

# Full Year Investor Presentation

For the year ended 30 June 2015

26<sup>th</sup> August 2015

**Tim Power** – Chief Executive Officer | **Jonathan Kenny** – Chief Financial Officer





## Agenda

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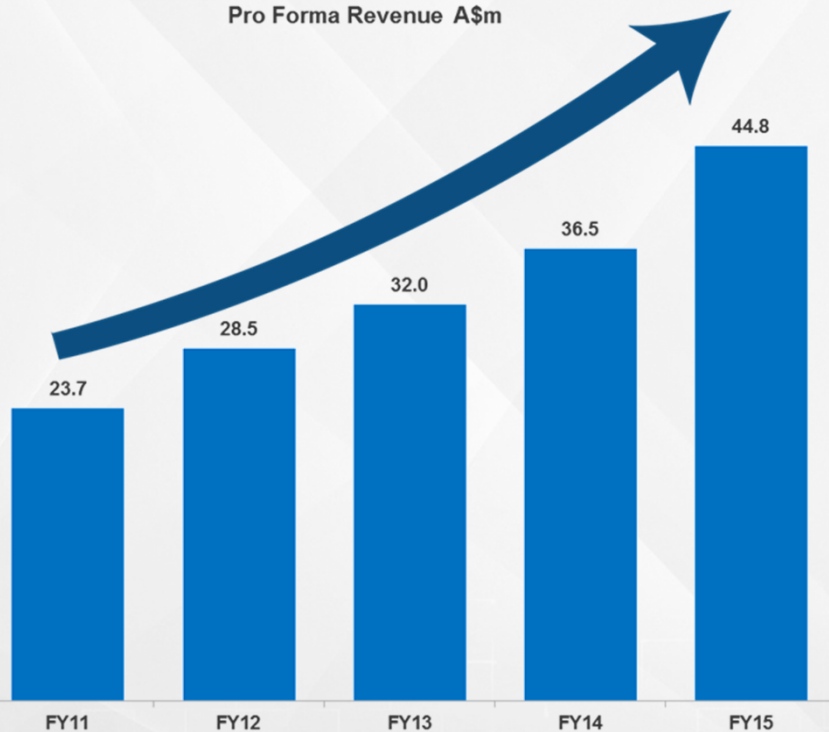
# Overview





# 2015 Highlights

Pro Forma Revenue A\$m



## FY15 Results ahead of prospectus forecast

- Revenue of \$44.8 million (vs prospectus \$43.8 million), up 23% pcp
- EBITDA of \$16.9 million (vs prospectus \$16.4 million), up 30% pcp
- NPAT \$10.8 million (vs prospectus \$9.7 million), up 28% pcp
- EPS of 8.1 cents, up 28%
- Final Dividend of 1.8 cents per share

## Strong operational progress on key objectives

- Growth in Americas with increased sales force and infrastructure
- Several major product enhancements – Analytics and District Reporting
- IntoScience showing promising signs



# 3P Learning Overview

A community of  
**5.3 million**  
students

over  
**17,000**  
schools  
across the world

aligned with  
over 40  
international  
curricula

A Powerful  
Partnership with  
**UNICEF** that has  
enabled over 100,000  
students to go to school  
in developing countries

organically grown  
**10X** revenue  
in 8 Years

Global team of **300**  
educators,  
engineers, product  
designers and other  
personnel based in  
11 countries



# Delivering Growth – Key Metrics

**\$44.8M Revenue**

(up 23% pcp)



**\$16.9M EBITDA**

(up 30% pcp)

**NPBT  
\$14.4M**

(up 27% pcp)

