

# MACQUARIE AUSTRALIA CONFERENCE

Tuesday 2<sup>nd</sup> May 2017



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# Overview

# 1



# A global online SaaS education company



3P is a global online education company that offers cloud-based software-as-a-service products for schools and students in grades K-12<sup>1</sup>

## Company Features

- **No. 1** market penetration Maths and Literacy Australia and NZ<sup>1</sup>
- **No. 1** market penetration of Maths primary schools in UK<sup>1</sup>
- **5.9m** paid online subscribers<sup>2</sup>
- **>20,000** subscribing schools in multiple territories
- **Annual revenue** of \$49.3M AUD and \$13.3M core EBITDA<sup>3</sup> with Strong Cash Flows
- **Distinctive Brands:** Mathletics, Reading Eggs, Spellodrome
- **Experienced Management**

## Large and growing industry

- **US\$4.5 trillion** global education industry<sup>4</sup>
- **4X** increase in size of K-12 eLearning sector from \$17b to \$69b in 2017<sup>4</sup>
- **Migration** to online resources and personalised learning

## Well positioned for continued growth

- **Highly scalable** Database linked to 40 regional, state and national curricula
- **Recurring Revenue** with strong retention rates

1. K-12 refers to Kindergarten to Grade 12, which includes both primary and secondary students. Market penetration calculated as a % of total number of school customers.

2. Data as at 31 December 2016.

3. Data as 30 June 2016

4. IBIS Capital (January 2013); GSV Education Report.



## H1 Financial Results Highlights

# 2

# FY17 H1 Results Highlights



| \$M                               | FY17 H1       | FY16 H1       | Mvmt          | Growth        |
|-----------------------------------|---------------|---------------|---------------|---------------|
| <b>Revenue</b>                    | <b>25.1</b>   | <b>22.9</b>   | <b>2.2</b>    | <b>10%</b>    |
| ANZ                               | 15.7          | 13.5          | 2.2           | 16%           |
| EMEA                              | 6.0           | 6.4           | (0.4)         | (6%)          |
| Americas                          | 3.4           | 3.0           | 0.4           | 13%           |
| Mathletics                        | 18.9          | 18.7          | 0.2           | 1%            |
| Reading Eggs                      | 4.4           | 2.1           | 2.3           | 110%          |
| Spellodrome                       | 1.1           | 1.0           | 0.1           | 10%           |
| Into Science                      | 0.4           | 0.4           | -             | 0%            |
| Other                             | 0.3           | 0.7           | (0.4)         | (57%)         |
| <b>Expenses</b>                   | <b>(16.8)</b> | <b>(15.9)</b> | <b>(0.9)</b>  | <b>6%</b>     |
| <b>Underlying EBITDA</b>          | <b>8.3</b>    | <b>7.0</b>    | <b>1.3</b>    | <b>19%</b>    |
| Share of Associate's Profit *     | 0.2           | 0.3           | (0.1)         | NM            |
| <b>Underlying Core EBITDA</b>     | <b>8.5</b>    | <b>7.3</b>    | <b>1.2</b>    | <b>16%</b>    |
| EBITDA margin (%)                 | 34%           | 32%           | 2%            |               |
| <b>Underlying NPAT</b>            | <b>3.8</b>    | <b>3.7</b>    | <b>0.1</b>    | <b>3%</b>     |
| Other one-off costs (after tax)** | (12.6)        | (0.5)         | (12.1)        | 2,420%        |
| <b>Statutory NPAT</b>             | <b>(8.8)</b>  | <b>3.2</b>    | <b>(12.0)</b> | <b>(375%)</b> |

\* Share of associate profit is Learnosity contribution based on 23.07% share of NPAT for 9 Sep – 18 Jan 2016 and 40% share for 19 Jan 2016 – 31 Dec 2016

\*\* Adjustments made for significant one-off, non-recurring items for comparative purposes

- Group Revenue grew by 10%.
- EMEA and Americas impacted by FX on constant currency growth was 21% and 18% respectively.
- Underlying licence growth of 6%.
- Underlying Core EBITDA grew by 16% reflecting our actions around cost management and developing a more efficient and effective global operating model, meeting our commitment to grow revenue faster than cost.
- As flagged in our FY16 full year results we conducted and have now completed a strategic review of IntoScience as well as our technology assets and investments. This review has resulted in a one off non cash write down after tax of \$12.0M. Restructuring costs after tax of \$0.6M were also recorded in the half.



## Strategic Priorities

# 3

# 3 Year Strategic Priorities



## Build upon 3P's foundation of

- Talented team
- Strong customer advocates (students, parents and teachers)
- Award-winning product brands
- Recurring SaaS business model
- Large installed base to accelerate profitable global growth

### Year 1 Strengthen Product Portfolio, Develop Scalable Sales, Marketing and Globalise Operating Model

Prioritising Product Development and Innovation, developing Scalable Sales and Marketing Model, Implementing a Global Operating Model

### Year 2 Optimise Sales

Leverage our scalable Global Operating Model to grow sales through product and geographic expansion

### Year 3 Accelerate Growth

## Culture and Talent



IntoScience





# Mathletics is changing



A video about the exciting new era for our flagship learning resource Mathletics, is available for reviewing at

<http://www.3plearning.com/investors/>

A background image showing a classroom setting where several students are raising their hands, indicating they want to ask a question or answer. One student in the foreground is holding a blue pen. The image is partially covered by a teal geometric overlay on the right side.

Q&A

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