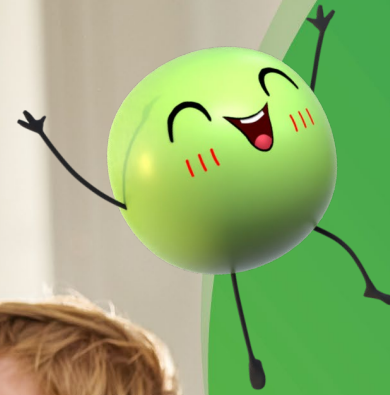




# Investor & Analyst Briefing

Half year ended  
31 December 2024



Presented:  
18 February 2025 by  
Chairman **Matthew Sandblom**  
CEO **Jose Palmero**  
CFO **Adam McArthur**

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- **Chairman's Update**
- **CEO Update**
- **CFO: Results & Cash Flow**
- **Outlook**
- **Q&A**
- **Appendices**





# Chairman's Update

Matthew Sandblom



# 1H25 Highlights and Product Investment

## **Improved profitability, sales steady as we transition to the 3 Essentials model:**

- ARR is steady, revenue is down 2% on Dec 2023, profitability is up 98%
- Cost management initiatives are delivering profit improvement

## **3 Essentials approach implemented with good results, still early days:**

- 214 schools converted, with average revenue increase of 47% per school
- New sales model introduced that simplifies how we manage customers
- Substantial work completed to unify interfaces, manage rollover in APAC
- Expect greater impact to revenue in FY26 year

## **Acquired Literacy Planet to strengthen literacy offering:**

- Incremental, profitable revenue and strong fit with our current operations
- Audience skews to upper primary years, complementary to Reading Eggs
- To be incorporated into 3 Essentials package





# 1H25 Highlights and Product Investment

## **B2C stable in challenging market conditions:**

- Billings up 1% on pcp despite cost of living headwinds for parents
- Significant improvements in functionality to improve conversion and upgrade to yearly subscriptions
- Exploring opportunities for the US home school market

## **Product investment has peaked:**

- The recent significant product investment has peaked
- Focus on product development that support sales activities
- Shift from investment phase will see continued EBITDA margin improvement in FY26





# CEO Update

Jose Palmero



## UNDERLYING<sup>1</sup> EBITDA

\$6.8m

+98%  
vs pcp<sup>2</sup>



## REVENUE<sup>3</sup>

\$52.7m

-2%  
vs pcp



## B2C BILLINGS<sup>4</sup>

\$22.0m

+1%  
vs pcp



## B2B ARR<sup>5</sup>

\$64.4m

+0%  
vs pcp



## UNDERLYING<sup>1</sup> CASH FLOW FROM OPERATIONS BEFORE TAX



\$1.4m

- \$10.9m cash<sup>6</sup>
- \$5.3m statutory cash
- \$1.9m net cash<sup>7</sup>

## CUSTOMERS

>5.0m



- B2B Licences<sup>8</sup> 4.9m (-6% vs pcp)
- B2C Licences 280k (-4% vs pcp)

## PRODUCT

\$14.9m



- \$12.4m Product development - expensed
- \$0.8m Writing Legends investment - capitalised
- \$1.7m Other products investment - capitalised

