

# 2023 Full Year Results

## Investor Presentation



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# Disclaimer



The information in this presentation is an overview and does not contain all information necessary to make an investment decision. It is intended to constitute a summary of certain information relating to the performance of Embark Early Education Limited ("Embark Education") for the current period. Please refer to the audited financial statements for the period ended 31 December 2023 that have been simultaneously released with this presentation.

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# Highlights



# CY23 Overview

## AUSTRALIAN BUSINESS SEES STRONG GROWTH

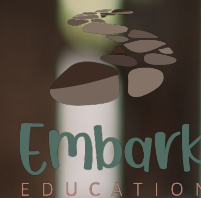
- Revenue growth of 16% in 2023 to \$63.1 million.
- Underlying centre EBITDA growth of 30% to \$17.1 million

## EVENTS

- Renita Garard appointed to the Board 1 January
- Adrian Fonseca retired from Board 6 June
- Michelle Thomsen appointed to the Board 6 June
- Embark delisted from NZX with new parent relisted on ASX on 6 July
- CFO (Edmund Mah) resignation 14 July to remain in NZ
- New AUS CFO (Josie Shawcross) appointed 12 October

## DIVIDENDS PAID

- \$0.02 dividend paid 10 August
- \$0.02 dividend paid 28 November

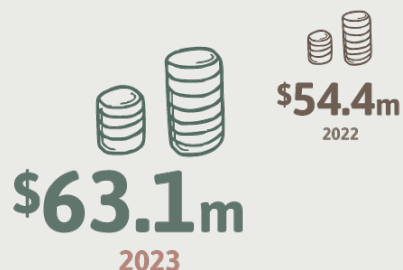


# Financial Highlights

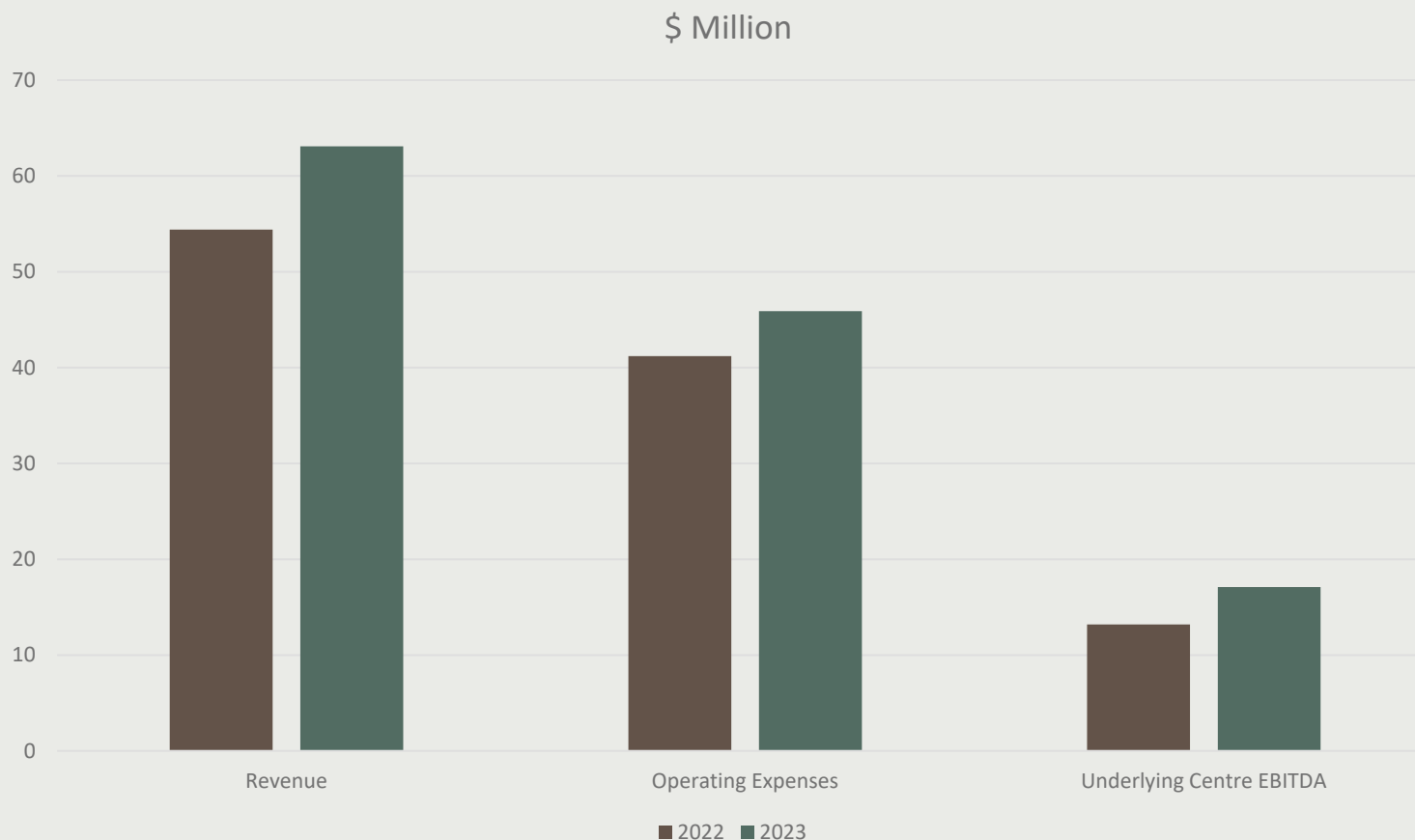
(CY2023 v CY2022)  
(AUSTRALIA ONLY)



