MAYFIELD
CHILDCARE LIMITED

MAYFIELD CHILDCARE LIMITED
CY 2020 FULL YEAR RESULTS

INVESTOR PRESENTATION

8 February 2021

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CONTENTS

The COVID-19 Environment

What did we see ?

Early public debate on risks to children and the closure of Schools and Childcare.

Childcare deemed essential and remains open.

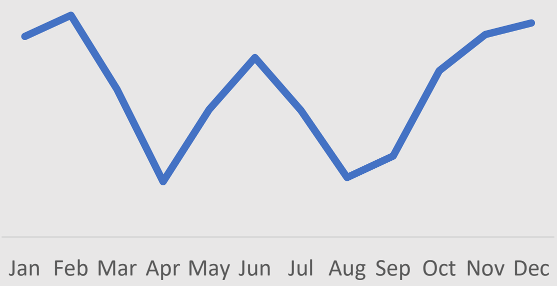
Parents confused and seek guidance and reassurance.

Health concerns and restrictions leads to low attendance.

Free childcare and allowable absences stabilises market.

Government initiatives provide security to families and staff.

Monthly Attendance Rates



How did we respond ?

Health and safety was paramount with enhanced hygiene protocols.

Access to the centres tightly controlled.

Temperature screening and health declarations.

All non-essential activities suspended.

Restricted movement of educators within the centres.

Frequent communication with families and staff.

Home and online learning initiatives.

How did the Government Support ?

Government recognises essential service that early education plays in the community and the broader economy.

30 March - JobKeeper Wage Subsidy program announced for full-time, part-time and casuals with 12-months+ service.

2 April - Early Childhood Education and Care (ECEC) Relief Package announced with revenues capped at 50% of pre-COVID-19 fee levels.

8 June – Transition Package announced with revenues capped at 25% of pre-COVID-19 fee levels.

Stage 4 Restrictions implemented in Victoria.

5 August – Transition Package in Victoria announced to increase by 5% to 30% of pre-COVID-19 fee levels.

20 September – Recovery Package in Victoria announced with revenues capped at 25% of pre-COVID-19 fee levels.

CY 2020 Highlights

The unprecedented events of the COVID-19 pandemic and the extensive and ever evolving social and economic restrictions imposed, have characterized the performance of the sector and Mayfield over the course of CY 2020.

- **Mayfield's results exceed expectations and lays testament to the resilience of the business.**
  - Revenues of $37.1m up 3.6%.
  - EBIT of $6.2m up 8.3%.
  - NPAT of $4.5m up 17.9%.

- **COVID-19 severely impacts Victoria.**
  - First and second wave outbreaks result in some of the toughest social and economic shutdowns seen around the world.
  - A roller-coaster environment navigating the extraordinary and rapidly changing social and economic restrictions and evolving guidelines around childcare.

- **Federal Government responds to the essential need of early childhood education to the economy.**
  - Swift and significant government response at every hurdle ensures viability of the sector.
  - Industry support packages essentially underwrites revenue based on pre-COVID-19 fee levels.
  - Packages conditional on operators remaining open, childcare fees held at pre-COVID-19 levels, and employment guarantee of staff

- **Management reacts quickly to COVID-19 pandemic.**
  - Extensive health and hygiene protocols implemented to protect the health, safety and wellbeing of our children and educators
  - Business response was to safeguard cash flow, reduce operational expenditure and ensure continuity of operations.
  - Significant effort employed to manage the implications of free childcare, restricted childcare access, permitted worker schemes and payment of JobKeeper subsidies.

- **Mayfield Board took precautionary decisions.**
  - Defer the CY 2019 shareholder dividend to 25 September 2020.
  - Suspend all non-critical capital projects and works of a non-essential nature.
  - With the support of Westpac, defer principle loan repayments for a period of 6 month.

CY 2020 Highlights

- **Health crisis shapes occupancy performance and attendance levels.**
  - Occupancy of 67.2% fell 2.3% across the year.
  - Sharp declines experienced in March / April as the pandemic took hold, though recovers as the Government moves to waive parent gap payments.
  - 2H CY20 occupancy impacted by Stage 4 Restrictions, though more stable, as ongoing government packages supported parents to hold bookings.
  - Attendance levels swung sharply in line with State shutdown conditions.

- **Mayfield withstands impact of COVID-19 despite reduced demand.**
  - Centre operating margins improved to 25.0%.
  - Revised staffing rosters delivered wage savings of 1.2%,
  - Cost mitigation strategies reduce operational expenses by 9.5%.

- **ACECQA Quality Rating strengthens.**
  - Mayfield continued to improve its ACECQA Quality Rating, with 90% of centres now rated Meeting or Exceeding the National Quality Standard.
  - QIP program focused on professional development of educators and advancement of Early Childhood Teachers to full registration.

- **Cash flow management bolsters balance sheet.**
  - Net debt reduced by $3.8m or 31.5% to $8.4m.
  - Financing costs were reduced by 39.2%.
  - Mayfield currently has access to $5.2m of unrestricted borrowing capacity, in addition to its $3.5m acquisition facility.

- **CY 2020 Shareholder dividend.**
  - In anticipation of improved operating conditions, the Board will reverse its decision not to not to declare or pay a dividend in respect of the CY2020, and will in turn provide shareholders with a fully franked divided of 2.00 cents per share (cps) payable in late March 2021

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02 FINANCIAL PERFORMANCE:

EBIT RECONCILIATION

OPERATING PERFORMANCE

BALANCE SHEET

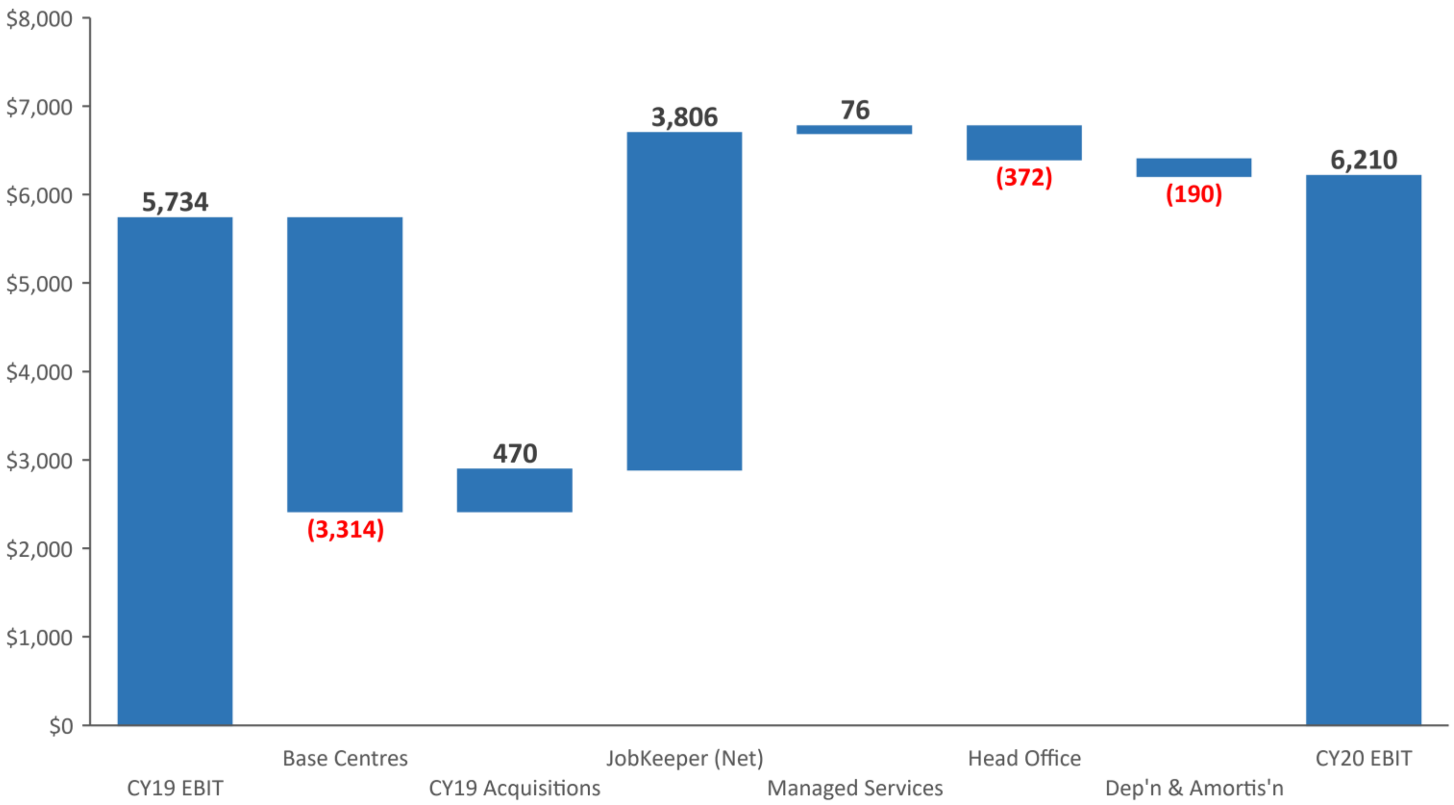
CASH FLOW

CY 2020 EBIT Bridge

- Underlying EBIT of $6.2m, exceeded market expectations up 8.3%.
- Base centres declined $3.3m, reflecting the revenue shortfall of $3.0m brought about by the capping of revenues under the ECEC Relief package, combined with occupancy decline of 2.3%.
- The centre acquired in 2019 for $900K, continues to strengthen, generating incremental EBIT for the year of $0.5m.
- JobKeeper Wage Subsidy, net of "wage top-up" payments, contributed $3.8m.
- Fees generated from the management of independent third-party centres contributed an additional $0.1m to an overall total of $0.4m.
- Head office and depreciation movements reflect ongoing investment in the business.

Note: Statutory Reports have been adjusted to reverse the impact of AASB 16 Leases

Underlying EBIT Movement from CY 2019 to CY 2020 (A$ 000's)



Operating Performance

- Revenues from continued operations, down 31.1% as revenue was funded directly under the ECEC Package, and then supplemented by the Transition and Recovery Packages, total revenue was up 3.6%.
- Labour costs were down by 1.2% driven through optimisation of team rostering and lower attendance levels.
- Cost mitigation strategies generated a 9.5% saving in centre operations, offset by increased facility costs associated with elevated hygiene & cleaning requirements, and R&M spend.
- Overall, centre margins improved by 2.0% to 25.0%.
- Corporate increases reflect full year effect of expanded central functions, increased leave accruals and statutory operating costs.
- Depreciation increases reflects flow through of 2019 capital works program and critical works conducted in 2020.
- Cash management strategies generated finance cost savings of 39.2%.
- Underlying NPAT from continuing operations was $4.5m up 17.9%.
- Loss of $0.3m following disposal of an underperforming regional centre.

Note: Statutory Reports have been adjusted to reverse the impact of AASB 16 Leases

A$ 000's	CY 2020 Statutory	AASB 16 *Leases*	CY 2020 Underlying	CY 2019 Underlying	Var %
Childcare fees	25,122	(395)	24,727	35,866	(31.1)
Industry Support Payments	8,077		8,077		100.0
JobKeeper Wage Subsidy	4,337		4,337		100.0
Total Revenue	**37,536**	**(395)**	**37,141**	**35,866**	**3.6**
Labour costs	19,949		19,949	20,186	1.2
JobKeeper top-up payments	531		531		(100.0)
Operating expenses	2,258		2,258	2,494	9.5
Facilities costs	1,440	3,688	5,128	4,949	(3.6)
Centre EBITDA	**13,358**	**(4,083)**	**9,275**	**8,237**	**12.6**
HO Staff & related costs	1,610		1,610	1,363	(18.1)
Other corporate overheads	807	89	896	771	(16.2)
Group EBITDA	**10,941**	**(4,172)**	**6,769**	**6,103**	**10.9**
Depreciation	4,449	(3,890)	559	369	(51.5)
Group EBIT	**6,492**	**(282)**	**6,210**	**5,734**	**8.3**
Finance costs	1,285	(883)	402	661	39.2
Tax	1,197	156	1,353	1,295	(4.5)
NPAT from Continuing Operations	**4,010**	**445**	**4,455**	**3,778**	**17.9**
Loss on disposal	272		272		(100.0)
NPAT	**3,738**	**445**	**4,183**	**3,778**	**10.7**
Earning per share (EPS)			13.11c	11.94c	9.8c
Centre EBITDA margin			25.0%	23.0%	2.0

Balance Sheet

- Improved cash position of $0.9m.
- P&E increase of $0.4m as all non-critical projects were halted in March 2020.
- Tax movement reflects 3-month moratorium by ATO on installment payments during COVID.
- The Company improved its Net Debt position by $3.8m or 31.5% from 31 December 2019. Mayfield currently has access to $5.2m of unrestricted borrowing capacity, in addition to its $3.5m acquisition facility.
- Net Assets of $31.0m up 6.9% or $2.0m.

