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3P Learning Limited  
ABN 50 103 827 836



# Investor & Analyst Briefing

For the year ended  
30 June 2024

Presented:  
16 August 2024 by  
Chairman **Matthew Sandblom**  
CEO **Jose Palmero**  
CFO **Anton Clowes**

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

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





# Chairman's Update

Matthew Sandblom



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# FY24 Highlights and Product Investment

## Key Achievements:

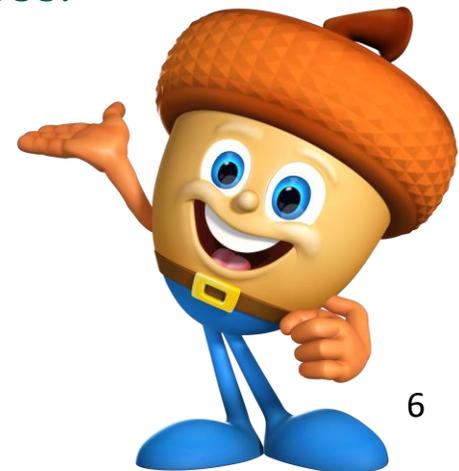
- Significant product releases position us well for future growth.
- Maintained tight control over costs.

## Sales Performance:

- Sales growth in the school market challenging, especially in North America.
- Achieved \$110.0m in Revenue and \$12.0m in Underlying EBITDA.
- Modest B2C growth and good gross margins despite very tight consumer spending.

## Product Investments:

- Significant investment in new products: Writing Legends and Brightpath Progress.
- Improvements in existing products: Mathletics and Reading Eggs.



# Product Releases and Go To Market

## **FY24 Product Releases:**

- Major releases for Writing Legends and Mathletics.
- Full curriculum coverage pending for wider adoption in FY25.

## **Sales Strategy Shift:**

- Transition to selling complete program suites rather than individual programs.
- Sales team restructure.
- Focus on total billings per school instead of Average Revenue Per User (ARPU).

## **3 Essentials Launch:**

- Launched in Australia and New Zealand in July 2024, with plans to roll out in the UK and North America in the next 12 to 18 months.



## Future Focus and Outlook

### FY25 Focus:

- Implementing 3 Essentials product suite and new sales model.
- Regional market testing over the next 12 months.
- No guidance for FY25 until results of new strategy are clear.

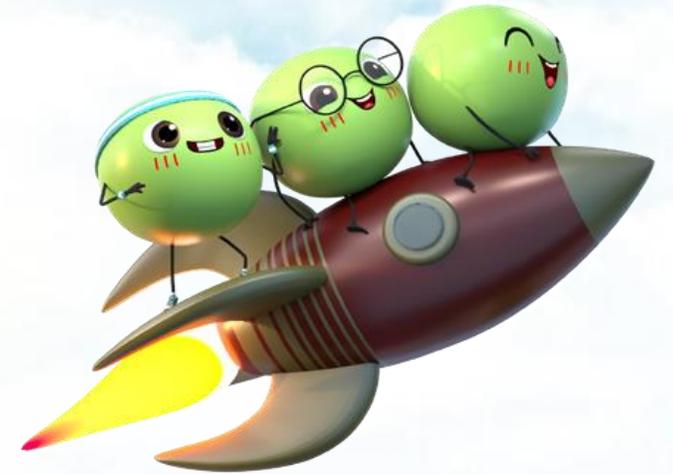
### Growth Expectations:

- Aim for significant growth in Annual Recurring Revenue in 2H25, and recognised revenue in FY26.
- Modest growth expected in direct-to-parent (B2C) market.

### Key Initiatives:

- Directly selling Reading Eggs program in USA. Targeting increase in sales, in more cost-effective way than through previous distributor.

FY25 is pivotal for proving ROI on product investments. Our goal is to transition from investment to growth stage in the 3PL business.



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# CEO Update

Jose Palmero



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

\$12.0m

-25%  
vs pcp<sup>2</sup>



## REVENUE<sup>3</sup>

\$110.0m

+2%  
vs pcp



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

\$43.3m

+6%  
vs pcp



## B2B ARR

\$62.1m

-5%  
vs pcp



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

\$11.0m

- \$6.1m cash<sup>5</sup>
- \$2.0m statutory cash
- \$5.1m net cash<sup>6</sup>



## CUSTOMERS

>5.0m

- B2B Licences 4.8m (-8% vs pcp)
- B2C Licences 290k (-4% vs pcp)



## PRODUCT

\$27.5m

- \$23.9m Product development - expensed
- \$1.9m Writing Legends investment - capitalised
- \$1.7m Other products investment - capitalised



## OTHER INVESTMENT

\$25.0m

- \$20.5m Acquisition of Rights<sup>7</sup> - expensed
- \$4.5m Share buy-back



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 FY23.

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.

