



1 July 2020

**ASX Limited
Market Announcement**

Think Childcare Group (ASX Code: TNK)

Think Childcare Development Limited - acquires 6 Nido Services and secures finance

Think Childcare Development Limited (ASX: TNK) is pleased to announce that it has entered into binding agreements in relation to the acquisition of 6 Nido Services and securing finance to support its pipeline of Services.

Please refer to the accompanying presentation for more details and highlights.

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For further information:

Mathew Edwards

Managing Director and CEO, Think Childcare Limited
Director, Think Childcare Development Limited
T +61 2 9724 7444 E ir@thinkchildcare.com.au

This announcement was authorised for release by the Board of directors, Think Childcare Development Limited.

THINK CHILDCARE DEVELOPMENT LIMITED ACQUIRES 6 NIDO SERVICES AND SECURES FINANCE

1 July 2020

THINK
Childcare Development

Padbury, Western Australia

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Craigie, Western Australia

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ACQUISITION HIGHLIGHTS

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ACQUISITION HIGHLIGHTS

TND acquires 6 purpose built Nido Services

- › Purchase price of \$5m provides significant upside with an anticipated end value of ~\$10m-\$12m
- › Short run-way from current utilisation of 40% to breakeven utilisation
- › Cost of trade-up risk largely borne by 3rd party
- › Quality portfolio comprises purpose built Nido Services located in metropolitan areas
- › Additional 4 pipeline Services allocated to 3rd party incubator on a back to back contract with ongoing management arrangement and option for TNK to acquire once traded-up



Padbury, WA



Canning Vale, WA



Wyndham Vale, VIC



Pennington SA

ACQUISITION METRICS

40% average utilisation and initial trade-up de-risked

Key information	
Number of Services	6
Purchase price	\$5m
Number of licensed places	576
Average fees per day	\$120
Average lease term (including options)	39 years
Rent per licensed place	\$3.3k per year
Age of Service	0.5 years
Location	WA,VIC,SA
Children to licensed places	4 to 1
End value range	\$10m-\$12m

- › Services are trading at an average 40% utilisation. This reduces the incubation period for a typical site from identification to divestment of approximately 4 years to 12-18 months
- › Acquisition price and expected end value provides significant upside for TND, balanced against the risk of trading up to achieve acquisition metric of 75% utilisation
- › Average size of 96 places with one Service located in key medical precinct in Werribee (VIC) with 151 places
- › All Services are purpose built, less than 6 months old and located in metropolitan areas of WA, VIC and SA

HIGH QUALITY NIDO PHYSICAL ENVIRONMENTS



Canning Vale WA



Wyndham Vale VIC



Pennington SA



Craigie WA

FINANCING SUMMARY

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NIDO Donvale

Canning Vale, WA

FINANCING SUMMARY

Strong debt provider with prospects of longer term partnership

- › TND will be fully funded to execute on its pipeline of 24 Services over the next 18 months
- › TND independently funded from TNK
- › Debt facility
 - Limit - \$11.5m
 - Term - 2 years
 - Minimal financial covenants that are aligned to incubator model
- › Highly reputable private debt provider
- › Commercial terms of the facility are in line with market benchmarks

STRATEGY



NIDO Donvale

Pennington, South Australia

STRATEGY

Our Nido strategy is delivered through internal leasehold development

- › To operate exceeding quality Nido branded child care Services located in suburban markets
- › To grow through internally incubated greenfield developments that reduce the external goodwill leakage and create securityholder value (through enhanced ROI)
- › To supplement our growth with acquisitions from third party incubators of Nido Services that
 - we have opened and managed until they reach acquisition metrics,
 - we acquire at 4 times EBITDA, and
 - include a clawback and earnout arrangement to ensure we achieve a minimum of 25% ROI in our first year of ownership