Note: Statutory Reports have been adjusted to reverse the impact of AASB 16 Leases

A$ 000’s	31 Dec 20 Statutory	AASB 16 *Leases*	31 Dec 20 Underlying	31 Dec 19 Underlying	Var $
Cash and cash equivalents	1,569		1,569	649	920
Trade and other receivables	1,300		1,300	1,572	(272)
Current Assets	**2,869**		**2,869**	**2,221**	**648**
Plant and equipment	2,559	38	2,597	2,206	391
Deferred tax	924	(320)	604	488	116
Right of use assets	25,410	(25,410)			
Intangibles	39,638		39,638	39,741	(103)
Non-current assets	**68,531**	**(25,692)**	**42,839**	**42,435**	**404**
Total Assets	**71,400**	**(25,692)**	**45,708**	**44,656**	**1,052**
Trade and other payables	2,228		2,228	1,544	684
Borrowings	1,599	33	1,632	1,328	304
Leases	3,442	(3,442)			
Tax liabilities	782		782	53	729
Provisions	1,682		1,682	1,137	545
Current liabilities	**9,733**	**(3,409)**	**6,324**	**4,062**	**2,262**
Borrowings	8,297		8,297	11,526	(3,229)
Leases	23,159	(23,159)			
Provisions	107		107	79	28
Non-current liabilities	**31,563**	**(23,159)**	**8,404**	**11,605**	**(3,201)**
Total Liabilities	**41,296**	**(26,568)**	**14,728**	**15,667**	**(939)**
Net Assets	**30,104**	**876**	**30,980**	**28,989**	**1,991**

Coverage & Gearing Ratios

- During CY 2020 the business retired $3.2m of non current debt.
- Overall, significant improvement in Net Debt position.
- All debt metrics, along with the fixed cover charge have improved significantly and demonstrate the strength of the business to meet its obligations.
- The business remains conservatively geared.
- The business continues to maintain significant headroom in relation to its banking debt covenants and goodwill valuation.

A$ 000's	CY 2020 Underlying	CY 2019 Underlying	CY 2018 Underlying
Current Borrowings	1,632	1,328	0
Non-Current Borrowings	8,297	11,526	13,384
Cash & Cash Equivalents	(1,569)	(649)	(880)
Net Debt	**8,360**	**12,205**	**12,504**
Shareholder Equity	**30,980**	**28,989**	**27,151**
Underlying EBITDA	**6,769**	**6,103**	**5,270**
Net Debt / EBITDA (x)	1.24	2.00	2.37
Debt / Equity (%)	32.0	44.3	49.3
Net Interest	**402**	**661**	**562**
EBITDA / Net Interest (x)	16.84	9.23	9.38
Fixed Coverage Charge (x)	2.49	2.18	2.18
Gearing Ratio (%)	21.3%	29.6%	31.5%

Note: Statutory Reports have been adjusted to reverse the impact of AASB 16 Leases

Cash Flow

- Positive net operating cash flows aided by Industry Support packages and Federal Government stimulus packages along with a reduction in tax obligations.
- Movement in net investing cash flows due to no acquisitions during CY2020.
- Financing cash flows reflects cash management strategies.

Note: Statutory Reports have been adjusted to reverse the impact of AASB 16 Leases

A$ 000's	CY 2020 Statutory	AAS,B 16 *Leases*	CY 2020 Underlying	CY 2019 Underlying
Operating cash flows				
Customer receipts	25,232		25,232	35,596
ECEC Relief Package	8,158		8,158	
JobKeeper Wage Subsidy	4,336		4,336	
Operating expenses	(25,324)	(4190)	(29,514)	(29,129)
Interest on borrowings	(403)	(1)	(404)	(663)
Interest on lease liabilities	(826)	826		
Income tax	(739)		(739)	(2,099)
Other	20		20	17
Net operating cash flows	**10,454**	**(3365)**	**7,089**	**3,722**
Investing cash flows				
Plant & equipment	(1,011)		(1,011)	(1,248)
Centre acquisitions				(902)
Other	(64)		(64)	6
Net investing cash flows	**(1,075)**		**(1,075)**	**(2,144)**
Financing cash flows				
Borrowings (net)	(2,895)	(9)	(2,904)	(774)
Repayment of Leases	(3,374)	3374		
Dividends paid	(2,190)		(2,190)	(1,934)
Net financing cash flows	**(8,459)**	**3365**	**(5,094)**	**(2,708)**
Net increase / (decrease)	920		920	(1,130)
Cash & cash equivalents	**1,569**		**1,569**	**649**

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03 OPERATIONAL PERFORMANCE:

OCCUPANCY & ATTENDANCE

REVENUE PERFORMANCE

WAGE PERFORMANCE

OPERATIONAL METRICS

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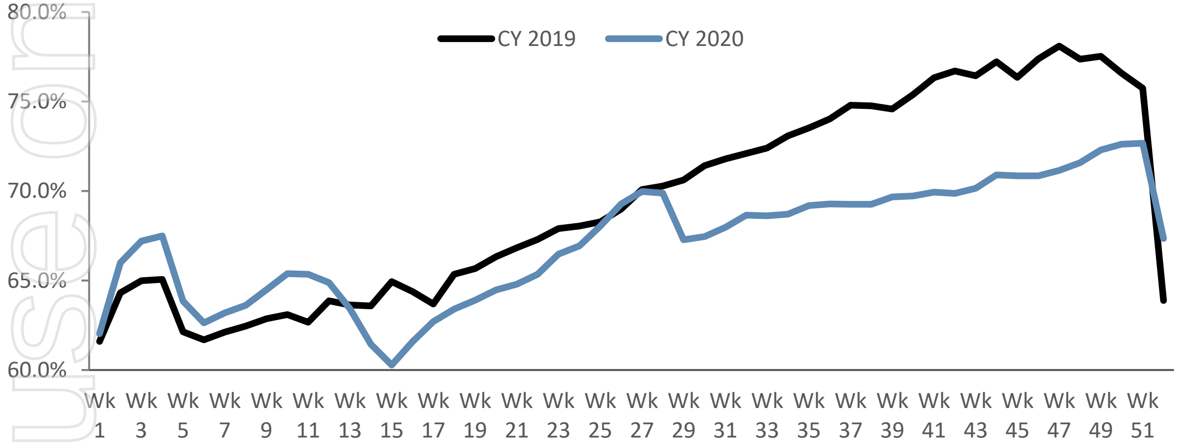
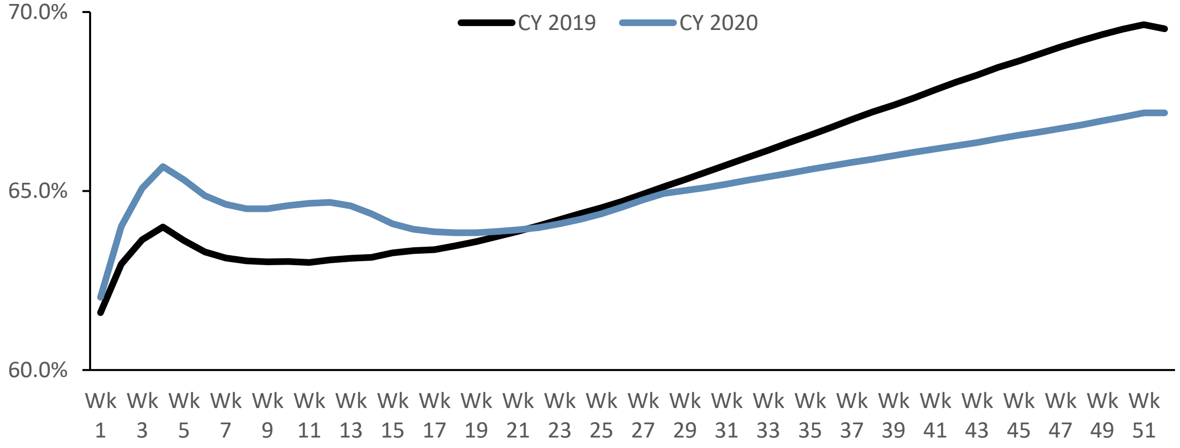
CY 2020 Occupancy

Weekly Like for Like Occupancy* (%)



Year-to-Date Like for Like Occupancy* (%)



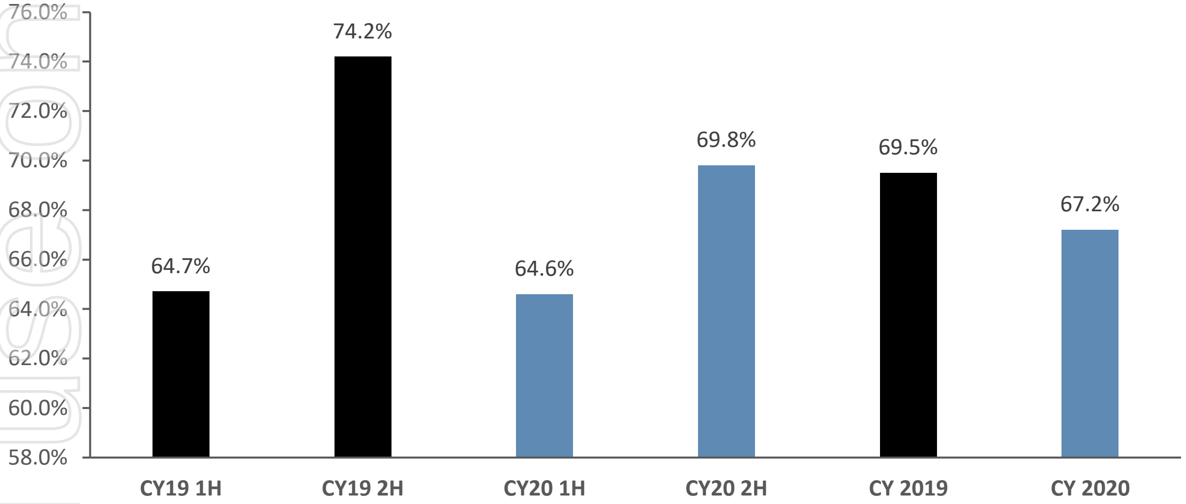
- Strong 1st Qtr performance.
- Sharp decline as pandemic intensifies though recovers with introduction of free childcare in early April.
- 3rd Qtr ecovery thwarted with resurgence of COVID-19 in Victoria and the introduction of Stage 4 Restrictions.
- Occupancy held in the second half as families are supported to continue enrolments with increases in allowable absences and gap fee waivers.

- CY 2020 occupancy of 67.2% down 2.3%.
- CY 2019 occupancy was 69.5%.