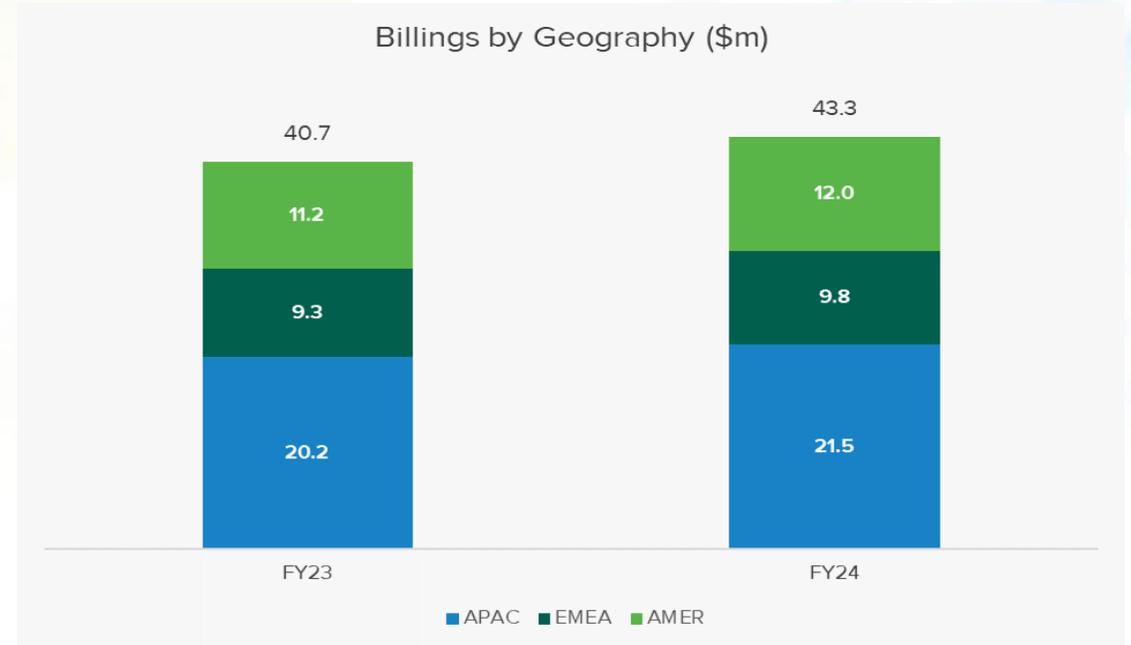
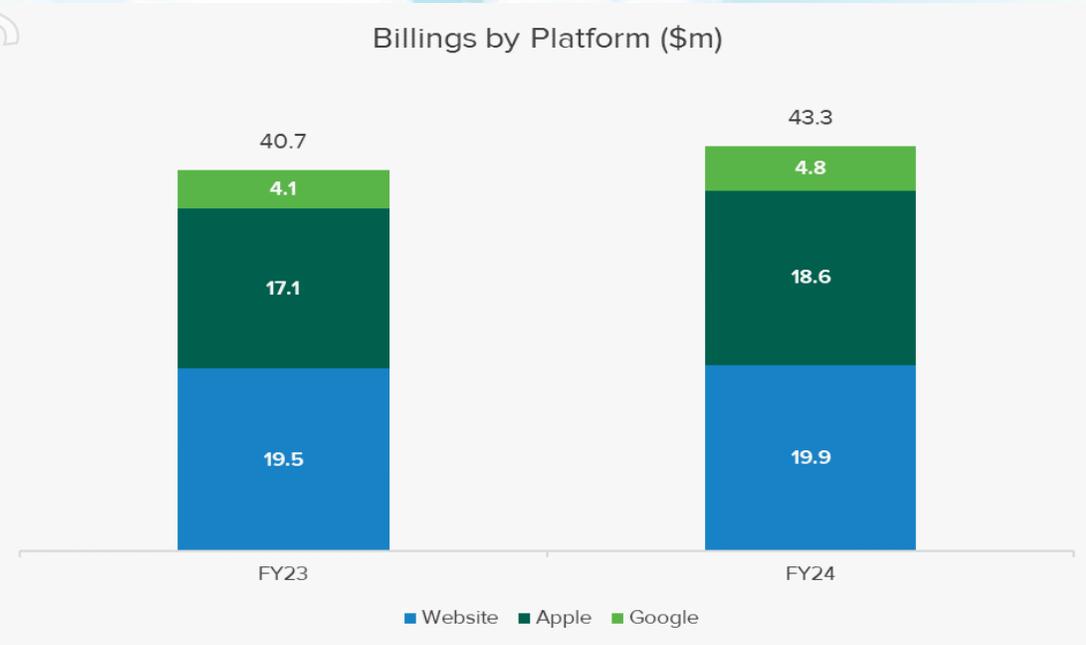
5. Includes \$4.1m restricted cash (holding deposits paid for merchant banking facilities).

6. Net cash is calculated as: \$2.0m statutory cash plus \$4.1m restricted cash minus \$1.0m external borrowings.

7. 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 year.

# Performance in the Consumer Market

6% consumer billings<sup>1</sup> growth in FY24 vs FY23, across all key markets and channels.



- Reading Eggs, Mathseeds and Mathletics billings were \$43.3m, up 6% on pcp, with net billings contribution margin of 52% including direct sales, marketing and platform commissions costs.
- Strong performance from Google Play store (up 17% on pcp) and iOS (up 9% on pcp).
- Introduced new subscription options within App Store and Google Play.

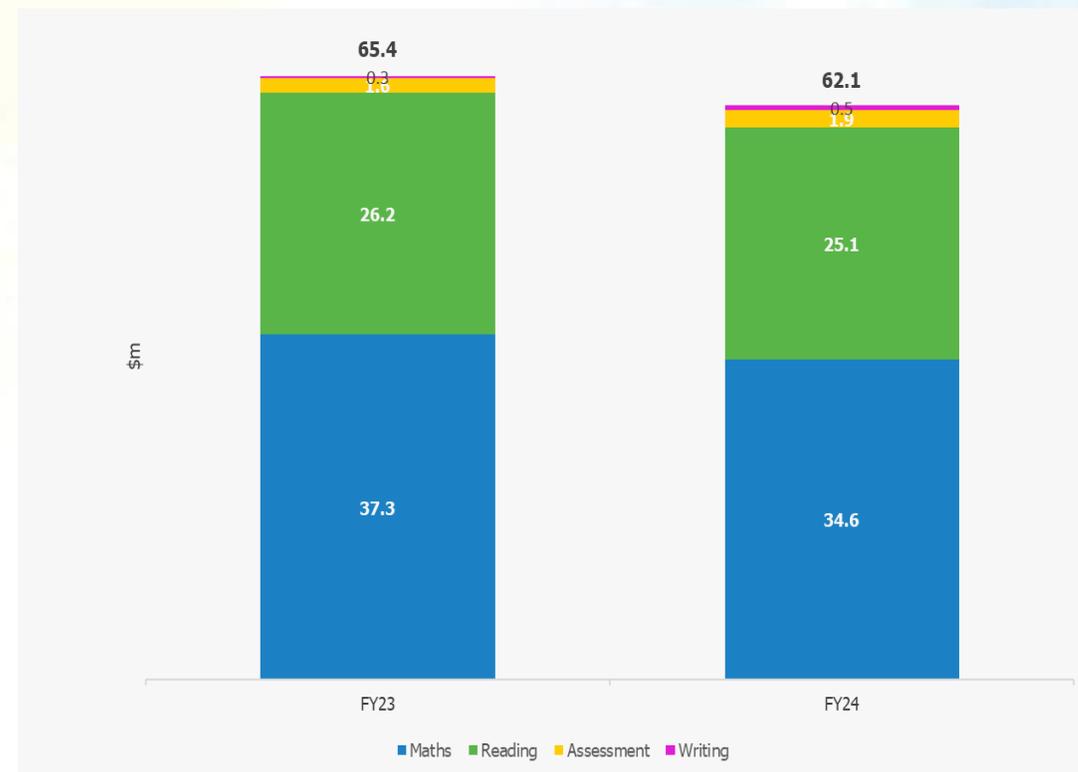
1. Billings are reported on 'gross' basis before any commissions are deducted by Apple and/or Google and exclude Workbooks.

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# Performance in the Schools Market

	FY24	FY23	+/-	% +/-
Closing ARR <sup>1</sup> (\$m)	62.1	65.4	(3.3)	(5%)
Licences (m)	4.8	5.2	(0.4)	(8%)
Exit ARPU <sup>2</sup> (\$)	12.94	12.49	0.45	4%

The graph below shows school ARR for FY23 and FY24.



