



ASX ANNOUNCEMENT

21 December 2023

3PL Buys Back US Schools Distribution Rights for Reading Eggs

3P Learning Limited ("**3PL**" or "**Company**") is pleased to announce it has entered into a binding agreement with Edmentum Inc to acquire back the US Schools Distribution Rights for Reading Eggs, with 3PL starting direct distribution from February 2024.

Transaction Highlights

- Long-standing customer base of about 4,500 US Schools, including districts
- Single and Multi-year deals totalling about USD5m in annual billings
- One-step handover process, effective 2 February 2024
- Customer transition to 31 May 2024
- Fee payable to Edmentum capped at USD13.6m
- 75% of Fee payable on 2 April 2024, remainder payable on 30 April 2024

Edmentum, Inc. (who acquired Archipelago Learning, LLC) has successfully distributed Reading Eggs in the US Schools market since May 2010 so this is a strategically important transaction for 3PL. On completion, 3PL will own the IP and full Distribution Rights for all its programs in the US and other key markets globally.

The transaction will result in 3PL having direct relationships with approximately 5,500 schools in the US, including those already subscribed to Mathseeds and Mathletics. By way of comparison, this is equivalent to the number of schools currently subscribing to all 3PL products in Australia.

This represents a critical mass of customers to upsell and cross-sell 3PL's upgraded and expanded product suite, including its new Writing Legends and Brightpath Progress programs.

Financial Impact

To maximise the opportunity and establish a direct market footprint in the largest EdTech market in the world, 3PL expects to invest up to \$2m in product, sales, marketing, customer service, and product during FY24. Consequently, 3PL revises FY24 Underlying EBITDA guidance to between \$13m and \$15m (previously between \$15m and \$17m).

3PL recognises revenue from distributors on a gross basis and aligned to the subscription period, so there is no change to revenue recognition stemming from this transaction. Therefore, FY24 Revenue guidance remains unchanged at between \$112m and \$115m.

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From FY25, the transaction will be earnings accretive as the current distribution fees of 65% on US sales are replaced by direct costs, and we can build the business via upselling, cross-selling and expanding the number of school relationships.

The transaction will be fully funded from 3PL's cash reserves.

On-market share buy-back

There are no changes to the previously announced 2023 on-market share buy-back program, which will continue through its remaining term to 22 August 2024 with a cap of \$10.0m (excluding costs).

This announcement has been authorised for release by the Board of 3PL.

For further information, please contact:

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