

**Kip
McGrath™**



Leaders In Learning

Investor Presentation

23 March 2015

Agenda

- Business Overview
- Results Snapshot
- Growth Opportunity
- KipOnline™
- Outlook
- Questions

Kip McGrath Overview

- Started in 1974 in Maitland NSW in the Family Garage.
- First tutoring company to use computers to help with the drill work for students (1980)
- Kip McGrath Education Centres is currently the largest international provider of face to face tuition for school children using qualified school teachers in the world
- 520 centres operating in more than 15 countries, teaching 40,000 children per week
- KME specialises in teaching remedial maths and English



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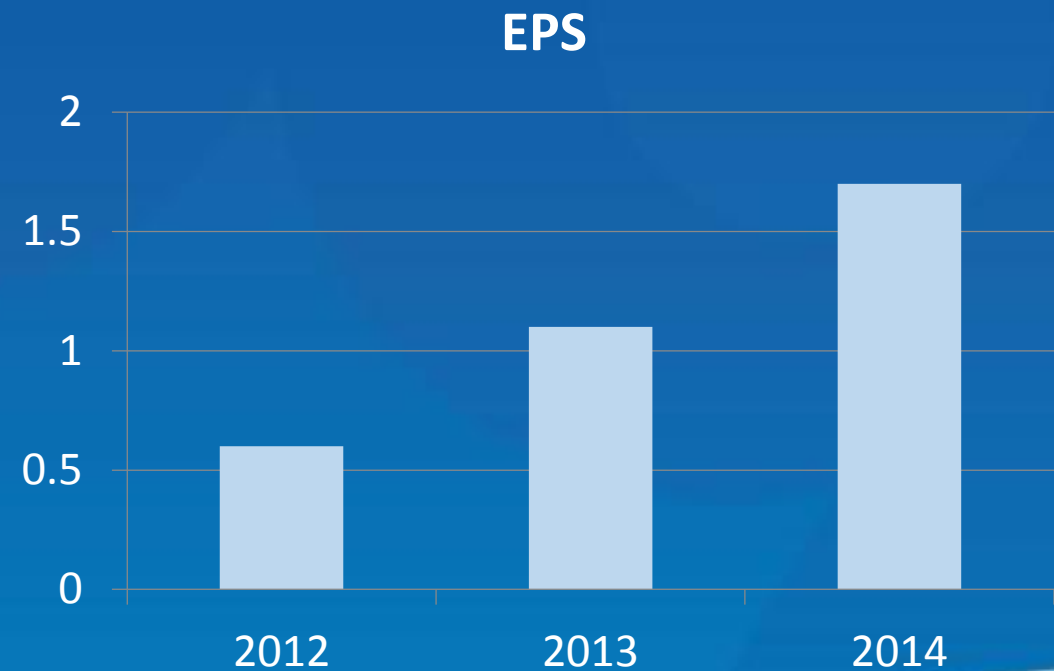
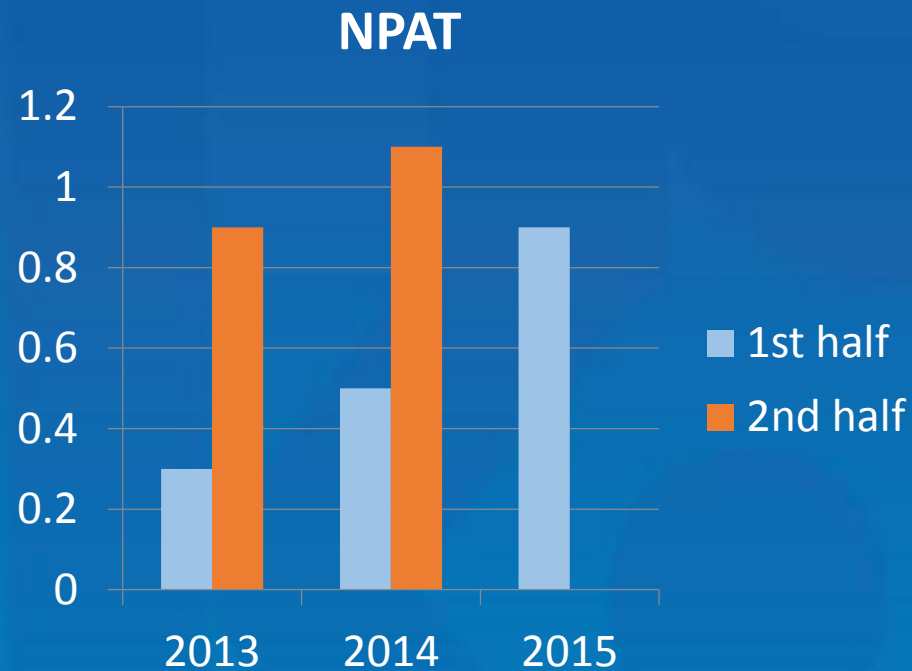
Key Metrics

- Market Cap \$16M
- 45M shares including options
- 40% shares held by McGrath Family
- Current global revenue at franchise level \$80M

Current Growth Drivers

- Over the Last 5 years we have been changing existing franchisees from fixed fee to percentage of revenue. (10% model - 130 outlets globally)
- We also have a new business model which includes centralised back office, payroll, marketing and IT support (20% model - 150 outlets globally)
- We have developed the technology to deliver tutoring, back office, tuition fee collection and customer communication in house. We have spent around \$3M in the past 4 years.

