron wave impacting centres in key locations

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

Tutorfly acquisition in the US growing ahead of expectations

South Africa and Scotland business performing well following smooth transition over to franchisor

Corporate Centre acquisitions in 1H FY22 included centres in Newcastle, Brisbane & Tasmania. Currently 22 operational Centres - with Sydney, Melbourne, Canberra and Newcastle positioned well for pandemic related re-openings after challenging previous six months



# 31 December 2021 Results

Revenue up 32.9% to 11.354M

EBITDA up 15.6% to 2.842M **(up 46% if Jobkeeper is excluded from pcp)**

Profit after tax up 11.1% to 0.918M **(up 193% if Jobkeeper is excluded from pcp)**

Invested \$1.2M in technology for the half year and \$2.8M on acquisitions

Half Year Final Dividend of 1.0 cents per share



# Network Revenues

## HY1 FY2022 (compared to PCP)

**Global Online Network Revenues\* of A\$18.5M** up 15%

**Global Network Revenues\* of A\$47.6M** up 16%

### United Kingdom / Europe

<b>Network Revenues</b>	<b>A\$22.7M</b> Up 13%
<b>Online Lessons</b>	<b>A\$8.2M</b> Down 15%

### USA - Tutorfly

**Acquired Q1 FY2022 A\$0.7M**

### Africa / Middle East

<b>Network Revenues</b>	<b>A\$2.8M</b> Up 25%
<b>Online Lessons</b>	<b>A\$0.9M</b> Up 87%

### Australasia

<b>Network Revenues</b>	<b>A\$21.4M</b> Up 14%
<b>Online Lessons</b>	<b>A\$9.2M</b> Up 58%

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



Purchased a 70% stake in the US based business Tutorfly.com ('Tutorfly') in September. In mid February 2022 completed acquisition of the remaining 30%

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

Team has been able to secure online tutoring work from multiple schools in the state of Arizona as well as grow the core marketplace business

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

Opportunity size is significant with some 50 million students in the US in our addressable market

# Tutorfly

# Acquisition

# Corporate Centres Channel

Corporately owned centres have grown significantly with the addition of 5 more centres in January

We now have 22 Corporate Centres operating across the following markets

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

Weekly student lessons peaked at 2700 during the half

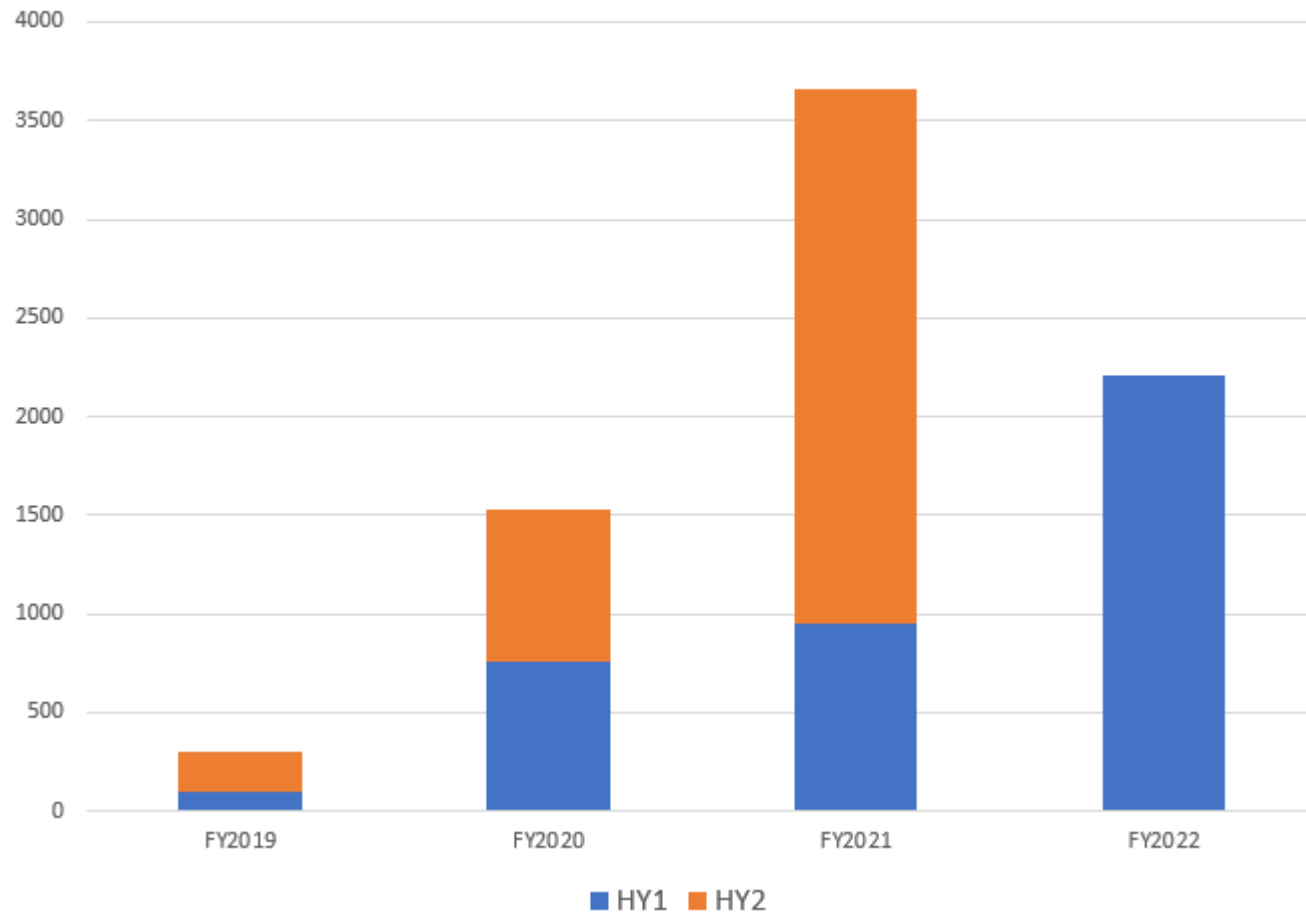
The Corporate Centres provide direct knowledge and feedback for KME for the improvement of the ongoing business model and customer offerings. This channel also proves liquidity to our larger and longer-term franchisees who wish to retire





# Corporate Centres Channel Revenues

Corporate Centre Student Lesson Fees (A\$000)





# 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 9 sold during the half year. Buyer interest remains solid due to our blended learning options

Currently 275 Gold Partner centres operating globally, including 96 in the Australian market, 171 in the UK market and 8 in New Zealand

South Africa and Scotland transitions to UK Office management proceeding well



# Technology & IP

The platform remains very stable across face to face and online tutoring

Systems have been developed for the rapid growth of the Corporate Centres. This has been a major focus for the half. This includes use of Salesforce, Marketing Journey and centralised call centre

Considerable resources have been allocated to improve insights for quality of lessons, acquisitions and retention of students, as well as identify additional opportunities for growth in centre numbers and students

Centre management software upgrade completed during the half is stable and performing well

Learning Management System upgrade work continues and is now the number one focus of the team



# Outlook

We expect the business to grow revenues in line with pre-pandemic rates. Focus will be on growth opportunities worldwide to increase lesson numbers in a rapidly changing tutoring landscape

Continue to progress the corporate centres strategy to increase revenue and profit as well as focus on accelerating the US opportunities with Tutorfly

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

KME is committed to 'plugging the gap' created by 2 years of interrupted schooling with strong support from consumers and both Federal and State Government in all key domestic and international markets

