

# ASX Announcement

G8 Education Limited  
(ASX:GEM)



16 June 2021

The Manager  
Market Announcements Office  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

Dear Sir / Madam

I enclose the Greenfield Strategy & Reporting Presentation being presented today by G8 Education Limited at 1pm AEST, Wednesday 16 June 2021.

**Webcast Details:** The webcast can be viewed on the day by navigating to <https://services.choruscall.com.au/webcast/g8-210616.html>.

**Teleconference Details:** Participants can register for the teleconference by navigating to <https://s1.c-conf.com/DiamondPass/10014392-sh95w3.html>. Please note that registered participants will receive their dial in number upon registration.

Yours sincerely

Tracey Wood  
Chief Legal, Quality & Risk Officer  
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*Authorised for release by G8 Education Limited's Board of Directors.*

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# GREENFIELD STRATEGY & REPORTING

Investor Presentation

16 June 2021

G8 EDUCATION LTD

ASX: GEM



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# AGENDA

## LEGACY GREENFIELD PERFORMANCE

Gary Carroll

## REFRESHED GREENFIELD APPROACH

Gary Carroll

## FUTURE NETWORK REPORTING

Sharyn Williams

## Q&A

Gary Carroll & Sharyn Williams

# EXECUTIVE SUMMARY

*The legacy greenfield program has informed a refreshed greenfield approach designed to progressively enhance the network and realise measured profitable growth*

*A deliberate number of new greenfield centres will be opened each year in attractive and targeted locations through partnerships with quality developers in a 'capital-lite' manner*

## LEGACY GREENFIELD PERFORMANCE

- 70% of the past greenfield cohort have, or are expected to, generate a ROI of more than 20% on reaching maturity
- The remaining sites were at a structural disadvantage either through being in poor locations or were too large for the catchment area, resulting in eventual impairment

## REFRESHED GREENFIELD APPROACH

- There remains attractive value from a measured Greenfield growth program
- Robust assessment of attractive locations and improved support, before and after opening, provide greater certainty that new greenfield centres will achieve target occupancy on reaching maturity
- A 'capital-lite' model improves the prospects of generating materially higher returns than the legacy model

## FUTURE NETWORK REPORTING

- Enhanced reporting to provide transparency on greenfield performance
- Operating performance to be converted to statutory (post-AASB16) reporting

# GREENFIELD STRATEGY



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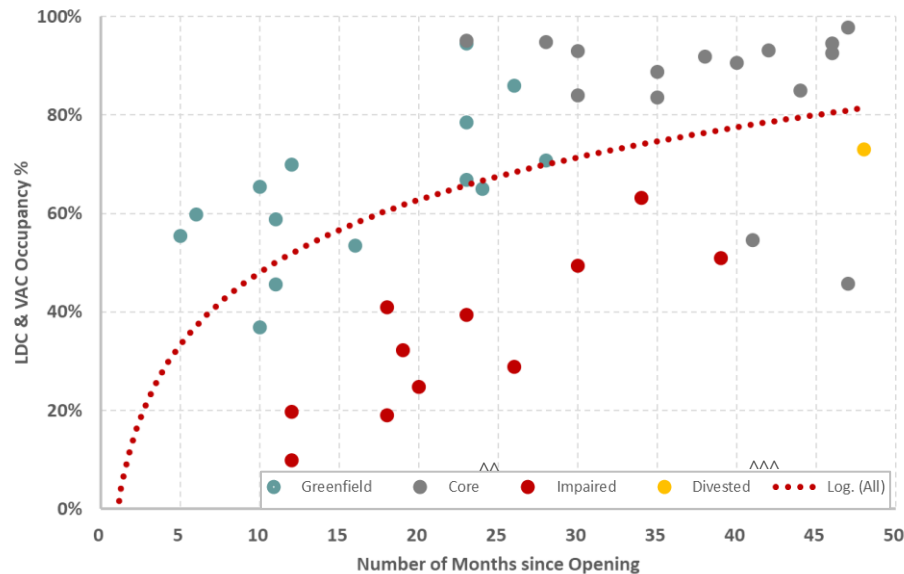
# LEGACY GREENFIELD PERFORMANCE