## OTHER INVESTMENT

\$1.4m



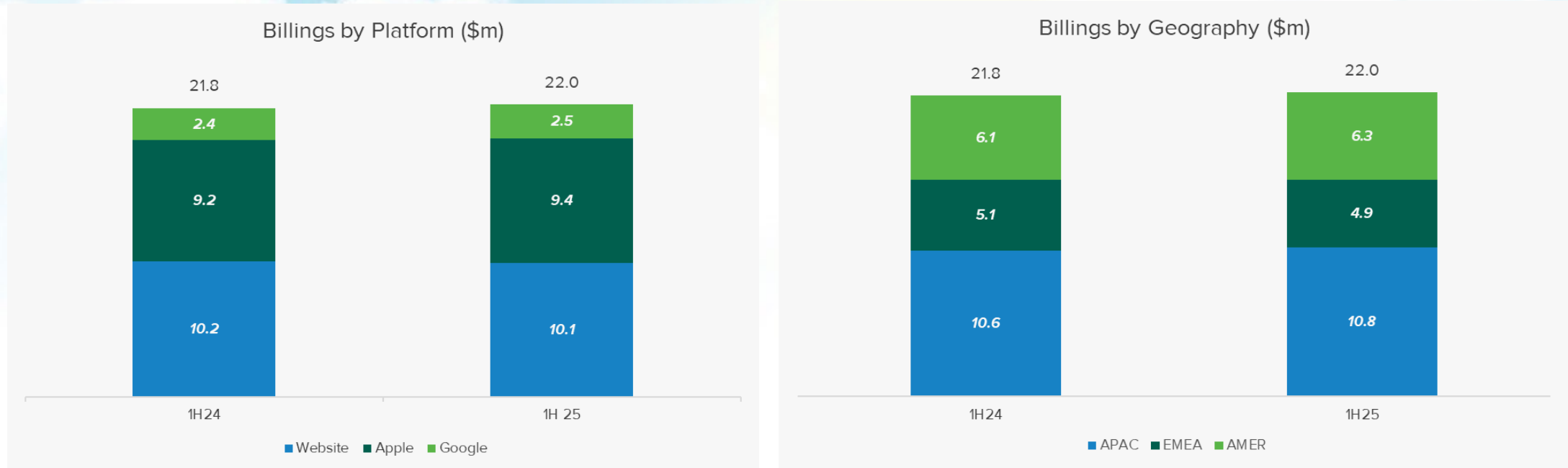
- \$1.4m Acquisition of Literacy Planet on 3 January 2025<sup>6</sup>

1. 'Underlying' is a non-statutory measure and is the primary reporting measure used by the CEO and Board of Directors for assessing the performance of our business.
2. pcp: prior comparison period which is 6 months to 31 December 2023.
3. Revenue includes revenue and other income.
4. Billings are reported on a 'gross' basis before any commissions are deducted by Apple and/or Google.
5. Includes \$2.2m ARR acquired from LiteracyPlanet on 3 January 2025.
6. Includes \$5.6m restricted cash (\$4.1m holding deposits paid for merchant banking facilities and \$1.4m cash consideration for LiteracyPlanet acquisition, held in trust at 31 December 2024).
7. Net cash is calculated as: \$5.3m statutory cash *plus* \$5.6m restricted cash *minus* \$9.0m external borrowings.
8. Includes 125k licences acquired from Literacy Planet on 3 January 2025.



# Performance in the Consumer Market

1% consumer billings<sup>1</sup> growth in 1H25 vs 1H24, steady performance across all key markets and channels.



- Reading Eggs, Mathseeds and Mathletics billings were \$22.0m, up 1% on pcp despite tougher economic conditions.
- Net billings contribution margin of 52% including direct sales, marketing and platform commissions costs.
- Mobile performance driven by Google Play store (up 6% on pcp) and Apple store (up 2% on pcp).
- Implemented conversion path optimisations and digital wallet payments to support shift to increase ARPU.

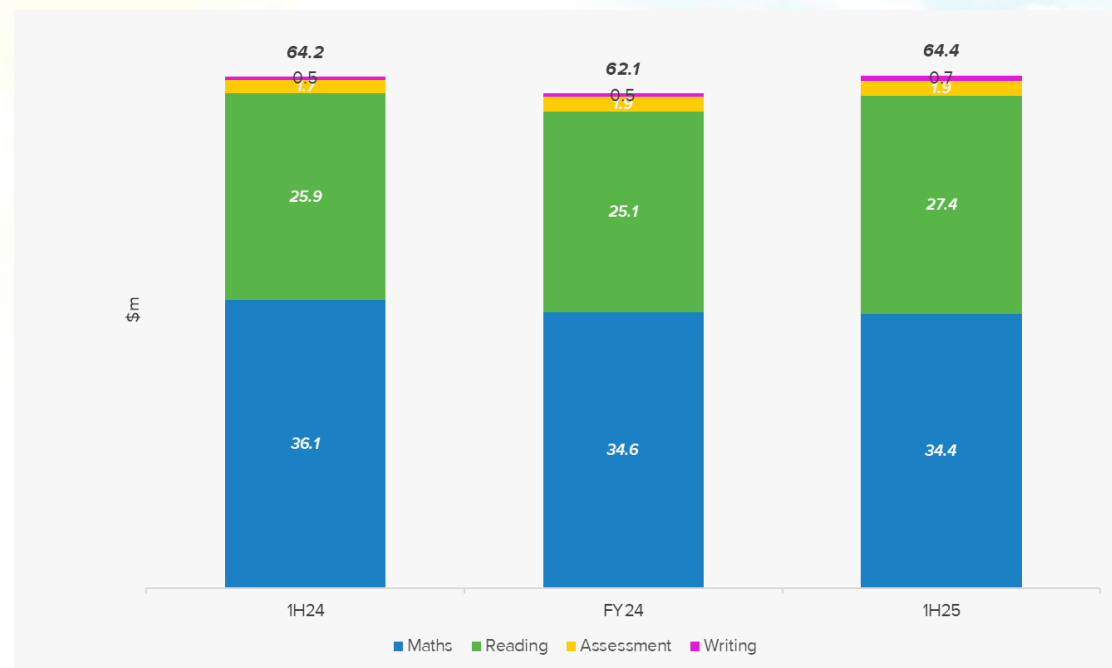
1. Billings are reported on 'gross' basis before any commissions are deducted by Apple and/or Google and exclude Workbooks.

