



# Investor Presentation

23 February 2023

Half year results to 31 December 2022

By Executive Chairman Matthew Sandblom  
CEO Jose Palmero  
CFO Anton Clowes



# Important Notice and Disclaimer



The material in this presentation is a summary of 3P Learning Limited's ('3P') activities and results as at the time of preparation, 23 February 2023.

No representation, express or implied, is made as to the fairness, accuracy, completeness or correctness of information contained in this presentation, including the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this presentation ('forward-looking statements'). Such forward-looking statements are by their nature not based on historical facts and are subject to significant uncertainties and contingencies and are based on a number of estimates and assumptions that are subject to change (and in many cases are outside the control of 3P and its Directors and officers) which may cause the actual results or performance of 3P to be materially different from any future results or performance expressed or implied by such forward-looking statements. Reliance should not be placed on forward-looking statements and except as required by law or regulation 3P assumes no obligation to update these forward-looking statements. To the maximum extent permitted by law, 3P and its related corporations, directors, officers, employees and agents disclaim any obligation or undertaking to release any updates or revisions to the information in this presentation to reflect any change in expectation or assumptions and disclaim all responsibility and liability for the forward-looking statements (including without limitation, liability for fault or negligence).

This presentation provides information in summary form only and is not intended or represented to be complete. Further, it is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation, or needs of any particular investor.

Due care and consideration should be undertaken when considering and analysing 3P's financial performance. All references to "\$" are to Australian dollars unless otherwise stated.

To the maximum extent permitted by law, neither 3P nor its related corporations, directors, officers, employees and agents, nor any other person, accepts any liability, including without limitation, any liability arising from fault or negligence, for any loss arising from the use or reliance on this presentation or its content or otherwise arising in connection with it.

This presentation is not and should not be considered as an offer or invitation to acquire shares in 3P and does not and will not form part of any contract for the acquisition of shares.

This presentation should be read in conjunction with other publicly available materials. Further information is available on 3P's website at: [www.3plearning.com/investors](http://www.3plearning.com/investors)





# 3P Learning

*Better Ways To Learn*

## OUR PROGRAMS





- Overview of Results
- CEO Update
- Results & Cash Flow
- Outlook
- Q&A
- Appendices





# OVERVIEW OF RESULTS

Matthew Sandblom



UNDERLYING EBITDA<sup>1</sup>

\$5.8m

+205%  
vs pcp<sup>2</sup>

REVENUE<sup>3</sup>

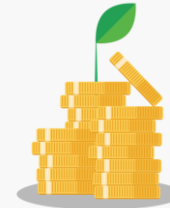
\$52.6m

+18%  
vs pcp<sup>2</sup>

B2C BILLINGS<sup>4</sup>

\$20.3m

+9%  
vs pcp<sup>2</sup>

B2B ARR<sup>3</sup>

\$65.9m

+2%  
vs 30 June 2022

UNDERLYING<sup>1</sup> CASH  
OUTFLOW FROM  
OPERATIONS  
BEFORE TAX

(\$5.4m)



- \$14.8m cash balances (including restricted<sup>5</sup> cash)
- \$11.4m statutory cash balances

## CUSTOMERS

&gt;5.6m



- B2B Licences<sup>3</sup> 4.5m (-3%) vs pcp<sup>2</sup>
- B2B Distributor Licences 0.9m (flat) vs pcp<sup>2</sup>
- B2C Licences 314K (flat) vs pcp<sup>2</sup>

## PRODUCT DEVELOPMENT

\$13.8m



- \$12.9m product development expense
- \$0.5m Writing Legends investment – capitalised
- \$0.4m 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 1H22.  
 3. Includes the flow on impact of the acquisition of Pairwise Pty Ltd ("Brightpath") which occurred on 30 September 2022.  
 4. Billings are reported on a 'gross' basis before any commissions are deducted by Apple or Google.  
 5. Restricted cash of \$3.4m relates to holding deposits paid to deposit taking institutions.







