3P Learning

Investor & Analyst Briefing

Full year results to 30 June 2022

Presented: 22 August 2022

by Chairman **Matthew Sandblom**

CEO **Jose Palmero**

CFO **Anton Clowes**

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Agenda

- Overview of Results
- Chairman's Update
- CEO Update
- Results & Cash Flow
- Outlook
- Q&A
- Appendices

OVERVIEW OF RESULTS

Matthew Sandblom

FY22 Highlights

UNDERLYING[1] EBITDA
$13.8m
+46%
vs pcp[2]

REVENUE
$97.2m
+69%
vs pcp[2]

B2C BILLINGS[3]
$38.8m
+13%
vs pcp[2]

B2B ARR
$64.4m
+0%
vs pcp[2]

UNDERLYING CASH FLOW FROM OPERATIONS BEFORE TAX
$22.6m

- $31.1m cash balances
- $10.0m annualised synergies realised

CUSTOMERS
>5.5m

- B2B Licences 4.4m (-4%) vs pcp[2]
- B2B Distributor Licences[4] 0.9m (-13%) vs pcp[2]
- B2C Licences 313k (11% growth) vs pcp[2]

PRODUCT DEVELOPMENT
$27.6m

- $22.1m product development expense
- $3.1m Writing Legends investment -capitalised
- $1.5m investment in other products - capitalised
- $0.9m Canadian Reading Eggs[5] distribution rights re-acquired expensed

1. “Underlying” is a non-statutory measure and is the primary reporting measure used by the CEO, CFO and Board of Directors for assessing the performance of our business.
2. pcp: prior comparison period which was prior to the merger with Blake eLearning Pty Ltd (Blake) and is compared to FY21.
3. Billings are reported ‘gross’ before commissions are deducted by Apple or Google and exclude Workbooks. FY21 is based on Blake unaudited management accounts.
4. B2B Distributor Licences acquired as part of the merger with Blake.
5. Re-acquired effective 1 January 2022.

CHAIRMAN’S UPDATE

Matthew Sandblom

STRATEGIC INITIATIVES

Strategic initiatives for FY23 and beyond

B2B Product Strategy

Reading
- Reading Eggs
- Reading Eggspress
- Fast Phonics
- The Library
- Reading Journal
- WordFlyers

Maths
- Mathletics
- Mathseeds
- Mathseeds Prime

Writing
- Writing Legends + Grammar

- Add standalone Assessment and Reporting across product vertical
- Add standalone Professional Development for each product vertical

B2B product strategy will further evolve to offer our hero products as Reading, Writing & Maths solutions to schools and parents.

We will also consider targeted acquisitions in the areas of Assessment and Reporting, and Teacher Training and Development. These are not in the current roadmap, but they are future growth areas that are complementary and value-adding to our product solutions.

B2C Product Strategy

Reading
- Reading Eggs
- Reading Eggspress
- Fast Phonics
- The Library
- Reading Journal
- WordFlyers

Maths
- Mathletics
- Mathseeds
- Mathseeds Prime
- Master Maths Island

Writing
- Writing Legends + Grammar

- Add Premium, 'Teacher supervised' offering

Similarly to B2B, our B2C strategy will start moving to a solutions-based approach in FY23 beginning with the separation of Mathseeds from Reading Eggs.

We will also trial a "Teacher Supervised" premium offering in FY23 for parents willing to invest a bit extra to get the most benefit out of our products.

CEO UPDATE

Jose Palmero

Revenue and Operations

Merger

As announced in February 2022, operational integration with Blake is now complete; we have achieved annual synergy savings of approximately $10m, headcount reduction was aligned with product simplification and new sales strategies.

B2C

Solid year for B2C; revenue was $39.3m, gross billings up 13%, and net billings up 17% on FY21.
Net billings contribution margin of 53%, as measured against direct sales, marketing and platform commission costs.