**\$30.9M  
Cash**

**\$10.8M  
NPAT**  
(up 28% pcp)

**\$8.33  
ARPU**

**\$27M  
Deferred  
Revenue**  
(up 38% pcp)

**8.1c  
EPS**  
(up from 6.3c)

**300  
Employees**

**33%  
ROE**

**Debt  
Free**

**1.8c  
Dividend**

**EBITDA  
Margin  
37.8%**  
(up from 35.5%)

**5.3M Licences**  
(up 13% pcp)

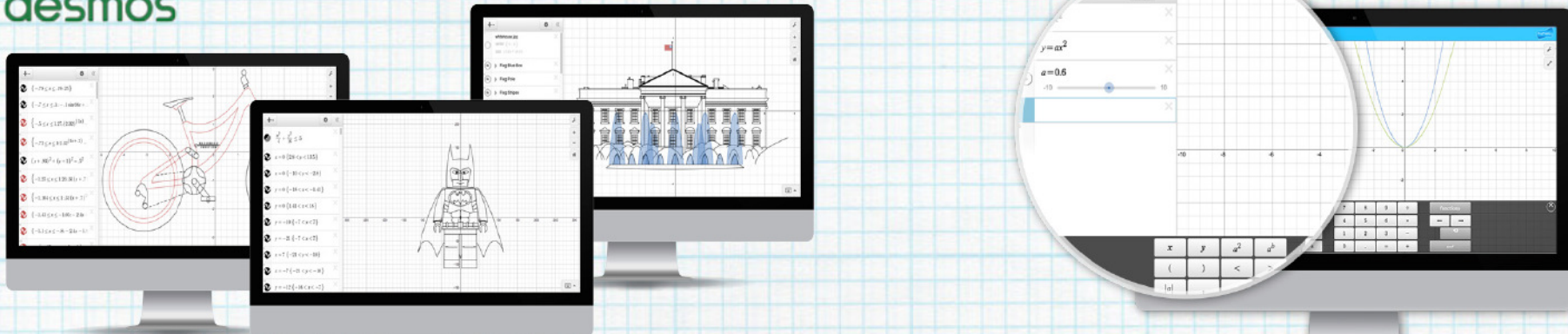




# 2015 Product Highlights

- Over 2 million unique tablet app downloads, 82% growth year on year.
- 2015 Major International Awards -
  - BETT International Digital Resource
  - BETT Best Whole Course Curriculum Content
  - US Family Choice
  - iAward for EdTech Innovation of the Year
  - British ERAs shortlisted for Secondary Resource of the Year
- Major Product enhancements -
  - Enhanced Analytics
  - District Reporting
  - Desmos graphical calculator
  - Single sign on (SSO)
- Mathletics Advantage Campaign (up to a 9% advantage in standardised testing).
- Microsoft Partnership for World Education Games.
- Migrated infrastructure to Microsoft's Azure Cloud.





## 2015 Update on Americas Strategy

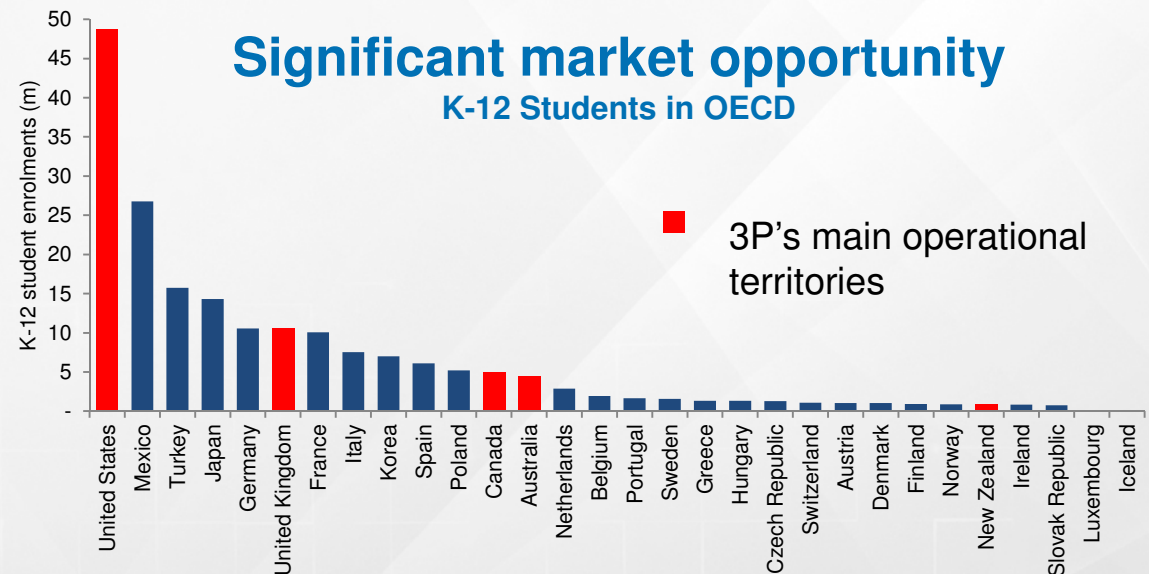
- Americas expansion ongoing with 931,000 licences and 74 district customers as at 30 June 2015.
- Continued investment in resources with 41 total staff at 30 June 2015.
- Focus on product enhancements to facilitate district selling.
- Integration of Desmos graphical calculator with Mathletics to enhance learning in middle and high schools.