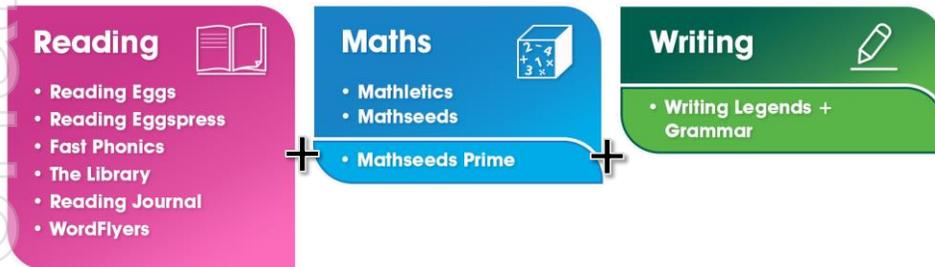
- Revenue was \$66.9m, \$0.2m higher than pcp.
- Closing ARR was \$62.1m, which was \$3.3m, or 5% lower than pcp. Revenue growth was hard to achieve in FY24, particularly in AMER.
- ARR decrease driven by slowed Edmentum performance and higher than expected Mathletics churn in the UK.
- Exit ARPU increased to \$12.94, up 4%, from \$12.49, due to price increases and lower number of licences.
- Positive market feedback and response to new product launches but no material impact on FY24 billings and revenue.

1. Excludes Copyright Agency Limited and professional development.  
 2. Exit ARPU calculated as ARR divided by number of licences.

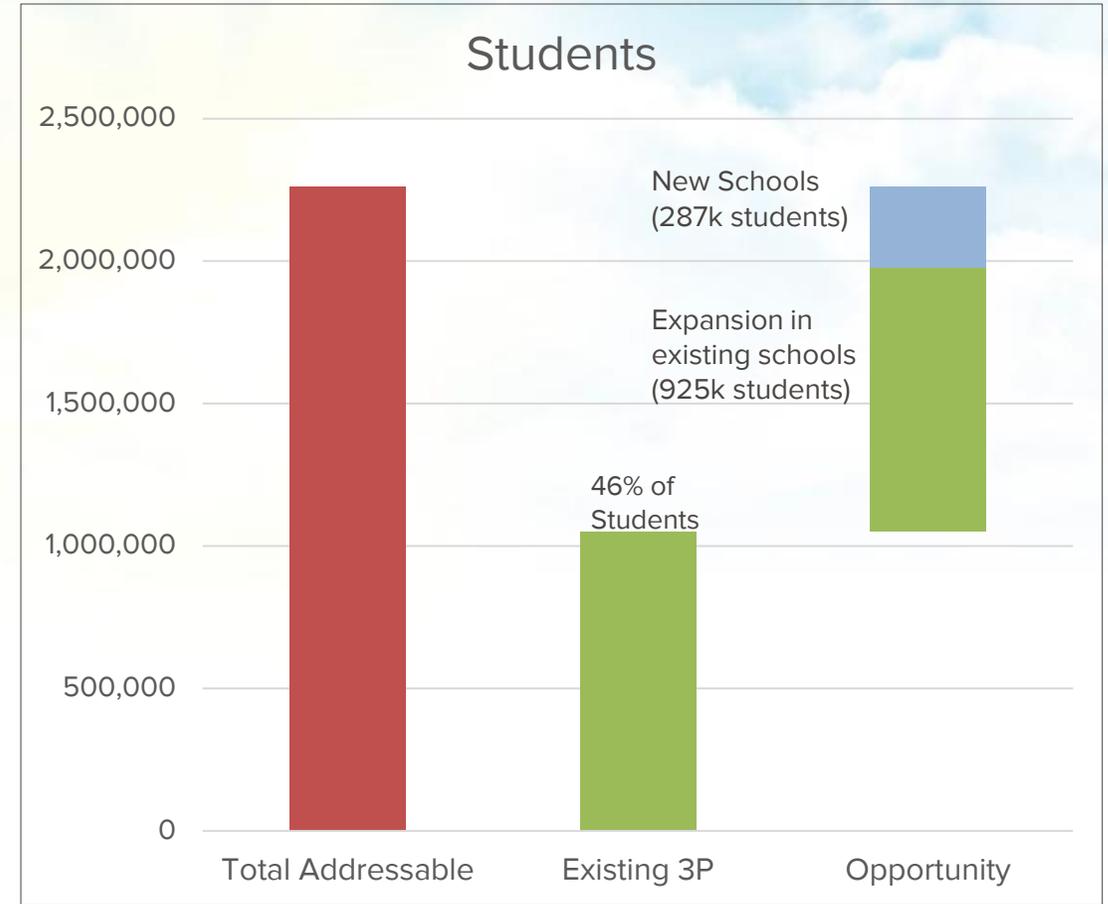
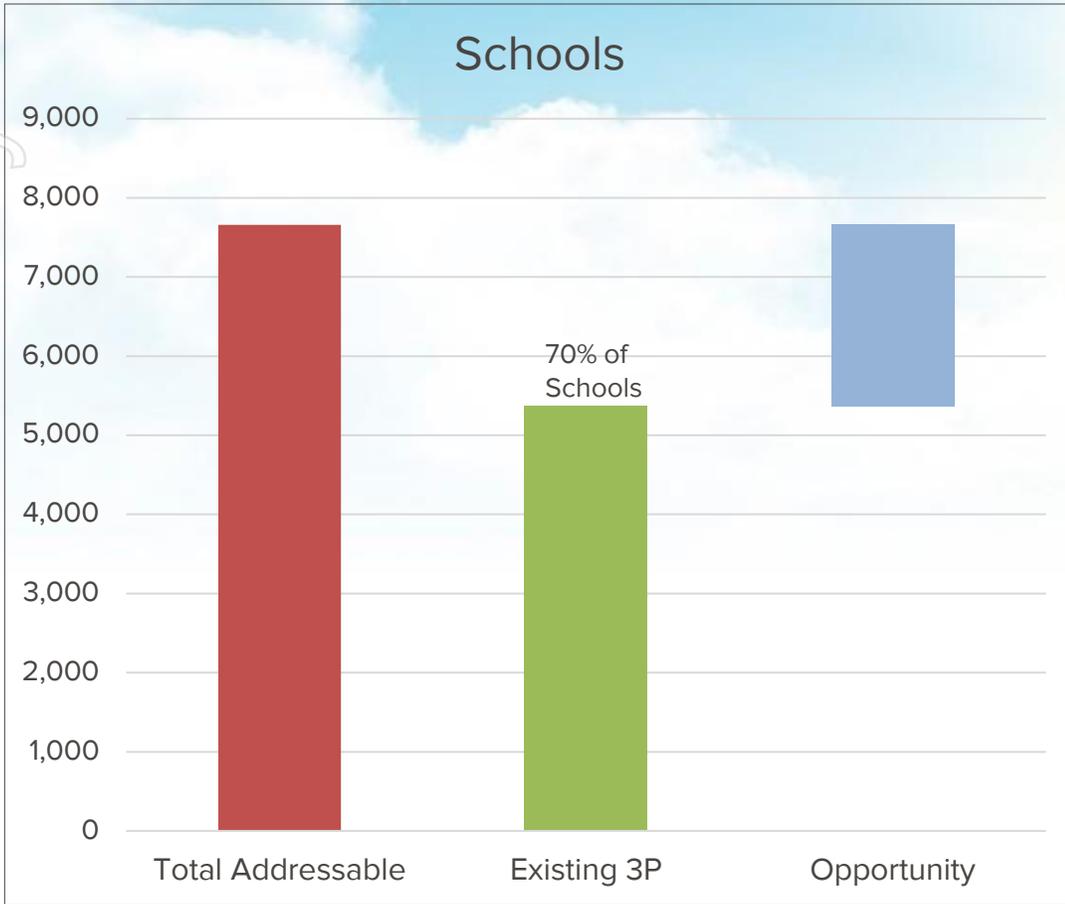
- B2B model review due to lower sales performance and bigger range of programs.
- 3 Essentials combines our evidence-based programs for reading, writing and maths into an integrated solution with SSO, simpler navigation, and consolidated reporting.
- Enhance product, marketing and sales strategies to emphasise value proposition.