B2B

Revenue $57.9m, 8% up on FY21 and ARR steady at $64.4m.
Good result given US sales team restructure to support product strategy and sunsetting of ReadiWriter and Spellodrome to concentrate on developing Mathletics and Writing Legends.

ES & CSR Deals

Discussions with Ministry of Educations, including the previously announced Middle East MOE deal, have not been successful. We will continue seeking opportunities but will redirect our focus to CSR-related deals aligned with 3P events such as World Maths Day and our ambitious product strategy.

Other

As disclosed with 1H22 results, we acquired Writing Legends to complete our product suite for the 3Rs. We also re-acquired the Schools distribution rights for Reading Eggs Canada from Edmentum including current book of business. Existing 3PL Canada sales team started selling Reading Eggs to schools in January 2022.

Product and People

Mathletics

Improvements to the existing site to increase engagement is complete with Meritopia 2.0 and Skill Quests reports released. The build of New Courses, Student centre and Avatar are the focus for FY23, with priority on AU Courses Years 3-7.

Mathseeds

For the B2C market, separating Mathseeds from Reading Eggs, to create a standalone Mathseeds app will be completed in FY23. New Mathseeds Prime content will be added to the standalone Mathseeds app, increasing grade coverage PreK- 4.

Master Maths Island

Casual game design with skill-building progression, story content and leaderboards for long term gameplay, on track for release FY23.

Reading Eggs & Eggspress

Improvements to: Reports: Time on task & Skills report; Motivation: Certificates and badges; and Engagement: Teacher Library and Reading Journal, will help teachers improve students' reading levels and boost 'Reading for Pleasure'.

Writing Legends

Database and scalable site rebuild complete. New design in progress with lesson content for Years 1-6 to be released 2H23.

People and Culture

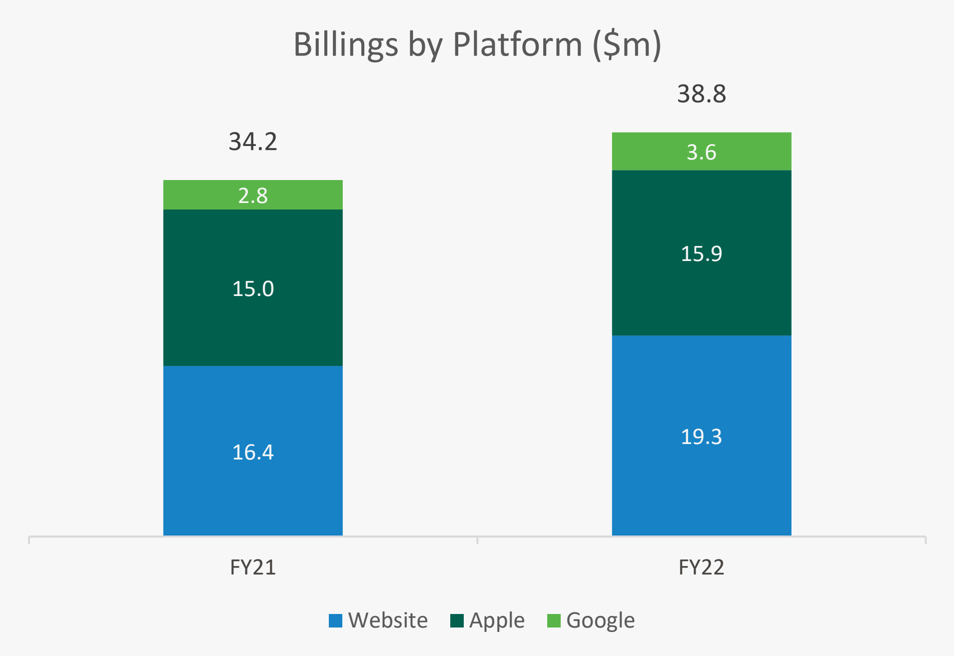
We launched our new People & Culture program with updated Purpose Statement "***Better Ways to Learn"*** and company values, and ESG initiatives focused on education.

