



ASX Announcement

Investor Update

20 May 2024

Nido Education Limited (ASX:NDO) announces the release of its investor update, with a copy accompanying this announcement.

-Ends-

This ASX announcement was authorised for release by the Board of Nido Education Limited.

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About Nido

Founded in 2021, Nido Education Limited is a national owner, operator and manager of long day early childhood education and care services, operating under the Nido Early School brand. Visit:

www.nidoeducation.edu.au



Chadstone VIC



Nido Education Limited

ASX: NDO

**Investor Update
20 May 2024**

Presented by:

Renee Bowman – CEO

Tom Herring – CFO

Mathew Edwards – MD

Our acknowledgement of our dedicated people

Nido acknowledges that early childhood education and care is critical for lifelong learning and wellbeing, especially during a child's first five years of brain development where children are wired to learn rapidly. Nido respects the educators and teachers that dedicate their energy and passion to this sector each day and the positive impact on the communities in which each educator serves.

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This Presentation is authorised for release by the Board of Nido Education Limited.

Agenda

- 01** **Market update**
- 02** **Introduction to Nido**
- 03** **Growth**
- 04** **Additional information**

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01 Market update

Summary

- 1 May CY24 guidance of \$26m AEBITDA and \$18m NPAT is consistent with Prospectus.
- 2 Core Early School operations forecast favourable to Prospectus, offsetting delayed fees from new openings.
- 3 78% spot occupancy as of 12 May 24. Forecast assumes a similar growth rate to last year, projecting an 89% occupancy peak in November 24.
- 4 Improved recruitment outcomes in the first quarter have allowed Nido to increase employee capacity to meet expected demand.
- 5 13 Early School openings have been rescheduled to open in CY25, leading to establishment fee revenue being received next year.
- 6 19 Early Schools in incubation by December 2024, providing Nido growth through acquisitions.
- 7 Nido continues to manage 100 new early school sites in the pipeline which requires circa \$500m+ investment by our development partners. Nido Early Schools, via NAED, remains the largest greenfield developer in Australia.
- 8 Nido's dividend policy is to distribute up to 65% of NPAT, paid annually post the full year results of CY24.

CY24 Guidance

The details

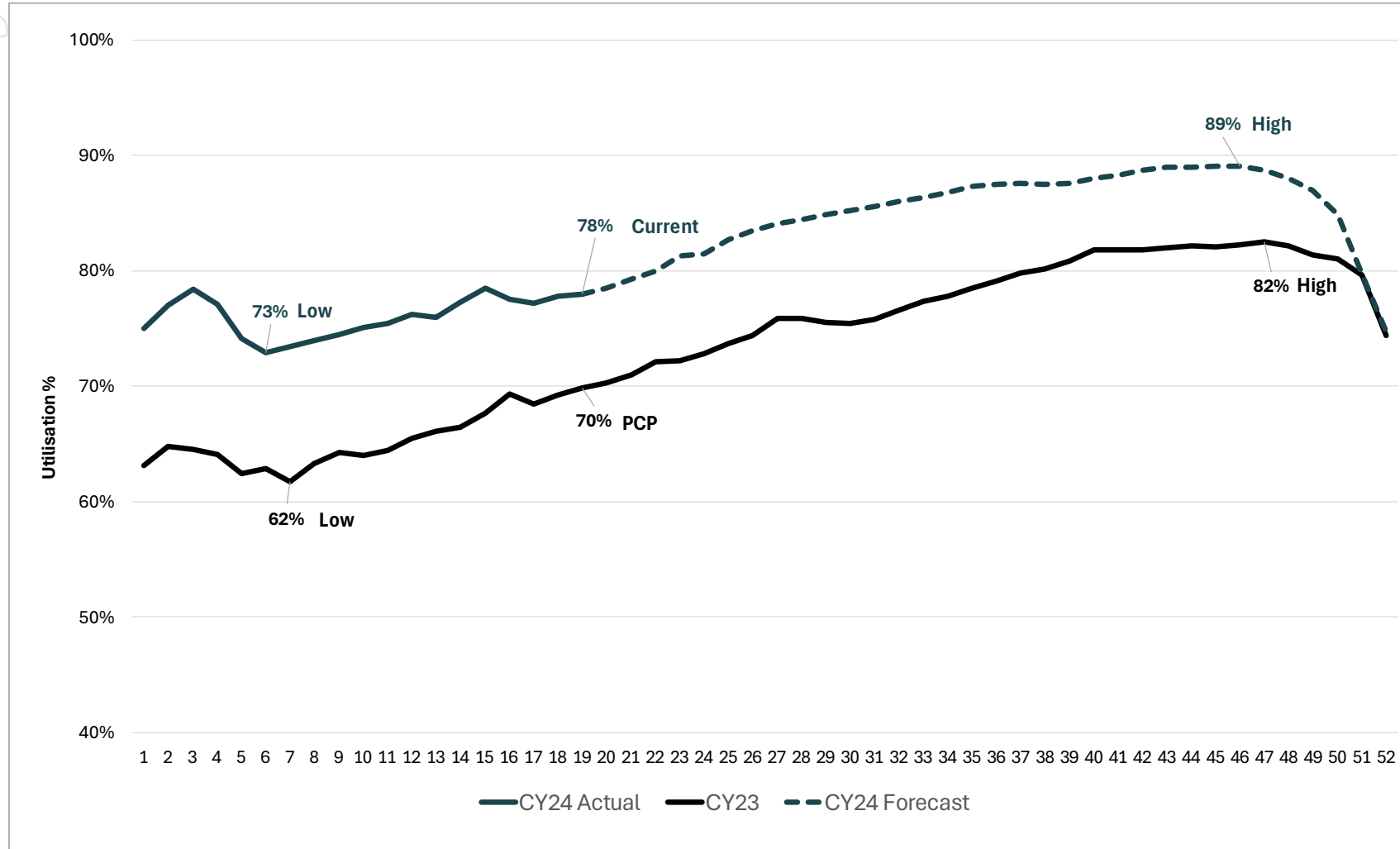
- Forecast CY24 AEBITDA of \$26.3m and NPAT of \$17.8m, which is broadly in line with Prospectus forecast.
- \$35.5m Early School forecast AEBITDA is \$1.9m favourable to Prospectus.
- \$7.2m forecast Management fee revenue is \$3.3m unfavourable to Prospectus due to delays in 13 Early School openings to next year.
- \$16.4m forecast support office costs are \$0.9m favourable to Prospectus.
- \$0.8m forecast net finance costs are \$1.1m favourable to Prospectus, due to lower debt levels and improved interest rate following refinancing completed in February 24.
- Overall pipeline activities remain strong despite these near-term delays, supporting the long-term growth of Nido.

