

17 December 2021

Evolve Guidance and Trading Update

With the end of Covid-19 related lockdowns in New Zealand and Australia, listed New Zealand and Australian childcare and education centre operator Evolve Education Group Limited (ASX/NZX: EVO) is now able to provide an earnings guidance for financial year ending 31 December 2021 (FY21) and financial year ending 31 December 2022 (FY22) as well as a current trading update.

Guidance For FY21 And FY22

On 8 June 2021, EVO gave the following guidance for consolidated underlying EBITDA (amounts in NZD):

- 1 For FY21 - between \$16m and \$18.5m.
- 2 For FY22 - between \$23m and \$25m.

On 26 August 2021, EVO advised that the guidance issued on 8 June 2021 for FY21 was withdrawn due to uncertainty caused by Covid 19 lockdowns although guidance for underlying EBITDA for FY22 was maintained (between \$23m and \$25m).

Today, EVO wishes to advise the following guidance for unaudited, consolidated underlying pre IFRS 16/AASB16 EBITDA for FY21 and FY22 (amounts in NZD):

- 1 For FY21- between \$11.5m and \$13m.
- 2 For FY22 - between \$23m to \$25m.

The difference between the 8 June 21 guidance and the expected result for FY21 is due almost entirely to the financial effects of revenue losses in NZ due to Covid 19 lockdowns (see below).

Guidance for FY22 is subject to there being no material Covid 19 related issues in FY22.

2021 Lockdown Effects

Set out below is an outline of Covid-19 lockdowns in New Zealand and the financial effect thereof.

In New Zealand, Covid-19 lockdowns were in place for the following periods during FY21:	
15 Feb to 17 Feb and 28 Feb to 6 Mar	Auckland
18 Aug to 7 Sept	All of NZ except Auckland/Waikato
18 Aug to 7 Sept and 4 Oct to 16 Nov	Waikato
18 Aug to 3 Dec	Auckland

These lockdowns lead to an EBITDA loss of approximately \$6m in FY21 mainly due to a loss of parents' fees and not qualifying for wage subsidies (due to a change in the eligibility threshold by the New Zealand Government) while staff wages were paid in full throughout.

This contrasts with what happened in calendar year 2020 where the loss in revenue was offset by wage subsidies. The extended lockdowns and restrictions this year have also had an adverse impact on current occupancy which is lower than anticipated.

Adding back the FY21 NZ EBITDA loss due to Covid 19 (\$6m) implies that consolidated EBITDA for FY21 would have likely fallen within the range \$17.5m to \$19m if lockdowns had not occurred in FY21 in NZ. This is consistent with the 8 June guidance.

In Australia, the federal government introduced the Business Continuity Payment (BCP) for all centres in designated Covid hotspots. The BCP was an additional government funding of 25% of revenue (from a reference period) for centres in hotspot areas during the affected period. Any loss of parent fee revenue due to lockdowns in Australia was therefore offset by the BCP.

Trading Update

Set out below is relevant data for the week ended 28 November 2021:

	NZ(NZD)	Aus(AUD)
Centres	110	23
Revenue	2.165m	1.084m
Centre EBITDA	213,000	338,841
Occupancy	69%	86%
Cash on hand	33.9m	24.6m

Centre Acquisition Status

EVO currently operates 110 early childhood education centres in NZ and 23 in Australia. A further centre is under financial/legal due diligence in Australia.

The centre acquisition process in Australia was put on hold during the recent NZ Covid-19 related lockdowns in order to conserve capital because there was no certainty when the lockdowns would end. The acquisition process has now recommenced given that there is a reasonable expectation that Covid-19 related lockdowns maybe not occur again with the implementation of the Covid Protection Framework (traffic light system) by the authorities in New Zealand.

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