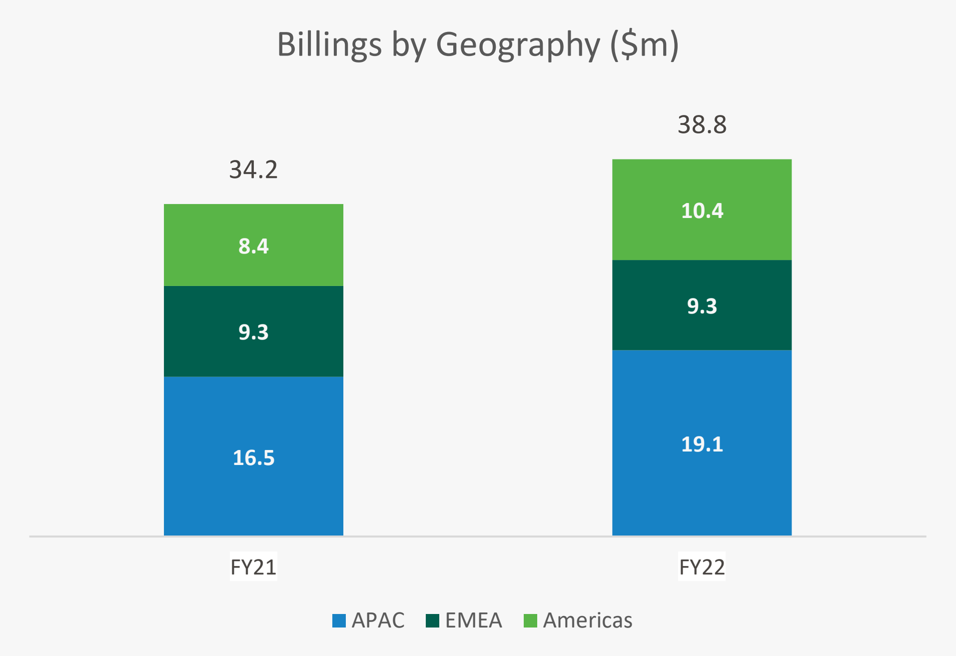
New 3P Learning Values

Create Lifelong Learners | ***Find Better Ways*** | ***Make it Happen*** | ***Be Authentic*** | ***Thrive Together***

Sales Performance in the Consumer Market

Consumer billings[1] performance for Reading Eggs, Mathseeds and Mathletics by platform and geography for FY22 and FY21[2].





Focus & Outlook

- Increase revenue and market share by offering separate literacy and numeracy solutions and taking a data-driven approach to optimise the full customer journey.
- Increase Lifetime Value by enhancing product features such as rewards, certificates and parent reporting.
- New product mobile app Master Math Island in production and teacher supervised learning pilot expected in FY23.

1. Billings are reported on a 'gross' basis before any commissions are deducted by Apple or Google and exclude Workbooks.
2. FY21 results are based on the Blake unaudited management accounts.

Sales Performance in the Schools Market

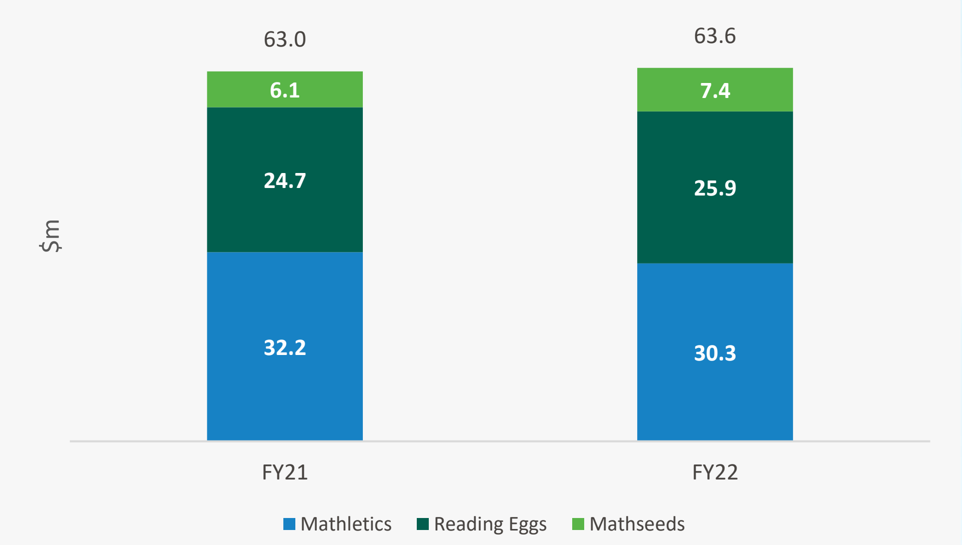
Core school market delivering focused results with smaller, more efficient sales team.

