

# ASX Announcement

G8 Education Limited  
(ASX:GEM)



13 December 2021

The Manager  
Market Announcements Office  
Australian Securities Exchange

## TRADING UPDATE & ANALYST CALL

G8 Education Limited (ASX: GEM) is pleased to provide the enclosed Trading Update.

An analyst call will be held at 10am AEST, Monday 13 December 2021.

**Webcast Details:** The webcast can be viewed by navigating to  
<https://ccmediaframe.com/?id=xJv1UKjD>.

**Teleconference Details:** Participants can register for the teleconference by navigating to  
<https://s1.c-conf.com/diamondpass/10018449-ms7322.html>. Please note that registered participants will receive their dial in number upon registration.

Yours faithfully

Tracey Wood  
Chief Legal, Quality & Risk Officer  
t. +61 7 5581 5315  
[Tracey.Wood@g8education.edu.au](mailto:Tracey.Wood@g8education.edu.au)

*This document has been authorised for release by the Board of Directors.*

### For further information, contact:

#### Investors

Gary Carroll, CEO  
+61 7 5581 5313  
[gary.carroll@g8education.edu.au](mailto:gary.carroll@g8education.edu.au)

Sharyn Williams, Chief Financial Officer  
+61 7 5581 5404  
[Sharyn.Williams@g8education.edu.au](mailto:Sharyn.Williams@g8education.edu.au)

#### Media

Chloe Rees, Cato & Clive  
0417 665 416  
[chloe@catoandclive.com](mailto:chloe@catoandclive.com)



G8 Education<sup>ltd</sup>

## TRADING UPDATE

**Investor  
Presentation**

13 December 2021



# DISCLAIMER

The material in this presentation has been prepared by G8 Education Limited (**G8**) and is general background information about G8's activities current as at the date of this presentation. The presentation does not purport to be complete and should be read in conjunction with G8's other periodic and continuous disclosure announcements which are available via [www.asx.com.au](http://www.asx.com.au)

This presentation is for information purposes only and is not legal, tax, financial product, investment or other advice or a recommendation to acquire G8 securities and has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek legal and taxation advice appropriate to their jurisdiction.

This presentation contains certain "forward-looking statements". The words "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target", "outlook", "guidance" and other similar expressions generally identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

**You are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the COVID-19 pandemic.**

Forward-looking statements, opinions and estimates provided in this presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may vary materially for many projections because events and actual circumstances frequently do not occur as forecast and these differences can be material. This presentation contains such statements that are subject to risk factors associated with the industry in which G8 operates (including without limitation the ongoing impacts of COVID-19) which may materially impact on future performance. Investors should form their own views as to these matters and the assumptions on which any forward-looking statements are based. Except as required by law or regulation (including the ASX Listing Rules), G8 disclaims any obligation or undertaking to update or revise such information to reflect any change in expectations or change in events, circumstances or conditions on which any statement is based. The inclusion of forward-looking statements in this presentation should not be regarded as a representation, warranty or guarantee with respect to its accuracy or the accuracy of the underlying assumptions or that G8 will achieve, or is likely to achieve, any particular results.

Neither G8, nor its related bodies corporate, directors, officers, employees, agents, contractors, consultants or advisers makes or gives any representation, warranty or guarantee, whether express or implied, that the information contained in this presentation is complete, reliable or accurate or that it has been or will be independently verified, or that reasonable care has been or will be taken by them in compiling, preparing or furnishing this presentation and its context.



