

14 February 2020

Analyst Pack

Half year results to
31 December 2019

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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

Readiwriter

- Delivers engaging activities and games that help students develop a deeper and more comprehensive understanding of spelling and vocabulary
- Uses best-practice gamification and powerful pedagogical approaches
- Ages: K – 6
- Over 10,000 words, pre-built and customisable word lists, as well as list sets such as Dolch, OWL, Fry and NZCER.
- Launched in October 2019.

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 Numbers 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



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



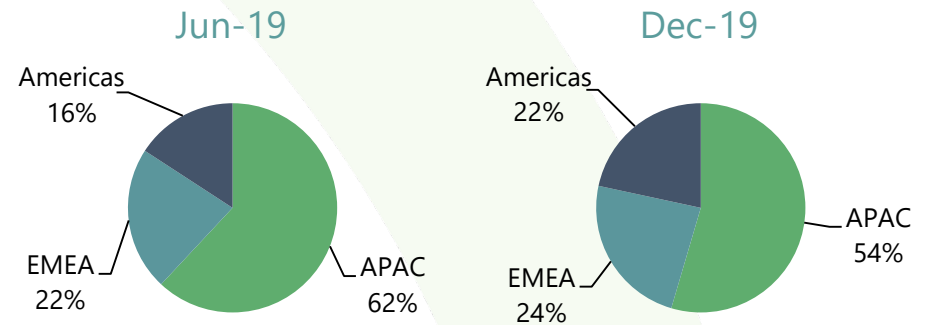
- Online science program
- Module design: easy for teachers to introduce science into their classroom
- Ages: 7 to 18
- Entire science experiments
- Dynamic content from CNN International's Great Big Story

Revenue by geography and product family

Revenue by Geography

A\$M	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Dec-19
APAC	30.1	30.8	31.8	34.4	33.7	12.6
EMEA	10.3	12.6	13.0	13.0	12.1	5.5
Americas	4.4	5.9	7.7	8.0	8.6	5.0
Total	44.8	49.3	52.5	55.4	54.4	23.1

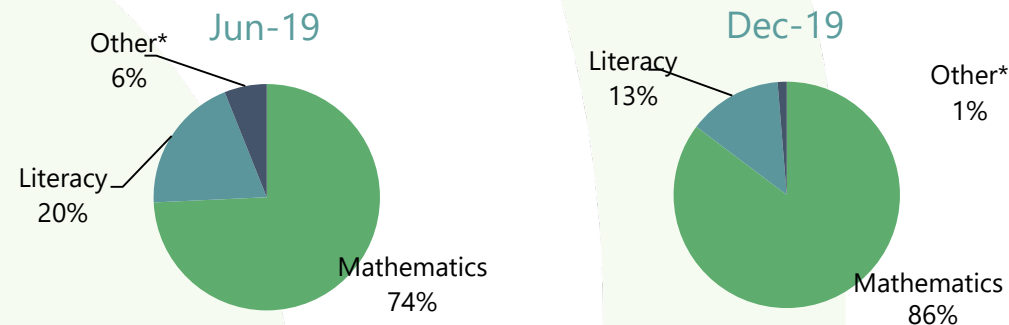
Revenue split by Geography



Revenue by Product Family

A\$M	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Dec-19
Mathematics	32.9	36.9	39.6	40.9	40.4	19.7
Literacy	7.9	8.9	9.3	9.8	10.7	3.1
Other*	4.0	3.5	3.6	4.7	3.3	0.3
Total	44.8	49.3	52.5	55.4	54.4	23.1

Revenue split by Product Family



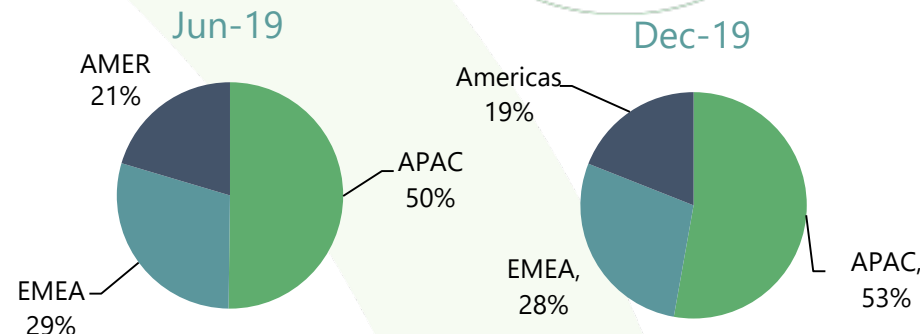
* Other revenue includes copyright fees, workbook sales, IntoScience and sponsorships