ARR	FY22	FY21[1]	+/-	% +/-
Closing ARR[2] ($m)	64.4	64.4	-	-
Licences (m)	5.2	5.5	(0.3)	(6%)
Exit ARPU[3] ($)	12.4	11.7	0.7	6%

Focus & Outlook

- Increase ARPU through whole-of-school deals, upsell and cross sell.
- Implementing solution-selling approach in FY23.
- Dedicated new business, retention and customer success sales team structure.

The graph below shows school ARR trajectory for FY22 and FY21 for our 3 main products[4], namely: Mathletics, Reading Eggs & Mathseeds.



1. For comparison purpose, FY21 values include Blake's B2B and 3PL's ARR gross of royalties.
2. ARR excludes Copyright Agency Limited.
3. Exit ARPU is calculated as ARR divided by the number of licences.
4. Other products FY22 closing ARR amount to $0.8m (FY21: $1.4m).

RESULTS & CASH FLOW

Anton Clowes

P&L Key Drivers

Profit and Loss Statement $m	FY22	FY21[1]	+/-	%+/-
Revenue				
B2B	57.9	53.7	4.2	8%
B2C	39.3	3.8	35.5	934%
Other revenue and other income	0.1	0.1	-	-
Total revenue	**97.3**	**57.6**	**39.7**	**69%**
Cost of Revenue	(5.6)	(2.8)	(2.8)	100%
Gross Profit	**91.7**	**54.8**	**36.9**	**67%**
Expenses				
Sales & Marketing	(43.4)	(24.4)	(19.0)	78%
Product & Technology	(22.1)	(10.9)	(11.2)	103%
General & Admin	(12.4)	(10.1)	(2.3)	23%
Total Expenses	**(77.9)**	**(45.4)**	**(32.5)**	**72%**
Underlying EBITDA[2]	**13.8**	**9.4**	**4.4**	**46%**
EBITDA margin (%)	14%	16%		
Depreciation & Amortisation	(4.2)	(8.3)	4.1	(49%)
Net Interest Expense	(0.1)	(0.1)	-	-
Underlying Net Profit Before Tax	**9.5**	**1.0**	**8.5**	**850%**
Underlying Income Tax Expense	(0.3)	1.2	(1.5)	(125%)
Underlying Net Profit After Tax	**9.2**	**2.2**	**7.0**	**318%**
Reading Eggs rights Canada (after tax)	(0.6)	-	(0.6)	-
Pro-forma Expenses (after tax):				
PPA D&A	(7.8)	-	(7.8)	-
Impairment Charges	-	(4.8)	4.8	(100%)
Integration, Retention & Merger	(1.4)	(1.7)	0.3	(18%)
Corporate advisory and integration costs	-	(5.1)	5.1	(100%)
Statutory Net Profit After Tax	**(0.6)**	**(9.4)**	**8.8**	**(94%)**

- B2B revenues increased by 8% to $57.9m while ARR remained flat on pcp despite smaller US sales team and sunsetting ReadiWriter and Spellodrome.
- Record B2C revenue of $39.3m in FY22.
- S&M costs increased by $19.0m primarily due to digital marketing campaigns to drive B2C growth partially offset by B2B synergies realised.
- P&T now includes merged development teams. Expenses have primarily increased due to significantly lower capitalisation rate partially offset by synergies realised.
- Underlying EBITDA of $13.8m (up 46% on pcp) driven by B2C growth combined with realised merger-synergies.
- Significant one-off items relating to Blake acquisition:
  - D&A of acquired products; and
  - Restructure costs, retention bonuses & consolidating Blake.