Increase the number of school customers

Increase the number of Student Licences within the existing school customer base

Increase level of cross-sell of products

Increase average revenue per licence



Source: Based on data from OECD (2013), Education at a Glance 2013: OECD Indicators, OECD Publishing  
<http://dx.doi.org/10.1787/eag-2013-en>.



A photograph of a diverse group of students in a computer lab. In the foreground, a young boy with short brown hair, wearing a blue and red plaid shirt, is looking towards the camera with a slight smile. Behind him, a girl with long brown hair, wearing a green and white striped shirt, is looking at a computer screen. In the background, another student is visible, and several computer monitors and keyboards are on the desks.

## Financial Information and KPIs

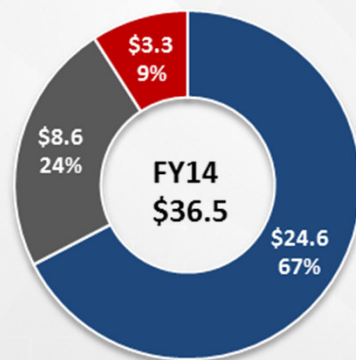


# Revenue by Geography

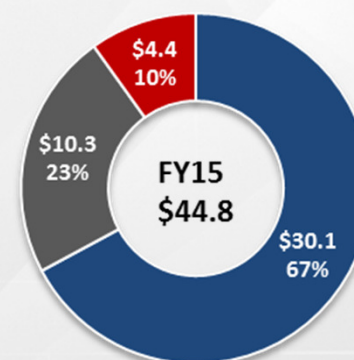
Revenue growth of 23% with ANZ growing at 22% and Americas at 35%.

## Revenue split by geography

A\$ million	FY11	FY12	FY13	FY14	FY15A	FY15F	FY2015	FY2014	Growth
ANZ	19.6	22.2	24.2	24.6	30.1	28.9	30.1	24.6	22%
EMEA	3.1	4.5	5.5	8.6	10.3	10.3	10.3	8.6	19%
Americas	1.1	1.7	2.3	3.3	4.4	4.5	4.4	3.3	35%
Total	23.7	28.5	32.0	36.5	44.8	43.8	44.8	36.5	23%