- Revenue growth of 16% to \$63.1 million



- Underlying centre EBITDA growth of 30% to \$17.1 million

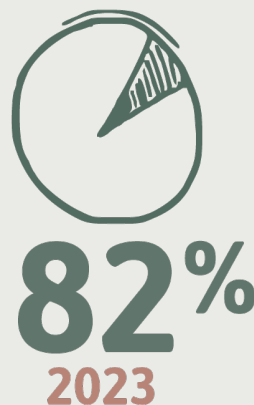


# Operational Highlights

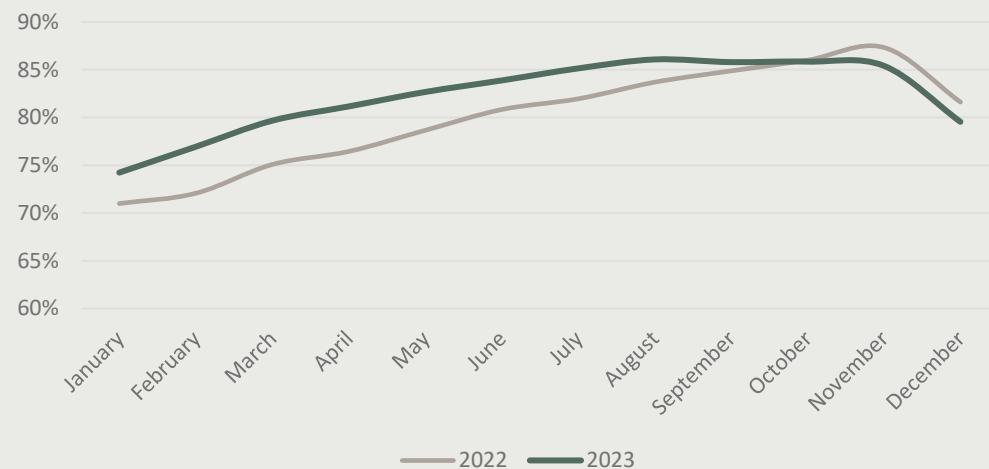
(CY2023 v CY2022)



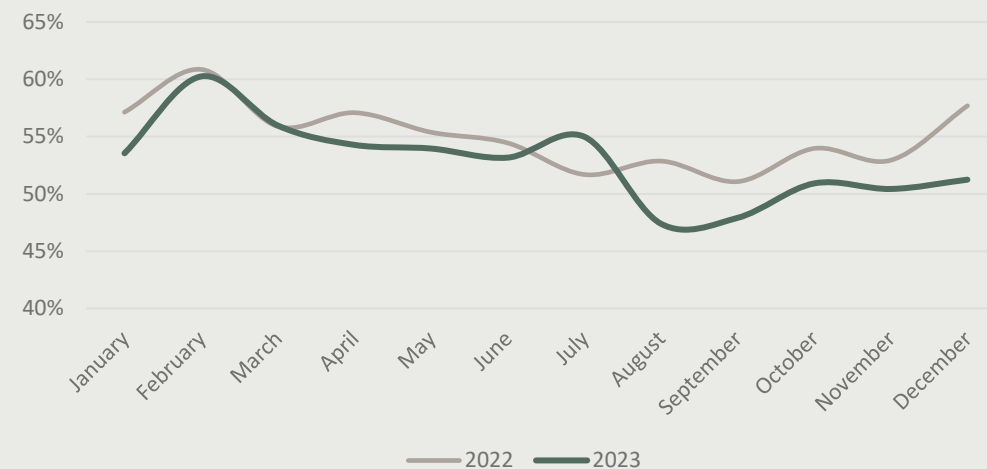
- Average 2023 Centre Occupancy of 82%
- Peak 2023 Centre Occupancy in week 46 of 86.1%