# AGENDA



## G8 EDUCATION LIMITED

ASX: GEM

Gary Carroll (CEO) and Sharyn Williams (CFO)

## TRADING UPDATE

## COVID-19 ENVIRONMENT

## STRATEGIC PROGRAM UPDATE

## Q&A



# EXECUTIVE SUMMARY

**Trading positive  
despite continued  
COVID-19  
disruptions**

**Continued  
progress being  
made on Strategic  
Priorities**

**Transitioning to a  
COVID-19 normal  
Environment**

- CY21 YTD (to 30/11/21) Operating EBIT<sup>2</sup> of \$76m and Operating NPAT of \$43m, ahead of consensus estimates
  - Occupancy in CY21 H1 closed the gap on CY19, from July onwards, COVID-19 disrupted the usual seasonal uplift in various states
  - Core occupancy (for the week ended 5/12/21) is 76.5%, 1.7%pts above CY20 and 2.1%pts below CY19 - Regional centres tracking above and Metro/CBD tracking below CY19
  - Strong balance sheet, net debt of \$17m after impact of wage remediation payments of \$38m
- 
- The Improvement Program (IP) has rolled-out across 223 centres and a further 137 new centres were recently inducted into the program. Financial and quality improvement performance continues to exceed expectations
  - Ongoing targeted initiatives underway to retain educators in a sector experiencing shortages and elevated turnover
  - Greenfield portfolio performing to expectations and there is a strong pipeline of attractive new centres to be opened during 2022
  - Good progress being made to exit impaired centres
- 
- As an essential service, the long-term fundamentals of the sector remain strong with ongoing bi-partisan support
  - Government support continued in CY21 (with \$21m of support<sup>3</sup> received). Support is currently provided in the form of Gap Fee Waivers and Allowable Absences
  - The extended COVID-19 impacts in the largest states of NSW and Victoria, and continuing COVID-19 uncertainty, makes forecasting opening occupancy levels in CY22 very challenging
  - Whilst the number of potential closures in CY22 and the corresponding revenue impact is uncertain, we are closely monitoring the impact of COVID-19 restrictions as they continue to ease and the transition towards a COVID-19 normal environment

1. Core includes all centres excluding the 16 centres in the greenfield portfolio 2. Operating EBIT = EBIT less lease interest and before non-operating items (e.g. gains on sales and Software as a Service development costs); Operating NPAT = Operating EBIT less finance charges less tax @ 30%. 3. Victorian Recovery Payment and Business Continuity Payment

# TRADING UPDATE

## Statutory, unaudited financials

### Financials

- YTD Operating EBIT (after lease interest)<sup>1</sup> of \$76m and Operating NPAT<sup>1</sup> \$43m, above consensus estimates
- Current core occupancy<sup>2</sup> of 76.5%, 1.7%pts above CY20 and 2.1%pts below CY19
- Revenue impacted by parent gap fee waivers (where children did not attend due to COVID-19) combined with the seasonal uplift trend not occurring for COVID-19 affected states
- Software as a service (SaaS) development costs to be reassessed following an IFRIC<sup>3</sup> agenda decision
  - SaaS development costs that were previously treated as capex will be reflected in the P&L
  - This is an accounting treatment change and there is no change to cashflows

### Capital Management

- CY21 capex program delivered in non-COVID-19 impacted states with movement restrictions inhibiting some works in NSW and Victoria
- Net debt currently \$17m following \$38m of wage remediation payments to circa 70% of the team members to be paid
- Dividend policy expected to recommence with full year CY21 dividend intended to be paid in CY22

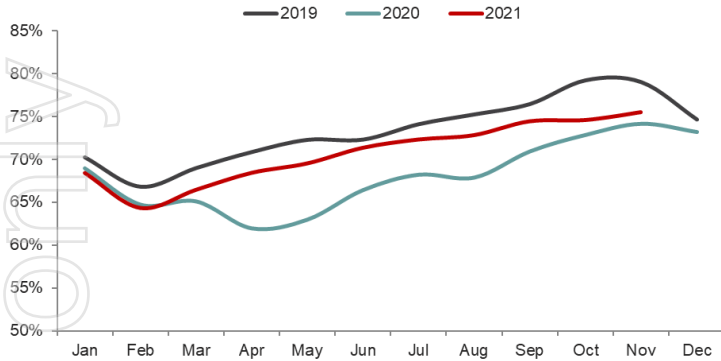
**1.** EBIT after lease interest (of c. \$37m for 11 months) before non-operating items (e.g. gains on sales, SaaS development costs); Operating NPAT = Operating EBIT less finance charges (of c. \$12.5m for 11 months) and tax **2.** For the week ended 5 December 2021

