



22 August 2019

Analyst pack

Full year results to
30 June 2019



3P Learning - products at a glance

Mathletics

- The comprehensive online maths learning tool
- Ages: 4 - 18
- Blends both intrinsic and extrinsic rewards to engage students with their maths learning
- Advanced reporting
- In-class differentiation
- Additional resources and challenges
- Early Learners

Spellodrome

- Encourages independent learning and the development of critical spelling awareness: Visual, Phonological, Morphemic and Etymological
- Ages: K - 6
- Over 10,000 words covering all major international English dialects
- Tracks students' usage, progress and improvement
- Simple drag and drop spelling group creation
- **Brand to be replaced by Readewriter Spelling**

Reading



- Online literacy program
- Research-based
- Ages: 4 - 13
- Learning pathways based on individual reading ability (Phonic & Comprehension)
- Video, eBooks, storytelling and interactive activities, Additional comprehension, spelling, reading books and teaching resources
- In-class and at home tool



- Younger years numeracy program
- Ages: 4-7
- 200 sequential lessons covering Number and Algebra, Measurement and Geometry, and Statistics and Probability
- Over 2,500 interactive digital activities



- Secondary fundamental literacy skills
- Focuses on reading comprehension, punctuation, vocabulary, spelling and writing
- Ages: 12-18
- 128 units of work across 16 different levels
- Short, high interest, real-world texts



gooseberry planet™

- Online safeguarding in Primary Schools
- Fresh, engaging and innovative approach to teaching e-Safety
- Real-life online scenarios



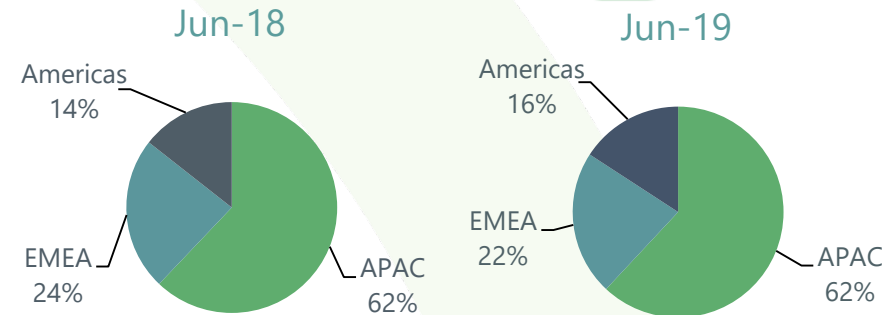
- Online science program
- Module design: easy for teachers to introduce science into their classroom
- Ages: 7 to 18
- Entire science experiments
- Dynamic content from CNN International's Great Big Story

Revenue by geography and product family

Revenue by Geography

A\$	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19
APAC	30.1	30.8	31.8	34.4	33.7
EMEA	10.3	12.6	13.0	13.0	12.1
Americas	4.4	5.9	7.7	8.0	8.6
Total	44.8	49.3	52.5	55.4	54.4

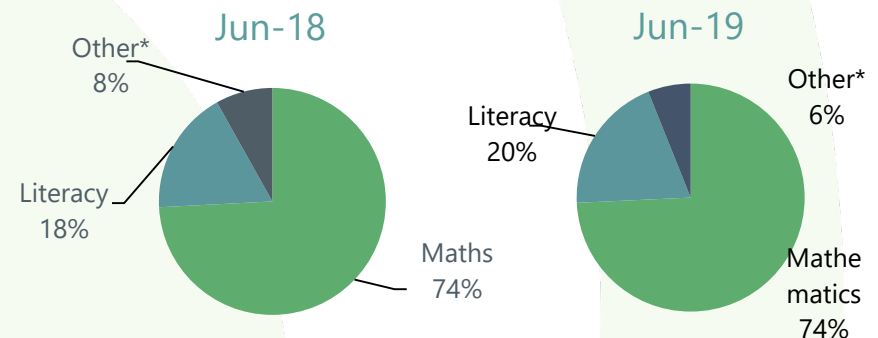
Revenue split by Geography



Revenue by Product Family

A\$M	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19
Mathematics	32.9	36.9	39.6	40.9	40.4
Literacy	7.9	8.9	9.3	9.8	10.7
Other*	4.0	3.5	3.6	4.7	3.3
Total	44.8	49.3	52.5	55.4	54.4