Licences by geography and product family

Licences by Geography

000s	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Dec-19
APAC	2,627	2,664	2,704	2,678	2,287*	2,377
EMEA	1,498	1,660	1,737	1,534	1,337	1,269
Americas	903	1,026	1,001	849	931	856
Total	5,028	5,350	5,442	5,061	4,555	4,502
Legacy contract**	185	185	0	0	0	0
IntoScience***	99	117	85	15	0	0
Total	5,312	5,652	5,527	5,076	4,555	4,502

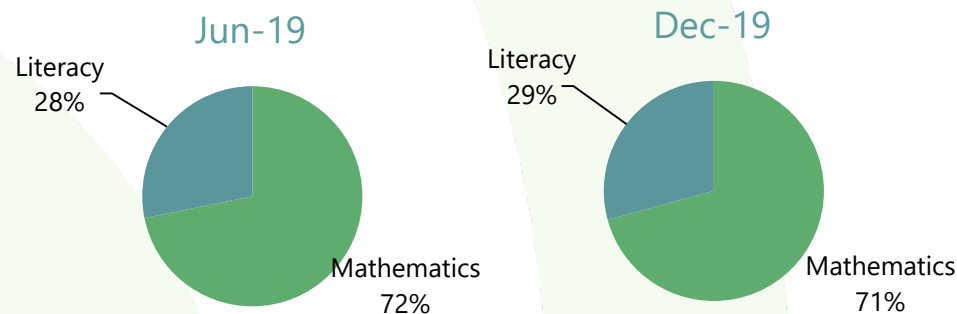
Licences split by Geography



Licences by Product Family

000s	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Dec-19
Mathematics	3,606	3,818	3,953	3,583	3,271	3,180
Literacy	1,422	1,532	1,489	1,478	1,283	1,314
Other	0	0	0	0	1	8
Total	5,028	5,350	5,442	5,061	4,555	4,502
Legacy contract**	185	185	0	0	0	0
IntoScience***	99	117	85	15	0	0
Total	5,312	5,652	5,527	5,076	4,555	4,502

Licences split by Product Family



* The change in licence numbers from FY18 to FY19 included the sunsetting of Spellodrome and IntoScience legacy products (~60k) and cessation of selling licences by volume bands and move to the sale by exact student numbers (~110k).

** Legacy Middle East contract for Mathletics licences

*** IntoScience product not actively sold from February 2017,

ARR analysis

GROUP A\$M	FY18	H1-19	H2-19	FY19	H1-20
Opening ARR	49.8	51.3	53.2	51.3	51.3
New business	5.6	4.0	3.1	7.1	4.4
Net upsell/downsell	0.5	0.9	(0.4)	0.5	0.4
Churn	(4.6)	(3.0)	(4.6)	(7.6)	(1.7)
Closing ARR	51.3	53.2	51.3	51.3	54.4
ARR Churn % in period	(9%)	(6%)	(9%)	(15%)	(3%)
Implied ARR Retention	91%	94%	91%	85%	97%

EMEA A\$M	FY18	H1-19	H2-19	FY19	H1-20
Opening ARR	13.6	13.2	12.8	13.2	12.1
New business	2.1	0.8	0.7	1.5	0.9
Net upsell/downsell	(0.7)	0.3	0.1	0.4	-
Churn	(1.8)	(1.5)	(1.5)	(3.0)	(0.6)
Closing ARR	13.2	12.8	12.1	12.1	12.4
ARR Churn % in period	(13%)	(11%)	(12%)	(23%)	(5%)
Implied ARR Retention	87%	89%	88%	77%	95%