■ ANZ  
■ EMEA  
■ Americas





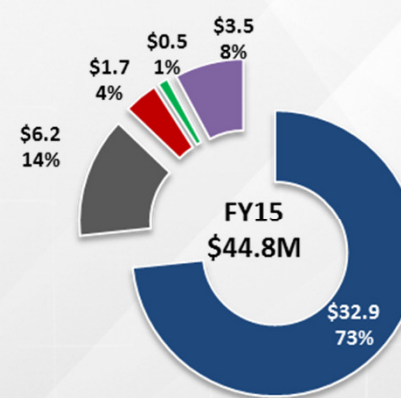
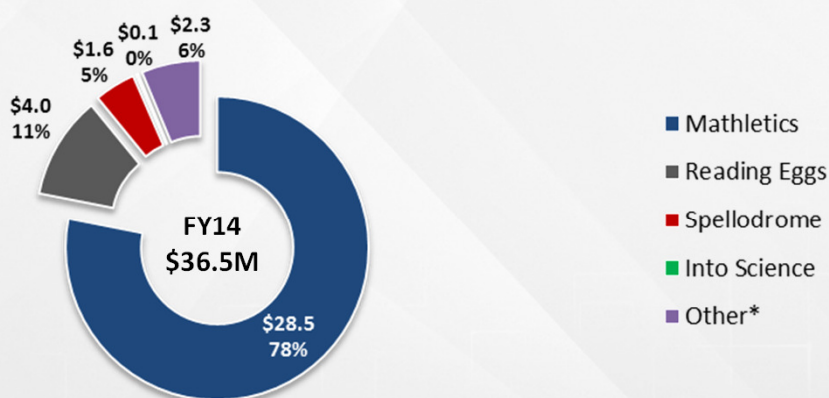
# Revenue by Product

Growth across all product lines with Mathletics making the largest contribution and Copyrights and Sponsorships revenue also making a contribution.

## Revenue split by product

A\$ million	FY11	FY12	FY13	FY14	FY15A	FY15F	FY 2015	FY 2014	Growth
Mathletics	20.2	23.2	24.9	28.5	32.9	33.2	32.9	28.5	15%
Reading Eggs		1.5	2.8	4.0	6.2	6.1	6.2	4.0	54%
Spellodrome	1.3	1.5	1.6	1.6	1.7	1.6	1.7	1.6	7%
Into Science				0.1	0.5	0.8	0.5	0.1	428%
Other*	2.2	2.2	2.7	2.3	3.5	2.1	3.5	2.3	53%
Total	23.7	28.5	32.0	36.5	44.8	43.8	44.8	36.5	23%

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





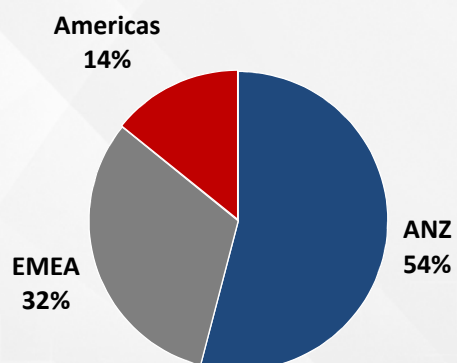
# Licences by Geography

**Americas licence growth of 41% year on year ahead of prospectus and driven by district sales. Balanced by lower than forecast Reading Eggs sales in EMEA.**

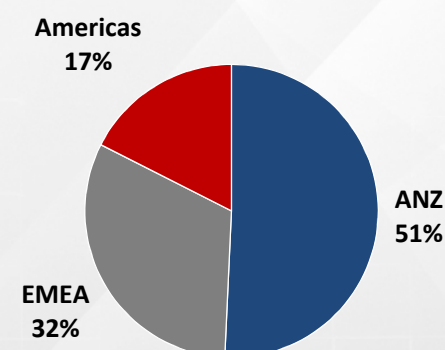
## Licences split by geography

'000s	FY11	FY12	FY13	FY14	FY15A	FY15F	FY2015	FY2014	Growth
ANZ	1,486	2,236	2,500	2,524	2,696	2,789	2,696	2,524	7%
EMEA	666	912	1,005	1,480	1,685	1,811	1,685	1,480	14%
Americas	247	316	358	662	931	701	931	662	41%
Total	2,398	3,464	3,863	4,665	5,312	5,301	5,312	4,665	14%