Past performance important in shaping future approach

## Performance of all greenfield centres over the last four years

Cohort	# of centres	Avg occupancy	CY20 EBIT <sup>^</sup>	CY20 ROI
CY17 Greenfield	10	82%	6.3m	21.3%
CY18 Greenfield	7	80%	4.5m	29.6%
CY19 Greenfield	7	74%	1.3m	7.1%
CY20 Greenfield	7	40%	(1.5m)	-11.5%
Impaired centres	13	29%	(6.4m)	-9.4%
<b>Totals</b>	<b>44</b>	<b>66%</b>	<b>4.2m</b>	<b>2.9%</b>

- 70% of the past greenfield cohort have, or are expected to, generate a ROI of more than 20% on reaching maturity
- Past greenfield pipeline contained sites that were at a structural disadvantage either through being in poor locations or were too large for the catchment area, impacting portfolio performance
- During CY20, 13 loss-making greenfield centres were impaired comprising part of the total of 52 impaired centres



Key metrics			
Number of centres	44	Average age	27 months
Total CY20 EBIT <sup>^</sup>	\$4.2m	Average occupancy	59%

Global note: All occupancy numbers are in respect of the year ended 31 December 2020

<sup>^</sup> EBIT reported on a pre-AASB16 basis

<sup>^^</sup> Mature greenfield centre transferred to the core (main) portfolio

<sup>^^^</sup> Former greenfield centre that has now been divested

# REFRESHED GREENFIELD APPROACH

Attractive value from a measured Greenfield growth program

## Overall objective

### Progressive and profitable enhancement of the centre network

Support progressive enhancement of the network and to realise measured profitable growth, through working with quality partners to open a deliberate number of new greenfield centres each year in attractive locations

## Key priorities

### Robust assessment

- Market demand
- Location appeal
- Commercially attractive
- Adoption of G8 approved best design

### Optimal new centre opening process

- Capital outlay focussed on education resources
- Creation of workforce planning model for each site
- Tailored marketing process to build awareness, drive enquiries & tours and secure new families
- Centre manager and team induction

### Strong support before and after opening

- Dedicated family liaison officer and local recruitment officer appointed to ensure family and team success
- Provision of up to 12 months direct operational support
- Conduct pre-delivery, and post opening, performance reviews

Board approval of potential sites

G8 requirements included in AFL<sup>^</sup>

Centres opened on schedule

Return on investment

Centre team retention

Occupancy ramp-up

30 to 90 day NPS

## Key metrics

<sup>^</sup> Agreement for Lease



# GREENFIELD PORTFOLIO OBJECTIVES AND PARAMETERS

Key objectives are to create separation and to provide transparency on performance

## Greenfield portfolio objectives

1 Enable separation of the greenfield portfolio from the core or “main” portfolio

2 Enable transparency of development performance

3 Support funding of future greenfield development

4 Provide a measured growth pipeline for the core portfolio

## Greenfield portfolio parameters

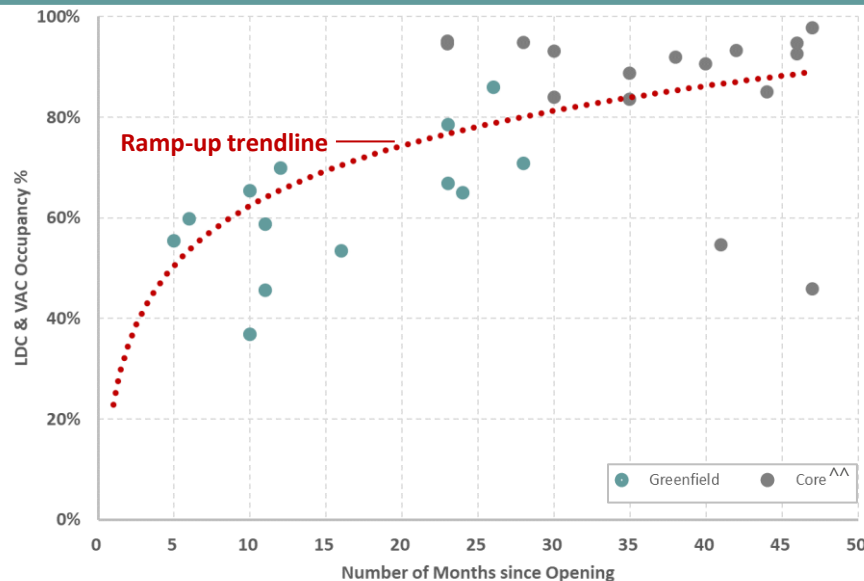
1 Portfolio to house all greenfield development centres

2 A mature centre hurdle of greater than 80% occupancy adopted to identify candidates for potential transferal to the core portfolio