Performance (\$m)	CY24F	IPO F	Change
Early School Revenue	165.4	161.2	3%
Early School AEBITDA	35.5	33.6	6%
Management fee revenue	7.2	10.5	(31%)
Support office costs	(16.4)	(17.3)	5%
AEBITDA	26.3	26.7	(1%)
Net finance costs	(0.8)	(1.9)	54%
Depreciation	(0.9)	(0.7)	(25%)
APBT	24.6	24.1	2%
AASB 16	(6.2)	(5.8)	7%
PBT	18.4	18.3	0%
Tax expense	(0.6)	(0.6)	0%
NPAT	17.8	17.7	0%

Performance drivers	CY24F	IPOF
Occupancy (%)	82.1%	81.7%
Fee per child (\$)	163	160
Incubated Early Schools opened in year (#)	10	22
Incubator Early Schools open Dec 24 (#)	19	32

Occupancy

Weekly spot occupancy and forecast for CY2024



- Occupancy has grown by 5% pts from February 24 low of 73% to 78% as of 12 May 24 (8% pts higher than 2023).
- Average occupancy forecast follows a similar trend to last year, projecting a peak of 89% in November 24 (7% pts higher than 2023).

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Mount Hutton NSW

02 Introduction to Nido

Nido (ASX:NDO) *"Knee-doh" Italian for nest*

"The world we are building for tomorrow starts with the Teachers of today"

Our Purpose

To support teachers to rise and make a positive impact on the lives of children.

Our Mission

To create an environment where people feel happy and fulfilled in their roles, with all our schools delivering quality education that, in the Nido way, meets or exceeds the National Quality Standard.

Our Vision

To build the capacity of the world's teachers, so they can deliver quality early education to children in all places, and in all circumstances.

Nido Early School – Belmont WA built 2019

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Nido Early School – Ocean Grove VIC built 2020



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Nido Early School – Palmyra WA built 2021

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YOU ARE... BRAVER THAN YOU BELIEVE
STRONGER THAN YOU SEEM,
SMARTER THAN YOU THINK,
AND LOVED, MORE THAN YOU'LL EVER KNOW

Nido Early School – Ormond VIC built 2022

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Nido Early School – Eyre Village SA built 2023

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Nido Early School – Bulleen VIC built 2024

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Introduction



What Does Nido do?

Nido owns, operates and manages childcare centres (Services or Early Schools) and manages the development of new Early Schools (ES):

- Owns 52 Early Schools
- Manages 47 Early Schools on behalf of third parties, 13 of these are in incubation providing future acquisition opportunities
- Manages a pipeline of 100 Early Schools at various stages of development

How does Nido generate revenue?

