3P Learning

Investor & Analyst Briefing

Full year results to 30 June 2023

Presented: 18 August 2023
by
Chairman **Matthew Sandblom**
CEO **Jose Palmero**
CFO **Anton Clowes**

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Agenda

- Chairman’s Update
- CEO Update
- Results & Cash Flow
- Outlook
- Q&A
- Appendices

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Chairman’s Update

Matthew Sandblom

Chairman's Update

- FY23 focus was on building product suite covering the 3Rs of learning (Reading, Writing, Maths).

- We have increased our investment in product while maintaining a good level of profitability and cash generation.

- During FY24 we will release major new programs:

  & significant enhancements to:

- Sales focus will shift from individual programs to selling full suite of programs for all core subjects.

- Increase in Annual Recurring Revenue ("**ARR**") will be key metric.

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CEO Update

Jose Palmero

Our Programs

Mathletics	Reading eggs	Mathseeds	Writing Legends	brightpath PROGRESS
Helping students build their confidence in Maths.	Learning to Read made fun and rewarding for children.	Teaching children foundational Maths and problem-solving skills.	Where children learn to Write with confidence and effectively.	Writing and Numeracy assessment that makes progress visible.
Ages 5 to 16	Ages 2 – 12	Ages 3 – 9	Ages 6 – 12	Ages 6 - 16

Our Strategy

B2B

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

Maths
- Mathletics
- Mathseeds
- Mathseeds Prime

Writing
- Writing Legends + Grammar

Assessment & Reporting
- Brightpath Progress Writing
- Brightpath Progress Maths

- Add standalone Professional Development for each product vertical

Markets (AMER, EMEA, APAC)

B2C

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 Paid Service offering

Markets (AMER, EMEA, APAC)

FY23 Highlights

UNDERLYING[1] EBITDA
$15.9m
+21%
vs pcp[2]

REVENUE
$107.4m
+10%
vs pcp

B2C BILLINGS[3]
$40.7m
+5%
vs pcp

B2B ARR[4]
$65.4m
+2%
vs pcp

UNDERLYING[1] CASH FLOW FROM OPERATIONS BEFORE TAX
$10.8m
- $27.0m cash balances[5] (-15% vs pcp)
- $14.0m statutory cash balances

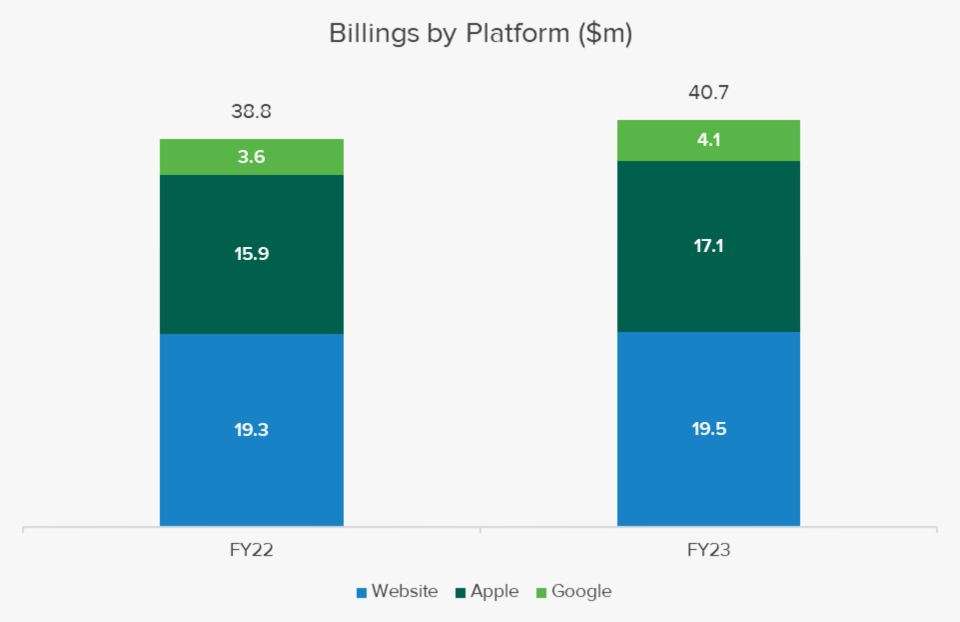
CUSTOMERS
>5.5m
- B2B Licences[4] 4.3m (-0.2% vs pcp)
- B2B Distributor Licences 0.9m (flat vs pcp)
- B2C Licences 302k (-3.5% vs pcp)