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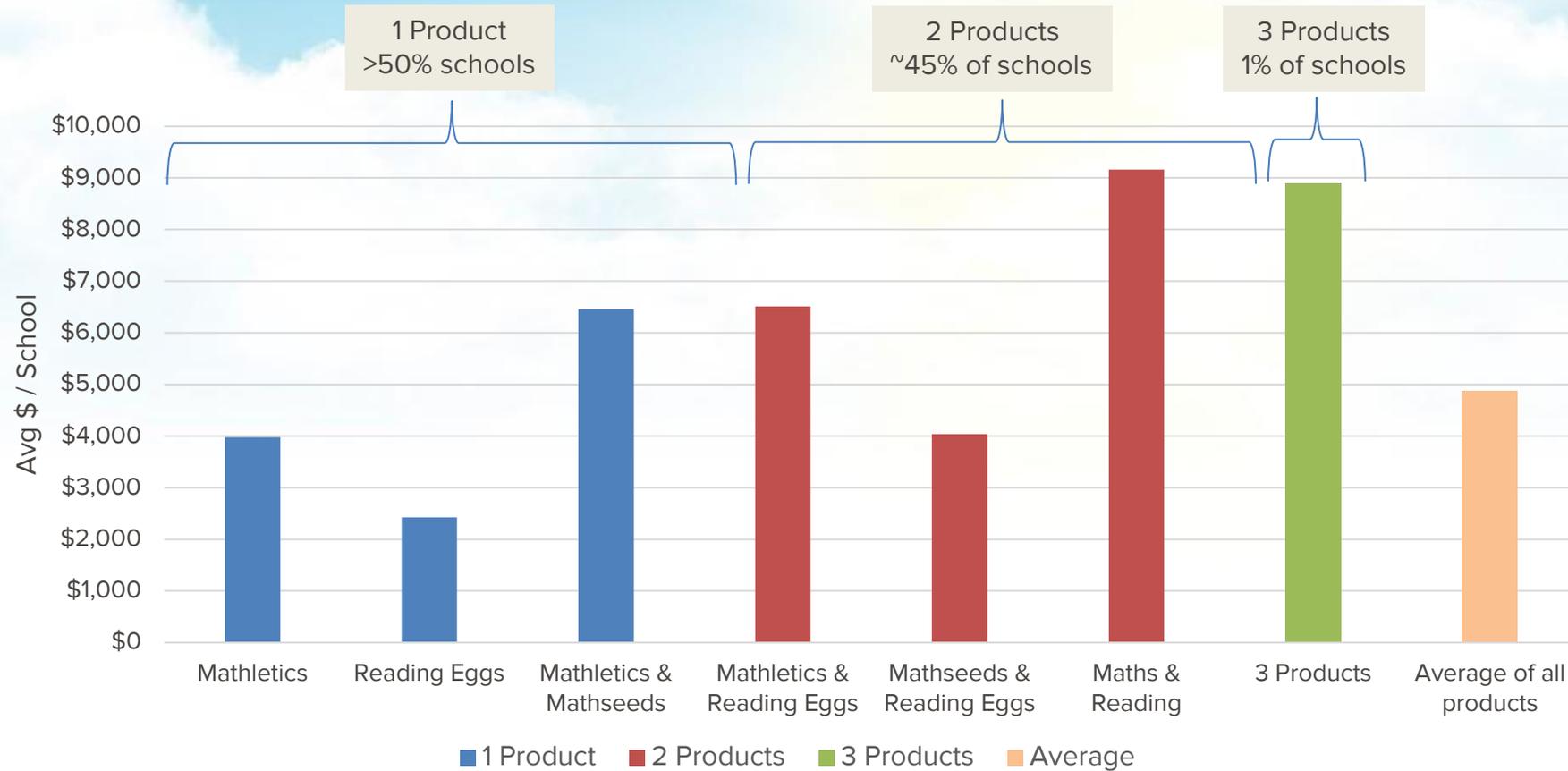
# APAC - 3 Essentials Opportunity



In Australia, we have licences in approximately 70% of schools, but only 46% of students in K-6. This large installed base provides opportunity to *expand* in existing schools and win new schools.

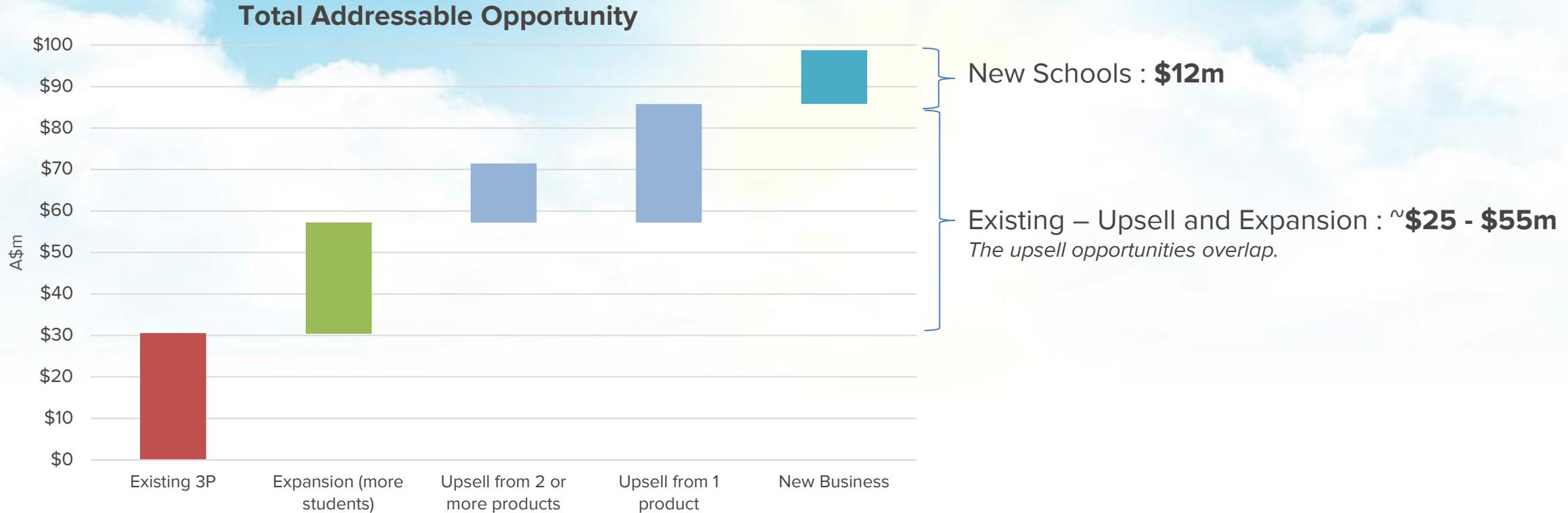
1. Source: [Australian Curriculum, Assessment and Reporting Authority](#).