Nido's revenue streams:

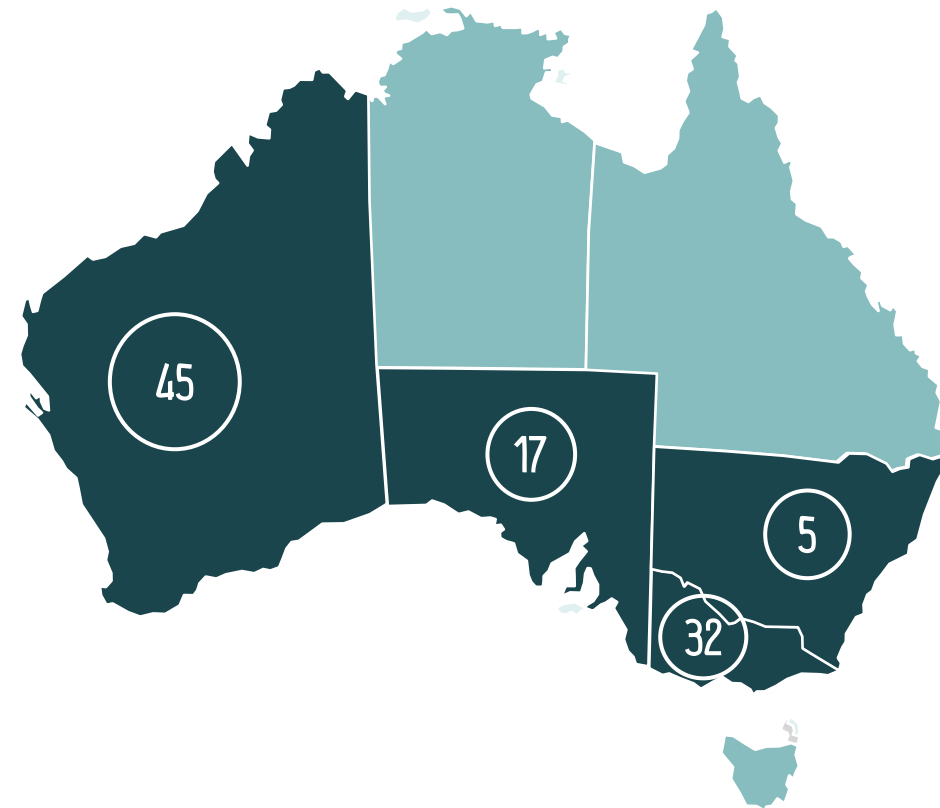
- Childcare fees from operating and owning 52 Early Schools
- Various Government funding for Kindergarten and Service based programs
- Fees from managing 47 Early Schools (\$100-\$120K per annum per ES)
- Establishment Fees for opening ES for NAED (\$250K per ES)

A Snapshot of Nido

Key Information as at 17 May 24

Owned Early Schools	52
Managed Early Schools	34
Managed Incubated Early Schools	13
Total Early Schools	99
Trading weeks of the year	52
Daily fee (Owned average)	\$158
Total Employees – owned ES	1,677
Total employees – owned and managed ES	3,008
Total Licenced capacity per day – owned ES	4,614 places
Total Licenced capacity per day – owned and managed ES	8,708
Average licensed places – owned ES	89 places

National Footprint



The Nido Journey

Pre-Nido

October 2014

Think (TNK) lists on the ASX at \$1 per share with 30 Services (EV \$40m).

2017

TNK acquired 3 Nido childcare Services and the brand Nido Early School.

2019

TNK scaled up the development of Nido Early Schools through the stapled entity Think Childcare Development (TND) (together the TNK Group).

October 2021

TNK Group consisting of 72 mature Services was sold to Busy Bees for \$3.28 per share (EV \$251m).

Nido Education

October 2021

As a component of the sale of TNK Group. Nido Education was formed and acquired TND – consisting of the Nido Early School brand, 16 Early Schools in trade up, support office team and agreement to manage 47 (35 for Busy Bees) Early Schools.

February 2022

AES joint venture established between an Alceon managed fund and an entity controlled by Mathew Edwards to fund development of new Early Schools.

Nido IPO

October 2023

Nido raised \$99.2m and acquired 24 Early Schools from incubation and listed on ASX with a portfolio of 52 owned Early Schools and 43 managed Early Schools.

NAED, an Alceon managed fund, committed up to \$30mil to develop new Early Schools and became Nido's primary incubator.

Nido Today

October 2023 - May 2024

24 acquisitions settled. Four Early Schools have opened. 13 Early Schools in incubation.

Portfolio occupancy is growing steadily and incubated Early Schools trading up. 100 Early Schools in NAED at various stages of development.

Busy Bees agreement to manage 34 Early Schools extended to June 2025.

Funding secured and settled giving Nido capacity to acquire 45 Early Schools from incubation.

Why is Nido unique?

Purpose built

All Nido's Early Schools are designed by Nido and managed by Nido from site selection through to acquisition

- Early Schools are built to be best in their markets
- The owned portfolio is relatively new with the oldest opened in 2019
- Design and constructed with a focus on quality, delivered via a unique operational model

Acquisition pipeline

Nido has access to a pipeline of 100+ Early Schools over the next 5 years

- Unique growth model (see incubator section), proven performance Early Schools acquired at a 4.5 x AEBIT
- Built with quality and longevity in mind (30+ year leases)
- Early Schools are located in suburban areas of Australia with a high population of dual income families where childcare is a high need.