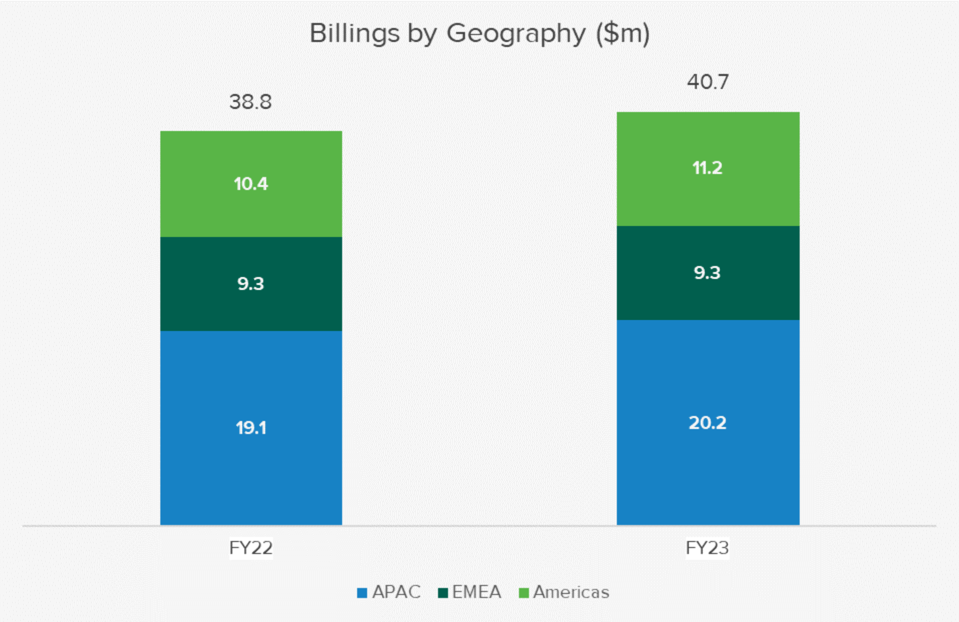
PRODUCT
$28.2m
- $25.6m internal product development - expensed
- $1.5m Writing Legends investment - capitalised
- $1.1m investment in other products - capitalised

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 is FY22.
3. Billings are reported on a ‘gross’ basis before any commissions are deducted by Apple and/or Google.
4. Includes the flow-on impact of the acquisition of Pairwise Pty Ltd (‘Brightpath’) which occurred on 30 September 2022.
5. Includes $6.0m restricted cash (holding deposits paid for merchant banking facilities) and $7.0m term deposits (original maturities of more than 3 months).

Performance in the Consumer Market

Consumer billings[1] performance for Reading Eggs, Mathseeds and Mathletics by platform and geography for FY23 and FY22.





- Billings were $40.7m, up 5% on pcp, with net billings contribution margin of 51% including direct sales, marketing and platform commission costs.
- Separation of literacy and numeracy solutions substantially completed.
- Implemented new pricing and dedicated apps in App Store and Google Play. Price increase for new customers effective January 2023.
- Strong performance from Google Play store (13% up on pcp) and AMER (14% up on pcp).

