



**MAYFIELD**  
CHILDCARE LIMITED

# Mayfield Childcare Limited CY 2021 Full Year Results

## Investor Presentation

23 February 2022

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# CY 2021 Highlights

The CY 2021 year has proven to be the tale of two halves, characterised by the level of restrictions and challenges associated with the COVID-19 pandemic, faced by our communities, our people, and the economy.

The first half of CY 2021 reflected a more normalised trading environment and improved operating performance, though the COVID-19 restriction implemented in the second half, restrained the recovery trends for the business.

- **Acquisition growth transforms future size and scale of the business.**
  - Transformational acquisitions of 16 childcare centres across Victoria, Queensland and South Australia.
  - Acquired 14 Genius Learning centres, representing 1,347 licensed places, with an annualised EBITDA forecast of \$8.0m.
  - Acquired 2 independent centres, representing 181 licensed places, with an annualised EBITDA forecast of \$1.0m.
  - Growth pipeline secured with 5-year incubator arrangement with Genius Learning.
- **Strong support by Institutional and Retail investors for the Genius acquisition.**
  - \$8.0m raised via Institutional Placement.
  - \$1.75m raised via Share Purchase Plan.
- **Underlying business remains strong despite COVID challenges.**
  - Revenues of \$40.1m, up 7.9%.
  - Group EBITDA of \$7.0m, up 3.7%.
- **Business delivers attractive earnings and dividends.**
  - Underlying NPAT of \$4.3m down 4.6%.
  - The Board announced in July 2021, the inaugural interim fully franked dividend of 2.47cps.
  - Mindful of the recent substantial increase in issue capital, the Board declares a final fully franked dividend of 2.00 cps (pre Genius acquisitions costs).

# CY 2021 Highlights

- **Occupancy performance at pre-COVID-19 levels.**
  - Occupancy of 70.1% vs 67.2% in CY 20 and 69.5% in CY 19.
  - Strong 1H growth, was constrained in the 2H, by COVID restrictions placed on the access to childcare and work permits for authorised workers.
- **Increased investment in business assets and customer acquisition.**
  - Acceleration of capital improvement program following the suspension of works during the 2020 year.
  - Significant investment in online assets, 3<sup>rd</sup> party referral sites and search engine optimisation.
  - Ongoing investment in centre based educational resources and staff development.
- **Quality recognition.**
  - Quality Improvement Program continues to deliver results for the business.
  - 90% of portfolio rated Meeting or Exceeding the National Quality Standard.
- **Balance sheet strength bolstered.**
  - Net debt reduced by \$2.1m or 25.6% to \$6.2m.
  - Net assets up by \$36.1m to \$67.1m reflecting 2021 acquisitions.
- **Loan facilities increased with Westpac.**
  - Following negotiations with Westpac, loan facilities have been increased from \$18.0m to \$30.0m.
  - Total debt drawn is \$8.1m, providing \$21.9m of available funds to support acquisitions.



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## 02 FINANCIAL PERFORMANCE:

REVENUE & EBIT RECONCILIATION

OPERATING PERFORMANCE

BALANCE SHEET

CASH FLOW

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## CY 2021 Revenue Bridge

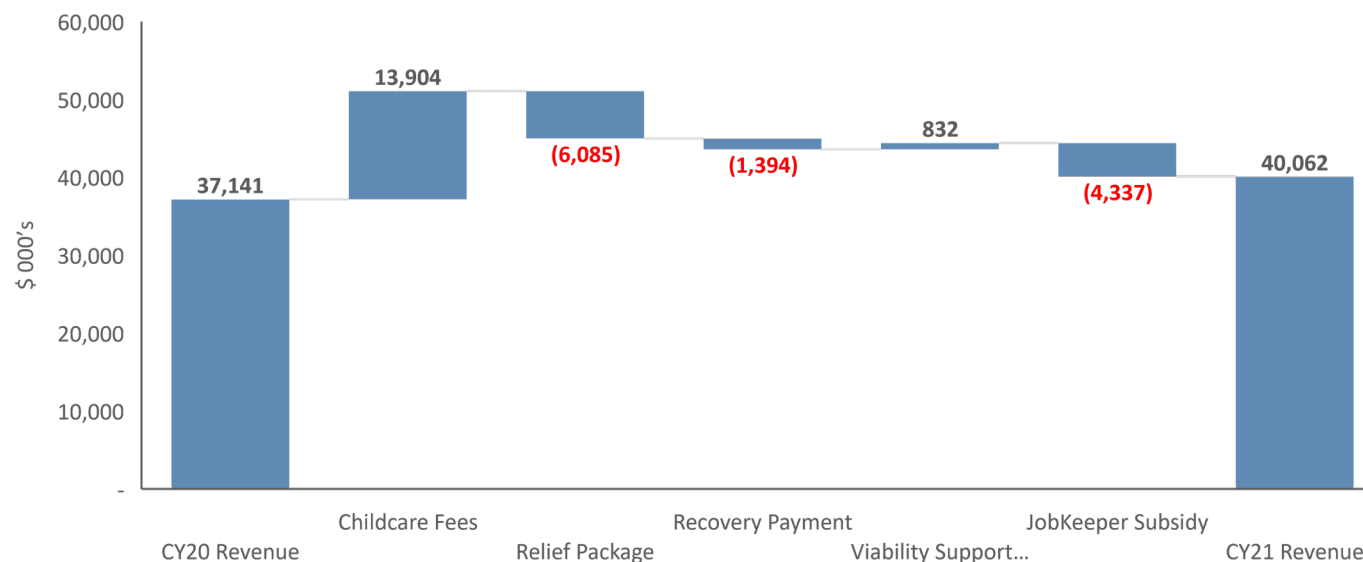
- Underlying Revenue was \$40.1m, up 7.9%.
- With a full year of normal CCS and co-parent payments, Childcare Fees increased by \$13.9m, offset by the various Industry and Government stimulus payments of \$11.8m received in CY 2020.
- The last of the Recovery Payments, implemented in Sept 2020, along with funds received as part of the Governments Business Continuity payments in 2H CY 2021 contributed \$0.8m.