*Divested centres are excluded from the data

CY 2020 Occupancy and Attendance

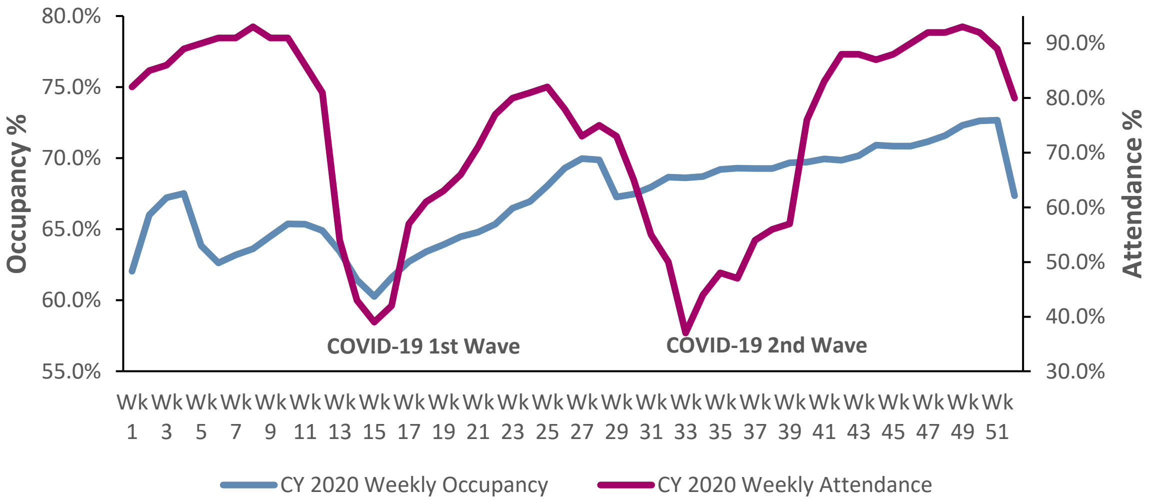
Half-Yearly Like for Like Occupancy* (%)



- 1st Qtr CY20 gains offset 2nd Qtr CY20 losses, to hold share on par with pcp for the first half of CY20.
- CY20 2H of 69.8%, was 4.4% below CY19 2H of 74.2%.
- Breadth and duration of Stage 4 Restrictions restricted traditional second half growth.

*Divested centres are excluded from the data

Weekly Attendance against Weekly Occupancy* (%)



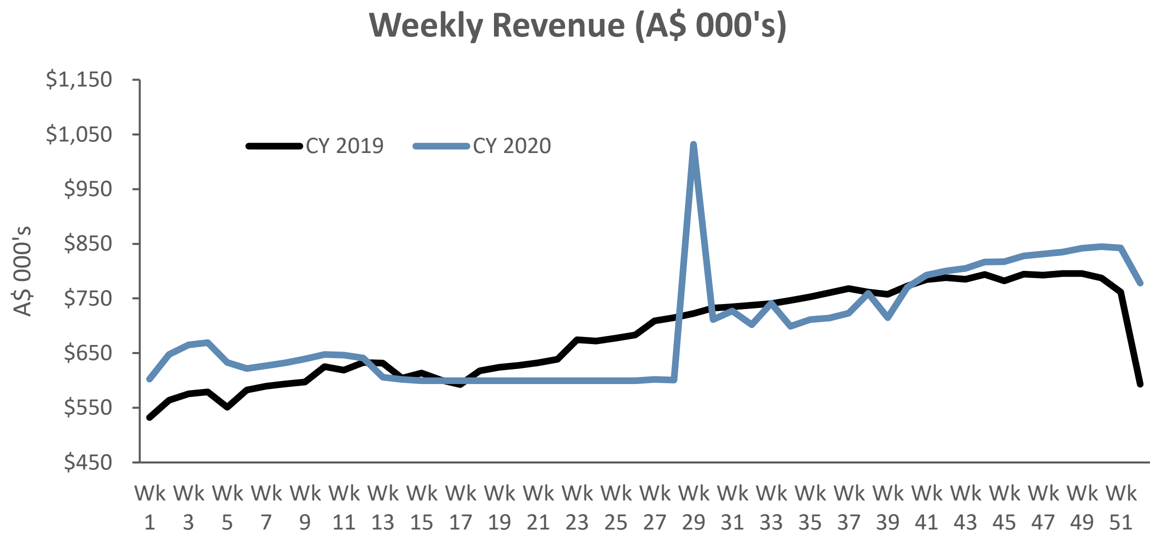
- Attendance depicts the roller coaster that parents experienced as they navigated their way through the pandemic and evolving guidelines around access to childcare.
- The 3rd Qtr drop in attendance reflects the introduction of the "Permitted Worker Scheme".
- Enrolments held as parents were not required to pay if they did not attend.
- Attendance returned to normal levels by year end.

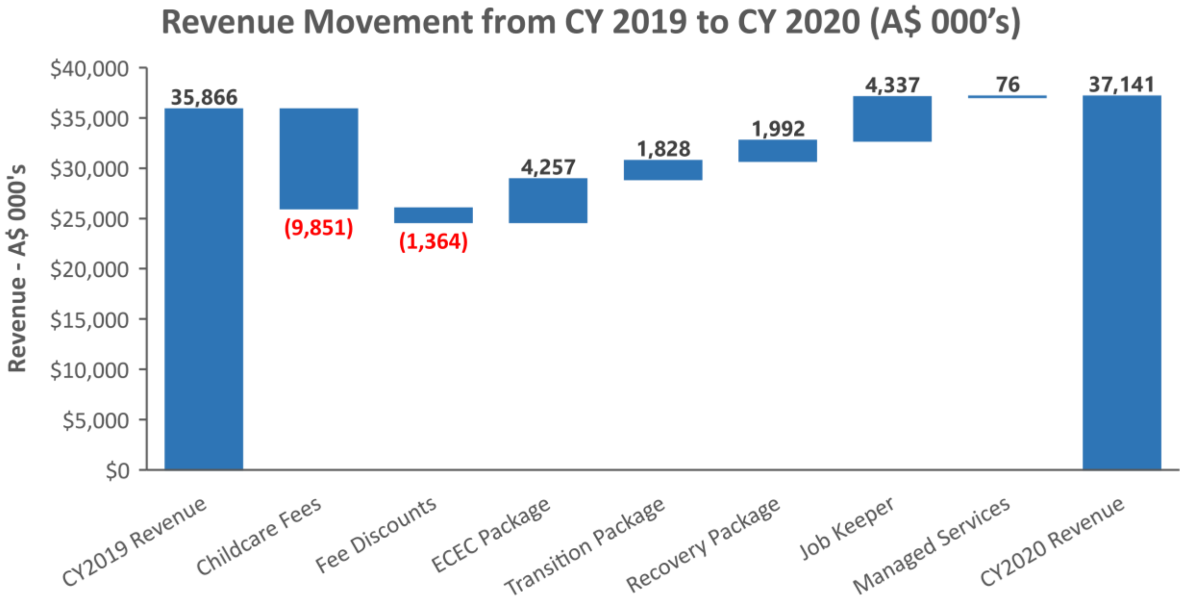
Revenue Performance

The revenue mix changed considerably over CY 2020.