# Performance in the Schools Market

	1H25	FY24	+/-	% +/-	1H24
Closing ARR <sup>1</sup> (\$m)	64.4	62.1	2.3	4%	64.2
Licences <sup>2</sup> (m)	4.9	4.8	0.1	1%	5.2
Exit ARPU <sup>3</sup> (\$)	13.3	12.9	0.4	3%	12.4

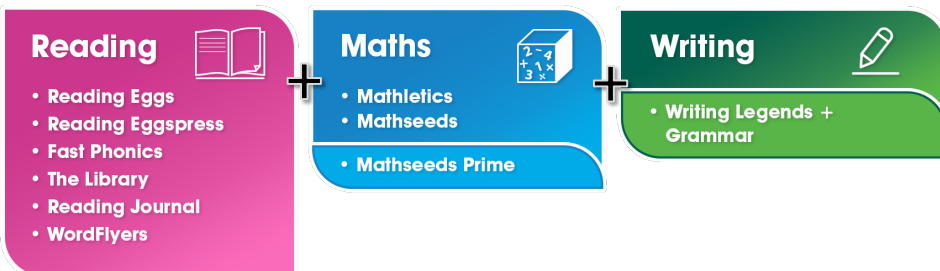
- B2B Revenue was \$30.9m, \$1.3m lower than pcp mainly due to the transition from Edmentum in the USA.
- Closing ARR<sup>1</sup> was \$64.4m, which was \$2.3m, or 4% higher than 30 June 2024.
- Closing ARR includes the LiteracyPlanet acquisition.
- Exit ARPU increased to \$13.3, up 7%, from \$12.4 in pcp.
- We launched 3E in Jul 2024 and initial sales have been encouraging with 214 schools converted to 3E and \$1.5m in net billings.

The graph below shows school ARR trajectory for 1H24 (Dec-23), FY24 (Jun-24) and 1H25 (Dec-24).



1. Includes acquired ARR of \$2.2m from LiteracyPlanet acquired on 3 January 2025 and excludes Copyright Agency Limited and professional development.  
 2. Includes 125k licences acquired from LiteracyPlanet on 3 January 2025.  
 3. Exit ARPU calculated as ARR divided by number of licences.

- 3 Essentials combines our evidence-based programs for reading, writing and maths into an integrated solution with SSO, simpler navigation, easy class management and consolidated reporting.
- Package price represents best value to schools.
- Launched in Q1 FY25 in APAC, so far 214 schools have converted at an average growth in value of 47%.
- Expect greater impact in FY26.