Licence split at 30 June 2014



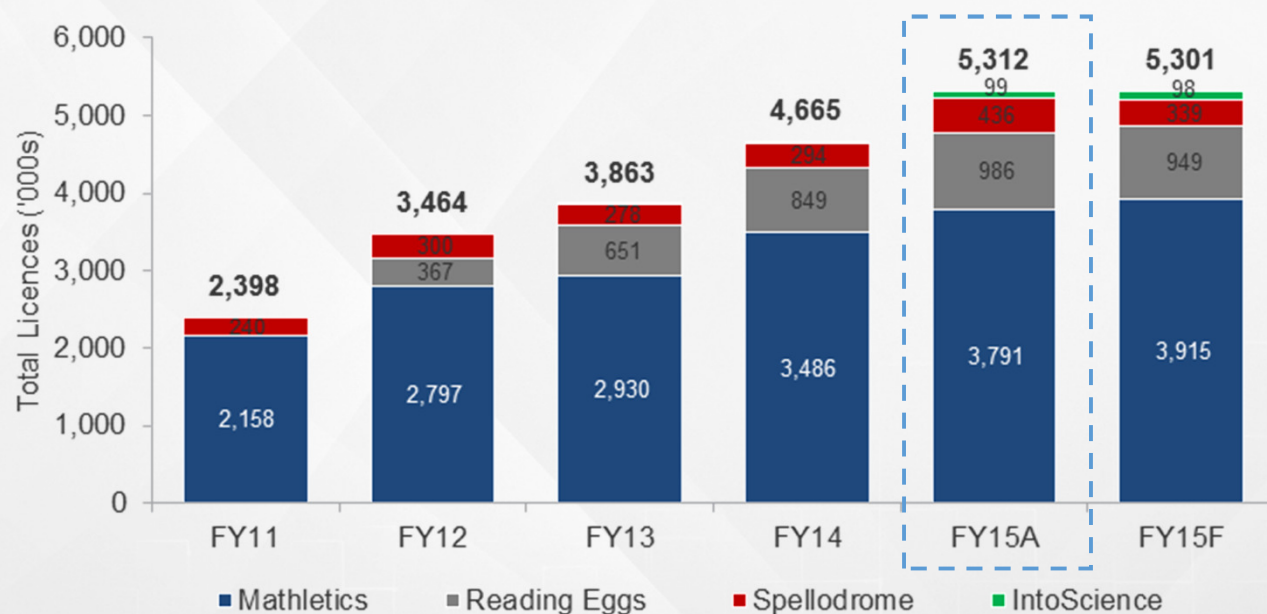
Licence split at 30 June 2015



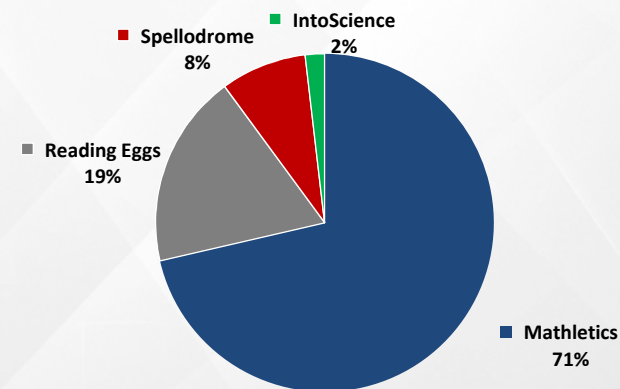


# Licences by Product

Strong performance of all products with consistent growth in total licence numbers.