## CY 2021 EBIT Bridge

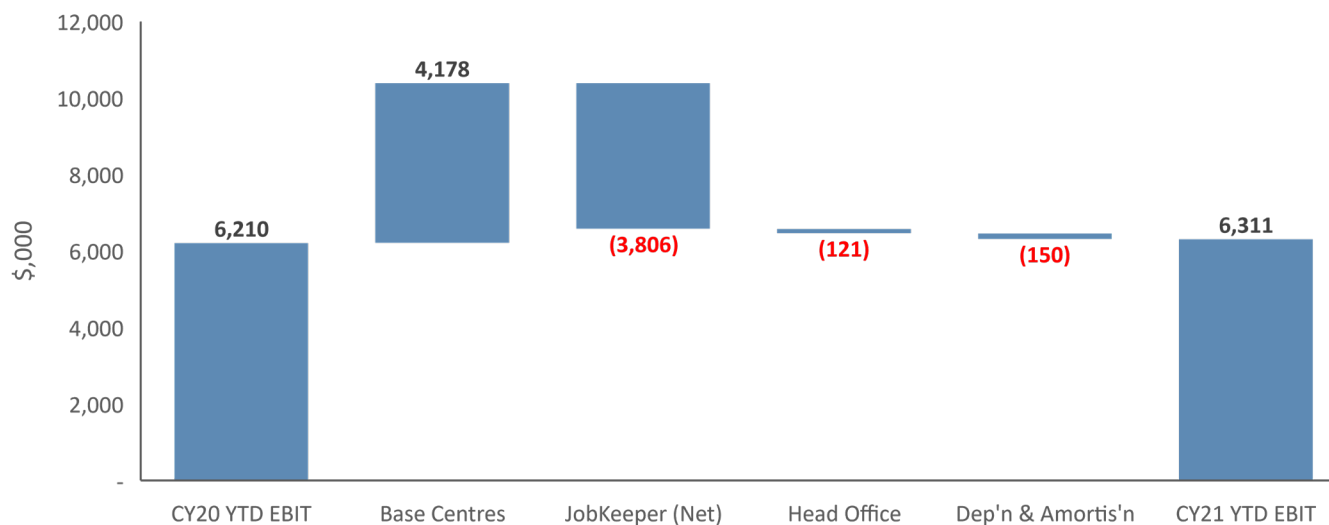
- Underlying EBIT of \$6.3m, up 1.6%.
- Centre EBIT growth of \$4.2m, reflects flow through of occupancy growth and continued strong centre operating margins of 24.1%.
- Offsetting centre growth, are the JobKeeper payments received in CY 2020, net of “wage top-up” payments, totalling \$3.8m.

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

## Underlying Revenue Movement from CY 2020 to CY 2021



## Underlying EBIT Movement from CY 2020 to CY 2021



## Operating Performance

- Childcare Fees of \$38.6m, up 56.2%, reflects occupancy growth and a return to normal trading with CCS and co-parents payments.
- This was offset by the cessation in the main of the various COVID-19 Industry Support and Stimulus packages implemented during CY 2020.
- Centre labour costs are up 9.6%, with a wages to revenue ratio of 56%, up by 0.9%.
- Facility costs are up by 7.7% as a result of rental rebates secured during the pandemic on CY 2020.
- Movements in depreciation reflects a recommencement of capital works put on hold during CY 2020.
- Effective tax rate has increased as the business no longer qualifies for the company tax rebate.

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

A\$ 000's	CY 2021 Statutory	AASB 16 Leases	CY 2021 Underlying	CY 2020 Underlying	Var %
Childcare fees	38,632		38,632	24,727	56.2
Industry Support Payments	1,430		1,430	8,077	(82.3)
JobKeeper Wage Subsidy				4,337	(100.0)
<b>Total Revenue</b>	<b>40,062</b>		<b>40,062</b>	<b>37,141</b>	<b>7.9</b>
Labour costs	22,447		22,447	20,480	(9.6)
Operating expenses	2,445		2,445	2,258	(8.3)
Facilities costs	1,151	4,372	5,523	5,128	(7.7)
<b>Centre EBITDA</b>	<b>14,019</b>	<b>(4,372)</b>	<b>9,647</b>	<b>9,275</b>	<b>4.0</b>
HO Staff & related costs	1,528		1,528	1,610	5.1
Other corporate overheads	963	136	1,099	896	(22.7)
<b>Group EBITDA</b>	<b>11,528</b>	<b>(4,508)</b>	<b>7,020</b>	<b>6,769</b>	<b>3.7</b>
Depreciation	5,093	(4,384)	709	559	(26.8)
<b>Group EBIT</b>	<b>6,435</b>	<b>(124)</b>	<b>6,311</b>	<b>6,210</b>	<b>1.6</b>
Finance costs	1,360	(1,006)	354	402	11.9
Tax	1,444	265	1,709	1,353	(26.3)
<b>NPAT from Continuing Operations</b>	<b>3,631</b>	<b>617</b>	<b>4,248</b>	<b>4,455</b>	<b>(4.6)</b>
Loss on disposal	1,060		1,060	272	(100.0+)
<b>NPAT</b>	<b>2,571</b>	<b>617</b>	<b>3,188</b>	<b>4,183</b>	<b>(23.8)</b>
Centre EBITDA margin			24.1	25.0	(0.9)
Wages to Revenue %			56.0	55.1	(0.9)

## Balance Sheet

- Improved cash position of \$0.7m.
- Movements in receivables, plant and equipment and intangibles predominately driven by the acquisition of the 14 Genius Learning centres in December 2021.
- Reductions in borrowing reflects re-negotiation of loan facilities with Westpac. Mayfield currently has access to \$6.9m of unrestricted borrowing capacity, in addition to its new \$15.0m acquisition facility.
- Provision taken against the earn-out associated with the Genius acquisition.