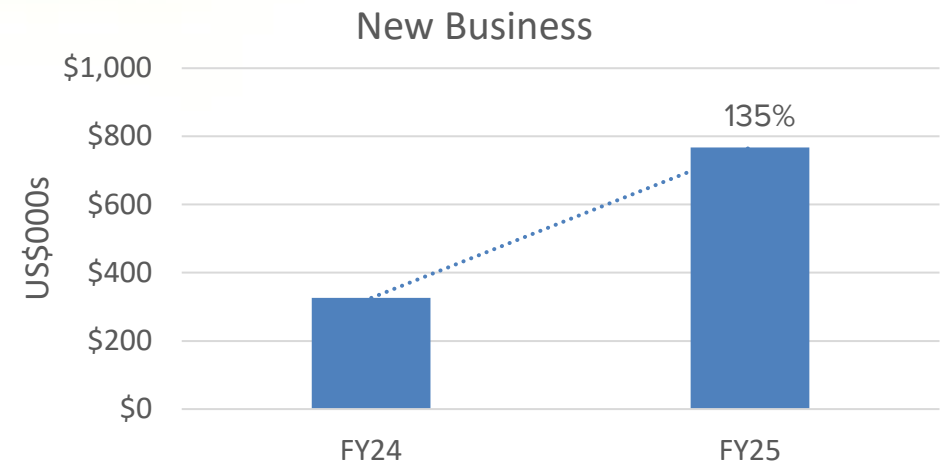
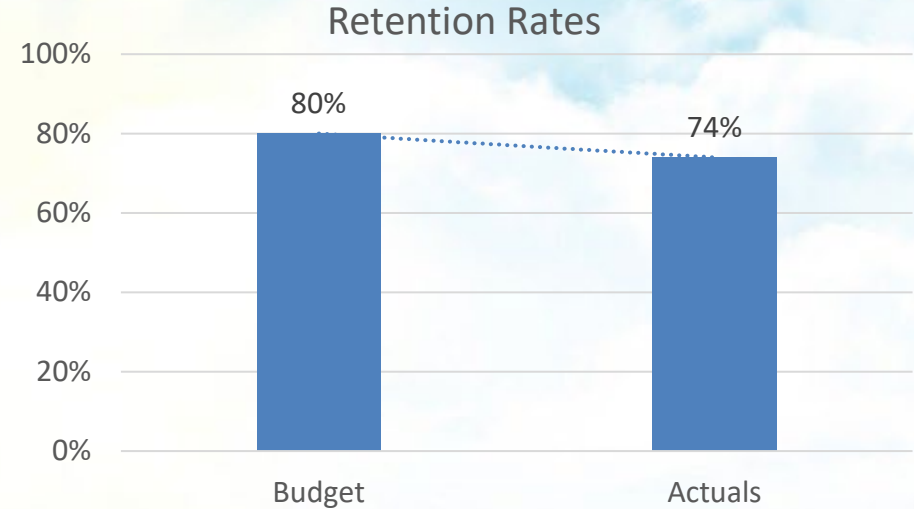










- In April 2024 we bought back the Schools distribution rights for Reading Eggs in the US from Edmentum for A\$20m.
- This gives us greater direct presence and customer relationships in the US schools market to cross-sell our products.

### **US Update :**

- We expected 80% in renewal billings in the US but achieved 74%, as we worked through unbundling the Edmentum relationships. This impacted 1HFY25 revenue.
- Offsetting this, we have achieved 135% increase in new business and cross-sells of Reading Eggs and Mathseeds from our expanded sales team in the US, with focus on 15 states.
- We have built a strong new business pipeline and expect higher retention rates in the upcoming renewals cycle.



	 <p><i>Acquired Jan 3, 2025</i></p>				
<p>Learning to read made fun and rewarding for young children</p>	<p>Improving student achievement in spelling, grammar and comprehension</p>	<p>Where children learn to write with confidence and success</p>	<p>Improving student engagement and achievement in mathematics</p>	<p>Teaching children foundational maths and problem-solving skills</p>	<p>Writing and maths assessment that makes progress visible</p>
<p>Ages 2 – 13</p>	<p>Ages 5 - 15</p>	<p>Ages 6 – 12</p>	<p>Ages 5 – 16</p>	<p>Ages 3 – 9</p>	<p>Ages 6 – 16</p>

# Our Strategy

## B2B

### Reading



- Reading Eggs
- Reading Eggspress
- Fast Phonics
- The Library
- Reading Journal
- WordFlyers
- Literacy Planet

### Maths



- Mathletics
- Mathseeds

- Mathseeds Prime

### Writing



- Writing Legends + Grammar

## B2C

### Reading



- Reading Eggs
- Reading Eggspress
- Fast Phonics
- The Library
- Reading Journal
- WordFlyers
- Literacy Planet

### 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

- Add Premium Paid Service offering

Markets (AMER, EMEA, APAC)



Markets (AMER, EMEA, APAC)