- 1st Qtr CY20 revenue performance in line with occupancy growth.
- 2nd Qtr revenues capped at a flat rate of 50% of pre COVID-19 levels under ECEC Package and combined with constant Job Keeper payments.
- 2nd half revenues lift with the re-commencement of CCS and co-parent payments which were supplemented by the Transition and Recovery Packages.

- Revenues earnt from childcare fees fell $9.9m over the year.
- Once CCS re-commenced in July, accounting for parents non-attendance increased fee discounts by $1.4m.
- The combined Industry Support Packages and Job Keeper Subsidies contributed $12.4m.

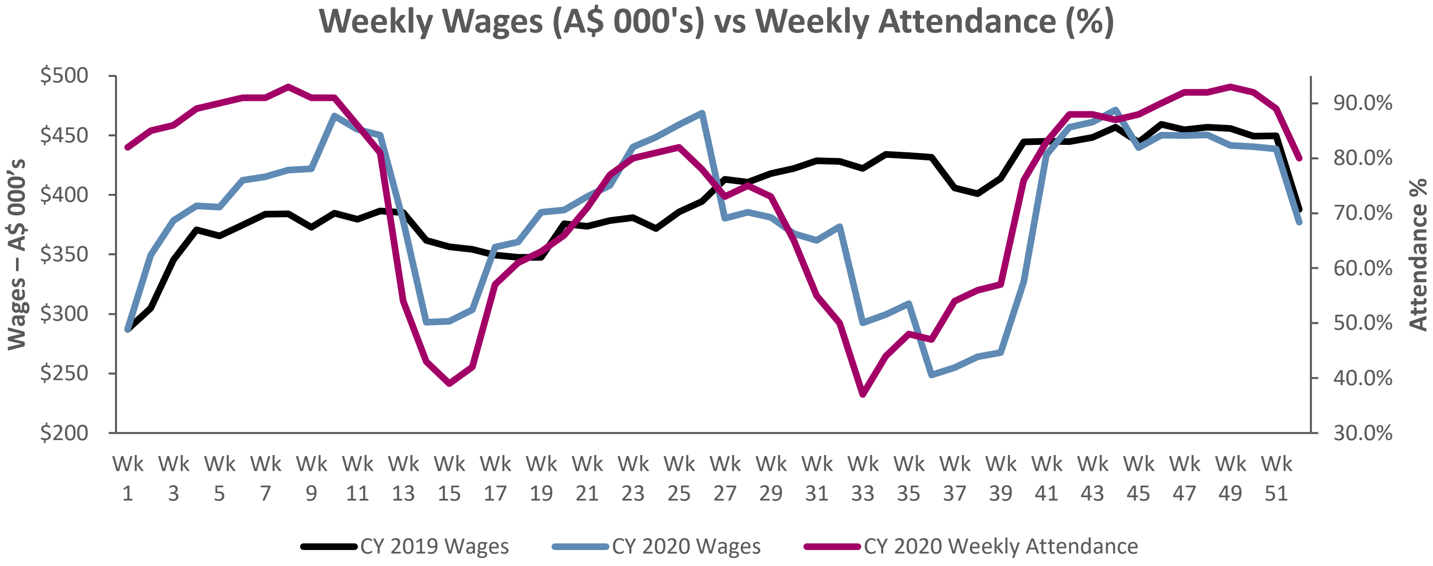


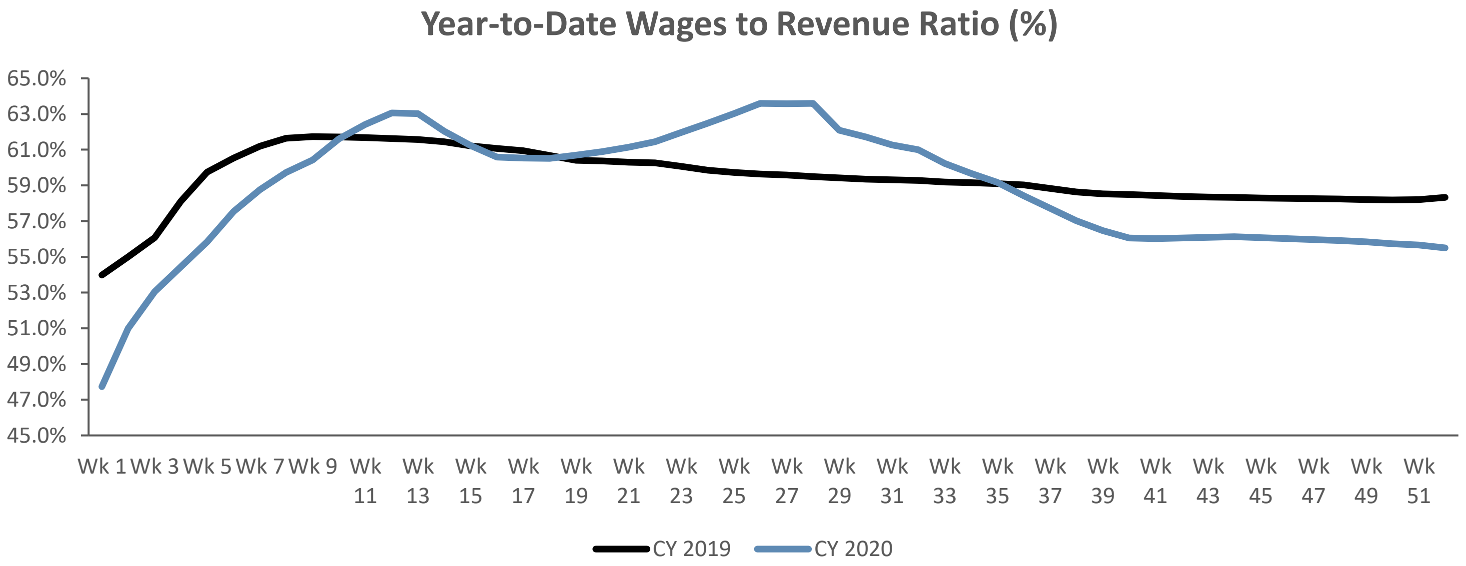


Wage Performance

The movement in centre based wages has clearly been shaped by the COVID-19 pandemic and attendance rates of families.