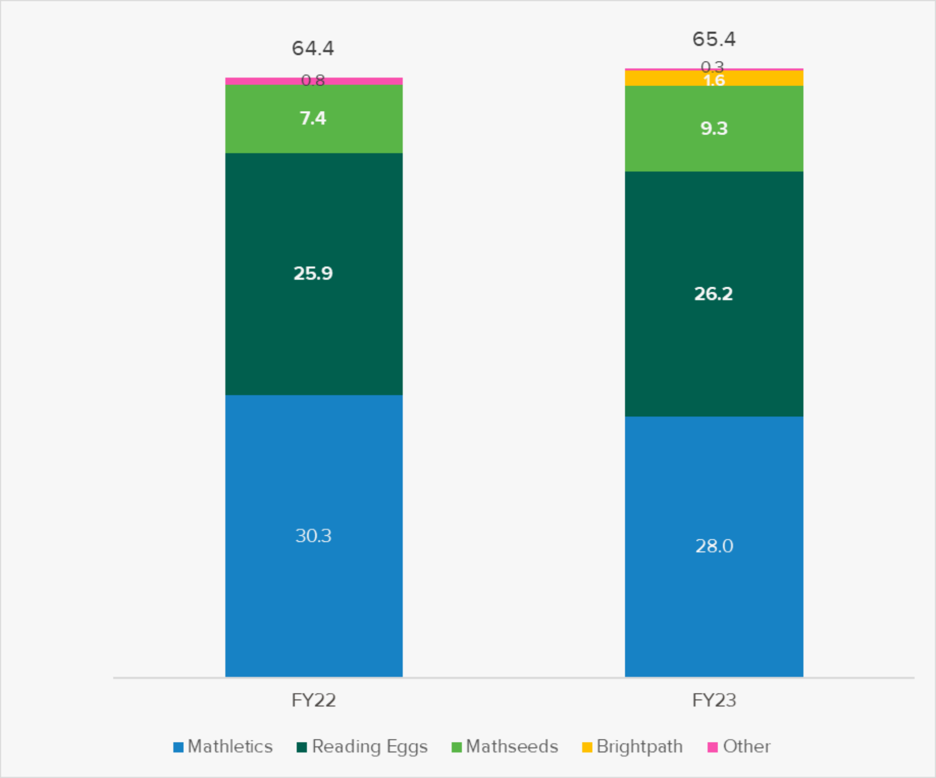
1. Billings are reported on a 'gross' basis before any commissions are deducted by Apple and/or Google and exclude Workbooks.

Performance in the Schools Market

	FY23	FY22	+/-	% +/-
Closing ARR[1] ($m)	65.4	64.4	1.0	2%
Licences (m)	5.2	5.2	-	-
Exit ARPU[2] ($)	12.5	12.4	0.1	1%

- ARR is up 2% with Brightpath contributing $1.4m in acquisition-ARR.
- Exit ARPU increased to $12.5 despite Brightpath having a lower ARPU.
- Implemented Solution Selling in all markets from July 2022. There has been a welcome response to the Maths package in all regions.
- B2B Revenue was $66.4m, 15%[3] up on FY22.

The graph below shows school ARR trajectory for FY22 and FY23.



1. ARR excludes Copyright Agency Limited.
2. Exit ARPU calculated as ARR divided by number of licences.
3. The pcp was impacted by change in revenue recognition on Blake products sold to schools from the date of acquisition of Blake. Revenue recognition from acquisition date was recorded on a straight-line basis over the service period consistent with licence revenue, whereas previously it was recorded at the point of sale consistent with net commission revenue.

Product Releases and Improvements

	Achieved in 2H23	What's coming FY24
Reading eggs	Reading Journal, End of Lessons Skill Quiz, QR Code login, Teacher Library Controls, Awards and Certificates	Read Aloud Feature, Program & Reports, RE Map 13 Lessons 121-130
Mathletics	Avatar systems, M-coin, new Question Authoring tools built	Global: Student Centre and certificates, Teacher Assign & Review. APAC: New Courses Fractions and Decimals Years 3-8 + Reporting. Number and Algebra New Courses, incremental releases
Writing Legends	Site rebuild with new design, avatar, navigation, and Instant Legend Feedback	APAC: August release with Map-based lessons. Regular release of additional lessons to 100, Reward realms. EMEA and AMER release
brightpath PROGRESS	Maths Assessment module, Australia release	EMEA: Writing Assessment EMEA AMER: Math Assessment & Writing trial Build Reading Assessment
Mathseeds PRIME	APAC: Year 4 launch	APAC: Year 5. EMEA: Year 4 and 5. Stadium Games, Treehouse