3 ‘Mature’ greenfield centres are transferred to core (main) portfolio

4 Greenfield centres that do not reach the mature occupancy hurdle by 36 months will be reviewed for either transfer into the core portfolio for further improvement or exit

## Greenfield occupancy ramp-up profile over the last four years\*



## Key metrics

Number of centres*	31	Average age	28 months
Total CY20 EBIT <sup>^</sup>	\$10.6m	Average occupancy	70%

\* Excludes impaired centres ^ EBIT reported on a pre-AASB16 basis ^^ Mature greenfield centre transferred to the core (main) portfolio

# GREENFIELD FINANCIAL REPORTING MODEL



# CREATION OF GREENFIELD PORTFOLIO

Mature greenfield centres will be transferred to the 'Core' portfolio

## Greenfield Maturing Centres

1 16 centres have been transferred to the 'Core' (denoted in grey on page 8)

2 14 of the transferred centres have met the occupancy hurdle, 2 have met age maturity with further improvement actions being conducted in the core

3 Greenfield portfolio at beginning of CY21 comprised of 15 centres and each age cohort is maturing as expected

4 New centres that commence operating in CY21 will be included in the greenfield portfolio

## Transition to Greenfield portfolio

### Mature Greenfield centres transferred to Core portfolio (as at 1 January 2020)

Vintage	# of centres	# of places	Avg occupancy	CY20 EBIT <sup>^</sup>	CY20 NPBT	CY20 ROI
CY17 Greenfield	10	978	82%	\$6.3m	\$5.5m	21.3%
CY18 Greenfield	5	563	83%	\$3.5m	\$2.9m	33.6%
CY19 Greenfield	1	130	97%	\$0.8m	\$0.3m	23.8%
CY20 Greenfield	n/a	n/a	n/a	n/a	n/a	n/a
<b>Totals</b>	<b>16</b>	<b>1,671</b>	<b>83%</b>	<b>\$10.6m</b>	<b>\$8.7m</b>	<b>30.5%</b>

### Greenfield portfolio composition (as at 31 December 2020)

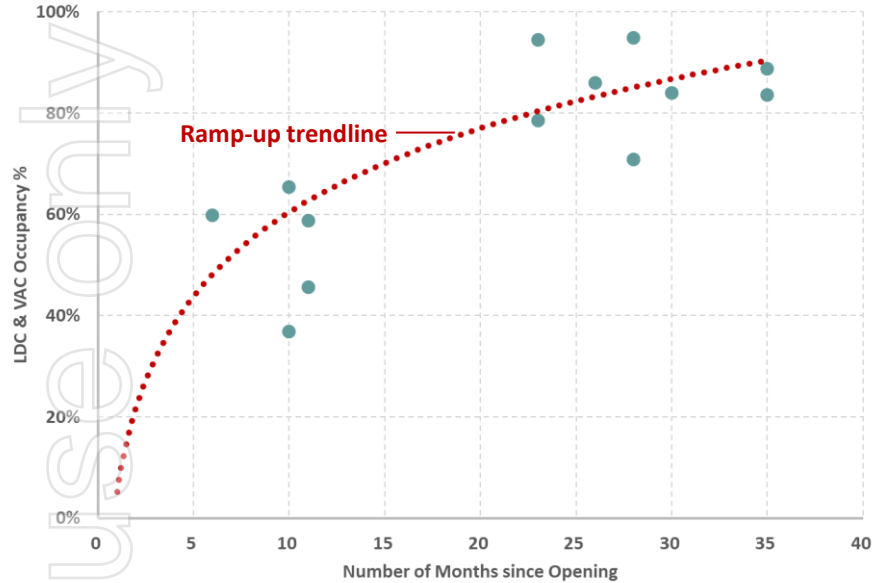
Vintage	# of centres	# of places	Avg occupancy	CY20 EBIT <sup>^</sup>	CY20 NPBT	CY20 ROI
CY17 Greenfield	n/a	n/a	n/a	n/a	n/a	n/a
CY18 Greenfield	2	241	71%	\$1.0m	\$0.6m	21.1%
CY19 Greenfield	6	634	70%	\$0.6m	(\$0.3m)	3.6%
CY20 Greenfield	7	591	40%	(\$1.5m)	(\$2.3m)	-11.5%
<b>Totals</b>	<b>15</b>	<b>1,466</b>	<b>58%</b>	<b>\$0.1m</b>	<b>(\$2.0m)</b>	<b>0.2%</b>