APAC A\$M	FY18	H1-19	H2-19	FY19	H1-20
Opening ARR	29.0	31.6	33.8	31.6	31.6
New business	2.6	2.8*	1.0	3.8*	1.8
Net upsell/downsell	1.2	0.2	(0.5)	(0.3)	0.4
Churn	(1.2)	(0.8)	(2.7)	(3.5)	(0.2)
Closing ARR	31.6	33.8	31.6	31.6	33.6
ARR Churn % in period	(4%)	(3%)	(8%)	(11%)	(1%)
Implied ARR Retention	96%	97%	92%	89%	99%

AMER A\$M	FY18	H1-19	H2-19	FY19	H1-20
Opening ARR	7.2	6.5	6.6	6.5	7.6
New business	0.9	0.4	1.4	1.8	1.7
Net upsell/downsell	-	0.4	-	0.4	-
Churn	(1.6)	(0.7)	(0.4)	(1.1)	(0.9)
Closing ARR	6.5	6.6	7.6	7.6	8.4
ARR Churn % in period	(22%)	(11%)	(6%)	(17%)	(12%)
Implied ARR Retention	78%	89%	94%	83%	88%

* H1-19 includes A\$1.1m of ARR acquired upon gaining the Wordflyers distribution rights

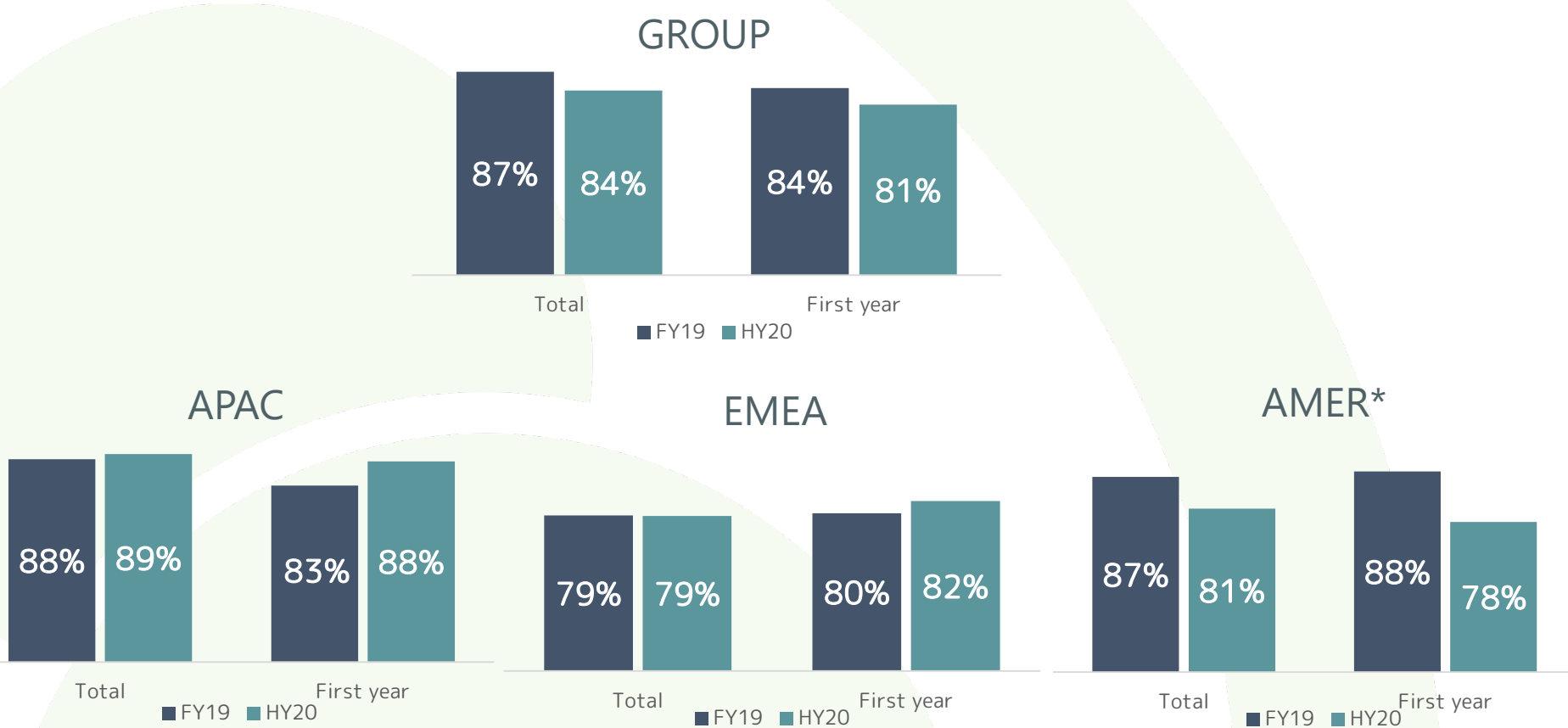
ARR:

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.