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Results & Cash Flow

Anton Clowes

P&L Key Drivers

Profit and Loss Statement $m	FY23	FY22	+/-	%+/-
Revenue				
B2B	66.4	57.9	8.5	15%
B2C	40.5	39.3	1.2	3%
Other income	0.5	0.5	-	-
Total revenue	**107.4**	**97.7**	**9.7**	**10%**
Cost of Revenue	(5.4)	(5.6)	0.2	4%
Gross Profit	**102.0**	**92.1**	**9.9**	**11%**
Expenses				
Sales & Marketing	(48.5)	(43.4)	(5.1)	(12%)
Product & Technology	(25.6)	(22.1)	(3.5)	(16%)
General & Admin	(12.0)	(13.5)	1.5	11%
Total Expenses	**(86.1)**	**(79.0)**	**(7.1)**	**(9%)**
Underlying EBITDA[2]	**15.9**	**13.1**	**2.8**	**21%**
EBITDA margin (%)	15%	13%		
Depreciation & Amortisation	(2.7)	(4.2)	1.5	36%
Net interest expenses	-	(0.1)	0.1	100%
Unrealised foreign currency gain/(loss)[2]	(1.0)	0.7	(1.7)	(243%)
Underlying Net Profit Before Tax	**12.2**	**9.5**	**2.7**	**28%**
Underlying Income Tax benefit (expense)	1.9	(0.3)	2.2	733%
Underlying Net Profit After Tax	**14.1**	**9.2**	**4.9**	**53%**
Reading Eggs rights Canada (after tax)	-	(0.6)	0.6	100%
Pro-forma Expenses (after tax)				
PPA D&A	(6.8)	(7.8)	1.0	13%
Integration, retention & merger (after tax)	(1.0)	(1.4)	0.4	29%
Statutory Net Profit After Tax	**6.3**	**(0.6)**	**6.9**	**1150%**

- B2B revenue increased by 15% on pcp to $66.4m (primarily owing to the change in revenue recognition[1]).
- B2B revenue includes $1.1m relating to Brightpath.
- B2C revenue of $40.5m (up 3% on pcp).
- S&M costs up $5.1m partly due to increased investment in digital marketing to drive B2C retention and growth & additional B2B "new-product" marketing costs.
- P&T costs up $3.5m with additional investment in employee costs and software.
- Underlying EBITDA of $15.9m (up 21% on pcp).
- Significant items include D&A of acquired products for Blake & Brightpath integration costs.

1. The pcp was impacted by change in revenue recognition on Blake products sold to schools from the date of acquisition of Blake. Revenue recognition from acquisition date was recorded on a straight-line basis over the service period consistent with licence revenue, whereas previously it was recorded at the point of sale consistent with net commission revenue.
2. From FY23 Underlying EBITDA excludes unrealised FX gains or losses; FY22 Underlying EBITDA has therefore been restated.

B2C Performance Metrics

$m	FY23	FY22	+/-	% +/-
Gross Billings[1]	40.7	38.8	1.9	5%
Licences[5] (k)	302.0	313.0	(11.0)	(4%)
ARPU[2] ($)	134.8	124.0	10.8	9%

$m	FY23	FY22	+/-	% +/-
Gross Billings[1]	40.7	38.8	1.9	5%
Commissions Deducted	(4.5)	(4.2)	(0.3)	(7%)
Net Billings[3]	36.2	34.6	1.6	5%
Sales & Marketing Costs (excl. commissions)	(17.7)	(16.2)	(1.5)	(9%)
Net Billings Contribution	18.5	18.4	0.1	1%
Net Billings Contribution Margin (%)	51%	53%		

- Gross billings improved 5% in FY23, driven by strong parent subscriber base while increasing ARPU.
- Net billings have grown 5% after commission deducted by Apple and Google.
- B2C ARPU increased 9% while licences declined 4% on pcp.
- Net billings contribution margin remains strong at 51%.