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

A\$ 000's	31 Dec 21 Statutory	AASB 16 Leases	31 Dec 21 Underlying	31 Dec 20 Underlying	Var \$
Cash and cash equivalents	2,265		2,265	1,569	696
Trade and other receivables	2,826		2,826	1,300	1,526
<b>Current Assets</b>	<b>5,091</b>		<b>5,091</b>	<b>2,869</b>	<b>2,222</b>
Plant and equipment	3,760	21	3,781	2,597	1,184
Deferred tax	1,611	(585)	1,026	604	422
Right of use assets	133,540	(133,540)			
Intangibles	82,612		82,612	39,638	42,974
<b>Non-current assets</b>	<b>221,523</b>	<b>(134,104)</b>	<b>87,419</b>	<b>42,839</b>	<b>44,580</b>
<b>Total Assets</b>	<b>226,614</b>	<b>(134,104)</b>	<b>92,510</b>	<b>45,708</b>	<b>46,802</b>
Trade and other payables	4,584		4,584	2,228	2,356
Borrowings	409		409	1,632	(1,223)
Leases	6,322	(6,322)			
Tax liabilities	576		576	782	(206)
Provisions	2,606		2,606	1,682	924
<b>Current liabilities</b>	<b>14,497</b>	<b>(6,322)</b>	<b>8,175</b>	<b>6,324</b>	<b>1,851</b>
Borrowings	8,077		8,077	8,297	(220)
Leases	129,274	(129,274)			
Provisions	9,160		9,160	107	9,053
<b>Non-current liabilities</b>	<b>146,511</b>	<b>(129,274)</b>	<b>17,237</b>	<b>8,404</b>	<b>8,833</b>
<b>Total Liabilities</b>	<b>161,008</b>	<b>(135,596)</b>	<b>25,412</b>	<b>14,728</b>	<b>10,684</b>
<b>Net Assets</b>	<b>65,606</b>	<b>1,492</b>	<b>67,098</b>	<b>30,980</b>	<b>36,118</b>

## Coverage & Gearing Ratios

- Net debt reduced by \$2.1m or 25.6% to \$6.2m.
- Shareholder equity movements reflect scrip issue as part of Genius acquisition along with Placement and SPP funds.
- Debt metrics demonstrate the strength of the business to meet its obligations, while low gearing provides strong capacity to support future acquisitions.
- The business continues to maintain significant headroom in relations to its banking covenants and goodwill valuations.

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

A\$ 000's	CY 2021 Underlying	CY 2020 Underlying	CY 2019 Underlying
Current Borrowings	409	1,632	1,329
Non-Current Borrowings	8,077	8,297	11,493
Cash & Cash Equivalents	(2,265)	(1,569)	(649)
<b>Net Debt</b>	<b>6,221</b>	<b>8,360</b>	<b>12,172</b>
<b>Shareholder Equity</b>	<b>67,098</b>	<b>30,980</b>	<b>28,989</b>
<b>Underlying EBITDA</b>	<b>7,020</b>	<b>6,770</b>	<b>6,103</b>
Net Debt / EBITDA (x)	0.89	1.23	1.99
Debt / Equity (%)	12.6	32.1	44.2
<b>Net Interest</b>	<b>354</b>	<b>402</b>	<b>661</b>
EBITDA / Net Interest (x)	19.8x	16.8x	9.2x
Fixed Coverage Charge (x)	2.4x	2.5x	2.2x
Gearing Ratio (%)	8.5%	21.3%	29.6%

# Cash Flow

- Positive net operating cash flows reflects return to normal trading with CCS and co-parents payments, partially offset by higher tax obligations.
- Movement in net investing cash flows reflects CY21 acquisitions.
- Gains in financing cash flows are as a result of the Placement and SPP, associated with the Genius acquisition.

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

A\$ 000's	CY 2021 Statutory	AASB 16 Leases	CY 2021 Underlying	CY 2020 Underlying
<b>Operating cash flows</b>				
Customer & Government funds	39,670		39,670	33,390
JobKeeper Wage Subsidy				4,336
Operating expenses	(26,952)	(4,509)	(31,461)	(29,514)
Interest	(1,239)	898	(341)	(404)
Income tax	(2,039)		(2,039)	(739)
Other	372		372	20
<b>Net operating cash flows</b>	<b>9,812</b>	<b>(3,611)</b>	<b>6,201</b>	<b>7,089</b>
<b>Investing cash flows</b>				
Plant & equipment	(1,032)		(1,032)	(1,011)
Centre acquisitions	(10,568)		(10,568)	
Other	(46)		(46)	(64)
<b>Net investing cash flows</b>	<b>(11,646)</b>		<b>(11,646)</b>	<b>(1,075)</b>
<b>Financing cash flows</b>				
Shares Issued (net)	9,130		9,130	
Borrowings (net)	(1,833)	(33)	(1,866)	(2,904)
Repayment of Leases	(3,644)	3,644		
Dividends paid	(1,125)		(1,125)	(2,190)
<b>Net financing cash flows</b>	<b>2,528</b>	<b>3,611</b>	<b>6,139</b>	<b>(5,094)</b>
Net increase / (decrease)	694		694	920
<b>Cash &amp; cash equivalents</b>	<b>2,265</b>		<b>2,265</b>	<b>1,569</b>



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## 03 CY 2021 ACQUISITIONS:

CY 2021 ACQUISITIONS

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# CY 2021 Acquisitions

- CY 2021 heralded a significant change in the size, scale and geographical footprint of Mayfield.
- In 2H CY 21, the business secured 2 additional Victorian centres from independent operators taking the portfolio to 22 centres.
- At the end of December 2021, Mayfield completed a transformational acquisition, securing 14 centres from Genius Learning
- The combined Mayfield portfolio, post CY 21 acquisitions, now stands at 36 centres
- Acquisitions position Mayfield as a leading Australian childcare operator