1. Blake results only included in FY21 from merger date, 28 May 2021.
2. FY21 Underlying EBITDA restated to not add back third-party distributor costs.

B2C Performance Metrics

$m	FY22	FY21[4]	+/-	% +/-
Gross Billings[1]	38.8	34.2	4.6	13%
Licences[6] (k)	313.1	282.7	30.4	11%
ARPU[2] ($)	124.0	121.0	3.0	2%

$m	FY22	FY21[4]	+/-	% +/-
Gross Billings[1]	38.8	34.2	4.6	13%
Commissions Deducted	(4.2)	(4.6)	0.4	(10%)
Net Billings[3]	34.6	29.6	5.0	17%
Sales & Marketing Costs (excl. commissions)	(16.2)	(14.8)	(1.4)	9%
Net Billings Contribution	18.4	14.8	3.6	24%
Net Billings Contribution Margin (%)	53%	50%		

- Gross billings improved 13% in FY22, driven by strong parent subscriber growth while increasing ARPU.
- Net billings have grown 17%, after commissions deducted by Apple and Google.
- B2C licences grew 11% on pcp.
- Net billings contribution margin remains strong at 53%.

$m	FY22	FY21	+/-	%+/-
Revenue	39.3	3.8	35.5	934%
Expenses				
Sales, Marketing & Cost of Revenue[5]	(22.1)	(1.5)	(20.6)	1,373%
Contribution Margin	17.2	2.3	14.9	648%
Contribution Margin (%)	44%	*nmf*		

- Revenue from B2C was $39.3m with a contribution margin of 44%.
- Contribution margin is calculated after direct sales & marketing costs, commissions paid to Apple & Google, and hosting & infrastructure expenses.

1. Gross billings are reported before any commissions are deducted by Apple or Google and exclude Workbooks.
2. ARPU is calculated as Gross Billings divided by the number of licences.
3. Net billings are reported after any commissions are deducted by Apple or Google and exclude Workbooks.
4. FY21 results are based on Blake eLearning Pty Ltd unaudited management accounts.
5. Includes direct Sales & Marketing expenses, platform commission costs and hosting & infrastructure costs.
6. The Number of B2C licences reported reflects the number of parent subscribers using 3P Learning products.

B2B Performance Metrics

$m	FY19	FY20	FY21	FY22
Opening ARR	**53.4**	**55.3**	**56.1**	**64.4**
Acquired business*	3.3	-	6.7	0.4
New business	5.7	8.5	7.4	5.9
Net upsell/downsell	(0.1)	(0.2)	1.5	2.9
Net churn	(7.9)	(7.2)	(7.4)	(9.3)
FX impact	0.9	(0.3)	0.1	0.1
Closing ARR	**55.3**	**56.1**	**64.4**	**64.4**
Movement % period on period		1%	15%	-
Churn[1] %	(15%)	(13%)	(13%)	(14%)
Exit ARPU[2] ($)	12.2	12.0	11.7	12.4

$m	FY22	FY21	+/-	% +/-
Revenue	**57.9**	**53.7**	**4.2**	**8%**
Expenses				
Sales, Marketing & Cost of Revenue[3]	(26.9)	(25.7)	(1.2)	5%
Contribution Margin	**31.0**	**28.0**	**3.0**	**11%**
Contribution Margin (%)	54%	52%		
Licences (m)	5.2	5.5	(0.3)	(5%)
Annual Recurring Revenue ($m)[4]	64.4	64.4	-	-
Exit ARPU ($)	12.4	11.7	0.7	6%