Licence split at 30 June 2015





# Pro forma Key Financial Metrics

Pro forma \*

Key Financial Information	FY 2015	FY 2014	Var	Growth
Revenue (A\$m's)	44.8	36.5	8.3	23%
EBITDA (A\$m's)	16.9	13.0	3.9	30%
NPBT (A\$m's)	14.4	11.3	3.1	28%
NPAT (A\$m's)	10.8	8.5	2.3	28%
EBITDA margin	38%	36%	2%	6%
Cash at Bank (A\$m's)	30.9	24.4	6.5	27%
ARPU (A\$) **	8.33	8.41	(0.08)	-1%
Total Licences (m's)	5.3	4.7	0.6	13%
EPS (Cents)	8.1	6.3	1.7	28%
ROE %	33%	36%	-3%	-9%

FY15F	Var	%
43.8	1.0	2%
16.4	0.6	4%
13.9	0.6	4%
9.7	1.2	12%
37%	0.5%	1%
27.9	3.0	11%
8.32	0.0	0%
5.3	0.0	0%
7.2	0.9	12%
29%	4%	12%

\* Pro forma financial information which has been prepared to reflect 3P's financial performance and position as if accounting policies have been consistently applied over the historical period and with adjustments made for significant abnormal and/or non-recurring items including the impact of the IPO.

\*\* ARPU is calculated on annual licence revenue, plus \$0.3 million pro forma adjustment for South Africa acquisition (\$41.6 million) divided by the average number of licences over the period (4.988 million).



# Pro forma Group Performance Overview

Revenue increased 23%, EBITDA increased 30% and NPAT increased 28% on prior year.

	Pro forma *			
\$ million, June year end	FY 2015	FY 2014	Var	Growth
<b>Total revenue</b>	<b>44.8</b>	<b>36.5</b>	<b>8.3</b>	<b>23%</b>
Employee expenses	(19.3)	(15.3)	(4.0)	
Marketing expenses	(2.3)	(2.0)	(0.3)	
Technology and occupancy expenses	(3.1)	(3.6)	0.5	
Other expenses	(3.2)	(2.6)	(0.6)	
<b>EBITDA</b>	<b>16.9</b>	<b>13.0</b>	<b>3.9</b>	<b>30%</b>
Margin	37.8%	35.5%		
Depreciation & amortisation	(3.1)	(1.9)	(1.2)	
<b>EBIT</b>	<b>13.8</b>	<b>11.0</b>	<b>2.8</b>	<b>25%</b>
Margin	30.7%	30.2%		
Interest	0.6	0.3	0.3	
<b>Profit before tax</b>	<b>14.4</b>	<b>11.3</b>	<b>3.0</b>	<b>27%</b>
Margin	0.3	31.1%		
Tax expense	(3.6)	(2.8)	(0.8)	
<b>NPAT</b>	<b>10.8</b>	<b>8.5</b>	<b>2.3</b>	<b>28%</b>
Margin	24.2%	23.3%		

Pro forma *		
FY15F	Var	Var %
43.8	1.0	2%
(17.9)	(1.4)	
(2.0)	(0.3)	
(3.5)	0.4	
(4.0)	0.8	
16.4	0.5	3%
37.3%		
(3.0)	(0.1)	
13.3	0.4	3%
30.5%		
0.5	0.1	
13.9	0.5	4%
0.3		
(4.2)	0.6	
9.7	1.2	12%
22.1%		

Increased salary costs associated with growing markets and impact of FX offset by lower utilisation of third party contractors.

Tax benefit as a result of R&D tax incentive confirmed and utilisation of IntoScience R&D credits.

\* Pro forma financial information has been prepared to reflect 3P's financial performance and position as if accounting policies have been consistently applied over the historical period and with adjustments made for significant abnormal and/or non-recurring items including the impact of the IPO.