Riverton WA



Baldivis East WA

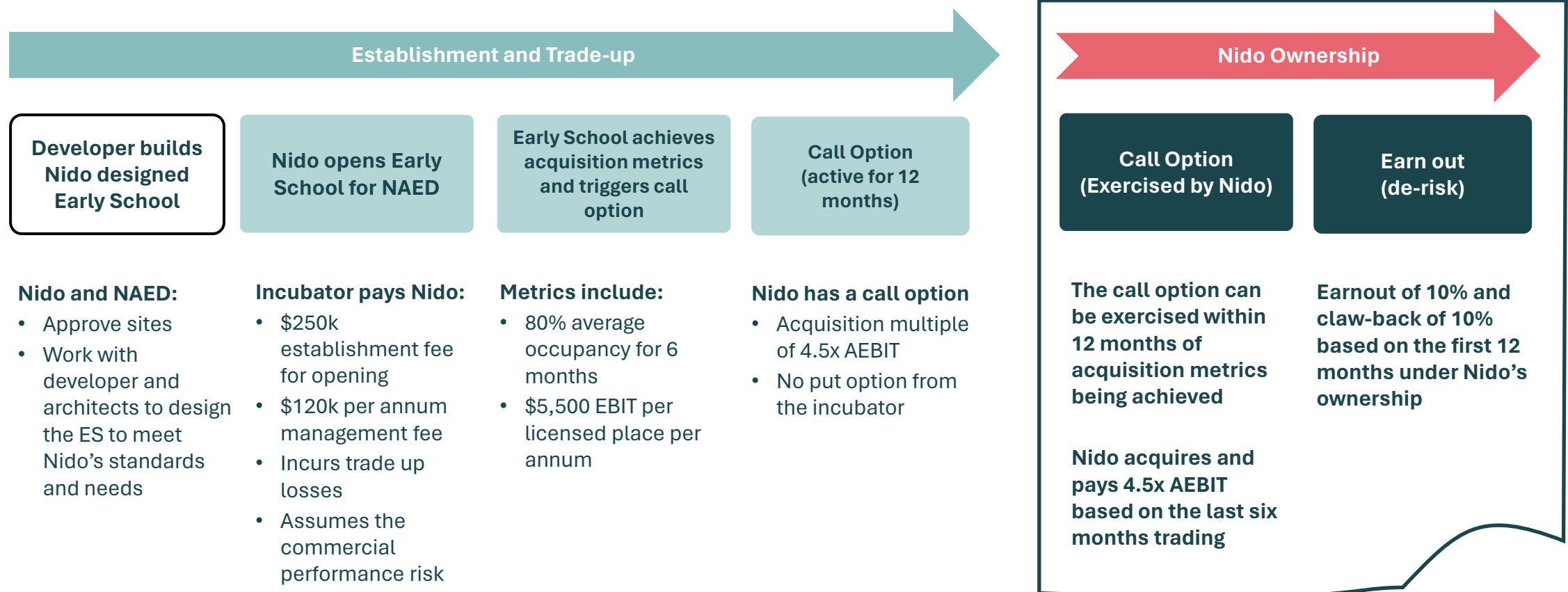


03 Growth

Protecting Nido from trade up risk

The incubator bears the development and trade-up risk during the incubation phase whilst paying Nido \$250K to open the ES and \$120K per annum to manage the ES

Once agreed acquisition metrics are achieved, Nido can exercise its call option to acquire the Early School



Nido and NAED:

- Approve sites
- Work with developer and architects to design the ES to meet Nido’s standards and needs

Incubator pays Nido:

- \$250k establishment fee for opening
- \$120k per annum management fee
- Incurs trade up losses
- Assumes the commercial performance risk

Metrics include:

- 80% average occupancy for 6 months
- \$5,500 EBIT per licensed place per annum

Nido has a call option

- Acquisition multiple of 4.5x AEBIT
- No put option from the incubator

The call option can be exercised within 12 months of acquisition metrics being achieved

Nido acquires and pays 4.5x AEBIT based on the last six months trading

Earnout of 10% and claw-back of 10% based on the first 12 months under Nido’s ownership

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The Nido way to grow

What is Incubation?

The incubator initially owns the Early Schools, funds the development and trade up losses. Nido manages the development and day to day operations. Once acquisition performance hurdles are met Nido has a 12-month option to acquire.

- All Early Schools are purpose built for Nido
- Incubator bears the trade up risk, set up costs and operating losses
- Nido has a guaranteed \$370k income in the first 12 months of opening (\$250k for opening and \$120k p/a. to manage each ES) and \$120K p/a in management fees thereafter
- Little integration risk – Nido controls all aspects of the ES development and operations from day zero

Once the ES achieves the following acquisition metrics, there is a call option triggered with a 12 month window to exercise:

- Min 80% average occupancy for 6 months
- \$5,500 EBIT per licensed place per annum (based on a seasonally adjusted last 6 months and then annualised ("AEBIT"))
- 4.5x AEBIT acquisition price
- Possibility for a 10% earn out and 10% claw back of the acquisition price based on the first 12 months post Nido's ownership. This de-risks the acquisition for Nido.