$m	FY23	FY22	+/-	%+/-
Revenue	40.5	39.3	1.2	3%
Expenses				
Sales, Marketing & Cost of Revenue[4]	(23.2)	(22.1)	(1.1)	(5%)
Contribution Margin	17.3	17.2	0.1	1%
Contribution margin (%)	43%	44%		

- B2C revenue (excluding other income) has increased 3% to $40.5m.
- Contribution margin holds steady at 43%.
- Contribution margin is calculated after direct sales & marketing costs, commissions paid to Apple and/or Google, and hosting & infrastructure expenses.

1. Gross billings are reported before any commissions are deducted by Apple and/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 and/or Google and exclude Workbooks.
4. Includes direct Sales & Marketing expense, platform commission costs and hosting & infrastructure costs.
5. B2C Licences reflects the number of parent subscribers using 3P Learning products.

B2B Performance Metrics

$m	FY23	FY22
Opening ARR	**64.4**	**64.4**
Acquired business	1.4	0.4
New business	5.5	5.9
Net upsell/downsell	1.9	2.9
Net churn	(8.8)	(9.3)
FX impact	1.0	0.1
Closing ARR	**65.4**	**64.4**
Movement % period on period	2%	
Churn %	(14%)	(14%)
Exit ARPU[1] ($)	12.5	12.4

- Acquired business:
  - Brightpath acquisition contributed $1.4m to ARR.
  - FY22 $0.4m from licences acquired through merger with Blake in FY21.
- Exit ARPU increased to $12.5 despite Brightpath having a lower ARPU.
- Churn steady at 14%.

$m	FY23	FY22	+/-	% +/-
Revenue	66.4	57.9	8.5	15%
Expenses				
Sales, Marketing & Cost of Revenue[2]	(30.7)	(26.9)	(3.8)	(14%)
Contribution Margin	35.7	31.0	4.7	15%
Contribution margin (%)	54%	54%		
Licences (m)	5.2	5.2	-	-
Annual Recurring Revenue ($m)	65.4	64.4	1.0	2%
Exit ARPU ($)	12.5	12.4	0.1	1%

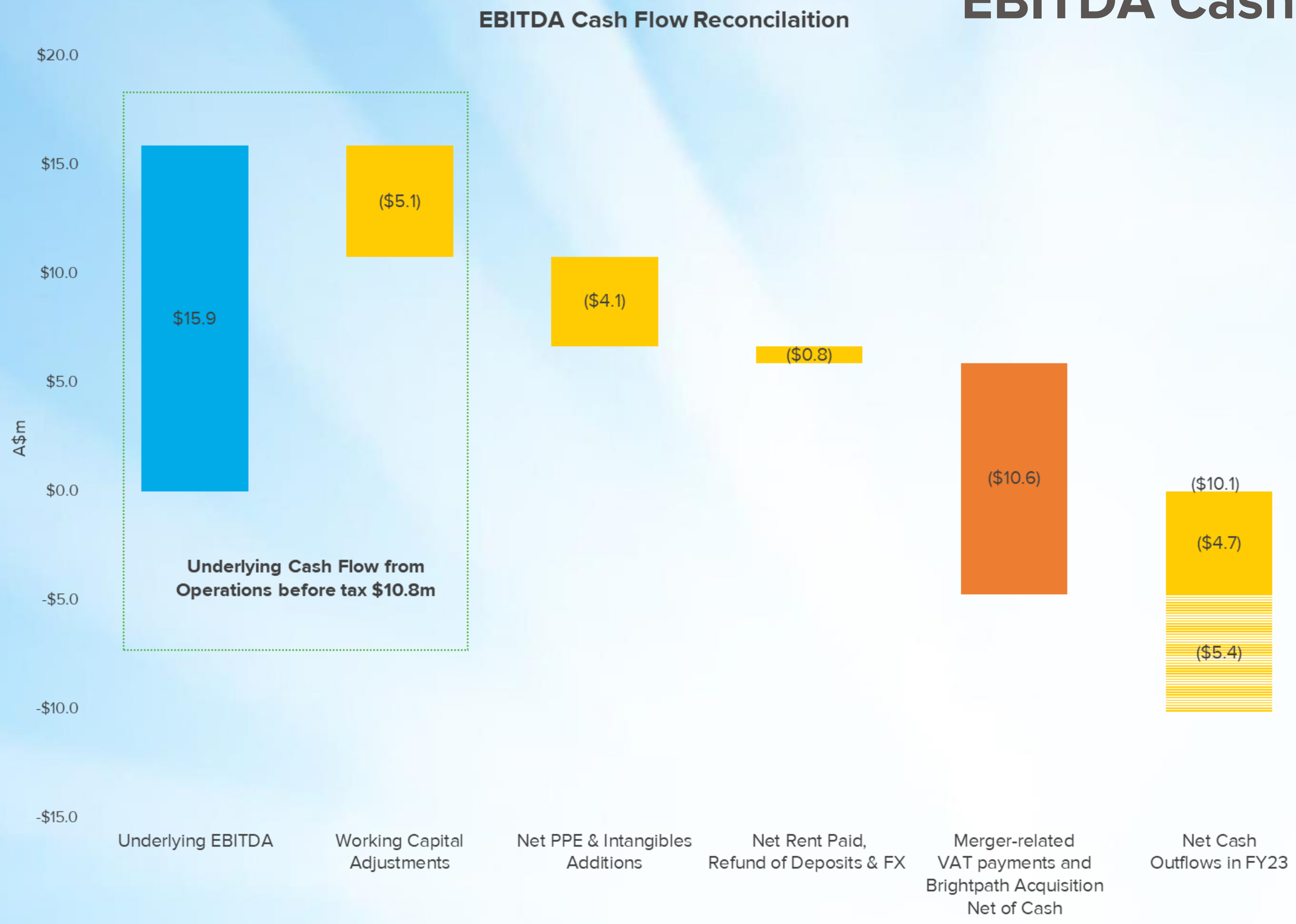
- B2B revenue increased by 15% to $66.4m primarily owing to the change in revenue recognition[3] in the pcp. Excluding the change in revenue recognition, B2B was steady on FY22.