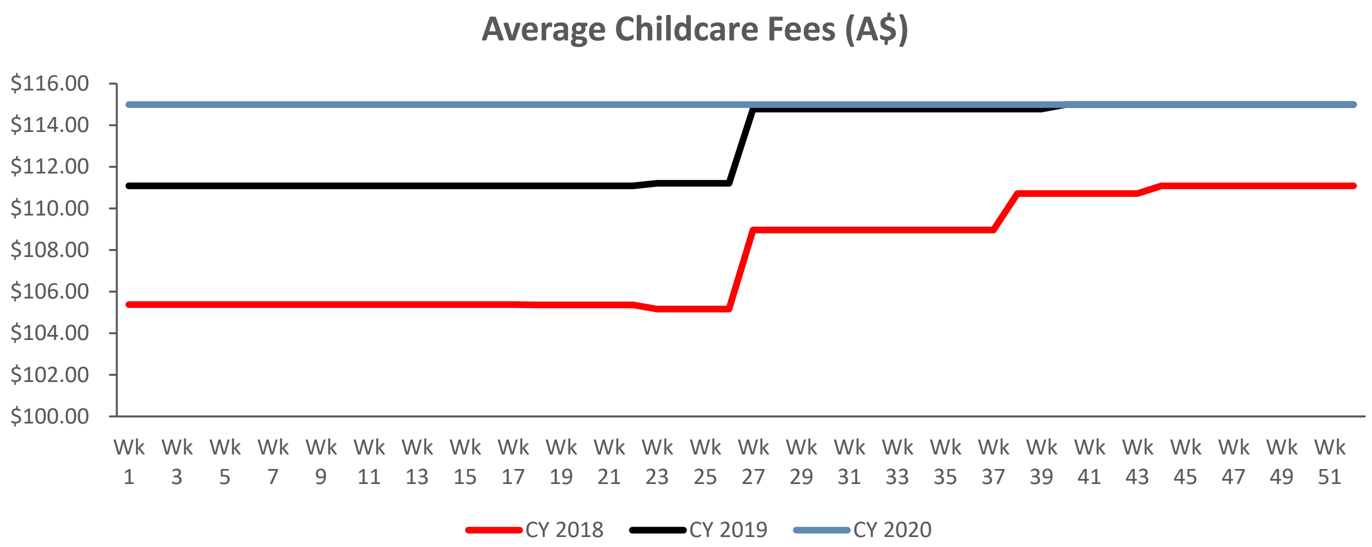
- Wage levels strongly correlate with attendance levels throughout the year.
- The business restructured its traditional rostering methodologies to allow for the change in operating conditions, implementation of Job Keeper and compliance with the Employment Guarantee.
- 1st Qtr performance demonstrates continuous improvements being made in the management of wage costs.
- Accounting for an additional $0.5m in Job Keeper wage top-ups, total wages of $20.5m were 55.1% of revenue, an improvement of 1.2%.

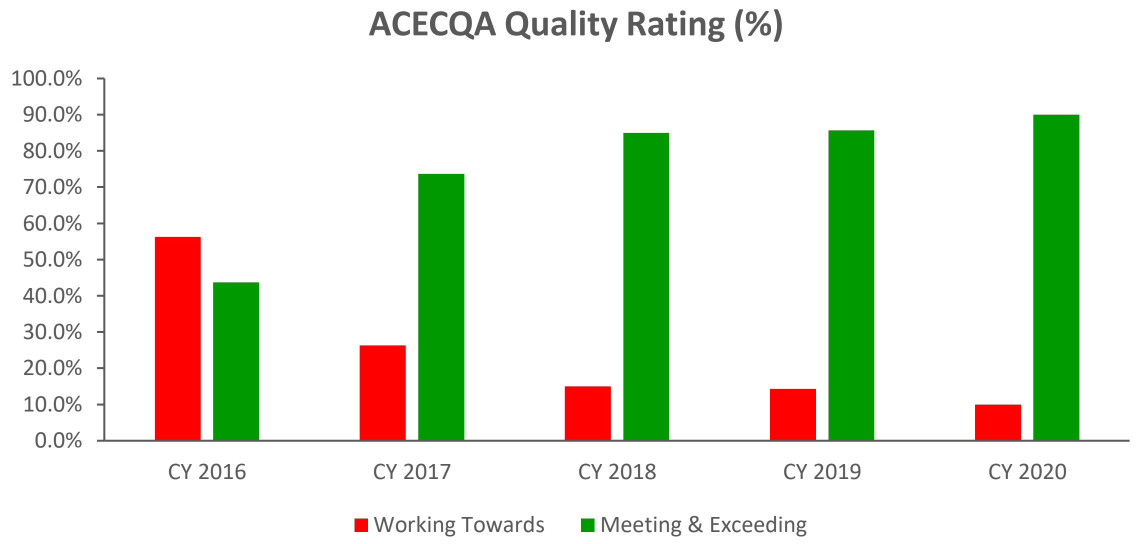




Childcare Fees & Quality Rating

- Childcare Fees were held constant throughout CY 2020 at an average of $115/day.
- To be eligible for the ECEC, Transition and Recovery Packages, operators were required to hold fees at February 2020 levels.
- During CY 2020, Mayfield continued to improve its ACECQA Quality Rating, with 90% of centres now rated Meeting or Exceeding the National Quality Standard.





