

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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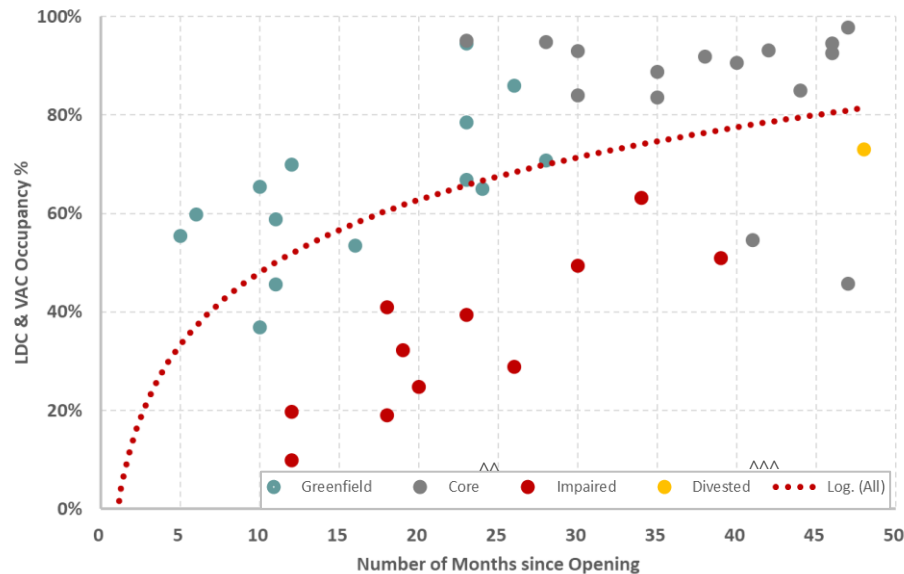
LEGACY GREENFIELD PERFORMANCE

Past performance important in shaping future approach

Performance of all greenfield centres over the last four years

Cohort	# of centres	Avg occupancy	CY20 EBIT [^]	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%
Totals	44	66%	4.2m	2.9%

- 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 [^]	\$4.2m	Average occupancy	59%

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

[^] EBIT reported on a pre-AASB16 basis

^{^^} Mature greenfield centre transferred to the core (main) portfolio

^{^^^} 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

Optimal new centre opening process

Strong support before and after opening

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

- 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

- 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

Centres opened on schedule

Centre team retention

G8 requirements included in AFL[^]

Return on investment

Occupancy ramp-up

30 to 90 day NPS

Key metrics

[^] 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

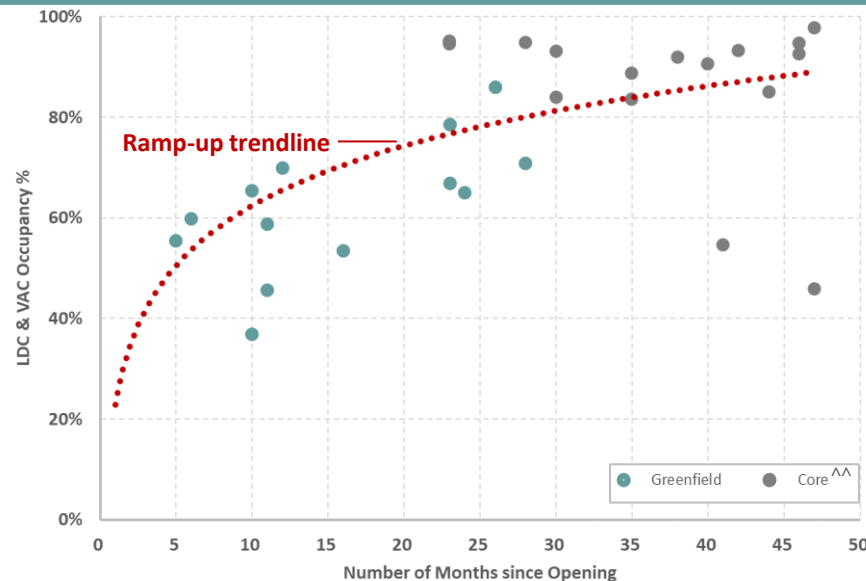
1 Portfolio to house all greenfield development centres

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 [^]	\$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 [^]	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
Totals	16	1,671	83%	\$10.6m	\$8.7m	30.5%

Greenfield portfolio composition (as at 31 December 2020)