# KPI: Increase billings per school



As a KPI, we aim to progressively increase our average billings per school, rather than ARPU and licence numbers, by cross selling and upselling.

# APAC - 3 Essentials Opportunity



Our view of the biggest opportunity in APAC relates to our existing footprint, where the 3 Essentials have a greater chance of success in the medium term. 3 Essentials launched in July 2024, so we will get a better understanding of its sales potential in the next 12 months for APAC and other markets.

# Our Strategy

## B2B

### 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

Markets (AMER, EMEA, APAC)



## B2C

### Reading



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

### Maths



- Mathletics
- Mathseeds
- Mathseeds Prime

### Writing



- Writing Legends + Grammar

- Add Premium Paid Service offering

Markets (AMER, EMEA, APAC)



## B2B key drivers for growth



### Revenue growth through 3 Essentials

- Prioritise selling complete online solutions for reading, writing and maths to schools.
- Enhance product, marketing and sales strategies to emphasise the overall value proposition.
- Introduce new features such as single sign-on and consolidated reporting across programs and overall navigation to delight users faster.



### USA market expansion

- Concentrate marketing spend in targeted states and gain traction in OK, PA, GA and IN.
- Focus on critical product improvements for the market, including districts dashboards and reporting.
- Evaluate profitability models to analyse acquisition and retention costs for sustainable growth based on each child's age.



### Customer retention - improved profitability and efficiency

- Review and simplify business processes to enhance profitability and efficiency across all regions.
- Restructure sales and marketing teams to own the customer journey, focusing on upselling and customer satisfaction.
- Simplify pricing models and administration tasks to streamline operations and reduce churn.

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## B2C key drivers for growth



### Improve user experience – first touch points

- Enhance critical touch points such as free trial registration and initial program usage.
- Showcase gamification elements early on to boost user engagement from the start.
- Refresh the user experience of most-used lessons, placement tests and overall navigation to delight users faster.



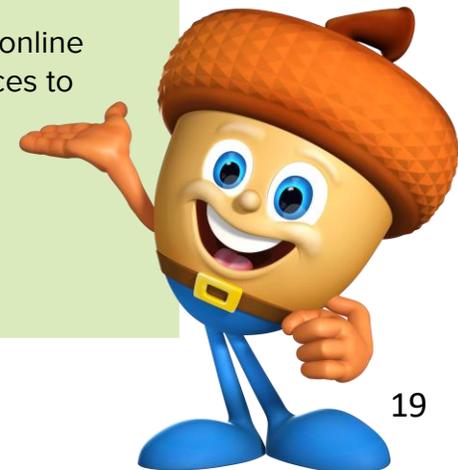
### Improve parent dashboard and reporting

- Redesign parent dashboard and reports with a mobile first approach, with clear visual representations of child progression.
- Provide detailed insights into specific skills learned, strengths, weaknesses and next steps for parents.
- Tailor the dashboard for first-time users, emphasising starting points based on each child's age.



### Grow revenue homeschool market by focusing on ESA funding

- Research and pursue ESA funding opportunities, becoming an approved vendor for funding redemption in the USA.
- Offer teacher features to homeschoolers through a premium subscription option.
- Explore partnerships with homeschool associations, online schools and tutoring services to expand market reach.



# Product Releases and Improvements

	Achieved in FY24	What's coming in FY25
	<p>Read Aloud Fluency feature, USA district interface upgrade, USA district reporting to standards</p>	<p>USA district student-level reporting, 3 Essentials cross-program SSO and reporting, WACG accessibility compliance, Map 13 new lessons 121-130 Update Reading Eggspress lessons</p>
	<p>Global: Student Centre, certificate system, avatar and store, teacher Assign &amp; Review and admin reporting, live chat widget in teacher dashboard APAC: New Courses Units: Fractions, Decimals and Percentages Years 3–6 and results reporting</p>	<p>3 Essentials cross-program SSO, rostering and cross-program reporting. APAC: New Courses Units: Number and Algebra Years 3–6 Replace Learnosity with internal content authoring tool Years 3–6 Global: Teacher dashboard and reporting updates, Live Mathletics and Activity courses rebuild</p>
	<p>APAC &amp; EMEA release of completely rebuilt Writing Legends student and teacher site. 650 Exciting Writing Ideas Maps 1 to 10</p>	<p>3 Essentials cross-program SSO, rostering and cross-program reporting APAC &amp; EMEA: Lessons for Years 3–5 continue, Long Writes feature for essay writing</p>
	<p>EMEA: Writing assessment</p>	<p>Build reading assessment</p>
	<p>APAC &amp; EMEA release: Year 4</p>	<p>3 Essentials cross-program SSO, rostering and cross-program reporting. Slow-release APAC: Year 5</p>