Mayfield Portfolio (pre Genius)	
	Centres

As at December 2020 20

**CY 2021 Acquisitions 2**

**Total 22**

Genius Childcare Portfolio	
State	Centres

Victoria 5

Queensland 8

South Australia 1

**Total 14**

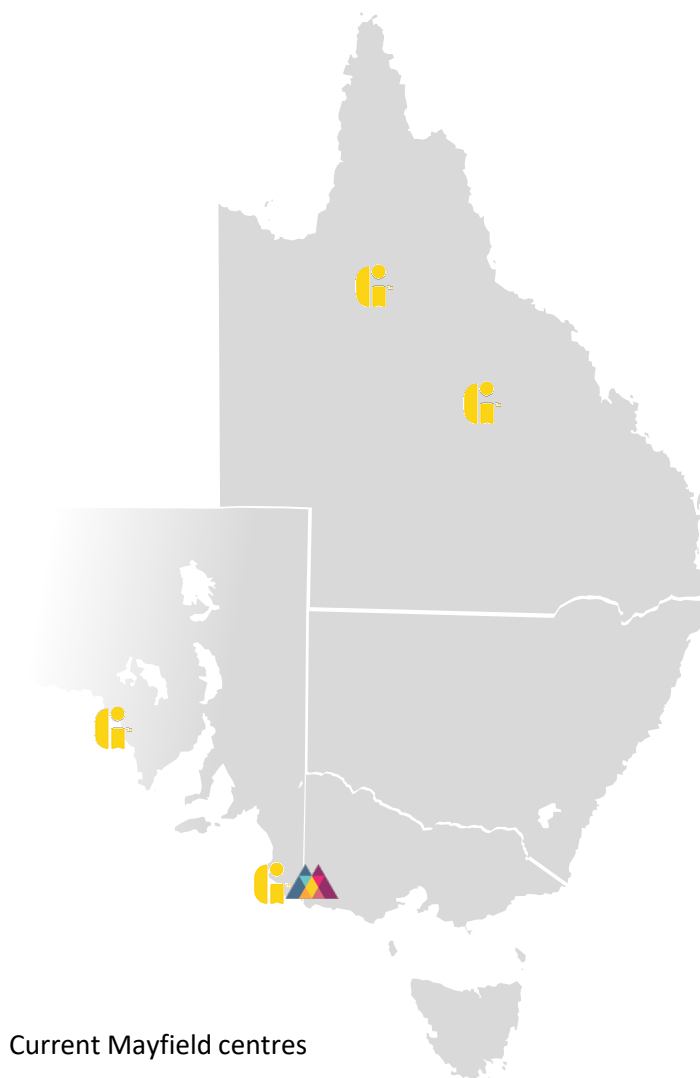
Combined Mayfield Portfolio	
State	Centres



Victoria 27

Queensland 8

South Australia 1

**Total 36**



-  Current Mayfield centres
-  Genius being centres acquired

# Genius Learning Acquisition

Acquisition Overview	<ul style="list-style-type: none"><li>• Transformational acquisition of 14 premium childcare centres across Victoria, Queensland and South Australia from Genius Education Holdings Pty Ltd</li><li>• Centres are operated under a premium brand, in high density locations with overall average occupancy of circa 74%</li><li>• Mayfield and Genius have entered a 5-year incubator partnership – agreed purchase price for incubator centres of 4.25x EBITDA</li><li>• Acquisition price of \$39.2m<sup>1</sup> or 4.9x CY22F EBITDA of \$8.0m, including a earn-out of 1.0x CY22F EBITDA (excl. costs)</li></ul>
Acquisition Terms	<ul style="list-style-type: none"><li>• Initial purchase price of 3.9x CY22F EBITDA or \$31.2 million, comprising 21.7m fully paid ordinary shares in Mayfield issued at \$1.15 per share and \$6.24m in cash</li><li>• Potential earn-out multiple of 1.0x CY22F EBITDA, only payable on Genius Education achieving CY22F EBITDA of \$8.0m<ul style="list-style-type: none"><li>• Earn-out payable is up to 80% Mayfield scrip (at same price as initial Consideration Shares) and 20% cash</li></ul></li><li>• 100% of Consideration Shares are escrowed for 24 months from date of issue. 50% to be released if the Earn-Out Hurdle is achieved and after CY22 audited results are released</li></ul>
Strategic Rationale	<ul style="list-style-type: none"><li>• Transforms size and scale of Mayfield adding 14 centres to the portfolio</li><li>• Positions Mayfield as a leading Australian childcare operator with a strong growth pipeline through an incubator partnership with Genius</li><li>• Significantly broadens and diversifies Mayfield's existing footprint to 36 centres (8 in Queensland, 1 in South Australia and 27 in Victoria)</li><li>• Incubator partnership provides ongoing pipeline of premium, high performing centres – underpinning future growth</li><li>• Highly complementary to existing portfolio – ability to market premium childcare brand</li></ul>

# Mayfield Growth Pipeline

- Mayfield and Genius have entered a 5-year incubator partnership providing certainty of growth for the business
- Genius to identify, develop and trade-up childcare centres for sale to Mayfield
- Mayfield to purchase centres once pre-agreed performance metrics are met
- Mayfield has a right of first refusal in respect of other centres developed by Genius and not yet achieving agreed performance metrics
- Allows Mayfield to focus attention on managing and operating mature centres
- Allows Genius to leverage their expertise in the trade-up of childcare centres
- Mayfield has right of first refusal to purchase centres developed by Genius that do not fall within a CDP or do not meet the performance metrics

## Pipeline Terms

Term	5 years
Acquisition Price	4.25x EBITDA (EBITDA of previous three months annualised)
Strategic investment envelope	Mayfield will provide Genius with a strategic investment envelope which sets out Mayfield 's requirements for new childcare centres and capacity requirements in each region
Childcare development plan ("CDP")	Each year, Genius and Mayfield will agree a new CDP for the year which sets out the pipeline of centres under development and potential transfer dates for completion of a sale from Genius to Mayfield
Marketing & Advertising	Genius responsible for all marketing and advertising expenses for the initial 12 months

