



Annual Shareholders' Meeting  
31 July 2018

evolve  
education group



# Board and Management

- Alistair Ryan - Chair
- Norah Barlow
- Lynda Reid
- Anthony Quirk
- Grainne Troute
- Rosanne Graham - CEO
- Stephen Davies - CFO

# Agenda

- Chair's Address
- CEO's Address
- Questions – Operations and Management
- Resolutions

- Company's position: past year and previous expectations
- New CEO: Plans, strategies, priorities, actions
- A more stable business
- Timing, underlying business model
- Execution
- Potential for correction, improvement
- Strategic expenditure, recalibration

# Actions Required

- Stop the slide (6 – 12 months)
- Start the rebuild (later FY19, FY20)
- Restart business growth (FY20 and beyond)
- Geographically spread and diverse : 130 separate business units
- Management, structures, systems, infrastructure, support

# What is the Plan?

- CEO Appointment
- Leadership Group – key roles and responsibilities
- Human and financial resources
- Marketing
- Staff engagement
- Performance turnaround, recovery
- Growth objectives
  - Enhance existing
  - Develop new
  - Acquire carefully

# The Next Two Years

- Slow start, embedded trends impacting YTD
- Re-planning yet to be undertaken
- No structural reason why the business can not improve
- Committed to investing to fix the issues and achieving growth beyond FY19

- A number of interested and credible parties
- Responding to queries – last 9 months
- Has been and continues to be credible interest in the ownership of the company



- Our staff – hard working and committed
- Support to the centres
- Leveraging our scale in support services:
  - Property maintenance
  - Recruitment
  - Marketing and pricing
  - Curriculum and learning and development
- Also leadership re:
  - Ministry of Education
  - Health and Safety

- Teacher shortages
- Cost impacts
- Rostering
- MOE ratios
- Government funding rates

# The Last 12 Months

- Slippage – occupancy and wages to revenue
- Issues more entrenched
- CEO resignation (Aug 2017)
- Mark Finlay
- Underlying issues accumulating
- More pervasive
- Skills and capabilities
- Time and effort



- Board obligation to appoint the CEO and monitor the performance
- Specialised role
- Sector expertise and proven leadership
- Competing stakeholder requirements
- Rosanne Graham

- Review of centre portfolio being undertaken
- Mix of high, well, and under-performing centres
- Overdue maintenance and capital improvement
- Preference for purpose-built facilities for new centres
- No goodwill, quality facilities
- Build earnings over 2-3 year period

- Three of five directors 12 months tenure
- Two directors since December 2014
- Highly committed, strong diversity
- Close liaison with CEO (phase-in period)



- Volatility
- Difficult to predict FY19
- Priorities and timings
- Turnaround not achieved
- Better execution
- Internal capability
- Government support for sector issues

- Difficult to provide specific guidance
- Current year, 2-Year period thereafter
- Occupancy decline
- Sensitivity of the fixed cost business model
- Corrective strategies
- Investment in revenue recovery

# FY19 Earnings Guidance

- Uncertainties and volatilities
- Best current estimate: EBITDA \$3m - \$5m lower than FY18
- More robust guidance at the Half Year
- Underlying business potential better represented by performance beyond FY19



- Started 4 weeks ago
- Will be visiting as many centres as possible in the coming months
- Joined Evolve from the private tertiary education sector
- Attracted by Evolve's position within the ECE sector

- Recent performance has not met shareholder expectations
- Nothing strategically flawed in the sector or Evolve's business model
- Mixed execution to date
- Synergies have not been fully delivered

# Harnessing Evolve's Talent

- Evolve has a large number of very capable people
- Committed to fixing the issues and driving success
- High calibre teachers
- Core focus and passion on delivering quality early childhood education services
- Many centres are very high performing



- Opportunity to improve operational practices
- Provide better support to our ECE centres
- Investment in management capability
- Get the basics right

# Diagnosis of Performance Issues

- Declining occupancy
- Wage to occupancy ratio
- Pricing and fee structures
- Centre maintenance
- Staff engagement
- Brand clarity
- Staff turnover
- Stakeholder reputation
- Centre divestment

# Addressing Performance

- Employee engagement
- Family departures
- Property management
- Brand and marketing
- Management resources

# Staff Engagement and Performance

- High staff turnover
- Low levels of engagement
- Need value proposition of being an Evolve employee
- Staff turnover impacts family turnover
- Indirect cost impacts
- Recruitment brand impacts

# Addressing Staff Engagement

- Comprehensive people strategy
- Professional development
- Career pathways
- Technology - direct communication with staff
- Fixing property and maintenance issues
- Central teams adding value
- Centre manager focus
- Build recruitment brand



- Staff turnover drives family departures
- Word of mouth a key driver
- New enrolments at similar levels to FY18
- Need to build enrolment pipeline
- Turnover drives marketing spend
- Brand promise

# Addressing Family Retention

- Reduce staff turnover
- Improve quality of centres
- Address repair and maintenance issues
- Stronger brand story
- Measuring customer satisfaction

- Maintenance and capital expenditure performance
- Need for consistent maintenance schedule
- Wear and tear impacts
- Staff morale
- Competition from new centres

- Property will be a key focus area
- Property manager to be appointed
- Better planning for future expansion
- Key criteria: market demand, community profile, location, competition
- Divestments
- Porse sale

- Brand differentiation
- Customer needs/wants
- Digital platforms
- Tracking trends in occupancy
- Agility – address adverse trends
- Stronger brand positioning
- Pricing framework



# Conclusion

- Evolve has all the key ingredients to build a high quality ECE organization
- Much good work already done
- No quick fix
- Sustained effort over next 2 years

# Director Presentations

# Questions – Operations and Management



# Annual Meeting 2018 Resolutions

**Auditor's Remuneration: That the Board be authorised to fix the fees and expenses of PricewaterhouseCoopers as auditor for the ensuing year.**

## **Proxy Votes:**

- **For** – 65,146,851 shares, representing 99.50% of the votes cast
- **Against** – 186,442 shares, representing 0.28% of the votes cast
- **Discretionary votes** - 143,043 shares, representing 0.22% of the votes cast



# Resolution 2

**That Norah Barlow be re-elected as a Director of Evolve Education Group Limited.**

## **Proxy Votes:**

- **For** – 65,307,579 shares, representing 99.74% of the votes cast
- **Against** – 25,714 shares, representing 0.04% of the votes cast
- **Discretionary votes**- 143,043 shares, representing 0.22% of the votes cast

# Resolution 3

**That Alistair Ryan be re-elected as a Director of Evolve Education Group Limited.**

## **Proxy Votes:**

- **For** –64,926,283 shares, representing 99.16% of the votes cast
- **Against** – 407,010 shares, representing 0.62% of the votes cast
- **Discretionary votes**- 143,043 shares, representing 0.22% of the votes cast

- Complete and sign voting paper
- Voting papers in the voting boxes
- If you need a voting paper please see Link representative
- Results to NZX

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# Thank You