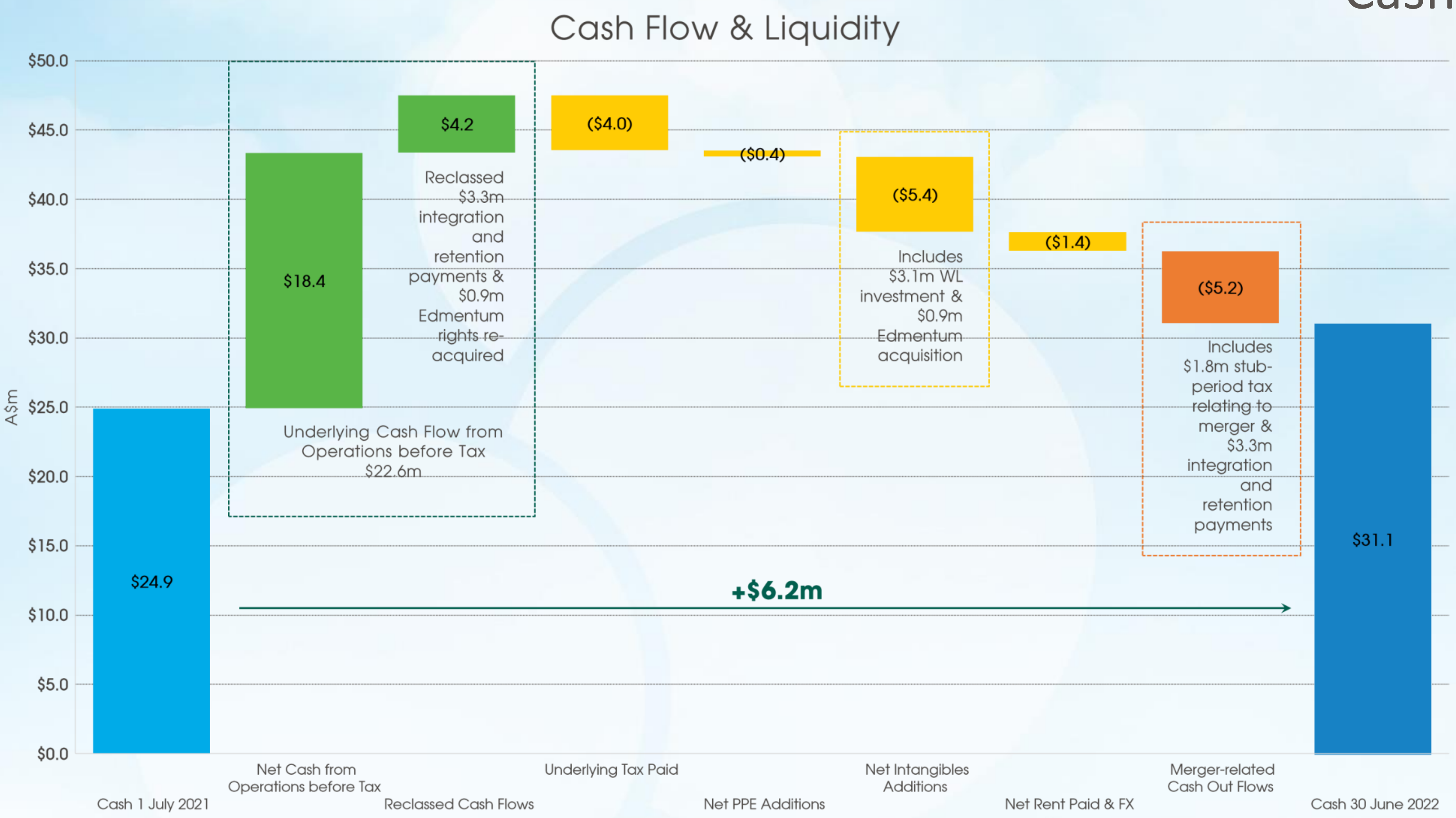
* Acquired:

- Mathseeds distribution rights in FY19 for $3.3m; and
- $7.1m of school sales earned by third party Blake distributors. Of this, $6.7m was for contracts that were active at 30 June 2021, and $0.4m were licences that were presold to become active in FY22.