Revenue split by Product Family



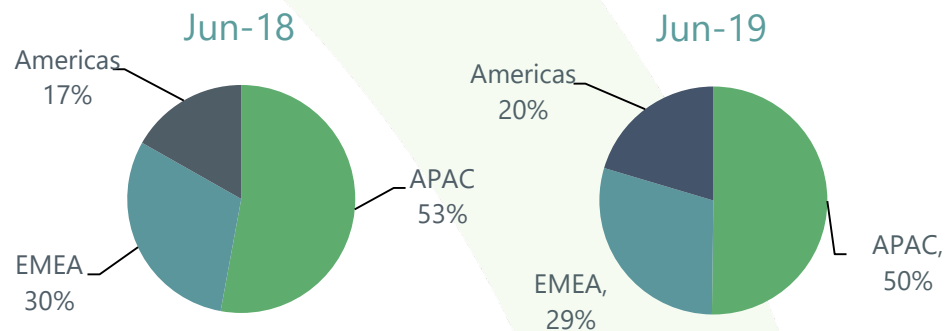
* Other revenue includes copyright fees, workbook sales, IntoScience and sponsorships

Licences by geography and product family

Licences by Geography

000s	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19
APAC	2,627	2,664	2,704	2,678	2,287
EMEA	1,498	1,660	1,737	1,534	1,337
Americas	903	1,026	1,001	849	931
Total	5,028	5,350	5,442	5,061	4,555
Legacy contract*	185	185	0	0	0
IntoScience**	99	117	85	15	0
Total	5,312	5,652	5,527	5,076	4,555

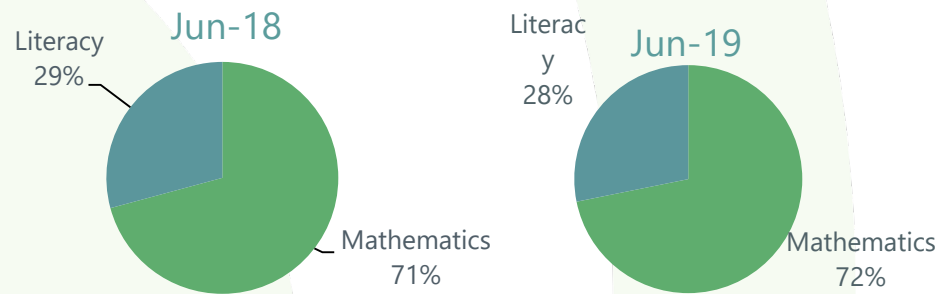
Licences split by Geography



Licences by Product Family

000s	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19
Mathematics	3,606	3,818	3,953	3,583	3,271
Literacy	1,422	1,532	1,489	1,478	1,283
Total	5,028	5,350	5,442	5,061	4,554
Legacy contract*	185	185	0	0	0
Science**	99	117	85	15	1
Total	5,312	5,652	5,527	5,076	4,555

Licences split by Product Family



* Legacy Middle East contract for Mathletics licences

** IntoScience product not actively sold from February 2017, Stemsopes sold from late June 2019



ARR analysis

GROUP		
A\$M	Jun-18	Jun-19
Opening ARR	49.8	51.3
New business	5.6	7.1
Net upsell/downsell	0.5	0.5
Churn	(4.6)	(7.6)
Closing ARR	51.3	51.3

ARR:

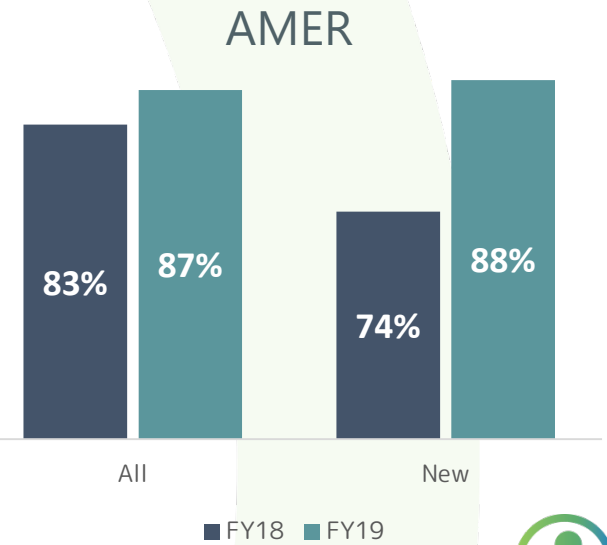
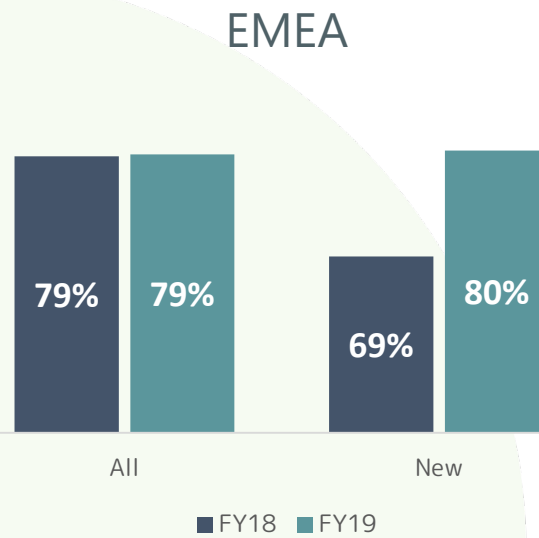
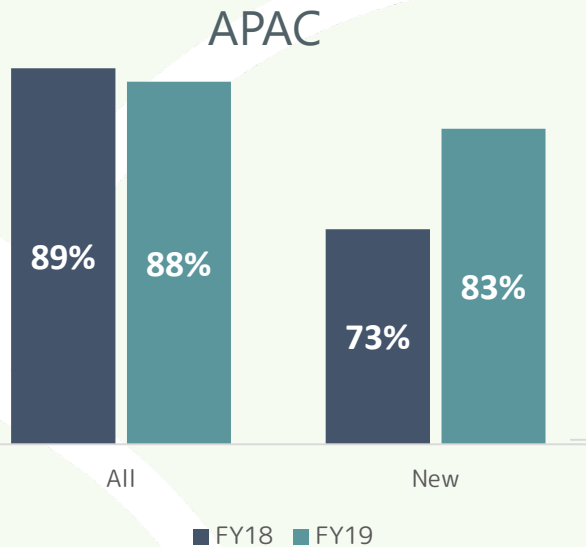
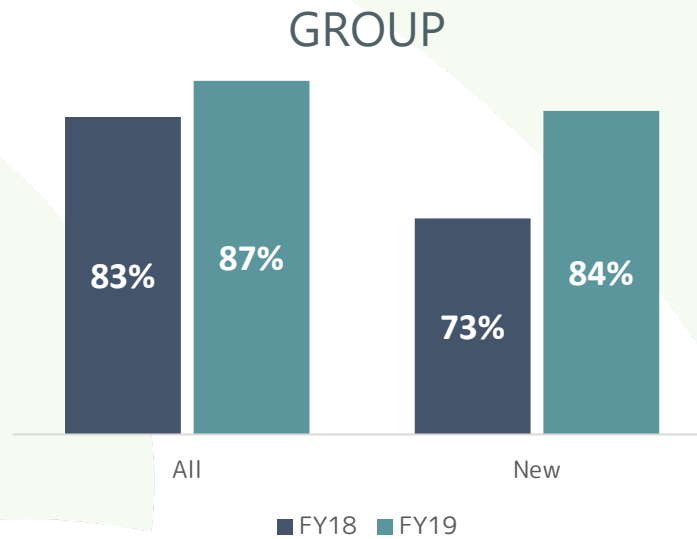
Annualised Recurring Revenue (ARR) represents the annualised value of all active subscription contracts in effect at a particular date. It provides a 12 month forward view of revenue assuming no change in exchange rates during that 12 month period.

APAC		
A\$M	Jun-18	Jun-19
Opening ARR	29.0	31.6
New business	2.6	3.8
Net upsell/downsell	1.2	(0.3)
Churn	(1.2)	(3.5)
Closing ARR	31.6	31.6

EMEA		
A\$M	Jun-18	Jun-19
Opening ARR	13.6	13.2
New business	2.1	1.5
Net upsell/downsell	(0.7)	0.4
Churn	(1.8)	(3.0)
Closing ARR	13.2	12.1

AMER		
A\$M	Jun-18	Jun-19
Opening ARR	7.2	6.5
New business	0.9	1.8
Net upsell/downsell	-	0.4
Churn	(1.6)	(1.1)
Closing ARR	6.5	7.6