The Nido way to grow

NAED Funding and alignment

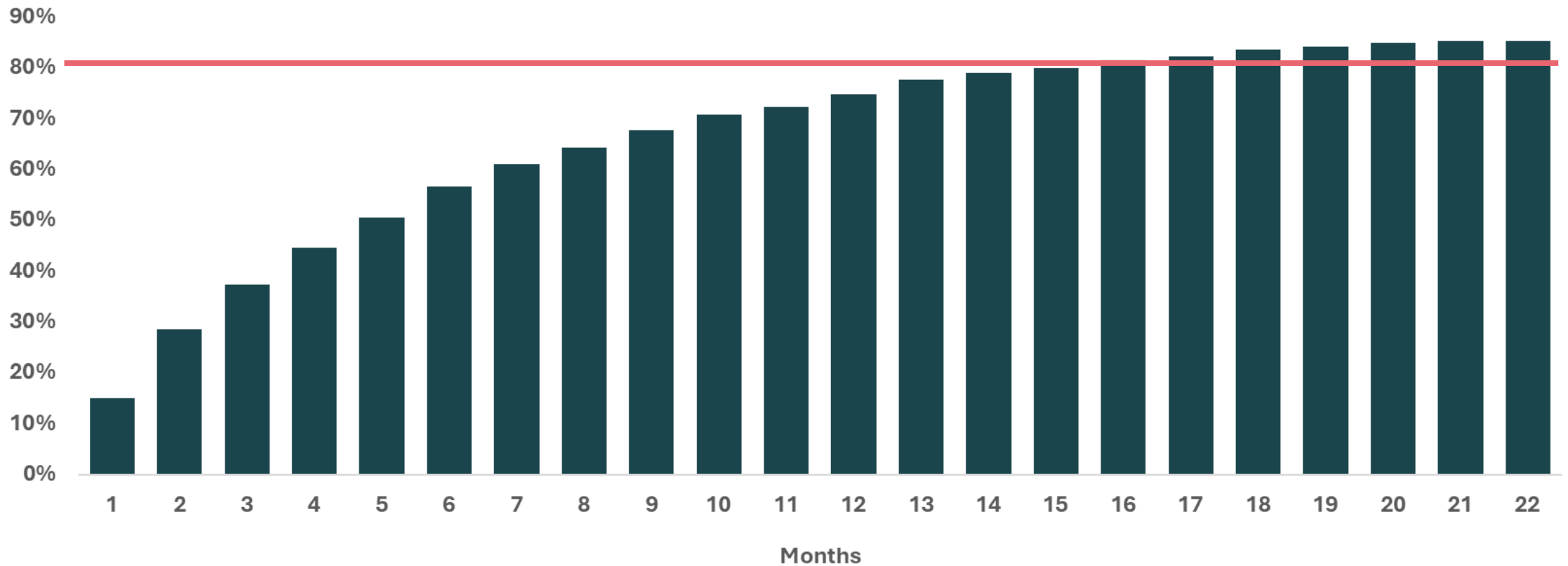
- NAED is the primary incubator and funded to open 100 Early Schools.
- Initially funded by 50% equity from NAED and 50% debt from Nido.
- Proceeds from acquisitions will move NAED to being self-funded.
- The faster the Early Schools trade up, the faster Nido has the option to acquire them thereby reducing Nido's use of capital to fund the debt.

Nido
<p>Debt Terms</p> <ul style="list-style-type: none"> • \$25m debt ceiling • 6 years • 8% interest (PIK) • Unsecured <p>Oversight and management</p> <ul style="list-style-type: none"> • Site selection • Licensing • Opening • Operating the Early School • Marketing • Recruitment • Finance management • Payroll • Day to Day operations

NAED Funding
<p>Equity Terms</p> <ul style="list-style-type: none"> • \$30m equity ceiling • Any dividend or early repayment of debt is 60% NAED and 40% Nido <p>Oversight and management</p> <ul style="list-style-type: none"> • Approves all sites <p>Funds</p> <ul style="list-style-type: none"> • Capex • Rental bonds • Employee • Incurs trading losses

Occupancy growth rates

How have Early Schools historically traded-up?



