2026 Full Year Financial Results Investor Presentation Transcript

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Matthew Sandblom (Chairman)

Welcome to 3P Learning's full year results presentation for the financial year 2025-2026. My name is Matthew Sanblom, Chairman of 3PL and joining me today are CEO Jose Palmero and CFO Adam McArthur, who has now taken responsibility for our B2B division as Chief Commercial Officer B2B.
I'm very pleased to report that 3P Learning will be paying its first dividend in 11 years due to our focus on profitability and cash generation.

We intend this to be the return of sustainable annual dividends for the company, subject to business conditions. This reflects the management team's focus on controlling costs and a greater use of AI in making the business more productive. 3PL's cash flows and reported profits have also benefited from our successful application for a digital games tax offset in Australia.

We had further good news when we were successful in becoming one of four approved vendors for the New Zealand Department of Education's well-funded maths resource programs. Early signs are that this will increase our school sales in this market by several million dollars in the 2026-27 financial year. We also continue to make good progress in selling higher value learning packages into the US government-funded program for home school markets in several US states.

3PL is noticing a trend in both schools and consumer markets towards blended digital and print solutions. This is a key part of our current success in the New Zealand market and we think this model has further potential in other markets, especially Australia. If successful, these blended programs can significantly increase average revenue per user.

Print-based products are also key to growing order value in the US home school market. Blended programs also match well with trends we are seeing where teachers and parents want less screen time and want more learning that does not involve the use of devices, while at the same time AI tools make it possible for 3PL to develop large-scale printed workbook and teacher guide programs in a matter of months when previously these type of programs would have taken years to write and to produce.

We have experienced some weaknesses in our schools markets, primarily in APAC, with churn in the mid-teens above our target rate of 10% or less. We are responding to this by using AI to build better tools for teachers to organize their work and classes and to more clearly demonstrate the value that our programs add to learning outcomes. We want our programs to be must-haves, not nice-to-haves and make them indispensable to teachers.

We are also very focused on increasing the lifetime value in the direct-to-consumer space. Online marketing costs continue to rise so we need to increase lifetime value to grow revenue and profits. A key part of this is to increase student engagement over time by creating richer imaginative worlds for students to build and play in rather than just rewarding them with golden eggs that they can accumulate and spend. The first stage of this new world rebuilds will be released in the second quarter of the 26-27 financial year.

As part of our strategic refocus we have more clearly separated our schools and consumer divisions, giving each their own staff and resources so that they can be laser focused on their respective markets. This includes having consumer facing programs that will diverge from the school's programs to fully meet the needs of these users. A simple example of this would be a teacher wanting less fun and games and more directed learning, while in the consumer space more fun and games are essential for keeping children engaged for longer.

I'm feeling the most positive about the prospects of 3PL since we did the merger with Blake Learning in 2021. We've got a reduced cost base, our EBITDA is increasing, we have no debt, we are paying dividends again, we are really starting to get value out of AI tools in all parts of the business and we have several great growth opportunities that we didn't have 12 months ago.

With our delayed revenue recognition shareholders may not see much revenue growth in the first half of 26-27, but we do expect stronger momentum in the second half of financial year 26-27. I will now hand over to Jose for his CEO update

Jose Palmero:
(CEO Update)

Thank you Matthew and good morning everyone. We will begin with the highlights for the year, but in today's presentation I will also cover in more detail the challenges and opportunities we are seeing for financial year 27 particularly in APAC and EMEA. I will then pass on to Adam for the financials and cash flow section before closing off with a Q&A.

FY26 was a year of transition for 3P Learning from product investment to commercial execution. We made good progress but also faced significant market challenges particularly in B2B and to a lesser extent B2C with softer consumer spending.
We responded promptly with disciplined cost management, using AI to improve productivity and focusing product development on smaller targeted initiatives. We also secured several tangible wins that will enhance our financial position over the next several years.