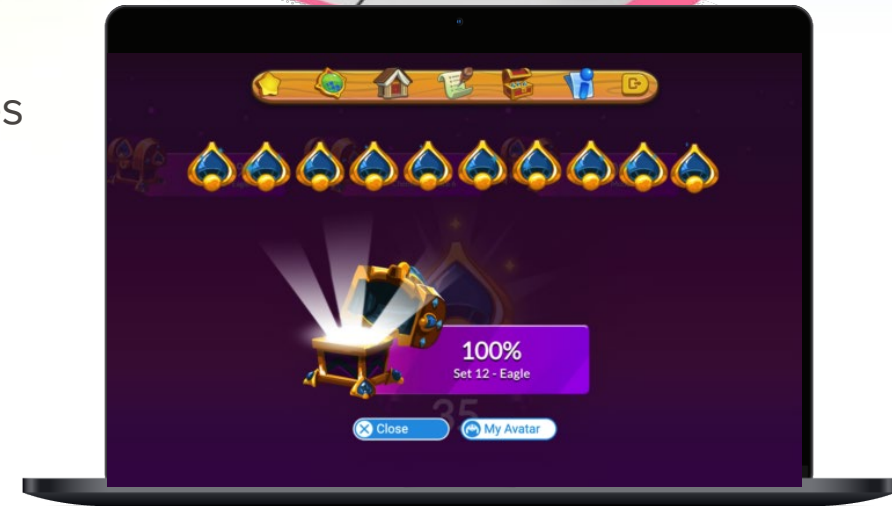











On January 3, 2025 we acquired 100% of Intrepica Pty Ltd (the owner of LiteracyPlanet).

**Update:**

- LiteracyPlanet has \$2.2m of ARR that is incremental to our business. We expect this to be profitable and cashflow positive in the first year.
- The business operates in APAC and EMEA markets with strong crossover with 3P customers who use Reading Eggs in younger years and LiteracyPlanet in older years.
- The Literacy Planet team and product have complementary capabilities to our team and strong culture fit with 3P.
- Plan is to incorporate LiteracyPlanet into our 3 Essentials offering.



# Product Releases and Improvements

	Achieved in 1H25	What's coming in 2H25
	APAC 3 Essentials SSO, One Roster Weekly Quests for Reading, Writing and Maths	3 Essentials cross-program reporting Teacher Hub
	USA district interface upgrade, USA district reporting to standards USA school & student reporting to standards 3 Essentials SSO & Weekly Quests	Golden Stepping stones WACG accessibility compliance Map 13 new lessons 121-130 Update Reading Eggspress lessons Create Progress Monitoring tests
	APAC: New Courses Units New Zealand Courses 3 Essentials SSO & Weekly Quests	APAC: New Courses Units Learnosity replacement completed World Maths Day 2025 Activity/legacy courses rebuild in new system
	200 Exciting Writing Ideas Teacher Assignments Maps 11 to 14 3 Essentials SSO & Weekly Quests	3 Essentials cross-program reporting APAC & EMEA: Lessons for Years 5–6 Long Writes: Persuasive essay writing Create Progress Monitoring tests
	EMEA: New UK based reports for Writing AI standards matching tooling built	Handwriting recognition for auto-marking of scripts Maths reporting to standards Build reading assessment
	3 Essentials SSO & Weekly Quests Mathseeds Year Planners	3 Essentials cross-program reporting Create Progress Monitoring tests
	500 new phonics activities	Student badges and rewards Progress monitoring component Explore One Roster integration Start implementing into 3E Sales package