Results Snapshot



- Record 1HFY15 Result, NPAT up 237%
- Strong skew to the second half as most franchisee sales occur at the beginning of the calendar year and holidays in the Northern Hemisphere are in July and August.

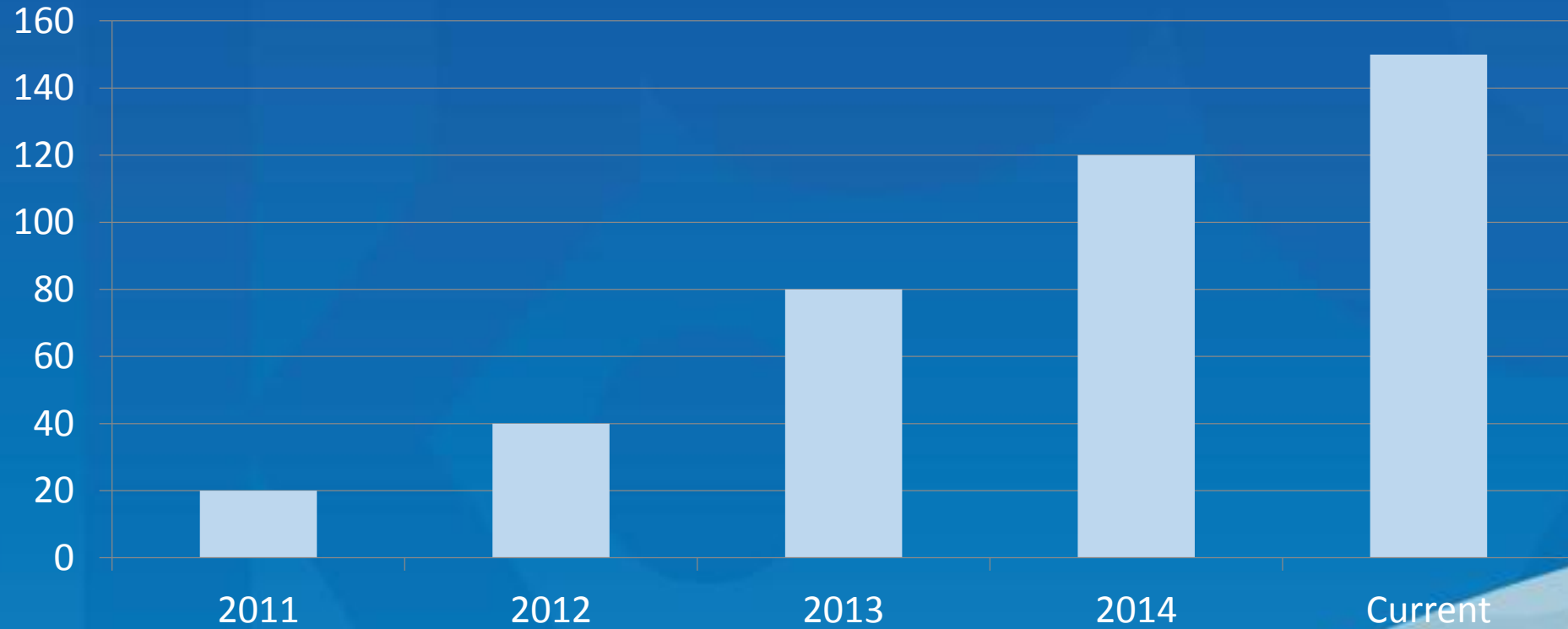
Results Commentary

- Record first half profit
- Paying a dividend for the first time in 5 years
- Cash position \$1.5M
- Debt \$1.6M

Market/Growth Opportunity

- According to Forbes the global tuition market will surpass \$102.8 Billion by 2018
- Number of school children in Australia is 3,000,000 and according to a survey conducted by the ATA around 20% receive tuition.
- KME currently teaches 12,000 a week in Australia
- UK children 12M and we teach 18,000
- No competitors in our area of the market
- No organised global competitor

Gold Partners



KipOnline™

- Children are taught via a web cam with real teachers
- Allows tutoring to be done anywhere and anytime
- Allows greater scale in the business
- All retailers must have an online option or they will be irrelevant
- Fees for online 30% of revenue to pay for the technology
- Current student numbers are 150 a week growing weekly

Outlook

- Continued growth in profit and dividends
- Continued growth in gold partners
- Increased focus on online
- Centralised marketing to further drive online

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Questions

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