# Pro forma Cash Flow

**Positive cash flow conversion of 129% with significant increases in deferred revenue.**

Pro forma \*

\$million, 30 June year end	2015	2014
EBITDA	16.9	13.0
Non-cash expense	(1.1)	0.2
Change in working capital	6.0	5.7
<b>Operating free cash flow before intangibles</b>	<b>21.8</b>	<b>18.9</b>
Investment in product development & other intangibles	(8.5)	(6.4)
Purchase of PP&E	(0.3)	(0.3)
<b>Operating free cash flow after intangibles</b>	<b>13.0</b>	<b>12.2</b>
Interest received	0.6	0.4
Net interest and principal paid	(0.5)	(0.3)
Income tax (paid)/refunded	1.3	(1.1)
Short term deposits	1.7	(0.2)
<b>Net cash flows before dividends</b>	<b>16.1</b>	<b>11.0</b>
Payments for investments	(5.3)	-
<b>Net cash flows after investments</b>	<b>10.8</b>	<b>11.0</b>
<b>Cash flow conversion<sup>1</sup> (before capital expenditure)</b>	<b>129%</b>	<b>145%</b>
<b>Cash flow conversion<sup>2</sup> (after capital expenditure)</b>	<b>77%</b>	<b>94%</b>

- Continued investment in products and business systems to support growing international foot print.
- Investment in Desmos.

1. Cash flow conversion calculated as operating free cash flow before capital expenditure as a percentage of Pro forma EBITDA.

2. Cash flow conversion calculated as operating free cash flow after capital expenditure as a percentage of Pro forma EBITDA.

\* Pro forma financial information which has been prepared to reflect 3P's financial performance and position as if accounting policies have been consistently applied over the historical period and with adjustments made for significant abnormal and/or non-recurring items including the impact of the IPO.



# Statutory Balance Sheet

Balance Sheet		
\$ million, June year end	FY15	FY14
Cash and cash equivalents	30.9	24.4
Trade and other receivables	8.7	5.9
Other current assets	0.6	2.4
<b>Total current assets</b>	<b>40.2</b>	<b>32.7</b>
Royalty receivable	0.1	-
Property, plant and equipment	1.0	1.3
Deferred tax assets	7.6	7.4
Intangibles and goodwill	17.2	9.1
Available for sale financial asset	6.6	-
<b>Total non-current assets</b>	<b>32.6</b>	<b>17.9</b>
<b>Total assets</b>	<b>72.8</b>	<b>50.6</b>
Trade and other payables	7.4	8.0
Income tax payable	2.0	1.0
Deferred Revenue	23.9	18.7
Other liabilities	2.4	14.2
<b>Total current liabilities</b>	<b>35.7</b>	<b>42.0</b>
Provisions	0.9	0.5
Deferred Revenue	3.1	0.8
<b>Total long term liabilities</b>	<b>3.9</b>	<b>1.3</b>
<b>Total liabilities</b>	<b>39.6</b>	<b>43.3</b>
<b>Net assets</b>	<b>33.1</b>	<b>7.3</b>
Contributed equity	25.1	2.4
Retained earnings	1.0	(3.1)
Reserves	7.0	7.9
Non-controlling interest	0.0	0.1
<b>Total equity</b>	<b>33.1</b>	<b>7.3</b>

- Strong operating cash flows and increased billings leading to increased cash balance of \$30.9 million as at 30 June 2015.
- Increased intangibles as a result of investments in Whatiph South Africa (\$1.8 million) and software & product development of (\$8.5 million).
- Investment in Desmos of \$6.6 million.
- Nil borrowings as at 30 June 2015.
- Increased deferred revenue as a result of strong cash billings.
- Increased deferred revenue on multi-year contracts.





## Key Product Releases



# Product update: A year with Mathletics

Mathletics



**NEW: Reports** - a dedicated and innovative real-time reporting tool for schools.



**NEW: District Console** – Big data reporting tool for large multi-school organisations, districts and networks. Key element within the marketing strategy to attract high value multi-school licensing.



**NEW: DESMOS Graphic Calculator** - a new and dynamic graphical calculator tool is embedded in the Mathletics product substantially enhancing Mathletics in the secondary school market.