# CFO: Results & Cash Flow

Adam McArthur





# P&L Key Drivers

Profit and Loss Statement \$m	1H25	1H24	+/-	%+/-
<b>Revenue</b>				
B2B	30.9	32.2	(1.3)	(4%)
B2C	21.8	21.7	0.1	0%
<b>Total revenue</b>	<b>52.7</b>	<b>53.9</b>	<b>(1.2)</b>	<b>(2%)</b>
Cost of Revenue	(2.6)	(2.5)	(0.1)	(4%)
<b>Gross Profit</b>	<b>50.1</b>	<b>51.4</b>	<b>(1.3)</b>	<b>(3%)</b>
<b>Gross margin (%)</b>	95%	95%		
<b>Expenses</b>				
Sales & Marketing	(25.3)	(27.6)	2.3	8%
Product & Technology	(12.4)	(14.4)	2.0	14%
General & Admin	(5.6)	(6.0)	0.4	7%
<b>Total Expenses</b>	<b>(43.3)</b>	<b>(48.0)</b>	<b>4.7</b>	<b>10%</b>
<b>Underlying EBITDA<sup>1</sup></b>	<b>6.8</b>	<b>3.4</b>	<b>3.4</b>	<b>98%</b>
<i>EBITDA margin (%)</i>	13%	6%		
Depreciation & Amortisation	(2.3)	(1.3)	(1.0)	(77%)
Net interest (expense)/income	(0.2)	0.3	(0.5)	(167%)
Unrealised foreign currency (loss)/gain	(1.2)	0.4	(1.6)	400%
<b>Underlying Net Profit Before Tax</b>	<b>3.1</b>	<b>2.8</b>	<b>0.3</b>	<b>11%</b>
Underlying Income Tax benefit	0.5	2.5	(2.0)	(80%)
<b>Underlying Net Profit After Tax</b>	<b>3.6</b>	<b>5.3</b>	<b>(1.7)</b>	<b>(32%)</b>
Deferred contract costs - buy back of distributor rights (after tax) <sup>2</sup>	(0.7)	-	(0.7)	(100%)
PPA D&A	(2.9)	(3.5)	0.6	17%
Pro-forma expense - other (after tax)	(0.7)	(0.1)	(0.6)	(600%)
Rights (after tax) <sup>3</sup>	-	(13.7)	13.7	100%
<b>Statutory Net Loss After Tax</b>	<b>(0.7)</b>	<b>(12.0)</b>	<b>11.3</b>	<b>94%</b>

- B2B revenue decreased by \$1.3m against pcp due to declining licence numbers, primarily impacted by the transition from Edmentum in the USA.
- B2C revenue increased by \$0.1m against pcp due to growth in Reading Eggs and Mathseeds billings on Apple and Google platforms.
- Underlying EBITDA of \$6.8m, up 98% on pcp, reflecting the impact of the \$5.0m cost out initiative in May 2024 and cost efficiencies gained by direct selling to US schools.
- Other items (after tax) include \$0.7m unwinding of legacy Edmentum Inc distributor costs as deferred contract costs - buy back of distributor rights<sup>3</sup>, \$2.9m D&A of acquired products for Blake and Brightpath, and other proforma expenses.

1. Underlying EBITDA represents earnings before interest, tax, depreciation and amortisation, excluding unrealised foreign exchange losses and gains, corporate advisory costs, restructure and integration costs, buy-back of distribution rights and deferred contract cost on buy-back of distributor rights arising prior to the buy-back in the previous financial year.
2. Refer to the Consolidated Financial Statements Note 13 for detailed information.
3. US schools Distribution Rights for Reading Eggs (“Rights”), prior to being assigned in perpetuity to Edmentum Inc. in 2010, were an “internally generated intangible asset”, which cannot be capitalised under Australian Accounting Standards irrespective of how the costs are incurred e.g. paid to a third party (Edmentum Inc.). As a result, the total Rights cost has been expensed in full during the prior comparative period.

## B2C Performance Metrics

\$m	1H25	1H24	+/-	% +/-
Gross Billings <sup>1</sup>	22.0	21.8	0.2	1%
Licences <sup>2</sup> (k)	280.0	291.0	(11.0)	(4%)
ARPU <sup>3</sup> (\$)	78.6	74.9	3.7	5%

\$m	1H25	1H24	+/-	% +/-
Gross Billings <sup>1</sup>	22.0	21.8	0.2	1%
Commissions Deducted	(2.6)	(2.1)	(0.5)	(24%)
Net Billings <sup>4</sup>	19.4	19.7	(0.3)	(2%)
Sales & Marketing Costs (excl. commissions)	(9.3)	(9.9)	0.6	6%
Net Billings Contribution	10.1	9.8	0.3	3%
Net Billings Contribution Margin (%)	52%	50%		

- Gross billings improved 1% in 1H25 due to growth in Apple and Google platforms.
- B2C ARPU growth 5% pcp and net billings contribution margin improved to 52% on pcp.