Retention analysis (rolling 12 months)

30 June 2019 vs. 31 December 2019



*Americas first year retention is down due to H1-20 being the first end-of-school period that had Mathseeds churn since we acquired the distribution rights from January 2019.

Total retention is calculated using the following formula: Total Retention = (# Schools retained during the period / # Schools 12 months earlier) X 100.

First year retention represents the cohort of schools who are renewing their annual licences for the first time. It is calculated using the following formula: First Year Retention = (# First Year Schools retained during the period / # First Year Schools 12 months earlier) X 100

Statutory EBITDA

Reconciliation of Segment EBITDA to Statutory EBITDA per note 3 of the H1-20 financial statements*

\$M	FY20 H1	FY19 H1	Mvmt	Growth
APAC Underlying EBITDA	9.0	10.5	(1.5)	(14%)
Less : Corporate Costs and Development	(8.4)	(7.9)	(0.5)	6%
Add : Intersegment Royalties & Charges	3.2	3.8	(0.6)	(16%)
Statutory EBITDA	3.8	6.4	(2.6)	(41%)
EMEA Underlying EBITDA	2.6	3.8	(1.2)	(32%)
Less : Intersegment Royalties & Charges	(1.9)	(2.3)	0.4	(17%)
Statutory EBITDA	0.7	1.5	(0.8)	(53%)
Americas Underlying EBITDA	0.3	0.5	(0.2)	(40%)
Less : Intersegment Royalties & Charges	(1.3)	(1.5)	0.2	(13%)
Statutory EBITDA	(1.0)	(1.0)	0.0	0%
Group Statutory Core EBITDA	3.5	6.9	(3.4)	(49%)

*Statutory EBITDA as disclosure in Note 3 of Financial Report as at 31 December 2019.

Impact of AASB16 Leases

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

A\$M	FY20 H1	AASB16 Leases impact *	Pro forma FY20 H1	Change
Total Revenue	23.1	0.3	23.4	1%
Employee expenses	(14.1)	-	(14.1)	0%
Marketing expenses	(1.0)	-	(1.0)	0%
Technology and occupancy expenses	(2.4)	(0.6)	(3.0)	25%
Other expenses	(2.1)	-	(2.1)	0%
Expenses	(19.6)	(0.6)	(20.2)	3%
EBITDA	3.5	(0.3)	3.2	(9%)
<i>EBITDA margin (%)</i>	<i>15%</i>		<i>14%</i>	
Depreciation & amortisation	(5.6)	0.5	(5.1)	(9%)
EBIT	(2.1)	0.2	(1.9)	(10%)
<i>EBIT margin</i>	<i>(9%)</i>		<i>(8%)</i>	
Net interest	0.0	(0.1)	(0.1)	NM
Profit before tax	(2.1)	0.1	(2.0)	(5%)
Tax Benefit/(Expense)	0.2	-	0.2	0%
<i>Tax rate</i>	<i>10%</i>		<i>10%</i>	
NPAT	(1.9)	0.1	(1.8)	(5%)

* The above income statement shows HY20 P&L impact if AASB16 Leases was not adopted through the proforma adjustment. Sub-lease income would increase \$0.3M, lease expense would increase \$0.6M, depreciation would decrease \$0.5M and interest revenue would decrease \$0.1M. The pre-tax balance sheet impact of adoption of AASB16 Leases as at 1 July 2019, using the modified retrospective approach, includes the recognition of a right-of-use asset of approximately \$3,900,000, a lease receivable of approximately \$2,200,000 and lease liabilities of approximately \$6,300,000, in respect of the Group's operating lease over premises. More details can be found in note 2 to the 31 December 2019 financial statements.



For further information, analysts, investors and other interested parties should contact:

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The release of this announcement has been authorised by the Board of 3P Learning Limited

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