Source – actual average occupancy trade-up performance of Services opened by the Nido Team

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Site selection criteria

Criteria	Description
Children in the area and demand-supply metrics	Locations with high demand for childcare services and locations with future growth opportunities. Targeting a minimum 3.5 children per licensed place post opening the Nido Centre.
Population growth rates	The area population demographics including positive growth rates.
Proximate infrastructure	Located next to schools, hospitals, train stations, supermarkets or on a main thoroughfare.
Site access	Appropriate infrastructure to access the Centre.
Competition	Assessment of competition within the relevant area including current and planned new Services for development.
Lease Terms	Minimum 15-year lease term.
Ratio of rent and wages to revenue	Net wages (excluding on-costs) and rent combined not to exceed 60% of revenue at 90% occupancy.
Maturity of suburb	More mature and stable areas with the less need for change in roads and infrastructure.
Convenience of location	Nido considers access, egress, busyness, parking and traffic volumes and exposure.
Size of the proposed Centre	As demographics change and Nido is looking long term it is important not to build a Centre for today but for longevity.
Fees in the area	Nido does not set its fees based on competitors; however, it does provide Nido with information on what people are paying in each area.

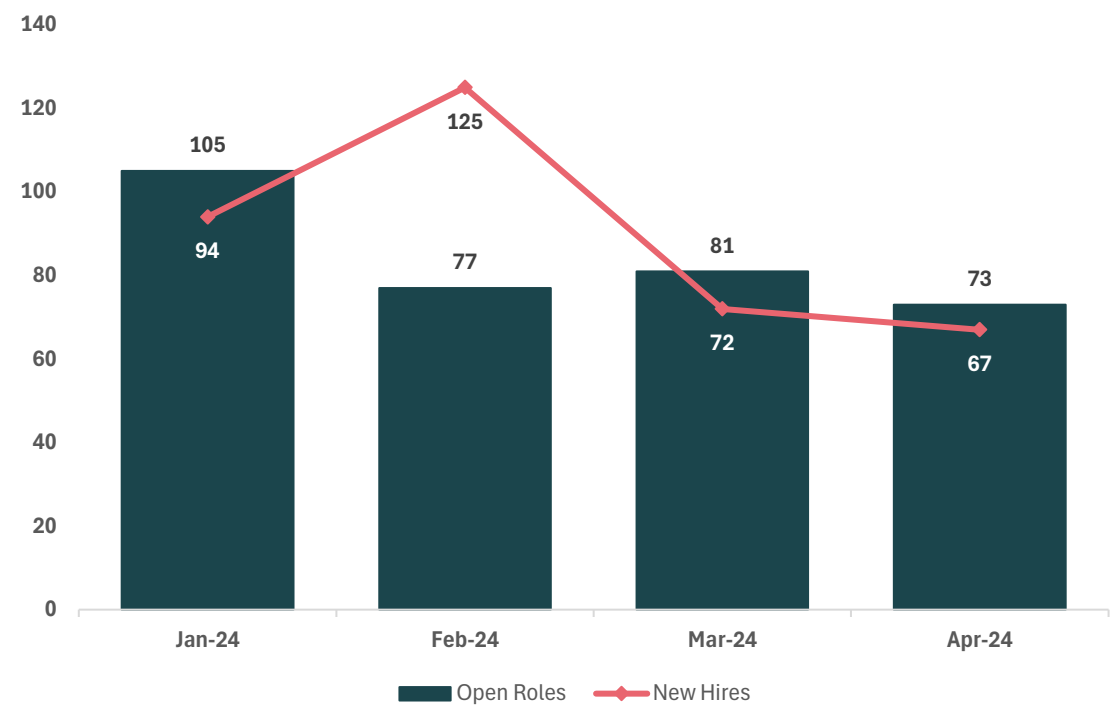
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People

Recruitment and retention

- Nido’s decentralised recruitment process has yielded a significant lift in applicants submitting resumes and new hires.
- Nido elected to recruit ahead of occupancy growth resulting in increased wage costs in the order of \$1m (4%) in the first four months. The impact is expected to be recovered through occupancy growth through to December 24.
- The attrition rate remains higher than pre-covid levels, in excess of 30%. Further strategies focused on retention have been implemented and will be monitored and refined over the year.
- Recently announced government funded wage increase should lead to greater attraction and retention. This measure is not expected to commence for a couple of years.