**3.** International Financial Reporting Interpretations Committee

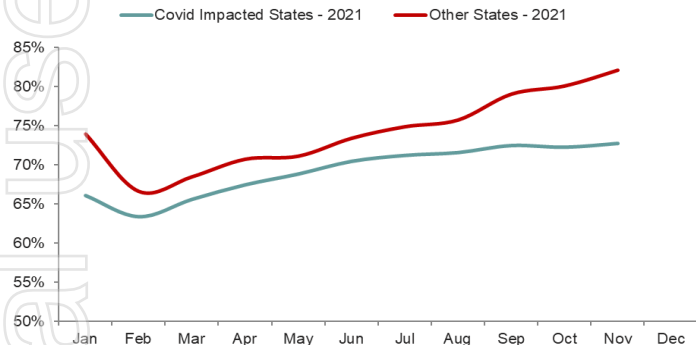
# OCCUPANCY TRENDS

Seasonal growth trend disrupted

## Monthly Core Occupancy (%) - average



## Monthly Core Occupancy - States (%)



- Occupancy in CY21 H1 closed the gap on CY19 levels with COVID-19 disrupting the usual seasonal uplift in NSW and Victoria from July
- Current core occupancy is 2.1%pts below CY19
  - Regional is 3.1% pts above;
  - Metro and CBD below CY19; 5.7% pts and 29.6% pts respectively
- The lack of seasonal occupancy build in the largest states of NSW and Victoria may impact CY22 opening occupancy levels

## Occupancy by State - current

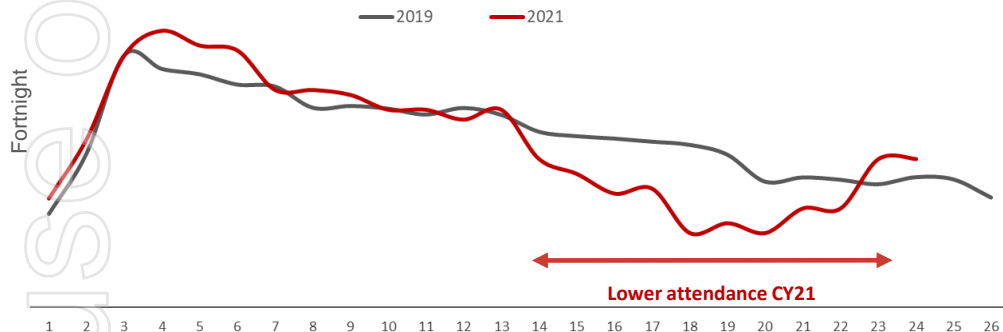
State	Current Core Occupancy – W/E 5 December				
	CY21	CY20	CY21 v CY20	CY19	CY21 v CY19
ACT	58.7%	67.1%	(8.4%)pts	82.2%	(23.4%)pts
NSW	76.1%	75.7%	0.4%pts	79.1%	(3.0%)pts
QLD	83.5%	81.0%	2.5%pts	83.0%	0.5%pts
SA	80.9%	79.5%	1.3%pts	81.8%	(0.9%)pts
VIC	73.1%	69.6%	3.5%pts	77.0%	(4.0%)pts
WA	82.6%	81.2%	1.5%pts	73.8%	8.9%pts
<b>National</b>	<b>76.5%</b>	<b>74.8%</b>	<b>1.7%pts</b>	<b>78.6%</b>	<b>(2.1%)pts</b>

1. "Core" includes all centres excluding the 16 centres in the greenfield portfolio