Monthly Occupancy



Wage to Revenue Ratio





# Financial Performance



# Financial Summary

## STRONG PERFORMANCE FROM CONTINUING OPERATIONS



- Revenue growth of 16% driven by increased occupancy and fee increases
- WRA 52.6%
- 2022 Corporate Costs included in NZ accounts as EVO was listed in NZ at that time
- Support Office Costs 3.3% of revenue

| Non-statutory accounts<br>(pre AASB16)   | 2023                     |                       |                    |                |               | 2022                     |
|--|--------------------------|-----------------------|--------------------|----------------|---------------|--------------------------|
|  | Australia<br>(Operating) | Australia<br>(Listed) | Australia<br>Total | New<br>Zealand | Consolidated  | Australia<br>(Operating) |
|  | \$'000                   | \$'000                | \$'000             | \$'000         | \$'000        | \$'000                   |
| Revenue                                  | 63,006                   | -                     | 63,006             | -              | 63,006        | 54,443                   |
| Centre Wages                             | (33,114)                 | -                     | (33,114)           | -              | (33,114)      | (29,834)                 |
| <b>Centre Gross Profit</b>               | <b>29,891</b>            | -                     | <b>29,891</b>      | -              | <b>29,891</b> | <b>24,609</b>            |
| Centre Rent                              | (6,023)                  | -                     | (6,023)            | -              | (6,023)       | (5,564)                  |
| Other Centre Expenses                    | (6,761)                  | -                     | (6,761)            | -              | (6,761)       | (5,885)                  |
| <b>Centre EBITDA</b>                     | <b>17,107</b>            | -                     | <b>17,107</b>      | -              | <b>17,107</b> | <b>13,160</b>            |
| Corporate Costs                          | -                        | (996)                 | (996)              | (669)          | (1,665)       | -                        |
| Support Office Costs                     | (2,078)                  | -                     | (2,078)            | -              | (2,078)       | (1,676)                  |
| <b>EBITDA (underlying)</b>               | <b>15,029</b>            | <b>(996)</b>          | <b>14,033</b>      | <b>(669)</b>   | <b>13,364</b> | <b>11,484</b>            |
| Interest                                 | 815                      | -                     | 815                | 52             | 867           | (2,554)                  |
| <b>Underlying PBT (pre-depreciation)</b> | <b>15,844</b>            | <b>(996)</b>          | <b>14,848</b>      | <b>(617)</b>   | <b>14,231</b> | <b>8,930</b>             |

# Financial Summary

## STRONG PERFORMANCE FROM CONTINUING OPERATIONS



- 16% revenue increase in 2023
- 67.6% higher profit before net finance costs and income tax in 2023

|   | YEAR<br>31 DECEMBER 2023 | RESTATED<br>YEAR<br>31 DECEMBER 2022 |
|---|--------------------------|--------------------------------------|
|   | \$'000                   | \$'000                               |
| Childcare Fees  | 19,084                   | 18,122                               |
| Government Funding  | 43,896                   | 36,333                               |
| Other Revenue   | 143                      | -                                    |
| <b>Revenue</b>  | <b>63,123</b>            | <b>54,455</b>                        |
| <b>Expenses</b>   |                          |                                      |
| Employee benefits expenses  | (34,976)                 | (33,983)                             |
| Building occupancy expenses   | (774)                    | (1,192)                              |
| Direct expenses of providing services   | (5,283)                  | (6,487)                              |
| Depreciation  | (3,266)                  | (2,997)                              |
| Acquisition expenses  | (58)                     | -                                    |
| Other expenses  | (2,422)                  | (3,509)                              |
| <b>Total expenses</b>   | <b>(46,779)</b>          | <b>(48,168)</b>                      |
| <b>Profit before net finance expense and income tax</b>                               | <b>16,344</b>            | <b>6,287</b>                         |
| Finance income  | 868                      | 338                                  |
| Finance costs   | (6,201)                  | (8,320)                              |
| <b>Net finance expense</b>  | <b>(5,333)</b>           | <b>(7,982)</b>                       |
| <b>Profit/(loss) before income tax</b>  | <b>11,011</b>            | <b>(1,695)</b>                       |
| <b>Income tax benefit/ (expense)</b>  | <b>(2,736)</b>           | <b>(655)</b>                         |
| <b>(Loss)/Profit after income tax from continuing operations</b>                      | <b>8,275</b>             | <b>(2,350)</b>                       |
| Profit/(Loss) after income tax from discontinued operations                           | -                        | (37,904)                             |
| <b>(Loss)/Profit after income tax attributable to the shareholders of the Company</b> | <b>8,275</b>             | <b>(40,253)</b>                      |
| Other comprehensive income  |                          |                                      |
| Exchange differences on translation of foreign operations                             | (114)                    | (1,537)                              |
| <b>Total comprehensive income attributed to the shareholders of the Company</b>       | <b>8,161</b>             | <b>(41,789)</b>                      |
| <b>Earnings per share</b>   | <b>Cents</b>             | <b>Cents</b>                         |
| Basic earnings per share  | 0.05                     | (0.25)                               |
| Diluted earnings per share  | 0.05                     | (0.25)                               |