Retention analysis

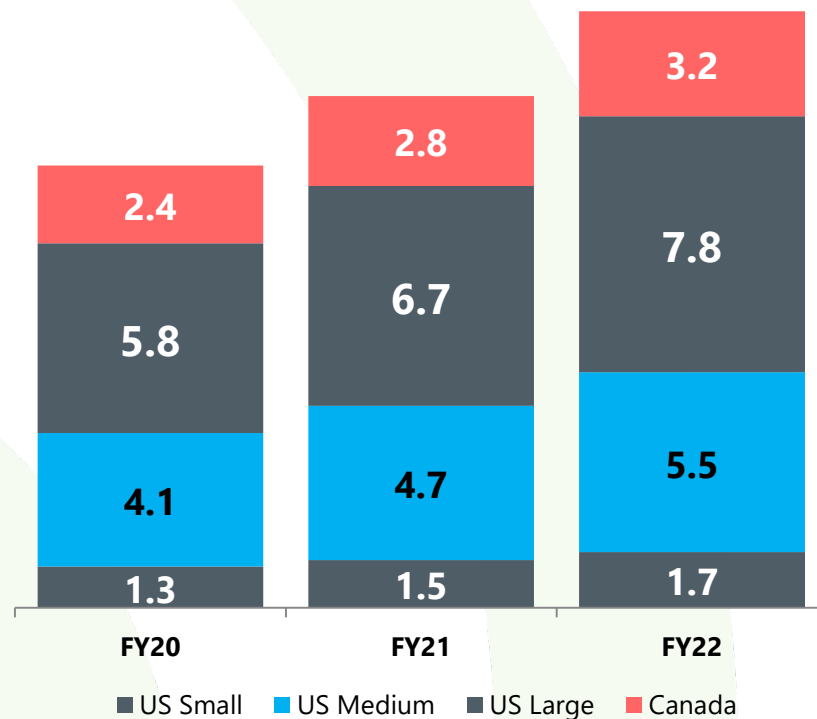


Americas – market analysis



- Total addressable K-12 market in NCES Common Core Curriculum: 51m in USA, 5m in Canada
- 30m in LATAM *
- Currently targeting K-8 in 20 US states and 8 CA provinces, comprising 77% of total market, plus all of Mexico *
- Territory structure provides centralized retention and growth potential
- Strategic targeting of Districts
- Visibility into District Dashboard across Region will help retention

Addressable student population, by district size (millions) *



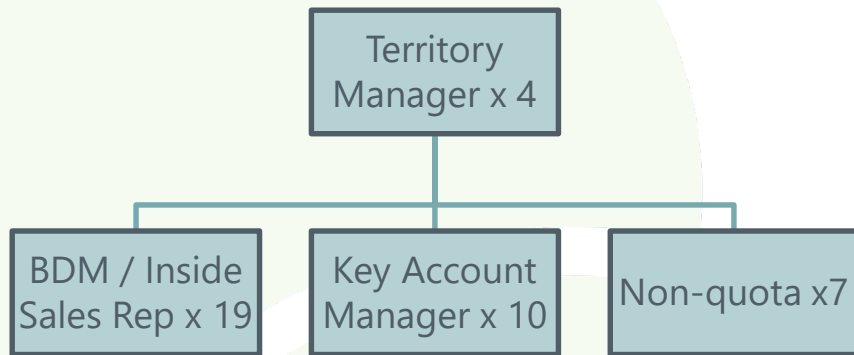
- Average small/medium district sale is 4,000 licences with an average annual contract value of US\$25,000-\$45,000

*Source: NCES Common Core of Data and Private School Universe Survey for 2015-16; Council of Ministers of Education, Canada; 3P Learning management estimates.