\$m	1H25	1H24	+/-	% +/-
Revenue <sup>5</sup>	21.8	21.7	0.1	0%
Expenses				
Sales, Marketing & Cost of Revenue <sup>6</sup>	(12.8)	(12.9)	0.1	1%
Contribution Margin	9.0	8.8	0.2	2%
Contribution margin (%)	41%	41%		

- B2C Revenue has grown \$0.1m on pcp.
- Contribution margin remains strong at 41%.
- Contribution margin is calculated after direct sales & marketing cost, 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. B2C licences reflects the number of parent subscribers using 3P Learning products.  
3. ARPU is calculated as gross billings divided by the number of licences.  
4. Net billings are reported after any commissions are deducted by Apple or Google and exclude Workbooks.  
5. Revenue includes revenue and other income.  
6. Includes direct Sales & Marketing expense, amortised platform commission costs and hosting & infrastructure costs.

## B2B Performance Metrics

\$m	1H25	FY24
<b>Opening ARR</b>	<b>62.1</b>	<b>65.4</b>
Acquired business <sup>1</sup>	2.2	-
New business	3.1	5.5
Net upsell/downsell	1.0	2.3
Net churn	(5.5)	(10.7)
FX impact	1.5	(0.4)
<b>Closing ARR<sup>1</sup></b>	<b>64.4</b>	<b>62.1</b>
<i>Churn %</i>	(9%)	(16%)
Exit ARPU <sup>2</sup> (\$)	13.3	12.9

- Closing ARR has increased \$2.3m from 30 June 2024.
- Closing ARR includes the LiteracyPlanet acquisition.
- Early signs from 3E are positive, however impact will flow through in FY26 numbers and beyond.

\$m	1H25	1H24	+/-	% +/-
Revenue <sup>3</sup>	30.9	32.2	(1.3)	(4%)
Expenses				
Sales, Marketing & Cost of Revenue <sup>4</sup>	(15.1)	(17.2)	2.1	12%
Contribution Margin	15.9	15.0	0.9	6%
<i>Contribution margin (%)</i>	51%	47%		
Licences <sup>5</sup> (m)	4.9	5.2	(0.4)	(6%)
Annual Recurring Revenue (\$m)	64.4	64.2	0.2	0%
Exit ARPU (\$)	13.3	12.4	0.9	7%

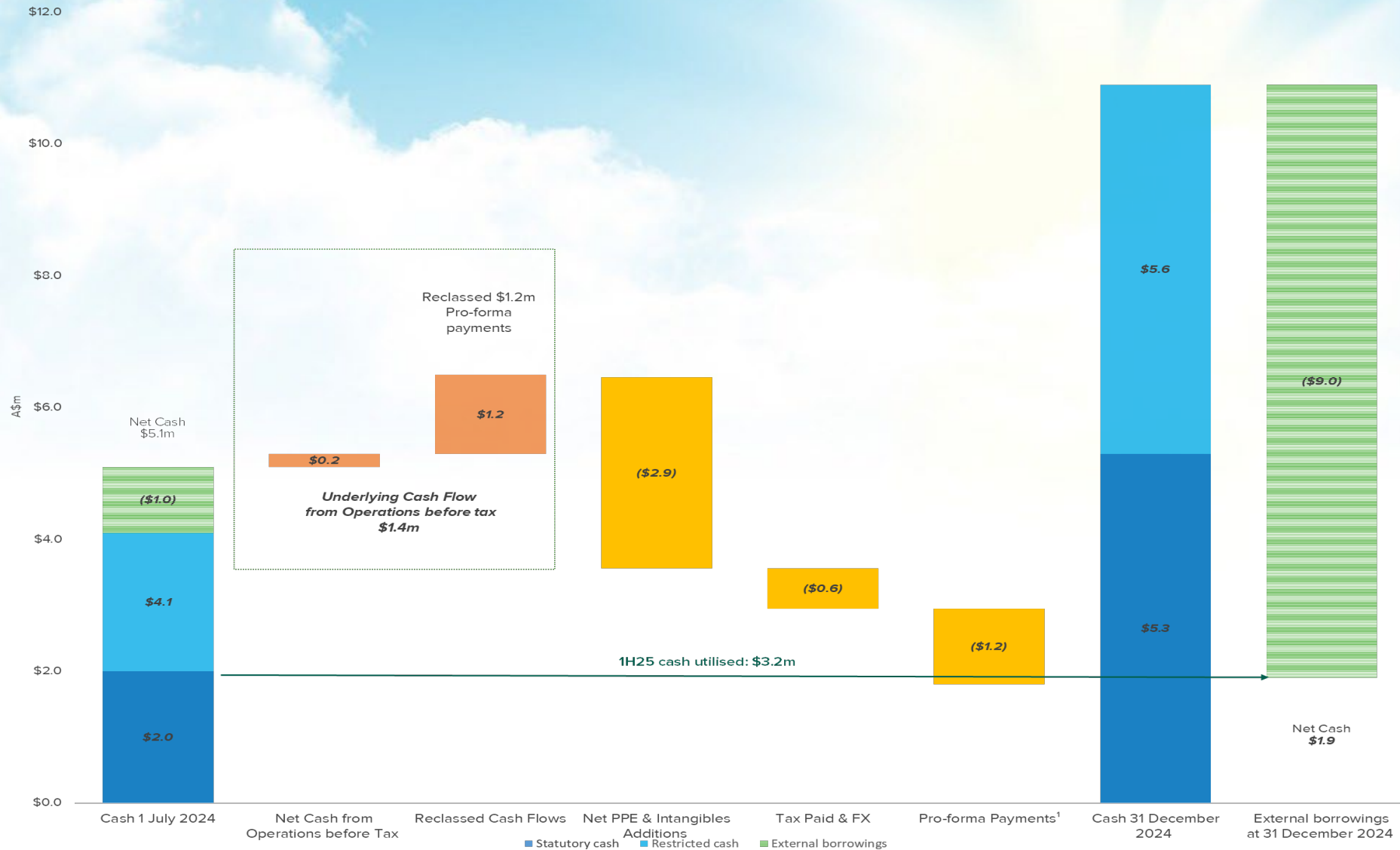
- B2B Revenue was \$30.9m, declined 4% on pcp, mainly due to the transition from Edmentum in the USA.
- Contribution margin has improved by 4% due to cost efficiencies gained by direct selling to US schools and operational improvements.
- Exit ARPU increased to \$13.3, up 7%, from \$12.4 in pcp, due to inclusion of LiteracyPlanet and careful management of renewal pricing.