Looking at our financial performance, total revenue for FY26 was $112.9 million which was $3.8 million higher than last year including $8.6 million recognized as other income from Digital Games Tax Offset, DGTO, for FY25 and FY26. The DGTO income made up for a shortfall in B2B where revenue was $5 million or 8 percent lower than last year at $60.5 million while B2C revenue remained steady at $43.6 million.

Underlying EBITDA was 26 percent higher than last year at $19.5 million mostly driven by restructuring teams into dedicated B2B and B2C functions and reducing headcount in the second half of FY26 resulting in annualized savings of $4.7 million for FY27.

Product costs were $4.8 million lower this year at $22.2 million reflecting the fact that we have completed the bigger updates and are now focusing on smaller and more targeted product development.

We finished the year with net cash of $15.7 million which was $4.1 million higher than last year's $11.6 million, and no debt. To this we added $5.5 million from the income tax refund for the FY25 DGTO which we received earlier this month. We will submit a similar claim for FY26 together with our FY26 income tax return and for subsequent years while the scheme is in place.

The main market challenges this year for B2B were driven by concerns about students exposure to computer screens and mobile devices and more demand for blended learning solutions including printed books across all regions. For B2C parents are also concerned about mobile devices but the tight economic environment for families continues to affect demand overall.

We responded to these challenges by using our online and book printing expertise to develop blended learning solutions starting with New Zealand. Using AI across all business functions and building more teacher and parent functionality in our programs to complement our strength in student engagement. We also implemented a leaner business structure with dedicated resources to make the most of our opportunities in B2B and B2C.

For B2B we were selected as one of four approved suppliers for New Zealand Ministry of Education's maths program starting in calendar year 2027.This followed a competitive tender process where we offered a blended solution including online access to Mathletics and Mathseeds together with curriculum aligned printed books and teaching guides.

The final round of orders is due in late September 2026 and we expect good take-up from New Zealand schools. We also secured our largest single order in the US starting with a proof of concept worth USD247k in FY26 with potential upside in the second half of FY27 and saw retention rates for Reading Eggs in the US improved from 76% to 86% this year which was a solid improvement now that we are now second year of direct distribution. For APAC and EMEA we have continued with our strategy of upselling and cross-selling bundled products including three essentials which has yielded good results.

B2C also faced market challenges as families continue to experience cost of living pressures particularly in APAC and EMEA. Nevertheless B2C revenue held steady at $43.6 million with Homeschool Max and ESA sales of $1.2 million this year showing significant growth from workbook sales in AMER consistent with a higher demand for printed materials we have seen across all regions.

As I mentioned earlier, this year we have invested in developing our capability, staff training and experience using AI tools across all functions of the business. This has resulted in faster product development time for online and print content, improved sales and marketing effectiveness with deeper insights, more automation and increased productivity. We see this as a key competitive advantage for 3P learning, allowing us to build faster with better insights and more AI enabled features to complement the pedagogical strength of our programs.

Another important change this year was restructuring the business into dedicated leaner business units for B2B and B2C to improve focus and accountability. Schools and families expect different things from us and servicing both from a single platform has limited potential. This change will help us develop workflow and features that are more aligned to specific customer needs and allow our programs to diverge accordingly. We believe our programs and the business will be more efficient and responsive as a result. With streamlined teams now implementing our FY27 strategy and charting our path back to growth.

With these changes we have positioned the business for profitable growth with more targeted product development, leaner more focused teams enabled by AI and disciplined cost management for improved shareholder returns Starting with a dividend of 3.52 cents per share for FY26 partially franked. I will now hand over to Adam for more details on our financial performance

Adam McArthur: (Financial Results & Cash Flow)

Thanks Jose. I'm presenting these results in my new role as Chief Commercial Officer for our B2B business as I transition from the CFO role. I'll now take you through our financial results and cash flow for FY26.