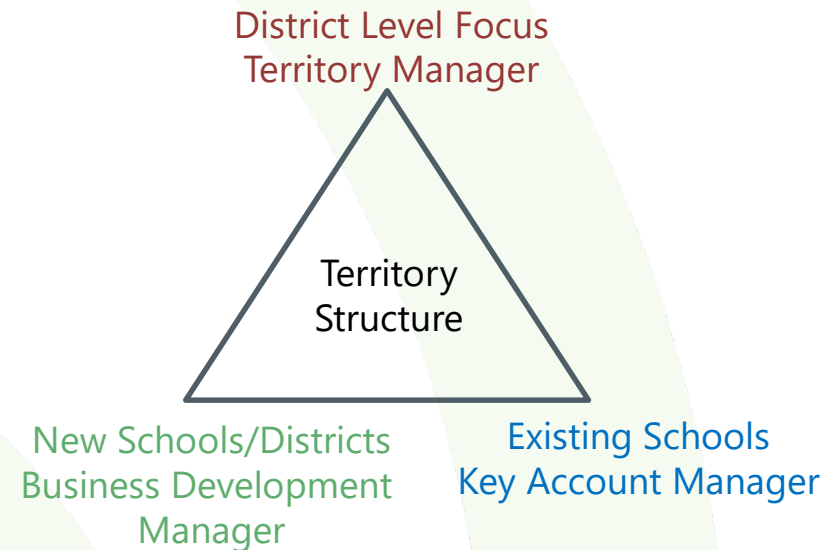
Americas – sales team and market penetration strategy

Current AMER sales team



- Top of funnel lead generation through digital marketing
- Continued investment in sales staff as licence growth is delivered

District-school sales approach



Statutory EBITDA

Reconciliation of Segment EBITDA to Statutory EBITDA per note 4 of the FY2019 financial statements*

A\$M	FY19	FY18	Mvmt	Growth
APAC Underlying EBITDA	25.9	27.0	(1.1)	(4%)
Less : Corporate Costs and Development	(16.0)	(16.6)	0.6	(4%)
Add : Intersegment Royalties & Charges	6.9	7.6	(0.7)	(9%)
Statutory EBITDA	16.8	18.0	(1.2)	(7%)
EMEA Underlying EBITDA	7.4	7.5	(0.1)	(1%)
Less : Intersegment Royalties & Charges	(4.2)	(4.6)	0.4	(9%)
Statutory EBITDA	3.2	2.9	0.3	10%
Americas Underlying EBITDA	0.4	1.1	(0.7)	(64%)
Less : Intersegment Royalties & Charges	(2.7)	(3.0)	0.3	(10%)
Statutory EBITDA	(2.3)	(1.9)	(0.4)	21%
Group Statutory Core EBITDA	17.7	19.0	(1.3)	(7%)
Add : Share of Profit	-	0.6	(0.6)	-
Group Statutory EBITDA	17.7	19.6	(1.9)	(10%)

*Statutory EBITDA as disclosure in Note 4 of Financial Report as at 30 June 2019.

Impact of AASB16 Leases

FY19 income statement, notionally adjusted for the FY20 impacts of adopting AASB16 Leases

A\$M	FY19 Actuals	AASB16 Leases impact *	Pro forma FY19	Change
Total Revenue	54.4	(0.6)	53.8	(1%)
Employee expenses	(26.2)	-	(26.2)	-
Marketing expenses	(1.8)	-	(1.8)	-
Technology and occupancy expenses	(6.0)	1.6	(4.4)	(27%)
Other expenses	(2.7)	-	(2.7)	-
Expenses	(36.7)	1.0	(35.1)	(3%)
EBITDA	17.7	1.0	18.7	6%
<i>EBITDA margin (%)</i>	33%		35%	
Depreciation & amortisation	(9.1)	(1.0)	(10.1)	11%
EBIT	8.6	-	8.6	-
<i>EBIT margin</i>	16%		16%	
Net interest	0.1	(0.1)	-	(100%)
Profit before tax	8.7	(0.1)	8.6	(1%)
Tax Benefit/(Expense)	(2.8)	-	(2.8)	-
<i>Tax rate</i>	32%		33%	
NPAT	5.9	(0.1)	5.8	(2%)

* The above income statement shows the expected FY20 P&L impact of adopting AASB16 Leases, overlaid onto the FY19 results, based on leases in existence as at 30 June 2019. Sub-lease income will decrease \$0.6M, lease expense will decrease \$1.6M, amortisation will increase \$1.0M and net interest expense will increase \$0.1M. Balance sheet changes: the pre-tax impact of adoption of this standard as at 1 July 2019, using the modified retrospective approach, will include the recognition of a right-of-use asset of approximately \$3,750,000, a lease receivable of approximately \$2,230,000 and lease liabilities of approximately \$6,150,000, in respect of the Group's operating lease over premises. More details can be found in note 2 to the 30 June 2019 financial statements.



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