TND TRADING UPDATE

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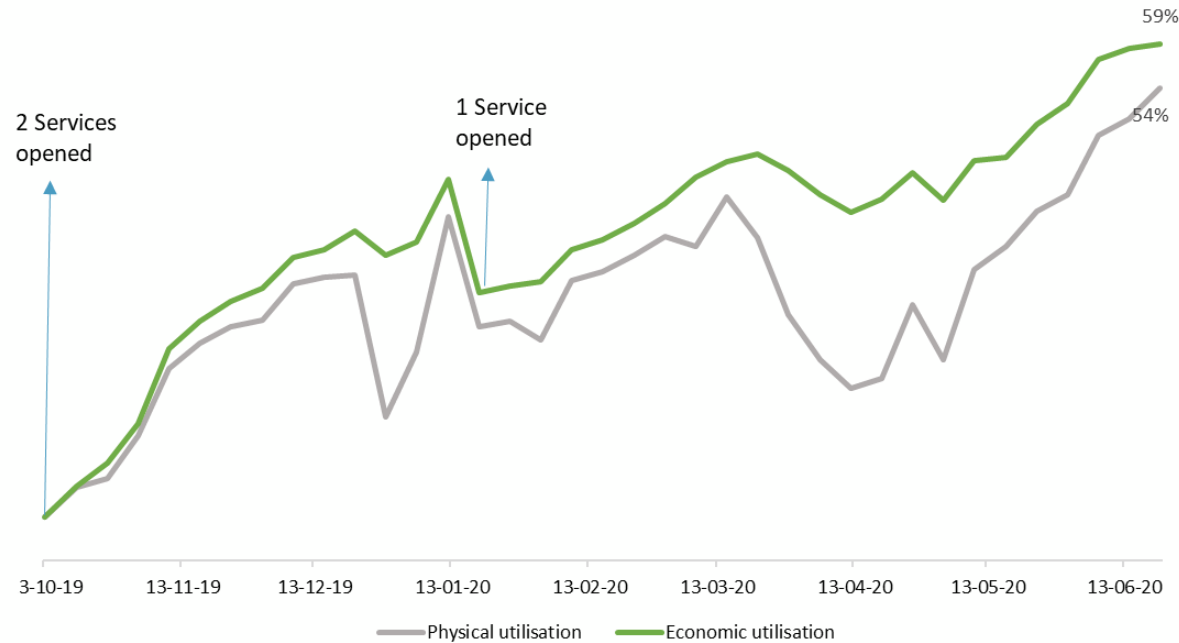
NIDO Donvale

Wyndham Vale, Victoria



TRADING UPDATE

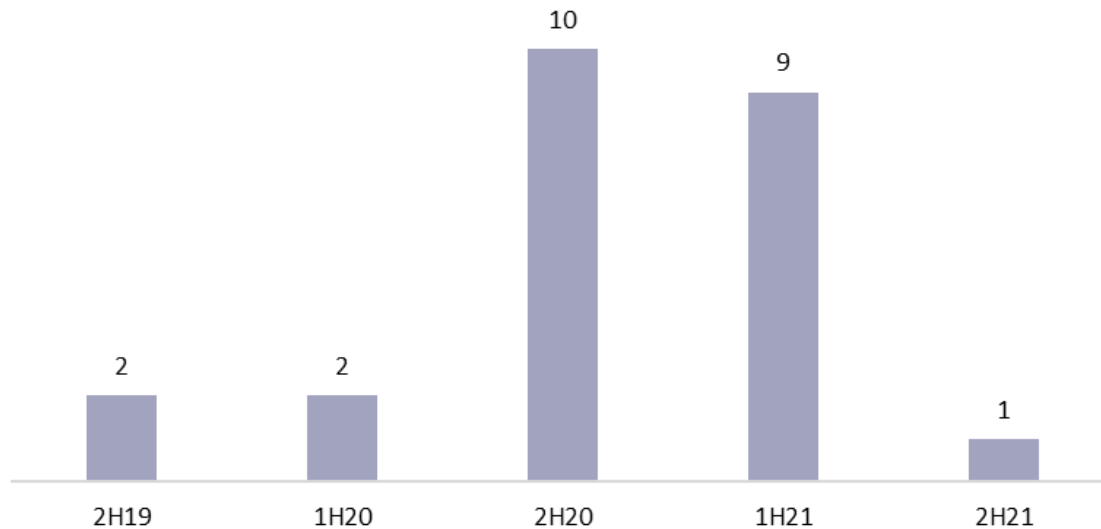
3 trading Services continue to ramp up and are trading at levels higher than pre COVID-19



- › Notwithstanding COVID-19, TND cohort of 3 trading Services have continued to grow in physical attendance which is only slightly behind economic utilisation at 13 June 20
- › Trading is in line with budget expectations
- › 4th Service has commenced trade in June 20 opening at 20% occupancy
- › 5th Service expected to open in August 20