B2B revenues increased by 8% to $57.9m while ARR remained flat on pcp despite the sunsetting of ReadiWriter and Spellodrome.

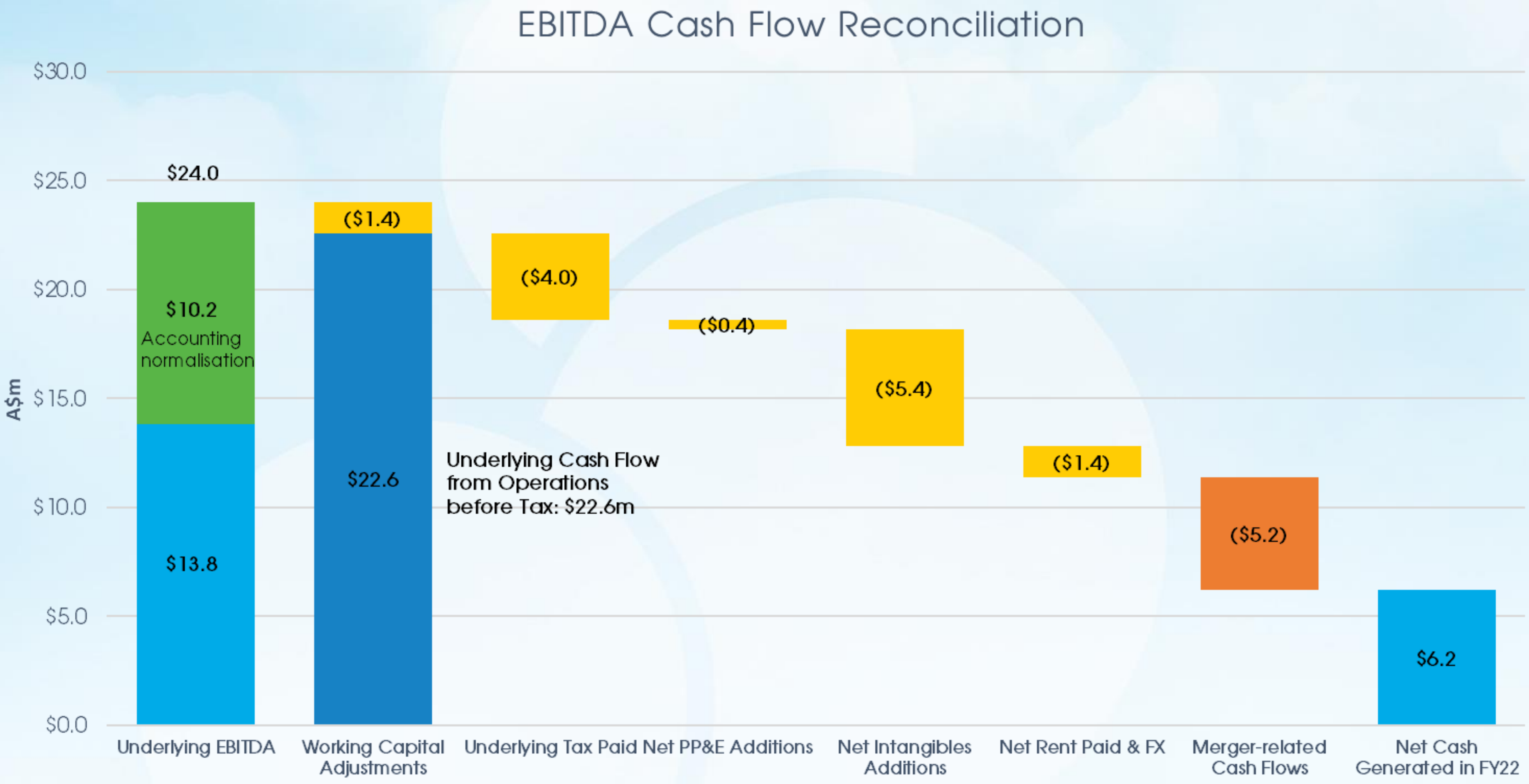
1. Churn is marginally higher in FY22 owing to a higher opening ARR combined with some COVID-exit in the US & UK.
2. Exit ARPU is calculated as ARR divided by the number of licences.
3. Includes Sales & Marketing expenses and headcount, deferred contract costs and hosting & infrastructure costs.
4. As a result of the change in revenue recognition policy, ARR on products previously owned by Blake is now shown at the gross value. This is the value that will be recognised in the profit and loss and the comparative has been restated accordingly.