1. Includes acquired ARR of \$2.2m from LiteracyPlanet acquired on 3 January 2025.  
2. Exit ARPU is calculated as ARR divided by the number of licences.  
3. Revenue includes revenue and other income.  
4. Includes direct Sales & Marketing expense, platform commission costs and hosting & infrastructure costs.  
5. Includes 125k licences acquired from LiteracyPlanet on 3 January 2025.



# Cash Bridge

## Cash Flow & Liquidity



- Underlying Cash Flow from Operations before tax was \$1.4m vs (\$2.4m) in pcp representing a \$3.8m improvement.
- Net PPE & intangibles addition of \$2.9m.
- Closing net cash<sup>2</sup> of \$1.9m at 31 December 2024.
- \$6.0m undrawn loan facility at 31 December 2024. The loan facility will be paid back in full in March.

1. Pro-forma includes payments for corporate advisory, restructure and integration costs.  
 2. Net cash is calculated as: cash and cash equivalents \$5.3m plus restricted \$5.6m cash minus external borrowings \$9.0m.



# Outlook



**FY25 is a transformation year**

- We have passed the peak of our large investment in new and existing products
- Simplifying our operations and increasing efficiency of operation
- Improve our bundling and growth of revenue per school, alongside new business
- Continued improvement of our B2C business with further US market penetration

**Focus on profitable growth**

- Revenue growth while improving EBITDA
- Margins to show continued improvement to provide better returns to shareholders
- We expect stronger cash generation in 2HFY25





# Appendices



## Glossary

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, excluding unrealised foreign exchange losses and gains, corporate advisory costs, restructure and integration costs, buy-back of distributor rights and deferred contract cost on buy-back of distributor rights arising prior to the buy-back in the previous financial year.
Exit Average Revenue per User (Exit ARPU)	Exit ARPU represents the closing ARR 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 was not renewed by a customer at the end of a subscription period, offset by the value of recovered subscriptions previously churned.
SSO	Single sign-on
PPA D&A	Purchase price allocation depreciation and amortisation
Prior comparison period (pcp)	Prior comparison period is 6 months to 31 December 2023.
Underlying	Underlying is a non-statutory measure and is the primary reporting measure used by the CEO and Board of Directors for assessing the performance of the business.





# Q&A







**Thank You**

