

2018 INVESTOR DAY

TRADING UPDATE

15 NOVEMBER 2018



G8 Education^{ltd}

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AGENDA

G8 EDUCATION LIMITED

ASX: GEM

TRADING UPDATE

Gary Carroll

MEDIUM TERM TARGETS

Sharyn Williams

LEASE ACCOUNTING & CAPITAL MANAGEMENT UPDATE

Sharyn Williams

Q&A

Gary Carroll and Sharyn Williams



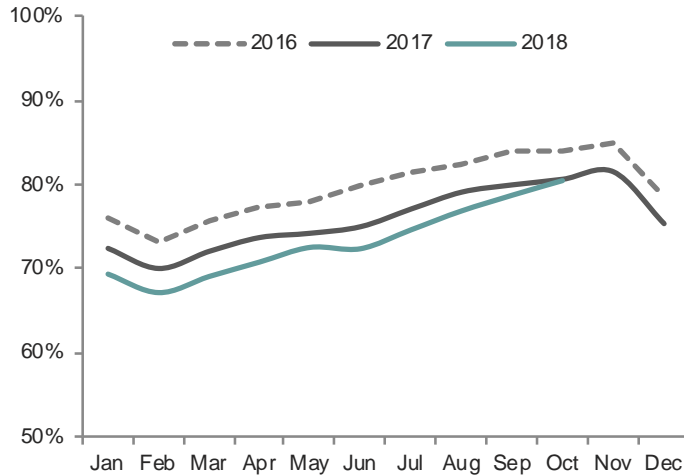
TRADING UPDATE

GARY CARROLL

OCCUPANCY – RECENT TRENDS

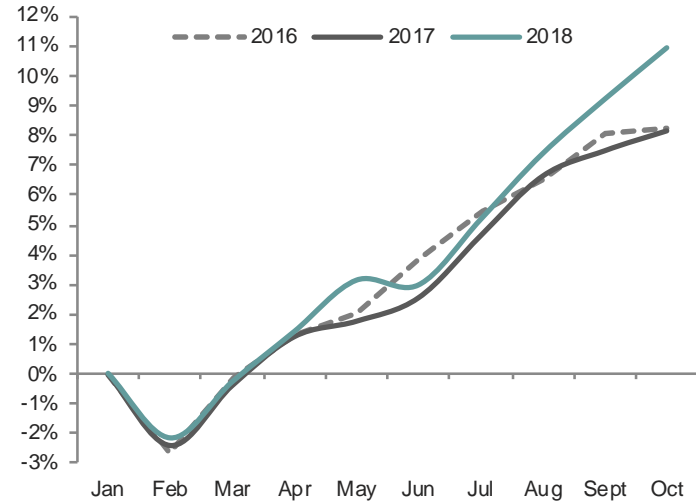
Steady improvement has continued into CY18 Q4

Average Monthly Occupancy* (%)



- Occupancy levels in the 2H continue to show above trend seasonal improvement
- September & October occupancy growth driven by operational initiatives and CCS

Occupancy* improvement from January base (%)

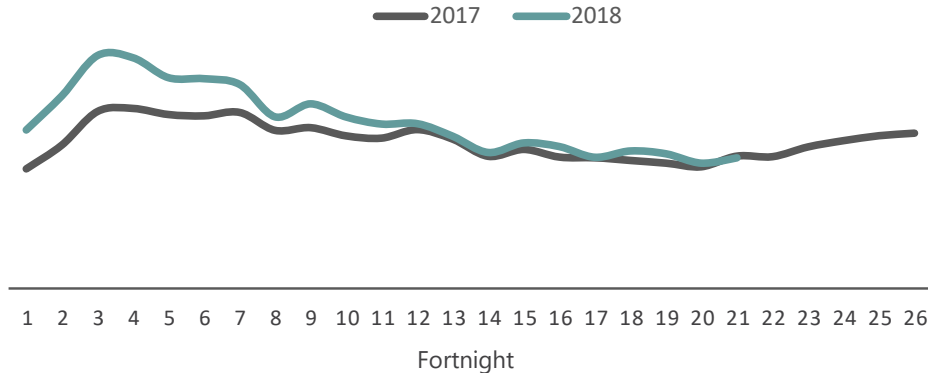


- Like for like occupancy growth has continued to trend ahead of prior year growth rates, with the gap widening in Q3