The top line story is that B2B revenue is down and B2C was broadly flat, but underneath that underlying EBITDA improved to $19.5 million up 26% on last year. This was helped by $3.9 million of DGTO other income that was recognised in FY26. That EBITDA improvement isn't just the tax offset though, it also reflects restructuring our teams into dedicated B2B and B2C functions and reducing headcount in the second half of FY26.

Together those deliver $4.7 million of annualised savings flowing into FY27. Despite the revenue pressure we held a strong cash balance and that combination of discipline and cash strength is what's given the board the confidence to declare a dividend of 3.52 cents per share partially franked, the first in 11 years.

Now moving on to slide 18 to cover our B2C performance metrics.

Revenue held essentially flat year on year up $0.2 million. This is against the backdrop of families still feeling cost of living pressures, particularly in APAC and EMEA on top of the same concerns about screen time that we're seeing on the B2B side. The growth came from the US with Homeschool Max and ESA sales and we're also seeing strong growth in workbook sales which fits the broader pattern of higher demand for blended solutions across all our regions.

The number we are watching is our contribution margin which came down to 39% as acquisition costs increased. Gross billing are down 4% overall but the American region group actually grew 3% again on the back of ESA which is showing good momentum for FY27.

On slide 19 is our B2B performance metrics.

This is where most of our revenue pressure sits. Revenue is down 8% to $60.5 million and the main driver is churn particularly in APAC where retention came in below what we expect. The clear bright spot is the US improved retention from 76% to 86% this year a solid result now that we're in our second year of direct distribution.

In APAC and EMEA, our upsell and cross-sell strategy with bundled products like 3 Essentials continues as a focus for FY27. Importantly, even with revenue down we held contribution margin flat at 53% because we managed cost in line with a revenue decline. We haven't turned the top line around in B2B yet. We've protected profitability while we do that work and with the wins in New Zealand, the US and our bundling strategy this gives us good reason for confidence going into FY27.

Slide 20 pulls all this information together into the full P&L.

First total expenses came down to $82.8 million dollars. That's largely the benefit of restructuring our teams into dedicated B2B and B2C functions and reducing headcount in the second half of FY26 on top of the FY25 cost out program. Product costs specifically were lower which reflects that we've completed the bigger product builds and now focused on smaller more targeted development.

Second, the digital games tax offset has a substantial impact on this result and it's an ongoing scheme rather than a one-off. Across FY25 and FY26 combined it's contributed $8.6 million of other income and specifically in FY26 it added $3.9 million that flows through to underlying EBITDA. We've already received the $5.5 million dollar refund relating to the FY25 claim which helped make up for the B2B shortfall and we'll be submitting a similar claim for FY26 and for future years while the scheme remains in place.

Put those together and underlying EBITDA landed at $19.5 million up 26% on last year driven by the restructuring, tighter product spend and the DGTO benefit. That's really the number that tells the FY26 story. Disciplined cost management delivering a much stronger earning result even as revenue came under pressure.

On slide 21 we have our cash bridge.

We generated $11 million of underlying cash flow from operations before tax. After around $4.2 million of investment in PPE and intangibles. This is largely our ongoing product investment and after tax and some pro forma restructuring payments we close the year with net cash of $15.7 million. That's $4.1 million higher than last year's $11.6 million and importantly we carry no external borrowings.

I'll now hand back to Jose to talk through the outlook.

Jose Palmero (Outlook)

Thank you Adam. So to wrap up, we feel positive about our prospects for FY27 and beyond.

The stronger cash and financial position supported our board's review of the company's capital management options and in line with its intention to recommence ongoing dividends or capital returns announced on 18 June 2026. The board has declared a final dividend of 3.52 cents per share for the FY26 period partially franked.

The business is in good financial shape with a strong cash position and no debt. It is also leaner and more responsive to market changes. For next year in the medium term, we will continue to be disciplined about managing costs and focusing on the new growth opportunities for B2B and B2C.

It's been a busy year at 3P. So, thank you to our team, our board, shareholders, customers and everyone joining us today for our FY26 results presentation. We will now invite questions from those attending.

Thank you