

ASX Announcement

Mayfield Childcare Limited (ASX:MFD)

30 May 2024

2024 Annual General Meeting Addresses by Chair and Chief Executive Officer

Mayfield Childcare Limited (the **Company** or **Mayfield**) provides the attached copy of the addresses to be given by the Chair and the Chief Executive Officer at Mayfield's 2024 Annual General Meeting today.

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

For further information, please contact:

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Chair's Address

This has been a year of significant progress for the Company, as we focused on building a culture of integrity, respect and accountability across the Company after a period of management change and instability.

Our vision to build an environment where every child reaches their natural potential has been central to reinvigorating our culture and given focus to the whole Mayfield community.

I am proud to be part of a team at Mayfield that is committed to providing a warm, safe and inviting environment for every child and developing their independence, self-esteem and a sense of belonging.

As we identified in our announcement in April, the Board has focused on some core themes in our approach.

First, we believe that the Company needs to grow to achieve an optimal scale of operations as a listed childcare operator.

Second, the Company needs pathways to enhance the timing and scale of that growth.

One of our main pathways to growth lies with the Incubator Agreement that we have in place, Ashok our CEO, will provide an update on that relationship in his address following my remarks.

The third theme is Operational Excellence where we have made some significant advances in this over the 2023 year.

The final theme is improvement to the governance of the Company. We are committed to a Board with a minimum of four Directors and, subject to the results of this meeting, will ensure the Board has the appropriate mix of skills and experience to ensure the highest level of corporate governance standards.

I would like to thank all the management and staff at Mayfield for their commitment, professionalism and dedication to the children in their care.

David Niall
Chair



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Chief Executive Officer's Address

Despite a challenging start to the year with external disruption at both a centre and corporate level, we are pleased with the operational improvements achieved in the first four months and the significant year-on-year uplift in financial performance.

As previously announced, the Group was impacted by weather events in Q4 2023 and early this year, which led to the closure of six centres in Queensland and Victoria. This was during the start of our re-enrolment period and so it has adversely impacted the occupancy of those centres. Notwithstanding this, we are pleased with the positive momentum generated over the last six weeks as restoration and repair work completes and services return to normal operations. We are also working with insurers to finalise claims under our business interruption insurance.

Despite the impact of centre closures, our financial performance has seen significant year-on-year uplift. In the first four months, Centre EBITDA improved by 70% or \$0.96M on pcp, this was driven by a 13.5% increase in revenue and significant improvements in roster efficiency and recruitment initiatives, resulting in a 53.8% decline in external agency costs and a 3.3% improvement in wage-to-revenue (WTR).

Weather-related closures and continued staffing challenges at some centres has resulted in Group occupancy being down on pcp. However, we are encouraged by the positive momentum achieved in April as services returned to normal. This was demonstrated by a 21.8% increase in new enrolments for the month, compared to a 10.6% decline in the same period last year.

We continue to generate healthy free cashflow, which we have used to repay our debt facility keeping us ready for acquisitive opportunities. Our debt, net of cash, is the lowest it has been in over 12 months.

We continue to work diligently on the divestment of centres which has been slower than anticipated. While several parties have expressed interest and some offers have been received, we have not yet proceeded to contract stage.

Investment in our operations continues to yield positive results, with both families and staff remaining engaged. Our recent family NPS survey of 55.0 highlights this positive impact.

Our Centre Managers, who are the heart of our operations, have been empowered this year with a new support structure and performance incentives. This has resulted in high engagement and enhanced financial performance at the centre level.

Our commitment to quality and compliance underscores everything we do as a company. We were extremely proud to receive another Exceeding rating from the Department of Education in February, a testament to the continued effort by our entire team.



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Growth & Revised Incubator

Growth remains a strategic pillar for us. We are pleased to announce that, following extensive negotiations, we have successfully established a revised Incubator Agreement on terms we consider are market-leading.

The revised structure is anchored by a 100% earn-out arrangement with deferred consideration, eliminating the need for upfront capital deployment. To assist with enhanced due diligence, we have negotiated management rights over the incubator portfolio of trade-up centres. This will result in Mayfield generating additional management income and benefiting from enhanced operational scale.

The earn-out structure allows us to accelerate growth and earnings without the need for dilutive capital raisings. The deferred consideration will enable us to earn two years of income before payment is due, reducing net capital requirements in Year 2, which we intend to fund using existing banking facilities.

Acquisitions under the revised agreement will be valued at 4.25 times Year 2 actual EBITDA for scrip or 5 times Year 2 actual EBITDA for cash. The revised incubator provides Mayfield with an exciting pathway for growth. The first tranche of acquisitions is expected to be presented to shareholders for approval in Q4 2024 or early 2025.

Outlook

After a disruptive start to the year, we are pleased to refocus on what matters most – the thousands of children attending our centres and the educators and staff across the country working tirelessly to deliver exceptional care and curriculum.

We maintain a very positive outlook for the year ahead. The investments we made in 2023 in our people, systems and processes have started to show positive results. We look forward to leveraging these further as the year unfolds. Organic occupancy growth will be a key focus this year, along with driving continued operational excellence and financial performance.

In closing, I would like to thank the entire team at Mayfield for their resilience over the last few months and our shareholders for your ongoing support as we work to deliver strong results this year.

Ashok Naveinthiran
CEO & Managing Director



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