- Table provides visibility on the transition from the prior reporting by vintage of acquisition to reporting by Greenfield and Core portfolio cohorts
- The earnings from the Greenfield portfolio will partially offset start-up losses from the new CY21 Greenfield centres
- Future reporting will be at a portfolio level (not by year of greenfield vintage) and will convey underlying movements, including new centres opened and mature centres to be transferred to the Core portfolio

# NETWORK OCCUPANCY PERFORMANCE

Composition of greenfield portfolio at beginning of CY21

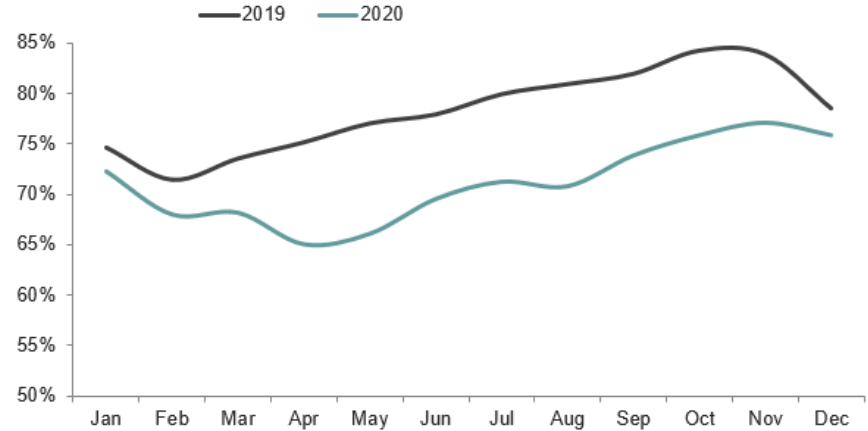
## Greenfield occupancy ramp-up profile



### Key metrics

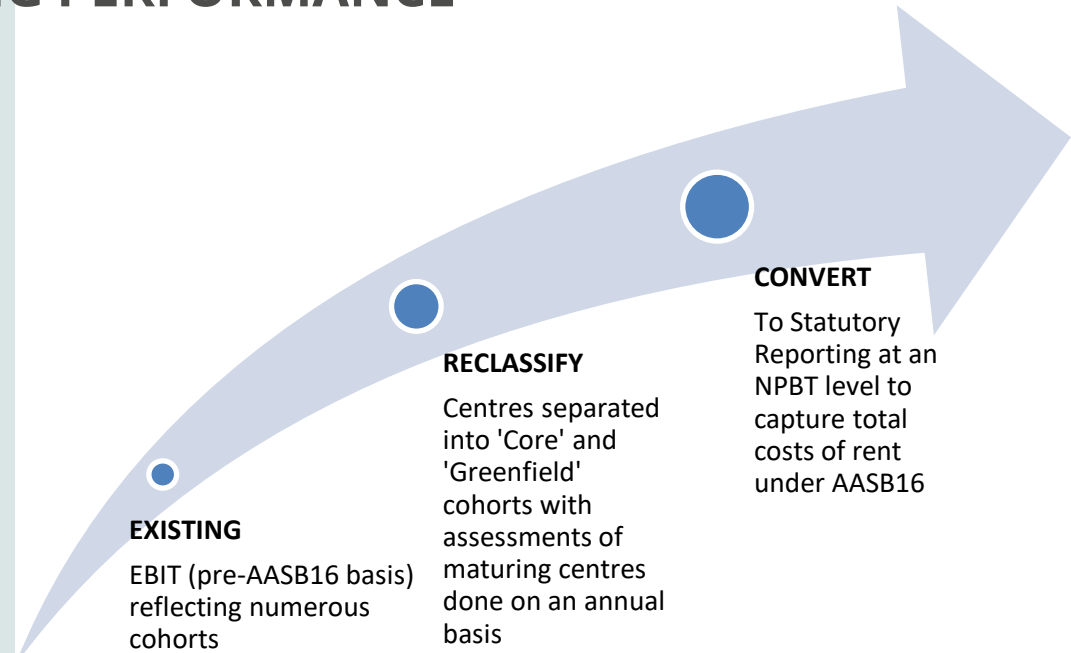
Number of centres	15	Average age	21 months
CY20 NPBT	(\$2.0m)	Average occupancy	58%