WAGE PERFORMANCE

Trending in line with expectations

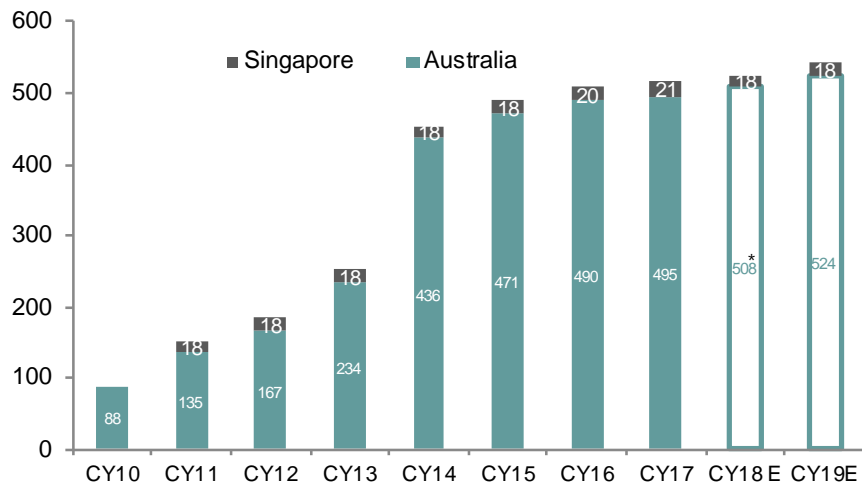
Fortnightly Wages hours per booking (2018 YTD vs 2017)



- Wage performance, represented by Wages Hours Per Booking, has continued the trend established in May, tracking in line with the prior corresponding period
- This performance is in line with the outlook provided at the August CY18 H1 result and is consistent with expectations of better wage efficiency outcome half on half

GREENFIELDS PIPELINE

Centre Portfolio



* CY18 total includes the divestment of 1 centre in CY18 H2

- Deferments of Greenfield openings into CY19:
 - 9 centres targeted in CY18 H2 (previously 12)
 - 19 centres now targeted in CY19 (previously 16)
- Deferments timed to coincide with the seasonal uptick in demand in February/March
- The drag on earnings in CY18 H2 relating to CY18 greenfield centres is tracking in line with forecast \$2m provided in the August guidance

PRIOR YEAR ACQUISITIONS

Greenfields in line, brownfields below expectations

- 2016 and 2017 greenfield acquisitions are performing in line with expectations
 - Occupancy in the 2017 brownfield cohort is below forecast because web enquiries (the main source of enrolments) were not effectively channelled to G8 by the brand owners
 - The rebrand project was launched in October and email enquiries are now back at appropriate levels
- Increased workload due to CCS integration and roll out of the new Xplor platform impacted the timing of the rectification process
 - The impact is more pronounced given enrolments were missed during the seasonally significant July-September period
 - The issue has been rectified and, as part of new integration procedures, rebrand projects will be done swiftly after closing any acquisition

SUMMARY & OUTLOOK

- Like for like occupancy growth is slightly ahead of management expectations
 - Wage Performance has continued to track in line with expectations
 - Earnings from prior year acquisitions are now expected to contribute an incremental \$3-4m in EBIT in CY18 H2 (compared to \$7m in August forecast)
- CY18 is expected to deliver EBIT of \$136-139m
 - This is in line with market consensus and takes into consideration:
 - 2017 brownfields performance
 - Wages performing in line with expectations



MEDIUM TERM TARGETS

SHARYN WILLIAMS

MEDIUM TERM (CY22) TARGETS

Based on organic and committed greenfield centres



Group like for like average occupancy grows to 81%



Greenfield pipeline achieves 25% ROI (on committed \$165m GF pipeline)



Achieve a ROCE* greater than 15%

*ROCE = Underlying EBIT/(Shareholders Equity [ave. previous 12 mth] + Borrowings [ave. previous 12mths])

KEY ROCE DRIVERS

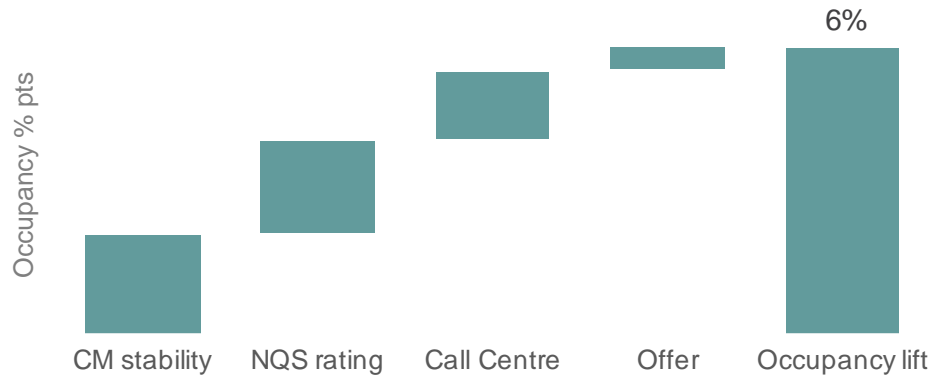
Delivery of strategic goals results in CY22 ROCE of 18.5%