## Strategic initiatives for FY23 and beyond

### B2B Product Strategy

#### 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

- Started B2B Solution Selling in July 2022. Good market response to Maths package, particularly in APAC
- Brightpath acquisition in September 2022 accelerates entry into B2B Assessment market, complements product suite, and adds \$1.4m to ARR

### B2C Product Strategy

#### 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

- Second phase of separation of Mathseeds from Reading Eggs B2C package completed in December 2022, including dedicated apps in Appstore and Google Play
- Implemented B2C price increase across all markets for new users effective January 2023
- Mathletics B2C onboarding process improvements completed in December 2022





# CEO UPDATE



Jose Palmero







## Operations

- Brightpath operations now integrated. Product re-branded and new logo:  **brightpath** PROGRESS
- Implemented B2B sales team restructure to focus on Solution Selling with dedicated New Business, Retention, and Customer Success functions.
- New Chief Sales Officer, Jenna Pipchuk, started January 2023.
- Focus on Go to Market for Writing Legends and Brightpath Maths Assessment in 2H FY2023. 

## Profitability and Cashflow

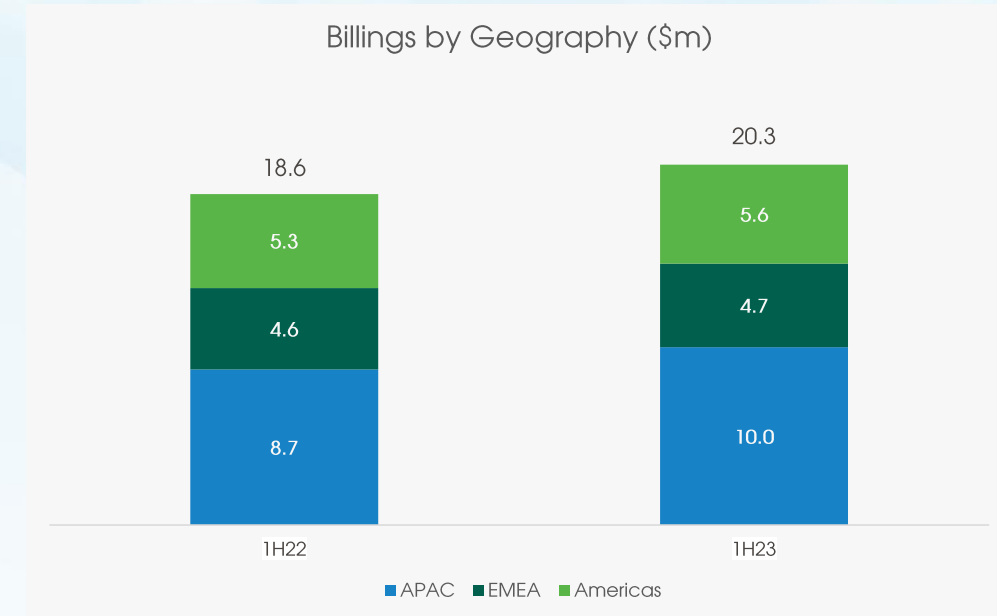
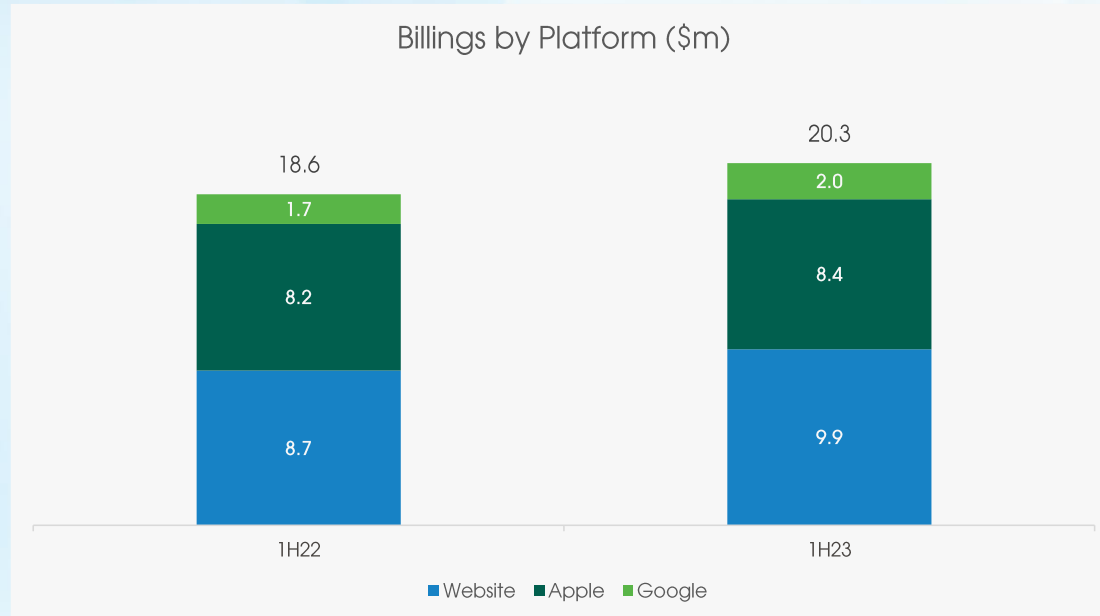
- Underlying EBITDA was \$5.8m (3X pcp).
- Underlying cash used in operations was \$5.4m (outflow), which is lower than Underlying EBITDA. This reflects the dynamics of our business, which generates higher cash and profit in the second half, aligned with the APAC school year, plus higher operating costs in product development and marketing.
- Completed next stage of separation of Mathseeds from Reading Eggs for B2C in December 2022. Price increase for B2C new users effective January 2023.