# WAGE EFFICIENCY

Attendances impact rostering

## Wage hours per booking by fortnight



- Investments in workforce planning support resources and systems have resulted in rosters being managed well to attendance levels
- From fortnight 23, increased wage hours per booking reflects normalisation of attendance levels
- The “inefficiency” relative to CY19 is driven by lower occupancy and is reflected in the higher wage hours per booking in fortnight 23 onwards



# COVID-19 ENVIRONMENT

## Impact of closures and cost considerations

### Impact of closures

- In the 5 months July to November 2021, there have been 119 centre closures for an average of 7 days per closure
- Average lost revenue per day of closure per centre has been c. \$3.3k, dependent on state-based isolation requirements for children and team. This flows to earnings given wages continue to be paid to centre team members
- Operational processes are in place to expedite contact tracing to minimise closure duration
- The potential number of CY22 closures is clearly uncertain, although they should progressively reduce as the transition to a COVID-19 normal environment is completed, with a corresponding positive impact on overall occupancy levels

### Government Support and Requirements

- Governments have proven their willingness to support the sector with various packages contributing \$21m in CY21
- The Government continues to support the sector through Gap Fee Waivers (where a centre is closed or a child or a member of their immediate family is required to isolate due to COVID-19). The CCS component represents c. 57% of fees
- Families also have access to 10 additional allowable absence days, for a total of 52 days
- State-based isolation requirements currently range from:
  - the period it takes to receive a negative PCR test for close contact team and children in Victoria
  - up to 14 days for children and team in ECEC settings in other states
- The government of each state and territory that G8 operates in has announced a requirement for ECEC workers to be vaccinated for COVID-19

### Managing Cost Considerations

- The proposed CY22 fee increase will balance the necessary increase in the cost base with the necessity of managing parent affordability
- The necessary increase in the cost base stems from the:
  - Improvement in the employment proposition for educators to improve retention, including increasing wage rates for Early Childhood Teachers and engaging external cleaners for all centres
  - Continuing impact of COVID-19 on the cost base, extending to increased consumables (e.g. gloves), a dedicated COVID-19 support team and an increase in agency costs primarily due to the inability to share team members across centres in COVID-19 impacted areas

# STRATEGIC PROGRAM UPDATE

## Quality & experience improvement

- The Improvement Program (IP) has rolled out across 223 centres and recently a further 137 new centres were inducted into the program
- Financial performance of prior cohorts continues to exceed target and all assessed CY21 cohort centres rated as either meeting or exceeding NQS
- Investment in centre physical quality will continue targeting benefits in NQS ratings and team and family engagement
- Sector turnover of educators remains elevated and retention activities remain a focus - remuneration increases, service awards recognition program, G8 Study Pathways program (now over 1,000 active participants)

## Network optimisation & growth

- Average occupancy of the 16 greenfield centres is nearing the maturity hurdle of 80%. CY21 YTD EBIT<sup>1</sup> earnings for the portfolio is \$1.7m. Approximately 6 greenfield centres will be transferred to the Core from January 2022
- 1 new centre opened during CY21 with COVID-19 resulting in a number of deferrals. 13 new centres expected to open during CY22. Upon reaching targeted occupancy level, they are expected to generate strong earnings growth, under the refreshed capital light approach. During CY22, effectively the first year of the revised Greenfield program, the greenfield centres are expected to create negative CY22 EBIT<sup>1</sup> of \$5.5m as they gradually ramp-up attendance and mature greenfield centres are moved to the Core
- Steady progress to exit the impaired centres continues with 21 now completed
- Leor is trading in line with expectations although CY21 earnings contribution will be minimal. Focus since completion has been on planning and securing resources to best support Leor to pursue its CY22 growth strategy

## Systems & platforms

- The HRIS & rostering system build and testing has been completed. The roll-out across the support office was successful and included the progression to a weekly pay cycle. The roll-out to the first regional cohort of centres is on track and expected to occur during December 2021
- The testing phase of the financial management system is nearing completion with launch confirmed for early CY22

<sup>1</sup> EBIT = Statutory EBIT after lease interest