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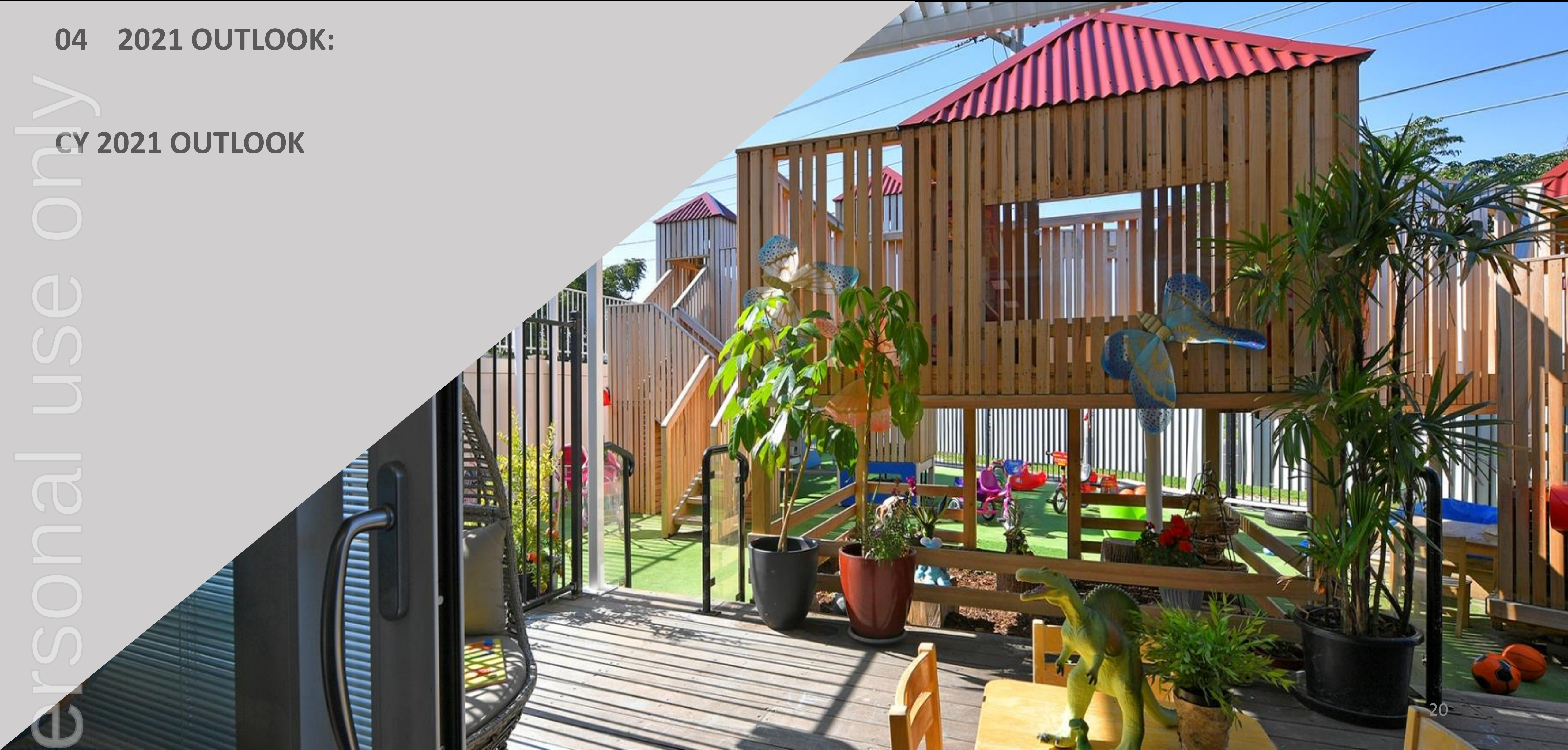
Operational Metrics

- During 2020 the business disposed of an underperforming regional centre, while its Managed Services client base continues to grow.
- While the was no fee increase during 2020, the business expects to take a fee increase in July 2021.
- Wage costs relative to revenue improved to 55.1% allowing for an Award Rate increase of 1.75%.
- Re-negotiation of Leases during planned market reviews, improved overall Lease Terms to 22.5 yrs, inclusive of options, while rental rates per registered place remain well below market rates.
- All operating indicators improved during CY 2020

Key Metrics	CY 2018	CY 2019	CY 2020
Number of Centres	20	21	20
Number of Registered Places	1,693	1,771	1,671
Average Centre Size	85	84	84
No of Managed Services Clients	2	3	4
Average Fees per Day ($)	$108	$113	$115
Average Daily Fee Increase (%)	3.5%	3.9%	0.0%
Number of Educators	407	434	405
Wages to Revenue Ratio (%)	56.4%	56.3%	55.1%
Average Award Rate Increase (%)	3.50%	3.00%	1.75%
Average Lease Term (yrs)	22.4 yrs	21.7 yrs	22.5 yrs
Average Rent per Registered Place ($)	$2,119	$2,160	$2,324
Average Rent Increase (%)	3.1%	2.7%	3.2%
Centre EBITDA Margin (%)	22.3%	23.0%	25.0%
Group EBIT Margin (%)	15.8%	16.0%	16.7%
Net Debt to EBIT (x)	2.44x	2.13x	1.35x
Gearing (%)	29.9%	29.6%	21.3%

04 2021 OUTLOOK:

CY 2021 OUTLOOK



CY 2021 Outlook

- The Board remain cautiously optimistic about the prospects for 2021, though is acutely aware that the pandemic is not over.
- Occupancy levels are performing at pre-COVID19 levels.
- Moderate price increases will be sought in July 2021.
- Wage and operational cost strategies developed during 2020 will continue to deliver returns.
- The lack of acquisition growth weighs heavily and will be the primary focus of the executive team.
  - Both Corporate Advisory and Property Agents have been formally engaged to identify opportunities.
  - The business will look to expand its base beyond Victoria to acquire small groups or clusters of centres.
  - The business is also establishing a base of greenfield developments within Victoria on a planned and staged development timeframe.

MAYFIELD
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Mayfield Childcare Limited
Suite 2, 207-213 Waverley Road
Malvern East VIC 3145
www.mayfieldchildcare.com.au

Dean Clarke	Glenn Raines	Andrew Angus
Chief Executive Officer	Chief Financial Officer	Investor Relations
dclarke@mayfieldchildcare.com.au	graines@mayfieldchildcare.com.au	andrewangus@overlandadvisers.com.au
+61 3 9576 3156	+61 3 9576 3156	+61 402 823 757