# Performance in the Consumer Market



Consumer billings<sup>1</sup> performance for Reading Eggs, Mathseeds and Mathletics by platform and geography for 1H23 and 1H22.



- Revenue was \$20.6m, up 10% on pcp, with net billings contribution margin of 42% including direct sales, marketing and platform commission costs.
- Second phase of separate literacy and numeracy solutions completed December 2022, and live in January 2023.
- New pricing and dedicated apps in App Store and Google Play completed in December 2022. Price increase for new customers effective January 2023.
- Strong performance from Direct Channel (14% up on pcp) and APAC (15% up on pcp).
- Teacher Supervised Program Pilot completed in 1H. Positive results but unit economics not profitable. Will continue exploring options for Paid Premium Service.

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



# Performance in the Schools Market

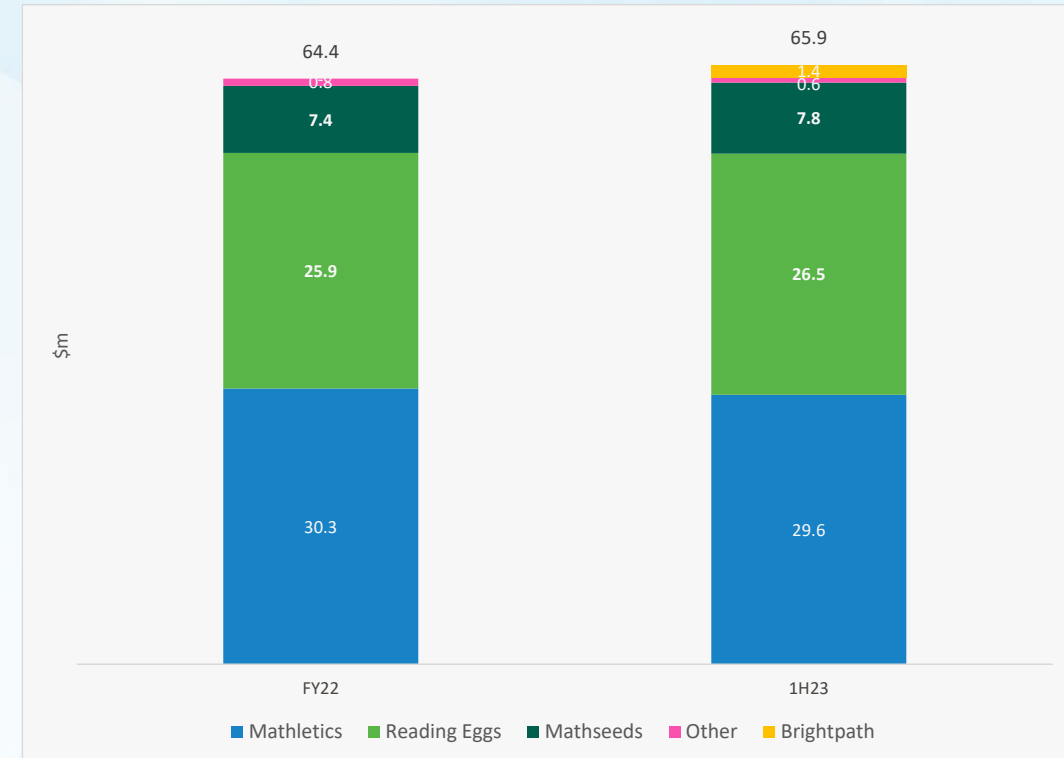


Core school market delivering focused results with smaller, more efficient sales team than in FY22.

	1H23	FY22	+/-	% +/-
Closing ARR <sup>1</sup> (\$m)	65.9	64.4	1.5	2%
Licences (m)	5.4	5.2	0.2	4%
Exit ARPU <sup>2</sup> (\$)	12.2	12.4	(0.2)	(2%)

- Revenue \$32m, 25% up<sup>3</sup> on 1H22.
- ARR and Licences up 2% and 4% respectively, mainly as a result of the acquisition of Brightpath.
- Brightpath contributed \$1.4m in ARR, which is secured until 2025.
- Brightpath has a lower ARPU and therefore has marginally impacted (down 2%) Exit ARPU.
- Implemented Solution Selling in all markets from July 2022. Good response to Maths package in APAC.






The graph below shows school ARR trajectory for FY22 and 1H23.



- ARR excludes Copyright Agency Limited.
- Exit ARPU calculated as ARR divided by number of licences.
- The pcg was impacted by a 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



	January to June 2023	July to December 2023
	End of Lessons Skills Quiz, new Awards and Certificates	Read Aloud, Ten new lessons with Map 13 (Lessons 121-130)
	Avatar systems, M-coin, new Student Home Page and simpler Teacher Assign module, new certificates	Fractions and Decimals Years 3-8 Australia, reporting for New Courses. Number and Algebra New Courses, incremental releases
	Phase 3 release for existing users (complete upgrade, new avatar system, navigation, and Instant Legend Feedback, Reward Realms)	Phase 5 release (first 50 lessons) to all users. New lessons added each month (expect to release 100 lessons by December 2023)
	Maths Assessment module, Australia release	Writing Assessment (UK, AMER specs), Scoping for Reading Assessment
	Beta website launch - Grade 4	Measurement, Stadium Games