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# CFO: Results & Cash Flow

Anton Clowes



## P&L Key Drivers

Profit and Loss Statement \$m	FY24	FY23	+/-	%+/-
<b>Revenue</b>				
B2B	66.9	66.7	0.2	0%
B2C	43.1	40.7	2.4	6%
<b>Total revenue</b>	<b>110.0</b>	<b>107.4</b>	<b>2.6</b>	<b>2%</b>
Cost of Revenue	(5.5)	(5.4)	(0.1)	(2%)
<b>Gross Profit</b>	<b>104.5</b>	<b>102.0</b>	<b>2.5</b>	<b>2%</b>
<b>Gross margin (%)</b>	95%	95%		
<b>Expenses</b>				
Sales & Marketing	(54.8)	(48.5)	(6.3)	(13%)
Product & Technology	(26.4)	(25.6)	(0.8)	(3%)
General & Admin	(11.3)	(12.0)	0.7	6%
<b>Total Expenses</b>	<b>(92.5)</b>	<b>(86.1)</b>	<b>(6.4)</b>	<b>(7%)</b>
<b>Underlying EBITDA<sup>1</sup></b>	<b>12.0</b>	<b>15.9</b>	<b>(3.9)</b>	<b>(25%)</b>
<i>EBITDA margin (%)</i>	11%	15%		
Depreciation & Amortisation	(3.5)	(2.7)	(0.8)	(30%)
Net interest income	0.4	-	0.4	100%
Unrealised foreign currency gain/(loss)	(0.4)	(1.0)	0.6	60%
<b>Underlying Net Profit Before Tax</b>	<b>8.5</b>	<b>12.2</b>	<b>(3.7)</b>	<b>(30%)</b>
Underlying Income Tax benefit/(expense)	3.3	1.9	1.4	74%
<b>Underlying Net Profit After Tax</b>	<b>11.8</b>	<b>14.1</b>	<b>(2.3)</b>	<b>(16%)</b>
Goodwill impairment expense (after tax) <sup>2</sup>	(44.5)	-	(44.5)	(100%)
PPA D&A (after tax)	(7.4)	(6.8)	(0.6)	(9%)
Pro-forma expense - other (after tax)	(2.5)	(1.0)	(1.5)	(150%)
Rights (after tax) <sup>3</sup>	(14.4)	-	(14.4)	(100%)
<b>Statutory Net (Loss)/Profit After Tax</b>	<b>(57.0)</b>	<b>6.3</b>	<b>(63.3)</b>	<b>(1005%)</b>

- B2B revenue was flat against pcp reflecting a below average retention performance across all regions.
- B2C revenue of \$43.1m, up 6% on pcp, reflecting a reasonable performance given current macroeconomic factors, including general cost of living pressures.
- S&M costs up \$6.3m principally due to additional 2H24 investment in people and B2B go-to-market costs to facilitate direct selling in the US schools market stemming from the acquisition of Rights<sup>3</sup>.
- P&T costs up \$0.8m due principally to additional 1H24 investment in people partially offset by cost discipline in 2H24.
- Underlying EBITDA of \$12.0m, down 25% on pcp, reflecting \$2.0m additional 2H24 FTE costs owing to the Rights acquisition.
- Significant items (after tax) include \$14.4m Rights acquisition, \$44.5m non-cash B2C goodwill impairment<sup>2</sup>, \$7.4m D&A of acquired products for Blake and Brightpath, and other proforma expenses.

1. Underlying EBITDA represents earnings before interest, tax, depreciation and amortisation, corporate advisory costs, restructure and integration costs, buy-back of distribution rights, impairment losses, and excluding unrealised foreign exchange losses and gains.
2. Refer to the Consolidated Financial Statements Note 14 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 year.

## B2C Performance Metrics

\$m	FY24	FY23	+/-	% +/-
Gross Billings <sup>1</sup>	43.3	40.7	2.6	6%
Licences <sup>2</sup> (k)	290.0	302.0	(12.0)	(4%)
ARPU <sup>3</sup> (\$)	149.31	134.77	14.54	11%

\$m	FY24	FY23	+/-	% +/-
Gross Billings <sup>1</sup>	43.3	40.7	2.6	6%
Commissions Deducted	(5.2)	(4.5)	(0.7)	(16%)
Net Billings <sup>4</sup>	38.1	36.2	1.9	5%
Sales & Marketing Costs (excl. commissions)	(18.1)	(17.7)	(0.4)	(2%)
Net Billings Contribution	20.0	18.5	1.5	8%
Net Billings Contribution Margin (%)	52%	51%		

- Gross billings improved 6% in FY24 partially due to higher percentage of annual subscriptions versus monthly.
- Net billings have grown 5% after commissions deducted by Apple & Google.
- B2C ARPU increased 11% while licences declined 4% on pcp.
- Net billings contribution margin improved to 52% on pcp.

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 other income. FY23 revenue includes \$0.2m other income.  
 6. Includes direct Sales & Marketing expense, amortised platform commission costs and hosting & infrastructure costs.

\$m	FY24	FY23	+/-	% +/-
Revenue <sup>5</sup>	43.1	40.7	2.4	6%
Expenses				
Sales, Marketing & Cost of Revenue <sup>6</sup>	(24.5)	(23.2)	(1.3)	(6%)
Contribution Margin	18.6	17.5	1.1	6%
Contribution margin (%)	43%	43%		

- B2C Revenue has increased 6% to \$43.1m aided by billings growth and new pricing effective from January 2023.
- Contribution margin of 43% remains strong, same as FY23.
- Contribution margin is calculated after direct sales & marketing cost, commissions paid to Apple & Google, and hosting infrastructure expenses.

## B2B Performance Metrics

\$m	FY24	FY23
<b>Opening ARR</b>	<b>65.4</b>	<b>64.4</b>
Acquired business	-	1.4
New business	5.5	5.5
Net upsell/downsell	2.3	1.9
Net churn	(10.7)	(8.8)
FX impact	(0.4)	1.0
<b>Closing ARR</b>	<b>62.1</b>	<b>65.4</b>
<i>Movement % period on period</i>	(5%)	
<i>Churn %</i>	(16%)	(14%)
Exit ARPU <sup>1</sup> (\$)	12.94	12.49

- Closing ARR has decreased \$3.3m, or 5% lower on pcp. Revenue growth was hard to achieve in FY24, particularly in AMER.
- ARR decrease driven by slowed Edmentum performance and higher than expected Mathletics churn in the UK.
- Positive market feedback and response to new product launches but no material impact on FY24 billings and revenue.

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

2. Revenue includes other income. FY23 revenue of \$66.7m included \$0.3m other income.

3. Includes direct Sales & Marketing expense, platform commission costs and hosting & infrastructure costs.

\$m	FY24	FY23	+/-	% +/-
Revenue <sup>2</sup>	66.9	66.7	0.2	0%
Expenses				
Sales, Marketing & Cost of Revenue <sup>3</sup>	(35.8)	(30.7)	(5.1)	(17%)
Contribution Margin	31.1	36.0	(4.9)	(14%)
<i>Contribution margin (%)</i>	46%	54%		
Licences (m)	4.8	5.2	(0.4)	(8%)
Annual Recurring Revenue (\$m)	62.1	65.4	(3.3)	(5%)
Exit ARPU (\$)	12.94	12.49	0.45	4%