# Balance Sheet Strong To Pursue Growth



- No borrowing at 31 December 2023
- Cash of \$26.8m and term deposits of \$2.5m at year end

|                                      | YEAR<br>31 DECEMBER<br>2023 | RESTATED<br>YEAR<br>31 DECEMBER<br>2022 | RESTATED<br>YEAR<br>1 JANUARY<br>2022 |
|--------------------------------------|-----------------------------|---|---------------------------------------|
|                                      | \$'000                      | \$'000                                  | \$'000                                |
| Cash and cash equivalents            | 26,839                      | 16,201                                  | 44,824                                |
| Assets held for sale                 | -                           | -                                       | 2,804                                 |
| Funding Receivable                   | -                           | 614                                     | -                                     |
| Current tax asset                    | -                           | 196                                     | -                                     |
| Trade and other receivables          | 2,690                       | 2,862                                   | 2,940                                 |
| <b>Total current assets</b>          | <b>29,529</b>               | <b>19,873</b>                           | <b>50,568</b>                         |
| Property, plant and equipment        | 1,582                       | 1,590                                   | 7,164                                 |
| Deferred tax asset                   | 4,949                       | 3,365                                   | 13,246                                |
| Right-of-use assets                  | 61,332                      | 62,683                                  | 173,424                               |
| Intangible assets                    | 60,898                      | 60,934                                  | 151,201                               |
| Term deposit                         | 2,460                       | 8,573                                   | 4,806                                 |
| <b>Total non-current assets</b>      | <b>131,221</b>              | <b>137,145</b>                          | <b>349,841</b>                        |
| Trade and other payables             | 2,824                       | 3,661                                   | 10,858                                |
| Current income tax liabilities       | 2,403                       | 13                                      | 1,684                                 |
| Contract liability                   | 543                         | 7                                       | 7,294                                 |
| Employee entitlements                | 3,143                       | 4,868                                   | 8,561                                 |
| Lease liabilities - current          | 6,278                       | 6,133                                   | 7,256                                 |
| Liabilities held for sale            | -                           | -                                       | 4,189                                 |
| <b>Total current liabilities</b>     | <b>15,191</b>               | <b>14,682</b>                           | <b>39,842</b>                         |
| Borrowings                           | -                           | -                                       | 34,118                                |
| Employee entitlements - Non-current  | 299                         | -                                       | -                                     |
| Lease liabilities - non current      | 66,945                      | 65,795                                  | 202,200                               |
| <b>Total non-current liabilities</b> | <b>67,244</b>               | <b>65,795</b>                           | <b>236,318</b>                        |
| <b>Net Assets</b>                    | <b>78,315</b>               | <b>76,541</b>                           | <b>124,249</b>                        |
| Issued share capital                 | 242,428                     | 242,428                                 | 242,428                               |
| Retained earnings                    | (171,868)                   | (165,481)                               | (119,310)                             |
| Current Year Earnings                | 8,275                       | -                                       | -                                     |
| Translation reserve                  | (520)                       | (406)                                   | 1,131                                 |
| <b>Total equity</b>                  | <b>78,315</b>               | <b>76,541</b>                           | <b>124,249</b>                        |



# Strategy and Outlook



# Acquisitions to Continue

- Acquisition opportunities being pursued that provide additional value to shareholders



# Encouraging Start to 2024

- 2024 occupancy between 2022 and 2023 levels
  - Staffing issues still affecting small number of centres
  - QLD storms impacted 1 centre January capacity
- Small February 2024 fee increase to offset increased costs
- 2024 January/February\* revenue approximately 10% higher than January/February\* 2023

\*January/February data includes first 6 weeks of the year





# Appendix



# Glossary



| Term                     | Definition  |
|--------------------------|---|
| EBITDA                   | Earnings before interest, taxation, depreciation and amortisation.  |
| Underlying EBITDA        | Earnings before interest, taxation, depreciation and amortisation less the effects of NZ IFRS 16: Leases, gains and losses on the sale or closure of businesses, acquisition and integration costs, impairment losses (or reversals of impairment losses), restructuring costs and non-operational items. |
| Underlying Centre EBITDA | Underlying EBITDA of centres (before Support Office expenses).  |
| Occupancy                | Number of children attending per period specified as a percentage of the service's licensed places.   |
| Wage to Revenue ratio    | Employee benefits expense as a percentage of total revenue.   |