Cash Balance Bridge



- Underlying cash inflows from operations before tax were $22.6m driven by strong performance of our B2C business.
- Underlying tax paid of $4.0m excludes $1.8m Blake stub period tax paid during the year.
- Net intangibles addition of $5.4m includes $3.1m Writing Legends & Edmentum Canada rights re-acquired of $0.9m.
- Merger-related cash flows include $1.8m Blake stub period tax paid & $3.3m one-off integration and retention payments.
- Closing cash balance at 30 June 2022 up $6.2m to $31.1m (up 25%).
- No external debt.

EBITDA Cash Flow Bridge



- Underlying cash inflows from operations before tax were $22.6m driven by strong performance of our B2C business.
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- Net intangibles addition of $5.4m includes $3.1m Writing Legends & Edmentum Canada rights re-acquired of $0.9m.
- Merger-related cash flows include $1.8m Blake stub period tax paid & $3.3m one-off integration and retention payments.
- Net cash generated in FY22 of $6.2m.

OUTLOOK

Outlook

FY23 Guidance[1]

- Revenue of between $111.0m and $115.0m; and
- Underlying EBITDA of between $15.0m and $18.0m.

In addition, we expect to generate cash flow from operations before tax within at least the same EBITDA range of between $15.0m and $18.0m.

1. Subject to currencies remaining constant, global financial markets remaining stable and no unforeseen circumstances.

Q&A

APPENDICES

Glossary

Term	Definition
ARR	Annual Recuring Revenue
Churn Percentage	Churn Percentage is calculated as a proportion of the opening School ARR in a rolling 12-month period.
EBITDA	Earnings before interest, tax, depreciation and amortisation, excluding corporate advisory, restructure and integration costs specifically associated with the acquisition of Blake and costs associated with the buyback of distribution rights.
Exit Average Revenue per User (Exit ARPU)	Exit ARPU represents the closing ARR - royalty adjusted divided by the closing number of licences.
Licences	B2B Licences reported reflect the number of individual students using 3P Learning products and excludes teacher or administrator users. B2C Licences reported reflect the number of parent-subscribers using 3P Learning products.
Licence Revenue	Licence Revenue includes all statutory revenue recorded on the sale of online education products. Specifically, it includes first party products recognised as "Licence fees" and 3rd party products recognised as "Net commission revenue" in the statutory financial statements.
Net Churn	Net Churn represents the School ARR which were not renewed by a customer at the end of a subscription period, offset by the value of recovered subscriptions previously churned.
Prior comparison period (pcp)	Prior comparison period is FY21 (which was prior to the merger with Blake).
School Annual Recurring Revenue (ARR)	School ARR is the annualised customer contract value of all active licence contracts in effect at a particular date with any B2B school customer.
Underlying	Is a non-statutory measure and is the primary reporting measure used by the CEO, CFO and Board of Directors for assessing the performance of our business.

End of Presentation

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