



ASX Announcement

Mayfield Childcare Limited (ASX:MFD)

2 November 2022

CY22 guidance and successful integration of Genius Education

The Board of Mayfield Childcare Limited (the “Group”, “MFD”, “Mayfield”, ASX: MFD) provides CY22 guidance and is pleased to announce that the Company has successfully completed the integration of Genius Education operations within Mayfield.

Key Highlights and Summary

- Occupancy continues to grow, with occupancy for the week ended 28th October 2022 of 74.5% reflecting an increase on 1H CY22 occupancy of 66.7%
- Underlying CY22 EBITDA forecast to be within the range of \$12M - \$12.5M representing a significant uplift on CY21 EBITDA of \$7M and a step change in growth on prior years
- Mayfield has successfully completed the operational integration of its portfolio of 14 Genius Education centres previously managed by Genius Learning
- Mayfield now has day-to-day control over all operational matters, including staffing, to provide consistency and efficiencies in managing our people and performance
- Benefits will include improved staff satisfaction and retention, which is critical to improvements in occupancy and operating performance

Genius Education Integration

Mayfield completed the acquisition of 14 premium childcare centres in December 2021. As part of the transaction, the 14 centres continued to be managed by Genius Learning under a Transitional Management Agreement (TSA) which was tied to a potential earn-out based on CY22 performance.

As advised on 19th August 2022, given the underperformance of the Genius Education centres, the Board determined that no earn-out will be payable to Genius Learning. As a result, the Company and Genius Learning mutually agreed to an early termination of the TSA, so that Mayfield could take over full day-to-day operational control.

We are pleased to announce that effective 17th October 2022, Mayfield completed the successful transition and integration of all operational and finance functions for the 14 Genius Education centres. The early termination allows Mayfield to:

- Provide a more consistent quality, compliance and operational framework throughout the Group
- Improve staff satisfaction and retention by implementing a company-wide reward and recognition program



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- Drive effective rostering and staff utilisation, including the ability to utilise staff across multiple centres
- Capitalise on the benefits of its scale by reducing operating complexity and duplication of processes and systems

Trading Outlook

The Group has benefited from a healthy enquiry pipeline which has driven continued occupancy growth, albeit tempered by staff shortages which have resulted in enrolment waitlists throughout the Group. Occupancy for the week ended 28th October 2022 was 74.5% which reflects an increase on 1H CY22 occupancy of 66.7%.

Earlier this year Canaccord Genuity (Australia) Limited (Canaccord) released a report outlining their independent estimate of the Company's CY22 EBITDA of \$14.3m. Management has since reviewed the Company's internal forecasts and anticipate underlying CY22 EBITDA to be in the range of \$12m to \$12.5m which represents a significant uplift on CY21 EBITDA of \$7M and a step change in growth from prior years. Management's revised forecast materially differs from Canaccord's independent estimate as a result of:

- persistent industry wide staff shortages leading to an inability to meet demand; and
- continued underperformance of the Genius Education centres due to operational challenges arising from the TSA which has now been terminated.

Mayfield continues to maintain a strong relationship with Genius Learning and anticipates that a Childcare Development Plan will be agreed in the coming months to outline potential acquisitions for 2023. Given the challenges arising from a dual management structure, acquisitions through the Genius Incubator will not incorporate a TSA.

Although industry wide staffing challenges persist, the Company remains positive that headwinds will abate in 2023 as covid impacts recede and Government support continues via initiatives to improve childcare affordability, reduce immigration bottlenecks, and increase childcare labour supply.

The Company is looking to deliver further growth in CY23 through acquisitions from Genius Learning and unrelated third parties.

This ASX announcement has been approved for release by the Board of Directors of Mayfield Childcare Limited.

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