Open roles vs new hires

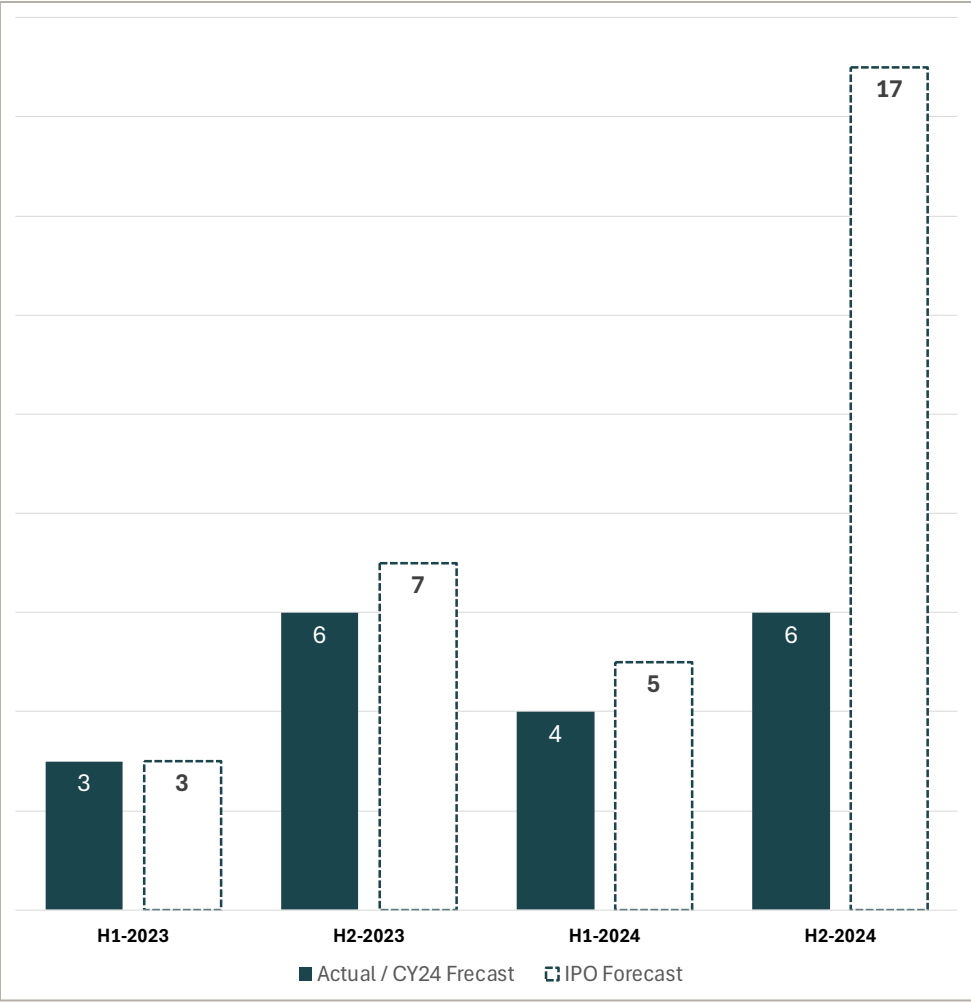


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Pipeline

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Rescheduling of 13 openings to CY25



Why the delays?

- The pipeline of 32 Early Schools included in the Prospectus comprised a mix of sites under construction, and sites DA approved or very close to being DA approved.
- When finalising the Prospectus landlords advised that they expected construction issues to dissipate and supply chain pressures to improve, providing sufficient time to deliver the pipeline.
- However, increased construction costs, shortage of trades, and construction company failures have resulted in renegotiation of rents across many locations.
- As a result we have experienced delays in construction commencement pushing 13 builds into 2025.

Implications

Near term

- The identified delays are expected to result in \$3.25m of development fees being received in CY25 rather than CY24.
- Overall pipeline activities remain strong despite these near-term delays. Nido does not expect the delays will have a material impact on the flow and timing of future acquisitions.

Spot occupancy of Nido Early Schools in incubation

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Early School #	Licenced places	12 May 24 spot occupancy %
Early School 1	82	57%
Early School 2	92	65%
Early School 3	72	62%
Early School 4	82	58%
Early School 5	78	77%
Early School 6	82	63%
Early School 7	84	74%
Early School 8	95	66%
Early School 9	92	40%
Early School 10	92	48%
Early School 11	91	11%
Early School 12	68	29%
Early School 13	96	2%



Athelstone SA

Financing

Debt facilities

New debt facilities were established in February 2024 providing capacity for Nido to acquire at least 45 Early schools (EBITDA contribution of \$30m+).

Nido plans to maintain a long-term Net leverage ratio of between 1-1.5x.

Facility	Description	Limit
Facility A	Corporate market loan initially drawn to repay existing related party loan	\$25m
Facility B	Rent bond facility used to replace existing cash backed rent bond arrangements	\$12m
Accordion	Uncommitted facility allowing Nido to trigger approval process without affecting Facility A or B. Fee not paid until facility is drawn	\$30m

Loans to NAED

Nido has issued \$10m of debt to the incubator and expects to issue up to a further \$5m by December 2024.

Interest income accrues at 8% of drawn balances paid upon repayment on the loan – partly offsetting Nido's finance costs in the P&L.





Thank you

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04 Additional Information

II. Early education is critical to building an educated nation & supporting workforce participation



Productivity measure

The percentage of working-age women reached 62.5% in March 2023. The growing level of female participation in the labor force (and the significant barrier to working that “caring for children” represents) underpins the demand for child care services. One of the economic benefits to greater female labour force participation is the widened taxpayer base.

44% of children attending care

Over 800,000 children attended Service-based Care in the June quarter 2023. This represents 44% of children between the age of 0-5 years old in Australia attending Service-based Care.