## Performance Metrics

Occupancy	At least 75% for three consecutive months
EBITDA	Centre forecast EBITDA greater than \$150,000 based upon an annualised last three month period
Licensed places	Minimum capacity of 60 licensed places. Any existing Genius centres with a capacity below 60 licensed places will be treated as an exception and will form part of the initial agreed CDP



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## 04 OPERATIONAL PERFORMANCE:

OCCUPANCY & ATTENDANCE

REVENUE & WAGE PERFORMANCE

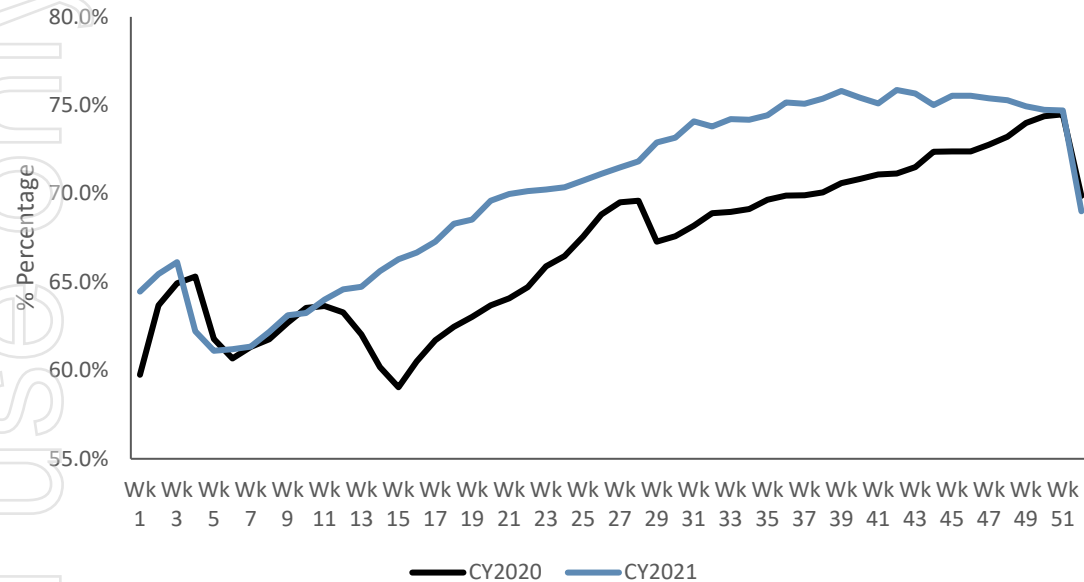
CHILDCARE FEES & ACECQA RATING

OPERATIONAL METRICS



# CY 2021 Occupancy

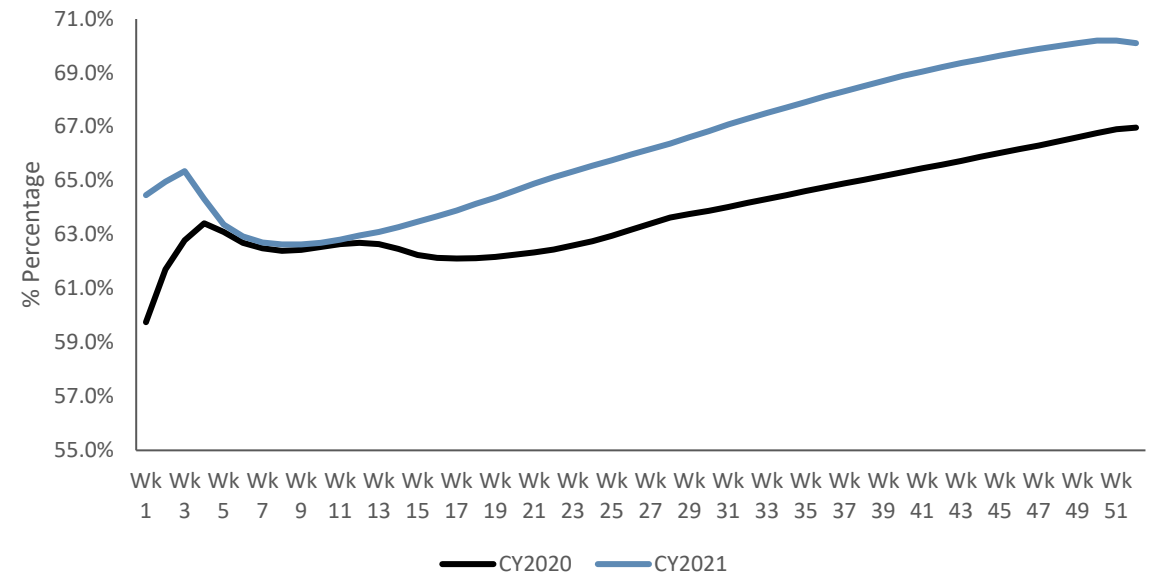
## Weekly Like for Like Occupancy\*



- Weekly occupancy trended from 64% at the start of January to 75% at the end of December.
- Occupancy in 1H CY21 was strong and reflected a welcomed recovery from CY 2020 levels.
- With the escalation of the pandemic in 2H CY 21 and the restrictions placed on access to childcare, occupancy growth slowed, plateauing from mid- Q3 onwards.
- COVID restrictions eased to late in CY 21 for any recovery to occur