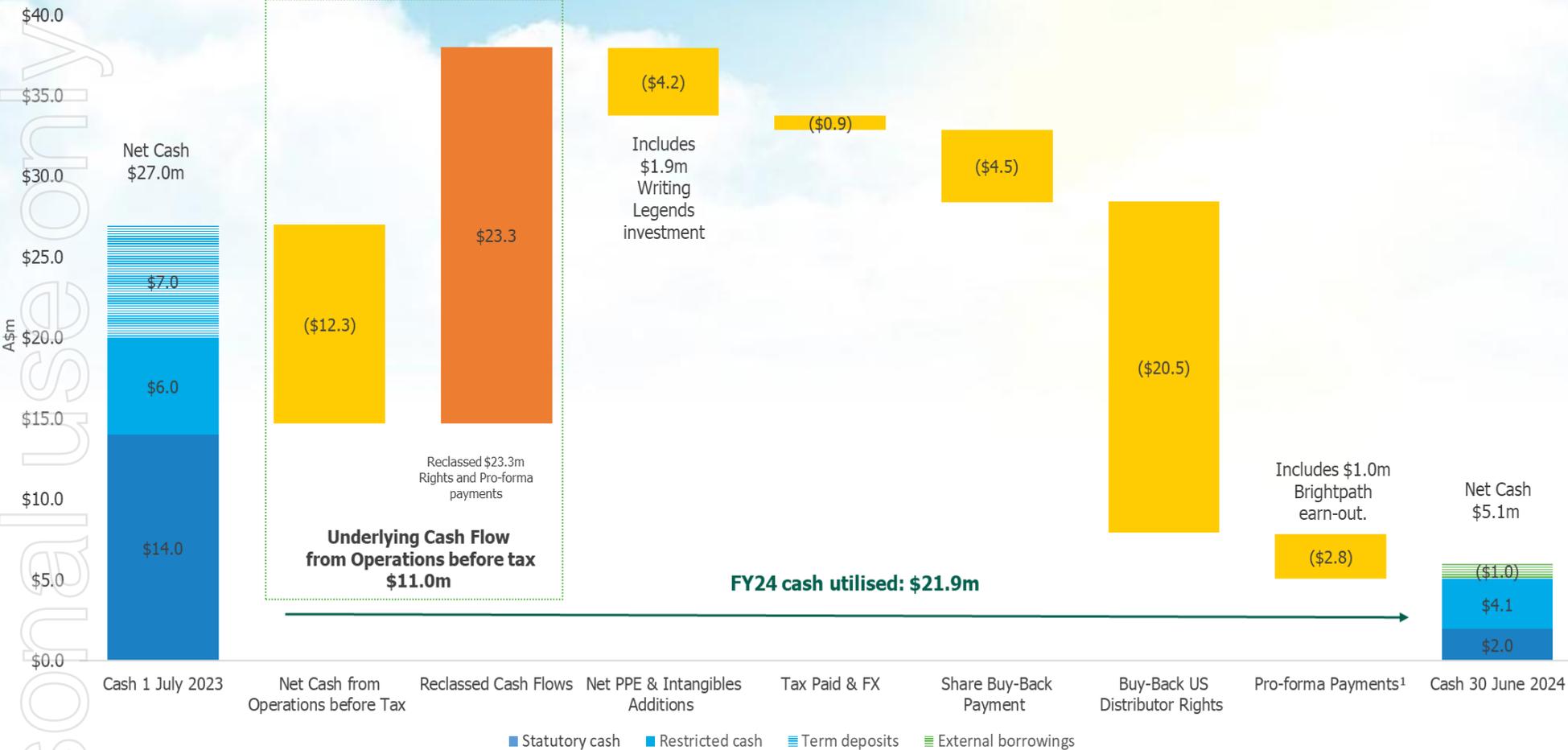
- B2B Revenue was \$66.9m, flat on FY23 representing a below average performance across all regions.
- Exit ARPU increased to \$12.94, up 4%, from \$12.49, due to price increases and lower number of licences.

- Non-cash B2C goodwill impairment expense of \$44.5m.
  - Marginal headroom at the start of FY24.
  - FY24 cash flow projections adjusted downwards (higher than expected customer churn and bearish macroeconomic factors), the discount rate increased to 11.5% from 11.0% in FY23, and marginal terminal growth rate reduction to 2.5% from 3.0% in FY23.
  - Refer to the Consolidated Financial Statements Note 14 for detailed information.
- Non-cash impairment loss for Master Maths Island of \$0.6m.
- Integration, retention and merger costs relating to Brightpath and Blake acquisitions of \$0.7m.
- Purchase price allocation depreciation and amortisation from Brightpath and Blake acquisition of \$7.4m.
- Rights of \$14.4m after tax (\$20.5m gross).
- Restructure costs for cost-saving initiatives completed in 2H24 of \$1.0m.

Pro-forma expense(after tax) \$m	FY24	FY23
Goodwill impairment expense	(44.5)	-
Impairment loss - product	(0.6)	-
Integration, retention & merger	(0.7)	(1.0)
Other	(0.2)	-
PPA D&A	(7.4)	(6.8)
Restructure costs	(1.0)	-
Rights	(14.4)	-
<b>Total Pro-forma expense</b>	<b>(68.8)</b>	<b>(7.8)</b>

# Cash Bridge

## Cash Flow & Liquidity



- Underlying Cash Flow from Operations before tax was \$11.0m, up 8% on pcp (FY23: \$10.2m<sup>2</sup>).
- Buy back of US schools Distributor Rights was \$20.5m.
- Pro-forma payments of \$2.8m includes \$1.0m Brightpath earn-out amount.
- Net PPE & intangibles addition of \$4.2m, includes \$1.9m Writing Legends investment.
- Shares purchased under the buy-back program \$4.5m.
- Closing net cash<sup>3</sup> of \$5.1m at 30 June 2024.
- \$9.0m undrawn loan facility at 30 June 2024.

1. Pro-forma includes payments for restructure and integration, retention and merger.  
 2. Restated from \$10.8m to \$10.2m to include \$0.6m of lease liability payments.  
 3. Net cash is calculated as: cash and cash equivalents \$2.0m plus restricted \$4.1m cash minus external borrowings \$1.0m.

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# Outlook

At 3PL, we have commenced our B2B business model shift to 3 Essentials, increased focus on our US strategy, and identified key factors that we believe will contribute to a positive financial outlook in the coming year and beyond. While we are not issuing specific earnings guidance at this time, we expect both Revenue and Underlying EBITDA to be better than FY24 performance.

For the last three years we have made a substantial investment in product, including Mathletics, the acquisition and subsequent enhancement of Writing Legends (launched July 2023), and Brightpath Progress in September 2022, to complement our content offering (reading, writing and maths) with assessment. We also re-acquired the Reading Eggs US schools distribution rights from Edmentum in FY24. From FY25, we transition from product build to *go-to-market*, and a path to achieving a good return on that investment.

Our focus:

1. 3 Essentials (APAC, EMEA).
2. AMER ( Reading Eggs US schools business, Canada).
3. Progressive product rollout across regions.
4. Operational Efficiency – simplify our business rules and enhance efficiency.
5. Capital Management.