TND PIPELINE

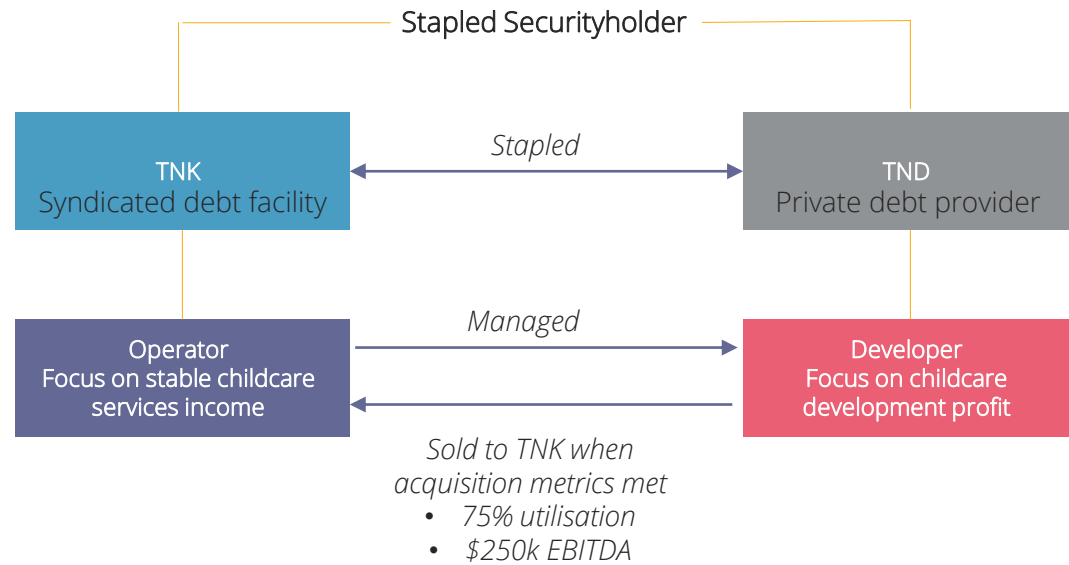
Secured pipeline of 24 Services to open and commence trading over next 18 months



- › 2H20 includes 6 Nido Services to be settled in August 20
- › Diversified pipeline across WA, VIC, NSW and SA
- › Fully traded-up, the pipeline represents
 - End value of ~\$60m
 - Projected EBITDA of ~\$15m
- › 3rd party incubators will deliver a further 23 Services by the end of CY22

STAPLE STRUCTURE

The structure segregates existing child care operations from development and provides securityholders upside of development expertise



Under the structure:

- › TNK and TND are stapled or bound together
- › TND undertakes development and incubation of greenfield leasehold child care Services
- › TND trades-up Services and assumes the risk of trade-up until key commercial metrics are achieved at which time it sells the Services to TNK
- › TND development profits are retained within TND
- › TND has separate financing from TNK with no recourse to TNK
- › TND was initially funded with \$6m of equity from security holders
- › TNK acquires traded-up purpose built Nido Services at 4 times EBITDA
- › TNK continues to focus on operating mature high occupancy and profitable child care Services

APPENDIX



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CORPORATE DETAILS

Contacts

Think Childcare Group (TNK)

Suite 3, 1 Park Avenue
Drummoyne NSW 2047
02 9712 7444

www.thinkchildcare.com.au

Mathew Edwards

Managing Director / Chief Executive Officer
mathewe@thinkchildcare.com.au

Jenny Saliba

Chief Financial Officer
jenny.saliba@thinkchildcare.com.au

Nido Early School Website

nidoearlyschool.com.au



IMPORTANT INFORMATION & DISCLAIMER

This presentation has been prepared by Think Childcare Development Limited (ABN 55 635 178 166) (TNK or **Company**) and is for personal use only.

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Completion of the acquisition of the six (6) child care Services are conditional on certain matters (including the landlords' consent to the assignment of the leases) which are considered by TNK to be customary conditions for an acquisition transaction of this nature and TNK anticipates that the conditions will be able to be satisfied in the required timeframes. There are risks that terms of the premises lease relating to a Service are onerous and that negotiation with third party owners may be protracted. There is a risk that any condition may not be able to be satisfied or waived and that completion of the acquisitions may be delayed or cancelled if TNK fails to complete. If there is an associated equity raising, TNK will need to consider alternative uses for the proceeds of the equity raising or options for returning capital. Failure to complete the acquisitions may have an adverse impact on TNK's financial performance, financial position and security price.

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