\*Divested centres are excluded from the data

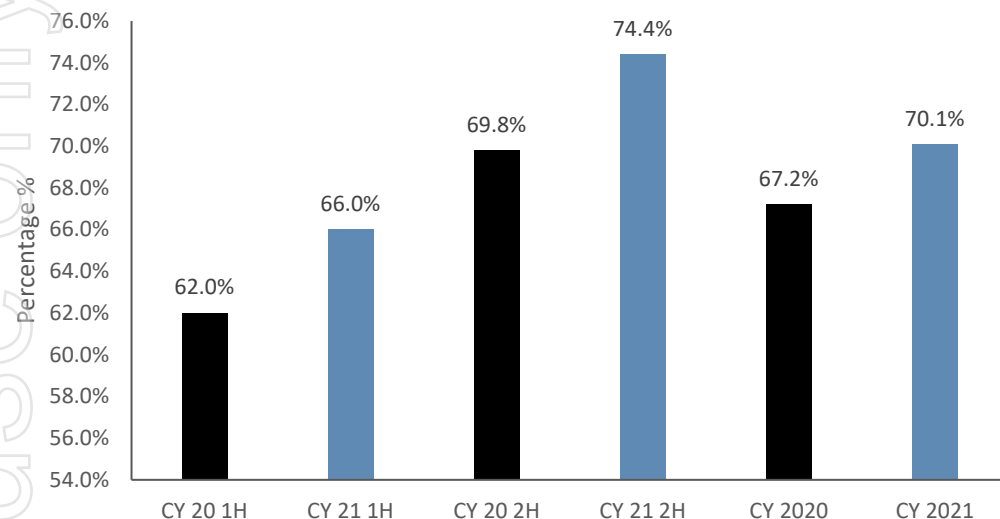
## Year-to-Date Like for Like Occupancy\*



- CY 2021 occupancy of 70.1% up 2.9%.
- CY 2020 occupancy was 67.2%.

# CY 2021 Occupancy and Attendance

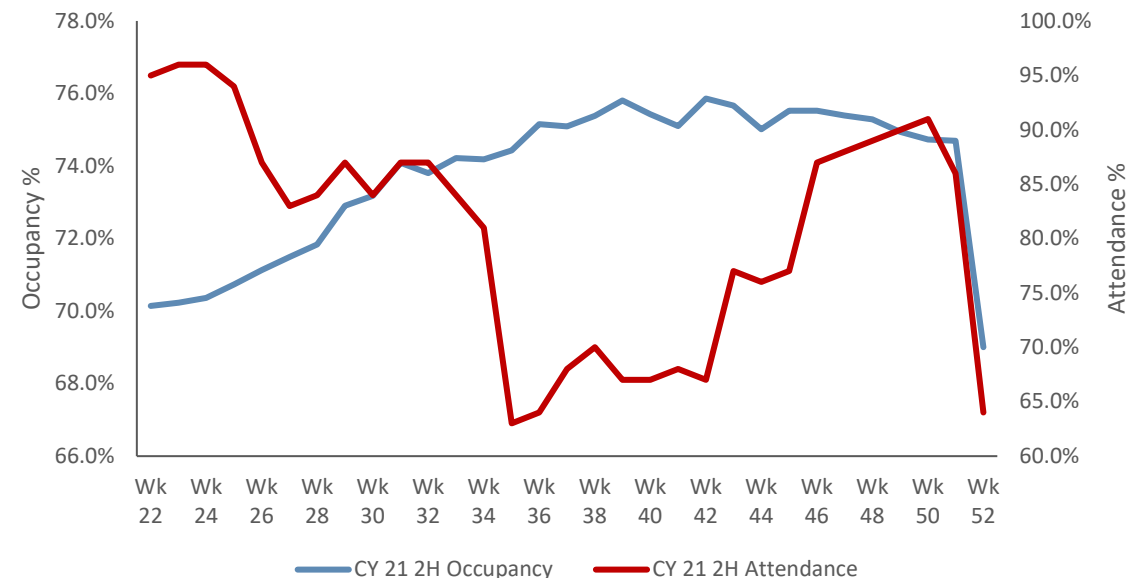
## Half- Yearly Like for Like Occupancy\*



- Occupancy in 1H CY 21 was 66.0% up 4.0% on 1H CY 20
- Occupancy in 2H CY 21 was 74.4% up 4.6% on 2H CY 20
- 2H CY 21 occupancy was in line with 2H CY 19 which was 74.2%

\*Divested centres are excluded from the data

## CY 21 2H Weekly Attendance vs Weekly Occupancy\*

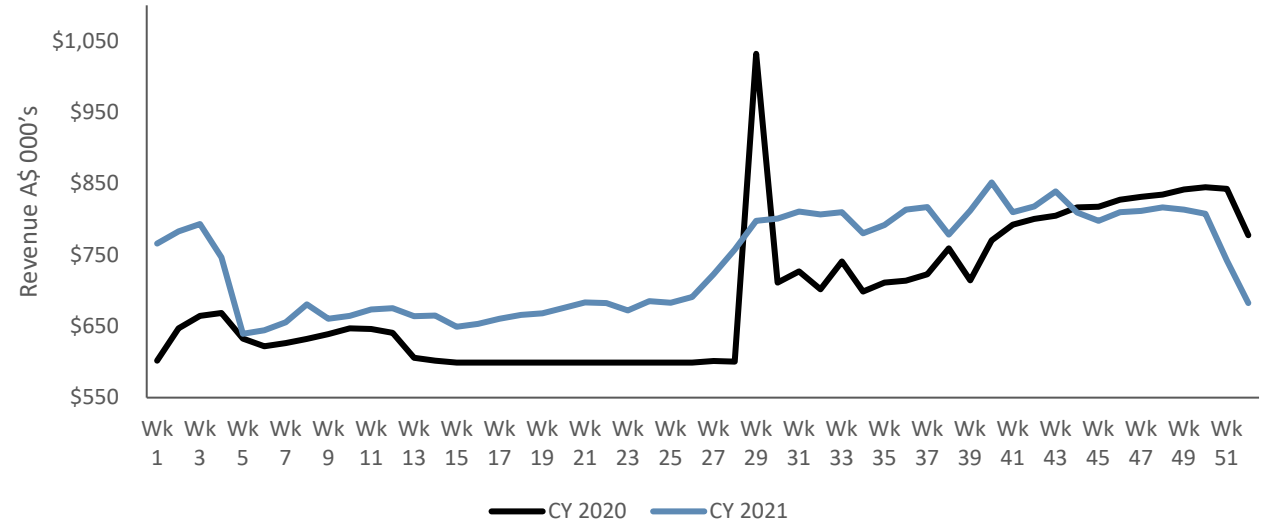


- Attendance levels again depict the impact that restrictions had on families, with the re-introduction of restricted access to childcare and permit work arrangements.
- Attendance in May-21 sat at normal operating level's of 95%+, though fell on average to just under 65% once restrictions were introduced
- By comparison, attendance in CY 20 fell to circa 40%.