Management is committed to maintaining a disciplined approach to capital allocation, ensuring that our investments are aligned with our strategic goals and deliver value to our stakeholders. While we are cautiously optimistic about the impact of these initiatives, we recognise the importance of maintaining flexibility to adapt to changing market conditions.

The ongoing support and trust of our shareholders is important. Our focus remains on executing our strategy effectively and transparently. We will continue to provide updates on our progress and key milestones as they occur.



# Appendices



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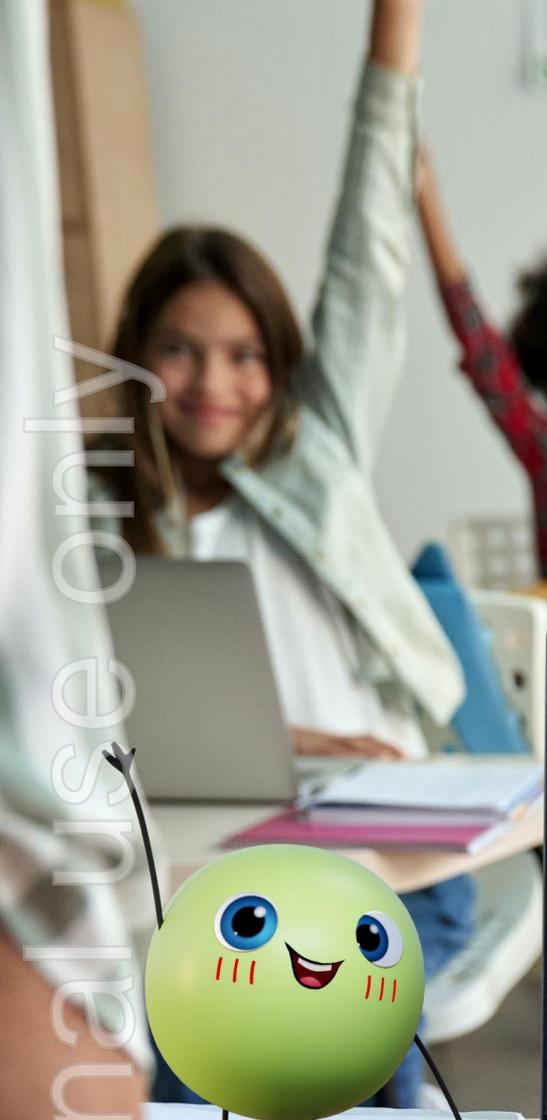
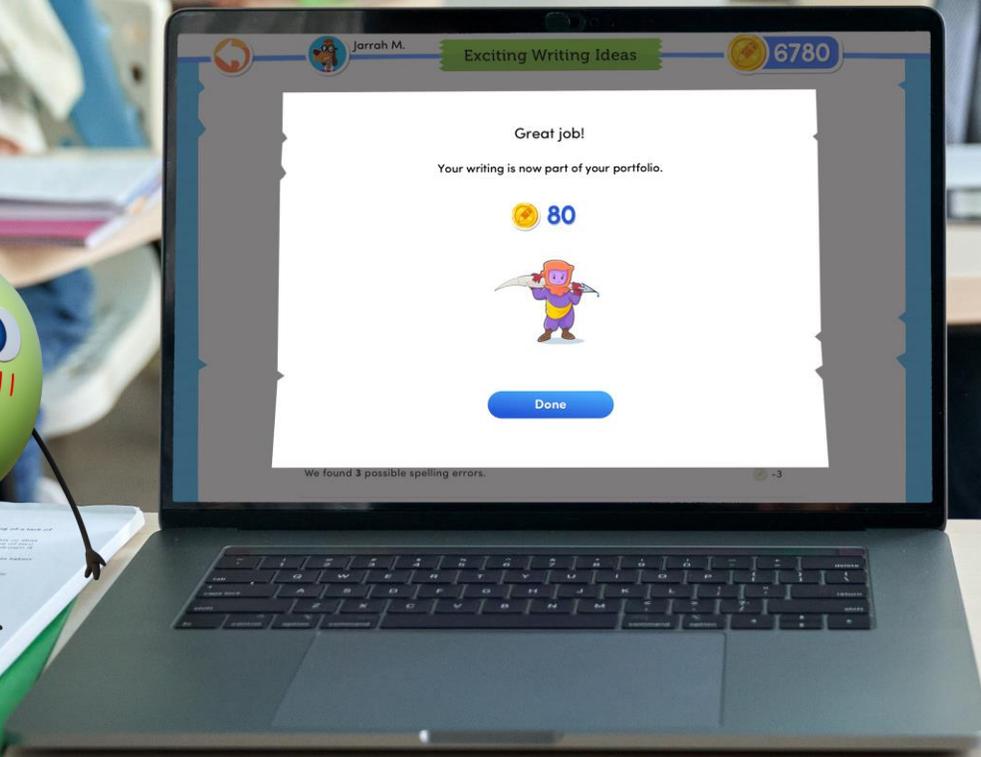
## Glossary

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 impairment losses.
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 12 months to 30 June 2023.
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.

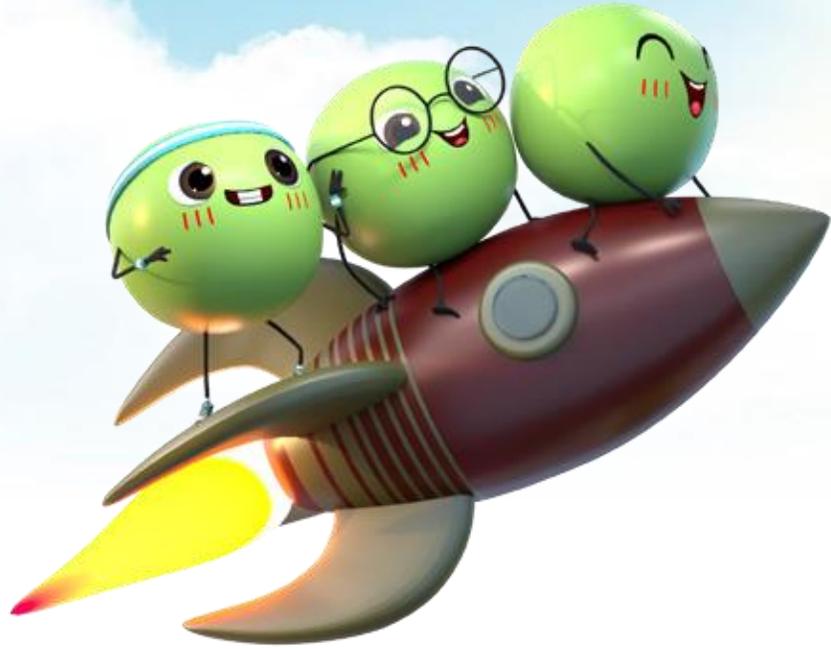


# Q&A

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**Thank You**