# RESULTS & CASH FLOW

Anton Clowes





Profit and Loss Statement \$m	1H23	1H22	+/-	%+/-
<b>Revenue</b>				
B2B	32.0	25.6	6.4	25%
B2C	20.6	18.8	1.8	10%
Other revenue and other income	-	0.1	(0.1)	(100%)
<b>Total revenue</b>	<b>52.6</b>	<b>44.5</b>	<b>8.1</b>	<b>18%</b>
<b>Cost of Revenue</b>	<b>(2.4)</b>	<b>(2.5)</b>	<b>0.1</b>	<b>4%</b>
<b>Gross Profit</b>	<b>50.2</b>	<b>42.0</b>	<b>8.2</b>	<b>20%</b>
<b>Expenses</b>				
Sales & Marketing	(24.9)	(22.3)	(2.6)	(12%)
Product & Technology	(12.9)	(10.8)	(2.1)	(19%)
General & Admin	(6.6)	(7.0)	0.4	6%
<b>Total Expenses</b>	<b>(44.4)</b>	<b>(40.1)</b>	<b>(4.3)</b>	<b>(11%)</b>
<b>Underlying EBITDA</b>	<b>5.8</b>	<b>1.9</b>	<b>3.9</b>	<b>205%</b>
<i>EBITDA margin (%)</i>	11%	4%		
Depreciation & Amortisation	(1.4)	(2.6)	1.2	46%
Net interest expenses	-	(0.1)	0.1	100%
Unrealised foreign currency gain/(loss)	(0.5)	0.3	(0.8)	(267%)
<b>Underlying Net Profit Before Tax</b>	<b>3.9</b>	<b>(0.5)</b>	<b>4.4</b>	<b>880%</b>
Underlying Income Tax Expense	(0.1)	1.0	(1.1)	(110%)
<b>Underlying Net Profit After Tax</b>	<b>3.8</b>	<b>0.5</b>	<b>3.3</b>	<b>660%</b>
<b>Pro-forma Expenses (after tax)</b>				
PPA D&A	(3.4)	(4.0)	0.6	15%
Integration, retention & merger	-	(1.0)	1.0	100%
Corporate advisory costs	-	(0.1)	0.1	100%
<b>Statutory Net Profit After Tax</b>	<b>0.4</b>	<b>(4.6)</b>	<b>5.0</b>	<b>109%</b>

- B2B revenue increased by 25% to \$32.0m primarily owing to the change in revenue recognition<sup>1</sup> in the pcg. Excluding the change in revenue recognition, B2B was steady on pcg for first half.
- B2B revenue includes \$0.4m relating to Brightpath.
- B2C revenue of \$20.6m (up 10% on pcg).
- S&M costs up \$2.6m due to increased investment in digital marketing to drive B2C growth.
- P&T costs up \$2.1m with additional investment in employee costs and software.
- Underlying EBITDA of \$5.8m (up 205% on pcg).
- Significant items include D&A of acquired products for Blake & Brightpath.

1. The pcg was impacted by a 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.





# B2C Performance Metrics



\$m	1H23	1H22	+/-	% +/-
Gross Billings <sup>1</sup>	20.3	18.6	1.7	9%
Licences <sup>5</sup> (k)	314.0	315.0	(1.0)	-
ARPU <sup>2</sup> (\$)	64.6	59.0	5.6	9%

\$m	1H23	1H22	+/-	% +/-
Gross Billings <sup>1</sup>	20.3	18.6	1.7	9%
Commissions Deducted	(2.1)	(1.8)	(0.3)	17%
Net Billings <sup>3</sup>	18.2	16.8	1.4	8%
Sales & Marketing Costs (excl. commissions)	(10.5)	(9.6)	(0.9)	9%
Net Billings Contribution	7.7	7.2	0.5	7%
Net Billings Contribution Margin (%)	42%	43%		

\$m	1H23	1H22	+/-	% +/-
Revenue	20.6	18.8	1.8	10%
Expenses				
Sales, Marketing & Cost of Revenue <sup>4</sup>	(13.1)	(12.2)	(0.9)	7%
Contribution Margin	7.5	6.6	0.9	14%
Contribution Margin (%)	36%	35%		

- Gross billings improved 9% in 1H23, driven by strong parent subscriber base while increasing ARPU.
- Net billings have grown 8% after commissions deducted by Apple and Google.
- B2C ARPU increased 9% while licences on par with pcp.
- Net billings contribution margin remains strong at 42%.

- B2C revenue has increased 10% to \$20.6m.
- Contribution margin of 36% has increased 1 percentage point.
- Contribution margin is calculated after direct sales & marketing costs, commissions paid to Apple & Google, and hosting & infrastructure expenses.

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



# B2B Performance Metrics



\$m	1H23	FY22
<b>Opening ARR</b>	<b>64.4</b>	<b>64.4</b>
Acquired business*	1.4	0.4
New business	3.4	5.9
Net upsell/downsell	0.8	2.9
Net churn	(4.1)	(9.3)
FX impact	-	0.1
<b>Closing ARR</b>	<b>65.9</b>	<b>64.4</b>
<i>Movement % period on period</i>	-	
Churn %	(14%)	(14%)
Exit ARPU <sup>1</sup> (\$)	12.2	12.4

\* Acquired business:

- Brightpath acquisition contributed \$1.4m p.a. to ARR
- FY22: \$0.4m from licences acquired through merger with Blake in FY21.
- Brightpath has a lower ARPU, so Exit ARPU has decreased from 12.4 cents to 12.2 cents.