**NEW: Microsoft Office 365 integration** - enabling single sign-on (SSO) for all users of Office 365 globally.



**NEW: Assessment for Learning** - offering a full analysis of student Mathletics results and the identification of learning gaps.

2m

downloads of  
the  
Mathletics  
tablet app

District  
Analytics

for multi-  
school  
reporting

Offline

access now  
available for  
tablet users



# Product update: A year with Spellodrome

Spellodrome



**NEW: HTML version of Spellodrome** – launching August 2015, developed for equal mobile and desktop users.



**NEW: Major rebranding** – updating the look and feel of Spellodrome.



**NEW: New content, activities and games** - as part of the overall Spellodrome redesign to appeal to a wider audience and further engage students.



**NEW: Internationalisation** – including new word lists developed for specific curricula in different geographic markets. Words now available in a wider variety of accents for greater regional customisation. Additional functionality to add new words and content more dynamically.

HTML

development  
for full mobile  
accessibility

EXPANSION

of market  
potential





# Product update: A year with Reading Eggs



**NEW: Revamp of Reading Eggspress Interface** - Introduces simpler navigation to improve the learning journey for students and their teachers.



**NEW: Mobile ready** – iPad and tablet accessibility expanded to provide the full mobile experience for users of Reading Eggspress.



**NEW: Launch of English Skills Arena** - Delivers a unique learning environment to enrich and extend spelling skills; with grammar and vocabulary coming soon.



**NEW: Additional content** - including over 200 spelling lessons, games and eBooks.

## MOBILE

Release of  
iPad and  
tablet  
accessibility

## ARENA

Launch of  
English Skills  
Arena



# Product update: A year with IntoScience



**NEW: Science is Electric** – brand new electrical circuits topic allowing students to actively explore key concepts by designing circuits, drawing schematics and playing with electrical components.



**NEW: Teacher tools and reporting** - new resources for student data reporting, including integration across the wider 3P Learning reports systems for a unified single school solution.



**NEW: Pilot Program launched** - structured program for schools to trial IntoScience as part of sales strategy.



**NEW: Flagship video** – now available showing users exploring and using IntoScience in the classroom.



**NEW: Government involvement** – collaboration with CSIRO using Zebedee technology to virtualise the Jenolan Caves to create the IntoScience-powered “Australia’s Biggest School Excursion” event.



IntoScience wins the iAward for EdTech Innovation of the Year for its Jenolan Caves activities.



IntoScience shortlisted for Secondary Resource of the Year at the British ERAs.





A photograph of three children running outdoors, holding hands. The child on the left is a boy in a grey t-shirt and jeans. The child in the middle is a girl in a blue polo shirt and light blue shorts with orange ties. The child on the right is a boy in a purple t-shirt and jeans. A large, light blue number '4' is overlaid on the right side of the image. A dark blue horizontal bar is positioned across the middle of the image, containing the text 'Recap and Outlook' in white.

Recap and Outlook

4





## 2015 Recap

- 3P delivers earnings growth ahead of prospectus forecast.
- Americas gaining momentum with 74 district sales in FY2015 and approaching 1 million student licences.
- Significant product enhancements with multiple releases each week, recognised by major international awards.
- Over 2 million unique tablet app downloads, 82% growth year on year.
- Microsoft Partnership for World Education Games and migration of infrastructure to Microsoft's Azure Cloud.
- A final dividend declared of 1.8 cents per share, in line with prospectus guidance.





# Outlook

- Continuing strong cash flows and revenue growth in line with historical track record.
- 3P will continue to invest in sales personnel and infrastructure, particularly in Americas.
  - Utilise the strength in cash billings and growth in revenues.
  - Revenue recognition will trail cash flow as we grow in new markets while deferred and recurring revenues increase.
- Overall margins are expected to remain relatively steady due to ongoing investment and impact of foreign exchange on offshore costs.
- Modest price rises expected in most markets, although large district deals in Americas have the potential to reduce overall ARPU.
- World Education Games to be held in October 2015.

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