- FY22 ROCE target driven by:
 - Average like-for-like group occupancy lifting to 81%
 - Current greenfields pipeline achieving target 25% ROI
 - New revenue streams
 - Margin expansion
- Note accretive acquisitions beyond the committed pipeline would increase ROCE
- Chart is indicative only and is intended to provide a guide for the relative contributions of the key drivers of the FY22 target ROCE

KEY OCCUPANCY DRIVERS

Indicative bridge to CY22 Target Occupancy of 81%



- FY22 Occupancy target of 81% to be driven by:
 - Reduction in Centre Manager (CM) turnover
 - Operationally driven improvements from Quality & Innovation initiatives
- Achievement of the occupancy target is not predicated on an improvement in the market environment
- Chart is indicative only and is intended to give a sense of the relative contributions of the key drivers of the FY22 Occupancy target



NEW LEASE STANDARD & CAPITAL MANAGEMENT

SHARYN WILLIAMS

LEASE STANDARD

- Income statement – operating lease expenses (e.g. rental expense) will be replaced by depreciation and interest
- Balance sheet – leases (except short-term or low value) recognised as a right of use asset and associated liability
- Lease liability is the present value of future lease payments
- Certain key ratios to change
- No cash impact and agreement with lenders to ensure facility headroom is maintained
- The Group is well advanced for CY19 implementation
- The actual impact of the standard in FY19 will depend on:
 - Transition options adopted at 1 January 2019
 - Composition of the Group's lease portfolio
 - Final determination of reasonably certain renewal options on 1 January 2019

EXPECTATIONS

Net debt and gearing	↑	Will increase because reported debt increases but the ROU asset will be excluded
EBITDA	↑	Will increase because there will be no operating lease expense included
EBIT	↑	Will increase because part of the lease cost will become interest expense, which is excluded from EBIT
PBT	→	While PBT for the lease overall will be neutral, profit will be lower in the initial part of a lease due to the higher interest component of the payments upfront

When will it impact?

The effective date for AASB 16 is annual reporting periods beginning on or after 1 January, 2019, and interim periods therein.

What is the impact?

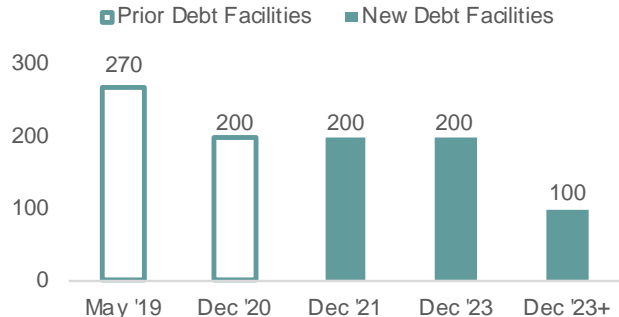
The standard brings most lessee's leases onto the balance sheet with resulting changes to the income statement, balance sheet and introduces additional disclosure requirements.

CAPITAL MANAGEMENT

Reinforcing balance sheet strength

Refinancing update

- Secured \$400 million syndicated bank debt facility on more favourable terms to refinance:
 - \$270 million SGD bonds
 - \$200 million Club facility (drawn to \$80 million at June 2018)
- Subordinated debt facility of \$100 million in place, with financial close to occur in coming weeks
- Achieved interest rate saving of circa 2% pts on a like for like basis



Debt ratios

- Net Debt/EBITDA of 2x at 30 June, 2018
- Refinancing has left the balance sheet in a strong position, able to comfortably meet the capital requirements of the current growth phase
- Net Debt/EBITDA covenant has been increased to provide significant headroom
- Balance sheet supported by strong cash flow generation



Q&A

2018 INVESTOR DAY

INVESTOR PRESENTATION

15 NOVEMBER 2018



G8 Education^{ltd}

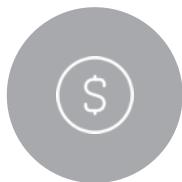


STRATEGY UPDATE

GARY CARROLL

SECTOR DYNAMICS

Resilient with good long term fundamentals



BENEFITS AND IMPROVED AFFORDABILITY TO BOLSTER OCCUPANCY

- Extensive research shows that formal Early Learning has benefits across a range of dimensions (e.g. social, emotional, physical, language, cognitive)
- Jobs for Families package has added \$2.5 billion in funding over 4 years targeted at low and middle income families
- New package is not a “silver bullet” but is expected to stimulate consistent medium term demand



DEMAND SHIFT FAVOURS QUALITY AND SCALE

- Occupancy at high appeal, high quality centres has remained strong through current market cycle
- Scale operators are better positioned to provide differentiated offerings & higher quality centres