Steady through economic cycles

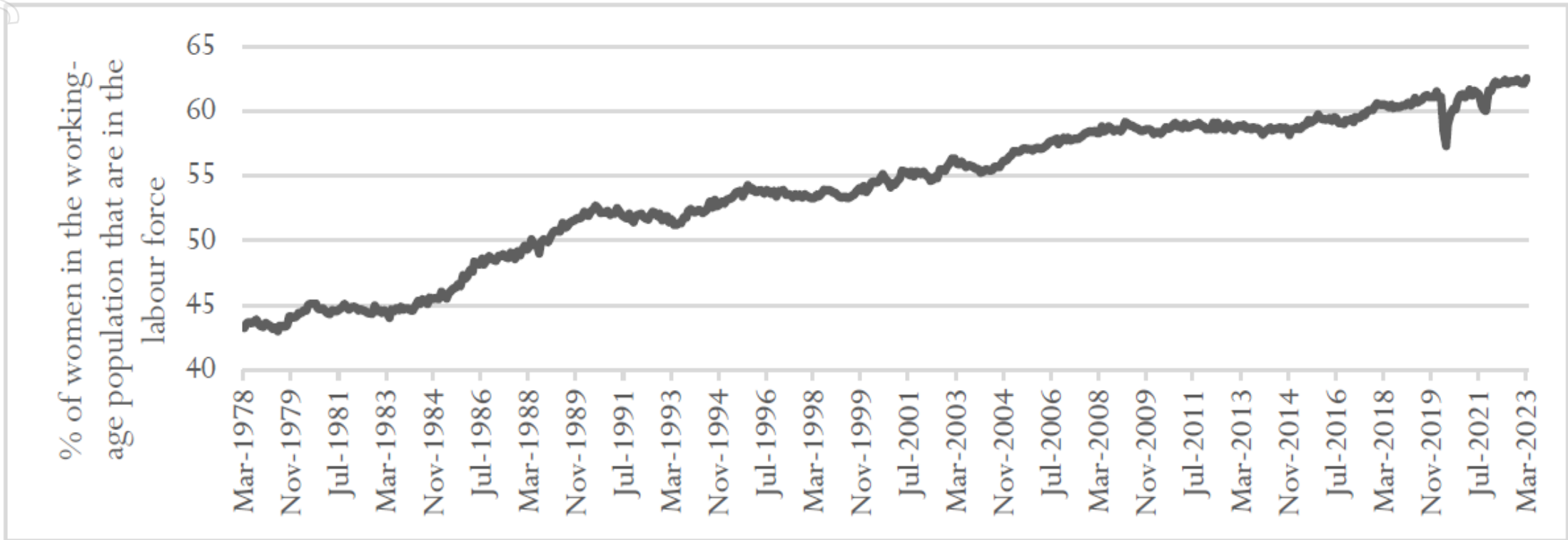
The Sector is largely not affected through the economic cycles. Coupled with the rising cost of living, this contributes to more families that have both parents working, contributing to higher participation rates for children attending long day care.

Population growth

The population growth of children in the 0-5-year age group expands the addressable opportunity for child care services. The population in the 0–5-year age group has grown from 1.77m in June 2012 to 2.03m in June 2022 and is projected to grow to 2.30m by June 2032.

III. The percentage of female workforce participation increased to 62.5% in March 2023

Female Participation in the Labour Force, Australia, March 1978 to March 2023



Source: Labour Force, Australia, ABS, April 2023, Seasonally Adjusted

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I. Glossary of terms used

Term	Definition / Meaning
IPO F	IPO Prospectus Forecast
AEBITDA	Earnings before Interest tax depreciation and amortisation excluding the impact of AASB16
CY23A	CY23 Actuals
CY24F	Latest CY24 Forecast used for preparing guidance
Prospectus	Nido IPO Prospectus dated 20 September 2023
NLR	Net leverage ratio (Net debt / LTM AEBITDA)
Think Childcare (TNK)	Previous owner operator of Nido Early Schools, sold to Busy Bees in October 2021
Think Childcare Development (TND)	Incubator of greenfield Early Schools for TNK
Think Group or TNK Group	The stapled group made up of TNK and TND
Nido Early School / Early Schools	Nido branded quality focused long daycare centres
Fee per child	Average daily fee net of discounts
AEBIT – Acquisition price	Seasonally adjusted Earnings before interest and tax, used for calculating acquisition price
Leadership triangle	Refers to the 3 role leadership team at Nido Early Schools
Incubators	Owners of greenfield Early schools until acquisition metrics are achieved
Alceon	Alceon private equity
NAED	NDO's primary incubator. 100% externally owned by Alceon
ESM	Early School Manager (Centre director or Centre manager equivalent)
CL	Curriculum leader
SA	School administrator
Occupancy	Number of children attending per period specified as a percentage of the School's licenced places
PCP	Prior comparative period
Early School revenue / performance	Revenue and operating profit from Early Schools (net of labour, occupancy and service overheads)