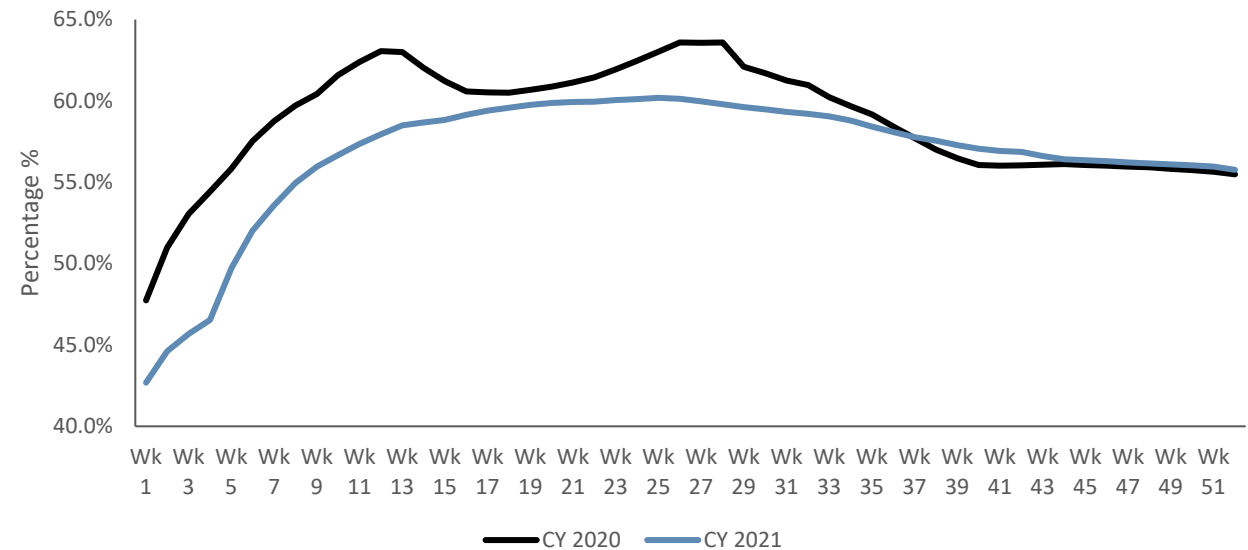
# Revenue & Wage Performance

- In the main, movements in weekly revenue reflects occupancy growth, and a return to normal trading with CCS and co-parent payments in play throughout the year.
- During the second half of CY 21, , Mayfield, as did most operators, waived the co-parent payment for non-attendance, regardless of any Industry support that was available.
- Wages to Revenue for CY 21 was 56.0%, up 0.9% on CY 20, though back in line with past years, compared to 56.3% for CY 19