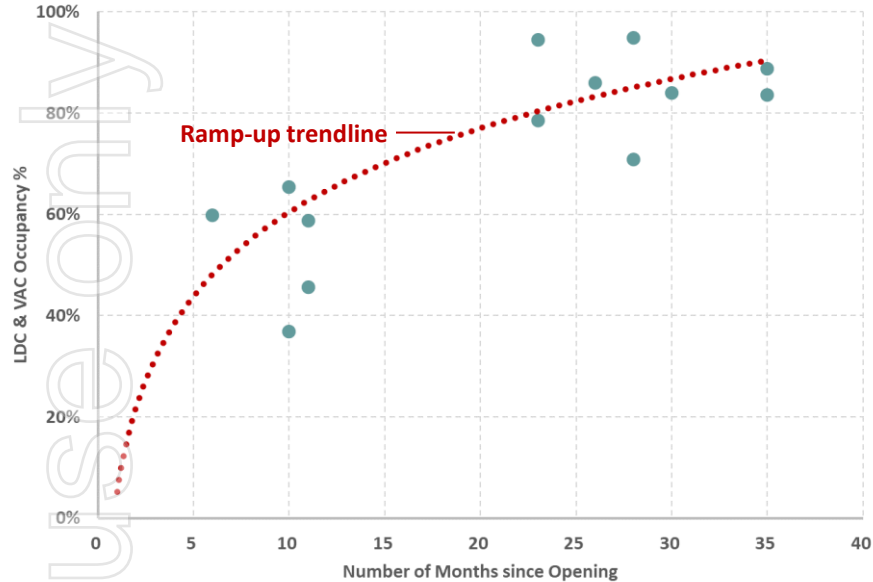
Vintage	# of centres	# of places	Avg occupancy	CY20 EBIT [^]	CY20 NPBT	CY20 ROI
CY17 Greenfield	n/a	n/a	n/a	n/a	n/a	n/a
CY18 Greenfield	2	241	71%	\$1.0m	\$0.6m	21.1%
CY19 Greenfield	6	634	70%	\$0.6m	(\$.3m)	3.6%
CY20 Greenfield	7	591	40%	(\$1.5m)	(\$2.3m)	-11.5%
Totals	15	1,466	58%	\$0.1m	(\$2.0m)	0.2%

- 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

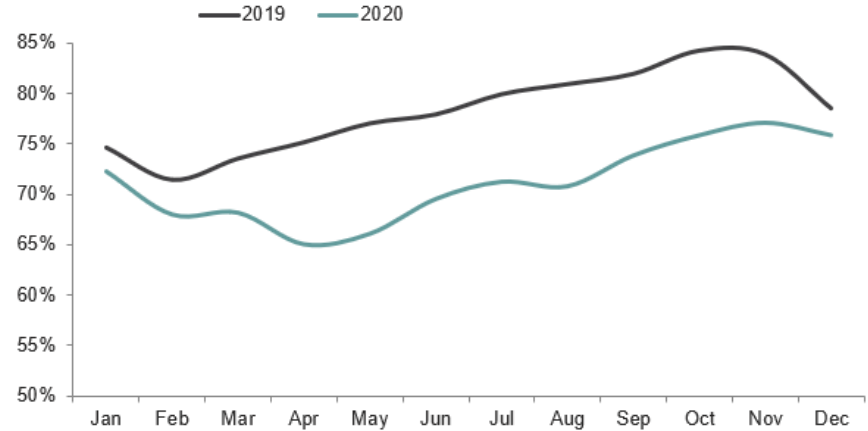
NETWORK OCCUPANCY PERFORMANCE

Composition of greenfield portfolio at beginning of CY21

Greenfield occupancy ramp-up profile



Core portfolio monthly occupancy (%)

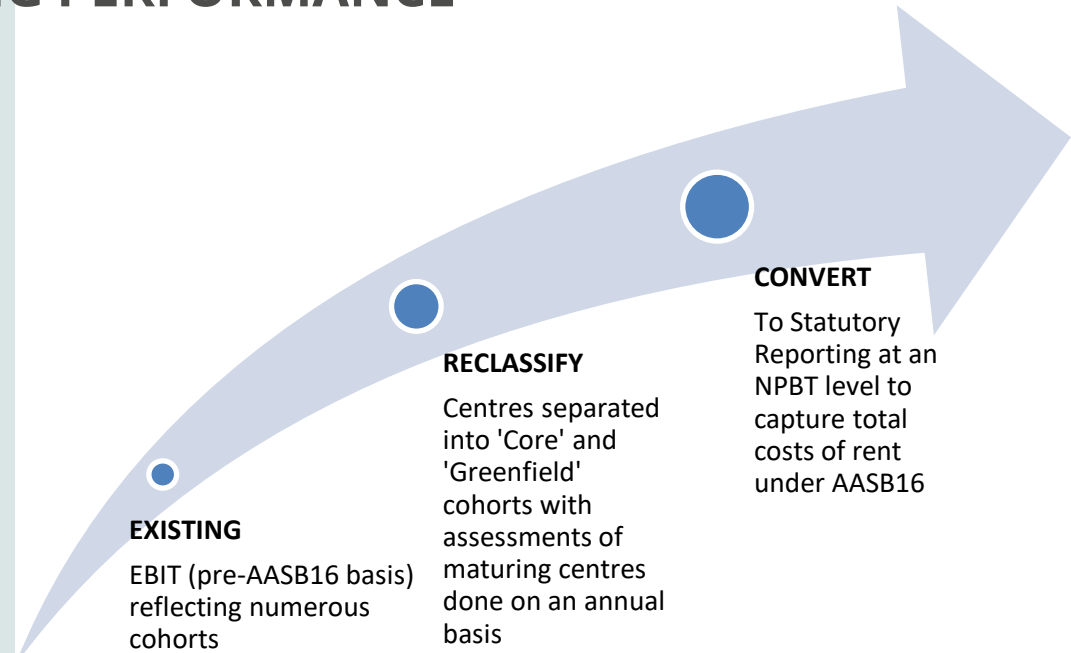


Key metrics

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

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

Reclassify

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

Convert

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

¹ 2017 Acquisitions include 21 Brownfield acquisitions (excluded from Greenfield definition)

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

³ 2019 Acquisitions include two Brownfield acquisitions (excluded from Greenfield definition)

[^] EBIT reported on a pre-AASB16 basis

Q&A



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