## Core portfolio monthly occupancy (%)



# REFRESHED VIEW OF OPERATING PERFORMANCE

- Transition to the new reporting framework improves disclosure and delineates between greenfield (maturing) centres and core (mature) centres
- This transition includes the adoption of AASB16 Leases standard for operational performance following 2 years of pre- and post- AASB16 results being provided to investors
- The following slide outlines the transition using the CY20 numbers from the prior reporting approach to a statutory approach based on centres being allocated to either the Core or Greenfield cohorts
- Greater disclosure is provided on the number of centres and licenced places (LPs) for each portfolio
- Previously impaired centres will form part of the Core with additional information disclosed on a CY19 pre-AASB16 basis to provide visibility of the run-off profile of this portfolio



# REPORTING TRANSITION RECONCILIATION

## Existing

\$M	Centres	LPs	CY20
<b>Total Organic Revenue</b>	<b>365</b>	<b>28,875</b>	<b>613.5</b>
Wages			(394.5)
Wage Subsidies			84.9
Rent			(77.2)
Depreciation			(15.8)
Other			(74.3)
Centre Expenses			(476.9)
<b>Organic Centre EBIT<sup>^</sup></b>			<b>136.5</b>
<b>Organic Centre EBIT<sup>^</sup> Margin</b>			<b>22.2%</b>
2017 Acquisitions	31 <sup>1</sup>	2,936	13.3
2018 Acquisitions	8 <sup>2</sup>	952	4.6
2019 Acquisitions	9 <sup>3</sup>	963	2.8
<b>LFL Centre EBIT<sup>^</sup></b>			<b>157.2</b>
2020 Acquisitions	7	591	(1.5)
Impaired Centres	51	4,323	(9.6)
Divested Centres	1	19	(0.8)
<b>Total Centre EBIT<sup>^</sup></b>			<b>145.3</b>
Support Office Costs			(40.1)
<b>Underlying Group EBIT<sup>^</sup></b>			<b>105.2</b>
<b>EBIT<sup>^</sup> margin</b>			<b>13.4%</b>

## Reclassify

\$M Underlying	CY20
<b>Core Centres</b>	
No. of centres	457
No. of LP	37,193
<b>Core Revenue</b>	<b>741.2</b>
Wages	(479.1)
Wage Subsidies	101.1
Rent	(111.1)
Depreciation	(18.6)
Other	(88.2)
Centre Expenses	(596.0)
<b>Core Centre EBIT<sup>^</sup></b>	<b>145.2</b>
<b>Core Centre EBIT<sup>^</sup> Margin</b>	<b>19.6%</b>
<b>Greenfield Centres</b>	
No. of centres	15
No. of LP	1,466
<b>Greenfield EBIT<sup>^</sup></b>	<b>0.1</b>
<b>Total Centre EBIT<sup>^</sup></b>	<b>145.3</b>
Network Support Costs	(40.1)
<b>Underlying Group EBIT<sup>^</sup></b>	<b>105.2</b>

## Convert

\$M Statutory	CY20
<b>Core Centres</b>	
No. of centres	457
No. of LP	37,193
<b>Core Revenue</b>	<b>741.2</b>
Wages	(479.1)
Wage Subsidies	101.1
Rent	(114.7)
Depreciation	(18.0)
Other	(87.2)
Centre Expenses	(598.0)
<b>Core Centre NPBT</b>	<b>143.2</b>
<b>Core Centre NPBT Margin</b>	<b>19.3%</b>
<b>Greenfield Centres</b>	
No. of centres	15
No. of LP	1,466
<b>Greenfield NPBT</b>	<b>(2.0)</b>
<b>Total Centre NPBT</b>	<b>141.2</b>
Network Support Costs	(40.1)
<b>Underlying Group NBPT (before Finance Costs)</b>	<b>101.1</b>
Group Finance Costs	(20.0)
<b>Underlying Group NPBT</b>	<b>81.1</b>
Impairment & non-trading	(285.3)
<b>Statutory Group NPBT</b>	<b>(204.2)</b>

<sup>1</sup> 2017 Acquisitions include 21 Brownfield acquisitions (excluded from Greenfield definition)

<sup>2</sup> 2018 Acquisitions include one transfer of an existing centre (excluded from Greenfield definition)

<sup>3</sup> 2019 Acquisitions include two Brownfield acquisitions (excluded from Greenfield definition)

<sup>^</sup> EBIT reported on a pre-AASB16 basis

Q&A



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