## Weekly Revenue



## Year-to-Date Wages to Revenue Ratio

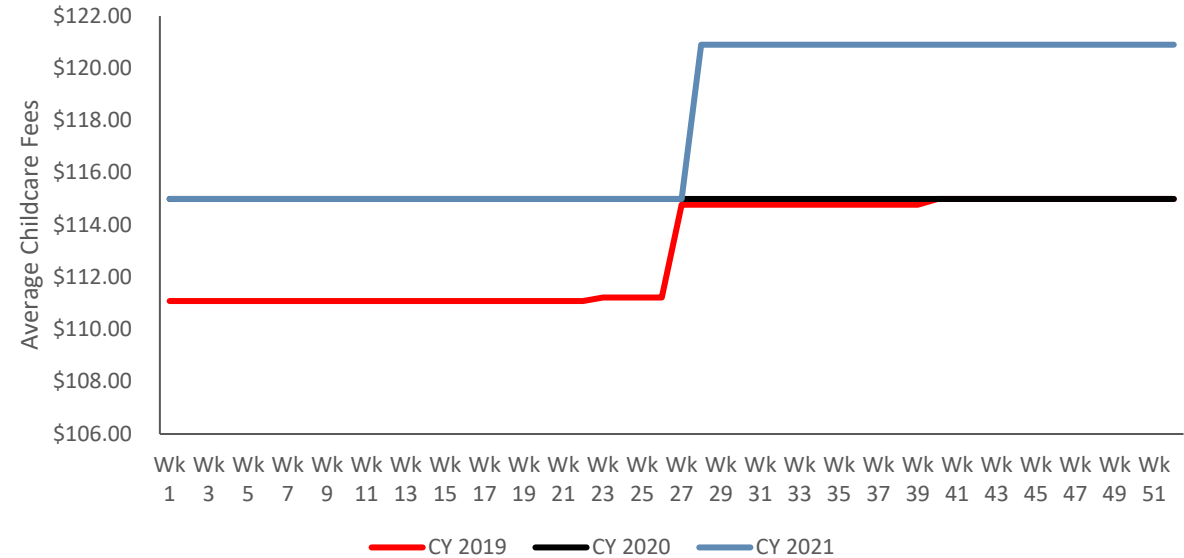


## Childcare Fees & Quality Rating

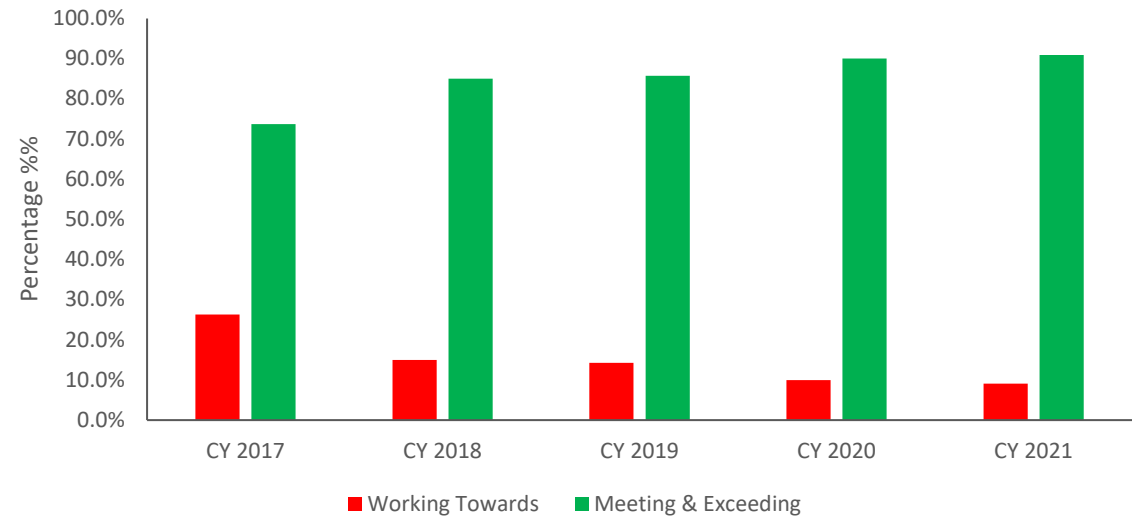
- With the removal of the moratorium placed on fee increases as part of the various Industry Support packages during CY 2020, Mayfield increased its average childcare fees by 5.1% to \$121/day.

- 90% of centre are rated Meeting or Exceeding the ACECQA Quality Rating
- As was the case in CY 2020, ACECQA suspended all Assessment & Rating inspections of childcare services during CY 2021, as a result there was no change to the ACECQA quality rating for Mayfield.

### Average Childcare Fees



### ACECQA Quality Rating



# Operational Metrics

- The enlarged Mayfield portfolio now consists of 36 centres, representing 3,299 licensed places and an average centre size of 92 places
- While there was no fee increase in 2020, the business implemented a 5.1% fee in July 2021.
- Wages to Revenue increased to 56.0%, though in line with pre-COVID levels.
- The 2021 Award Rate increase was 2.5%, effective July 1, 2021
- Lease terms and rent increases have remained stable, while rental rates per registered place remain well below market rates.

\* Excludes Genius centres given timing of acquisition

Key Metrics	CY 2021	CY 2020	CY 2019
Number of Centres	36	20	21
Number of Registered Places	3,299	1,671	1,771
Average Centre Size	91	84	84
No of Managed Services Clients	4	4	3
Average Fees per Day (\$)*	\$121	\$115	\$113
Average Daily Fee Increase (%)*	5.1%	0.0%	3.9%
Number of Educators*	455	405	434
Wages to Revenue Ratio (%)*	56.0%	55.1%	56.3%
Average Award Rate Increase (%)*	2.5%	1.75%	3.00%
Average Lease Term (yrs)*	23.1 yrs	22.5 yrs	21.7 yrs
Average Rent per Registered Place (\$)*	\$2,489	\$2,324	\$2,160
Average Rent Increase (%)*	3.0%	3.2%	2.7%
Centre EBITDA Margin (%)	24.1%	25.0%	23.0%
Group EBIT Margin (%)	15.8%	16.7%	16.0%
Net Debt to EBIT (x)	0.89x	1.23x	1.99x
Gearing (%)	8.5%	21.3%	29.6%



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## 05 CY 2022 OUTLOOK:

CY 2022 OUTLOOK

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# CY 2022 Outlook

- The 2021 year has heralded a significant step change in the business with 16 new centres acquired, positioning Mayfield as a leading Australian childcare operator
- The estimated incremental earnings of \$8.0m EBITDA for CY22 from the Genius transaction will substantially increase the financial scale and balance sheet strength of the business.
- Future growth acquisitions, associated with the incubator arrangements between Mayfield and Genius are under assessment, with new additions to the portfolio expected early in Q3 of calendar year 2022.
- The rapid spread of the Omicron strain amongst our parents, our children, and our educators has presented a new set of challenges for the business.
- Increased levels of isolation, along with extended work from home arrangements amongst families, is causing a slower return of exiting families to childcare, and a more cautious approach to starting childcare for new families.
- While the business has seen small occupancy gains compared to the beginning of the 2021 year, we expect the trading environment to be tempered in the short term as the impact of Omicron moderates.
- The Federal government's revised Child Care Subsidy policy announced in December 2021, which provides increased subsidies for families with two or more children, while removing the subsidy cap for all families, will further contribute to the positive underlying demand trends for the sector, stimulating growth during 2022.



**MAYFIELD**  
CHILDCARE LIMITED

Mayfield Childcare Limited  
Suite 2, 207-213 Waverley Road  
Malvern East VIC 3145  
[www.mayfieldchildcare.com.au](http://www.mayfieldchildcare.com.au)



Dean Clarke  
Chief Executive Officer  
[dclarke@mayfieldchildcare.com.au](mailto:dclarke@mayfieldchildcare.com.au)  
+61 3 9576 3156

Glenn Raines  
Chief Financial Officer  
[graines@mayfieldchildcare.com.au](mailto:graines@mayfieldchildcare.com.au)  
+61 3 9576 3156

Andrew Angus  
Investor Relations  
[andrewangus@overlandadvisers.com.au](mailto:andrewangus@overlandadvisers.com.au)  
+61 402 823 757