1. Exit ARPU is calculated as ARR divided by the number of licences.
2. Includes direct Sales & Marketing expense, platform commission costs and hosting & infrastructure costs.
3. The pcp was impacted by change in revenue recognition on Blake products sold to schools from the date of acquisition of Blake. Revenue recognition from acquisition date was recorded on a straight-line basis over the service period consistent with licence revenue, whereas previously it was recorded at the point of sale consistent with net commission revenue.

Cash Balance Bridge

- Underlying cash flow from operations before tax was $10.8m.
- Merger-related cash flows include $1.8m VAT payments in South Africa & UK.
- Net PPE & intangibles addition of $4.1m includes $1.5m Writing Legends investment.
- Brightpath acquisition (net of cash) and integration costs was $8.8m.
- Closing cash balance at 30 June 2023 is $27.0m and includes $6.0m restricted cash and $7.0m short-term deposits.
- No debt.

EBITDA Cash Flow Bridge



- Underlying cash flow from operations before tax was $10.8m.
- Net PPE & intangibles addition of $4.1m includes $1.5m Writing Legends investment.
- Merger-related cash flows include $1.8m VAT payments in South Africa & UK.
- Brightpath acquisition (net of cash) and integration costs was $8.8m.
- Excluding holding deposits paid in FY23 of $5.4m, net cash utilised in FY23 was $4.7m.

Outlook

Outlook

FY24 Guidance[1]

- Revenue of between $112.0m and $115.0m (including growing ARR with new B2B product launches)
- Underlying EBITDA of between $15.0m and $17.0m

We aim to generate cash from operations, before tax and investments, at levels higher than last year.

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

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Q&A

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Appendices

Glossary

Term	Definition
ARR	Annual Recurring Revenue
Churn Percentage	Churn Percentage is calculated as a proportion of the opening School ARR in a rolling 12 or 6 month period (as relevant).
EBITDA	Earnings before interest, tax, depreciation and amortisation, restructure and integration costs, corporate advisory costs, buy back of distributor rights, and unrealised foreign exchange gain and losses.
Exit Average Revenue per User (Exit ARPU)	Exit ARPU represents the closing ARR 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.
Net Churn	Net Churn represents the School ARR which was 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 twelve months to 30 June 2022.
Underlying	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 the business.

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Thank You