\$m	1H23	1H22	+/-	% +/-
Revenue	32.0	25.6	6.4	25%
<b>Expenses</b>				
Sales, Marketing & Cost of Revenue <sup>2</sup>	(14.2)	(12.6)	(1.6)	13%
<b>Contribution Margin</b>	<b>17.8</b>	<b>13.0</b>	<b>4.8</b>	<b>37%</b>
<i>Contribution Margin (%)</i>	<i>56%</i>	<i>51%</i>		
Licences (m)	5.4	5.5	(0.1)	(2%)
Annual Recurring Revenue (\$m)	65.9	66.3	(0.4)	(1%)
Exit ARPU (\$)	12.2	12.1	0.1	1%

- B2B revenue increased by 25% to \$32m primarily owing to the change in revenue recognition<sup>3</sup> in the pcpr. Excluding the change in revenue recognition, B2B was steady on pcpr first half.

1. Exit ARPU is calculated as ARR divided by the number of licences.

2. Includes Sales & Marketing expenses and headcount, deferred contract costs and hosting & infrastructure costs.

3. The pcpr was impacted by a 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

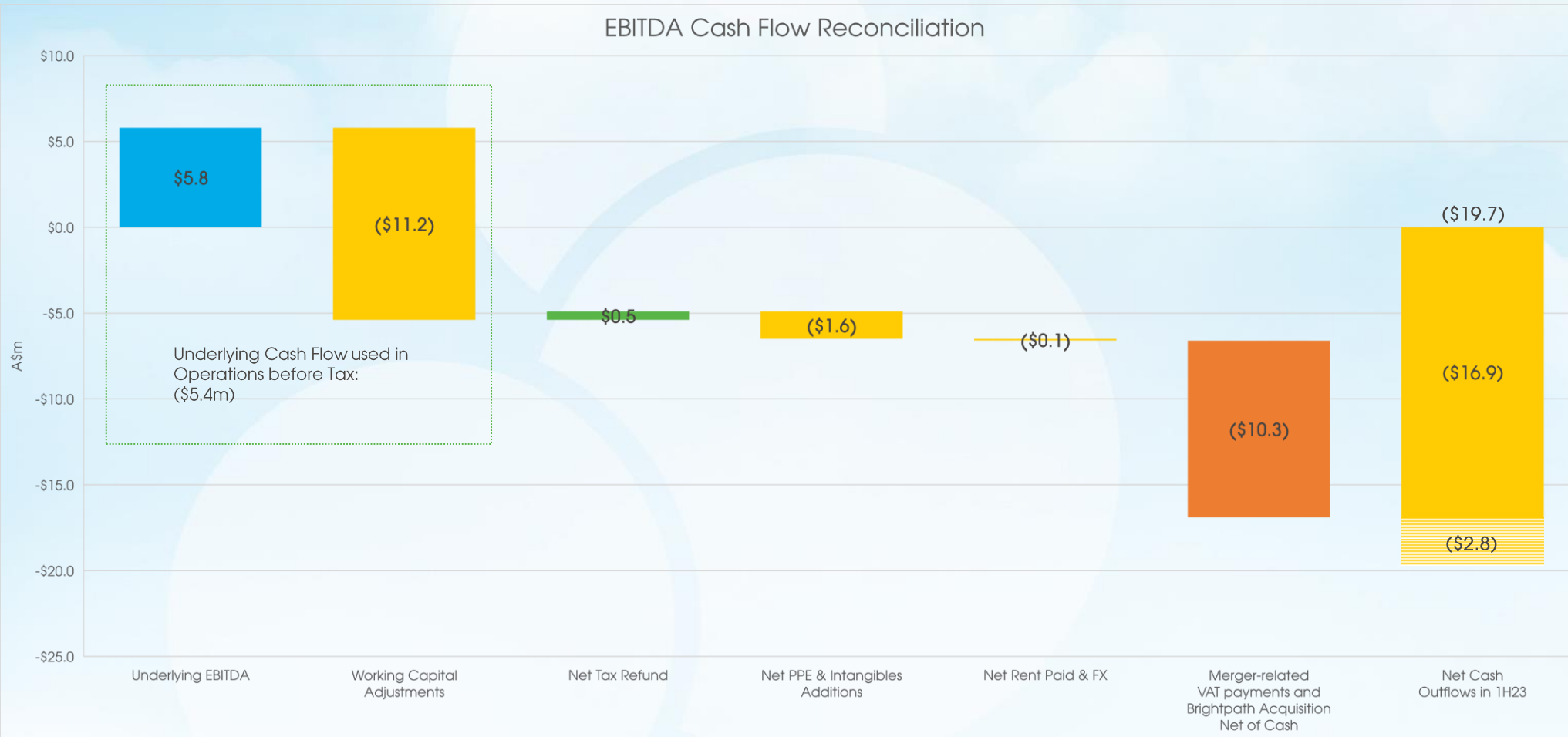


## Cash Flow & Liquidity



- Underlying cash utilised for operations before tax was \$5.4m.
- Merger-related cash flows include \$1.7m VAT payments in South Africa & UK.
- Net PPE & intangibles addition of \$1.6m includes \$0.5m Writing Legends investment.
- Brightpath acquisition net of cash \$8.6m.
- Including holding deposits of \$3.4m, closing cash balances at 31 December 2022 is \$14.8m.
- No external debt.

# EBITDA Cash Flow Bridge



- Underlying cash utilised in operations before tax was \$5.4m.
- Working capital cash outflow reflects timing (higher receivables & lower payables balances compared to June 2022) combined with a higher operating cost base in 1H23.
- Merger-related cash flows include \$1.7m VAT payments in South Africa & UK.
- Net PPE & intangibles addition of \$1.6m includes \$0.5m Writing Legends investment.
- Brightpath acquisition net of cash, \$8.6m.
- Excluding holding deposits paid of \$2.8m, net cash utilised in 1H23 was \$16.9m.



# OUTLOOK







## FY23 Guidance<sup>1</sup>

We reaffirm FY23 guidance of:

- Revenue of between \$111.0m and \$115.0m; and
- Underlying EBITDA of between \$15.0m and \$18.0m.

In addition, we expect to generate cash flow from operations before tax within the same Underlying EBITDA range of between \$15.0m and \$18.0m.

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





# Q&A







# APPENDICES







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 and unrealised foreign exchange gain and losses.
Exit Average Revenue per User (Exit ARPU)	Exit ARPU represents the closing ARR - royalty adjusted divided by the closing number of licences.
Licences	<p>B2B Licences reported reflect the number of individual students using 3P Learning products and excludes teacher or administrator users.</p> <p>B2C Licences reported reflect the number of parent-subscribers using 3P Learning products.</p>
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 were 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 six months to 31 December 2021.
School Annual Recurring Revenue (ARR)	School ARR is the annualised customer contract value of all active licence contracts in effect at a particular date with any B2B school customer.
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.



# Purchase Price Accounting



A summary of the fair value of identifiable intangible assets, contract liability, deferred tax liability and net working capital for the Brightpath acquisition are in the table below:

\$m	Fair Value 30 Sep 22
Net working capital	(0.2)
Intangibles - software	1.5
Intangibles - customer relationships	2.8
Contract liability	(0.1)
Deferred tax liability	(0.8)
<b>Net assets acquired</b>	<b>3.2</b>
Goodwill	5.8
Cash consideration	9.0





# 3P Learning

***Better Ways To Learn***

*End of presentation.*

This presentation should be read in conjunction with other publicly available materials.  
Further information is available on 3P's website at: [www.3plearning.com/investors](http://www.3plearning.com/investors)