HIGHLY FRAGMENTED WITH STRUCTURAL GROWTH DRIVERS

- Top 5 players have only circa 20% market share. Approximately 70% of centres are small operators
- Government and business leaders committed to increasing participation rates of women in the workforce
- Strong bi-partisan government support
- Continued strong population growth from births and migration

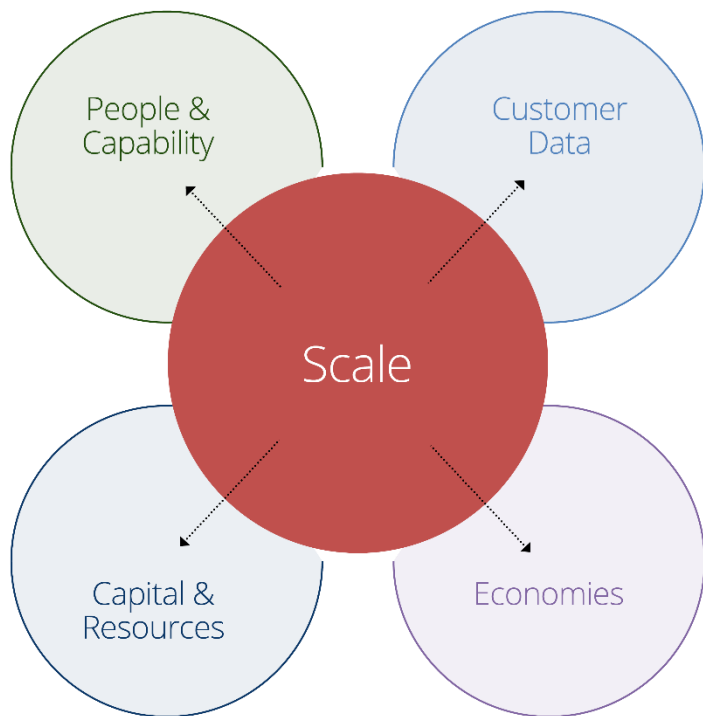


SUPPLY GROWTH MODERATING

- Tightening of bank funding to developers continues to moderate future supply pipeline with CY18 being driven by existing pipeline
- Continuation of this trend will result in the market being more in balance by mid to late 2019

SCALE TO UNLOCK LATENT PORTFOLIO POTENTIAL

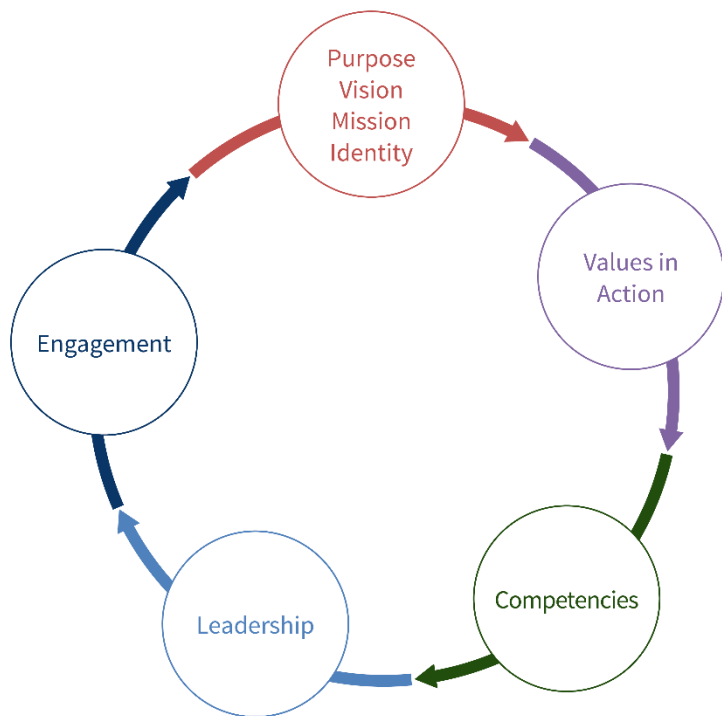
Scale drives innovation & sustained customer experience advantage



- Ability to form partnerships, in areas such as curriculum and health, to drive differentiated, value-based offer and experience
- Ability to provide compelling career pathways, to form partnerships and offer market leading training and remuneration to attract and retain the best team
- Ability to invest in the team, technology and resources at the lowest unit cost
- Ability to monitor customer data, new trends and influences, as well as global competitor developments to provide the best intelligence for innovation efforts

CULTURE IS KEY TO UNLOCKING SCALE

G8 is a people business



- People businesses require supportive cultural elements
- A values-based and performance culture is imperative to establishing and sustaining our scaled competitive advantage

CLEAR PATH TO GROWTH

Driven by scale and culture

STRATEGIC PRIORITIES



**BUILD
A GREAT
TEAM**



**STRENGTHEN
THE
FOUNDATION**

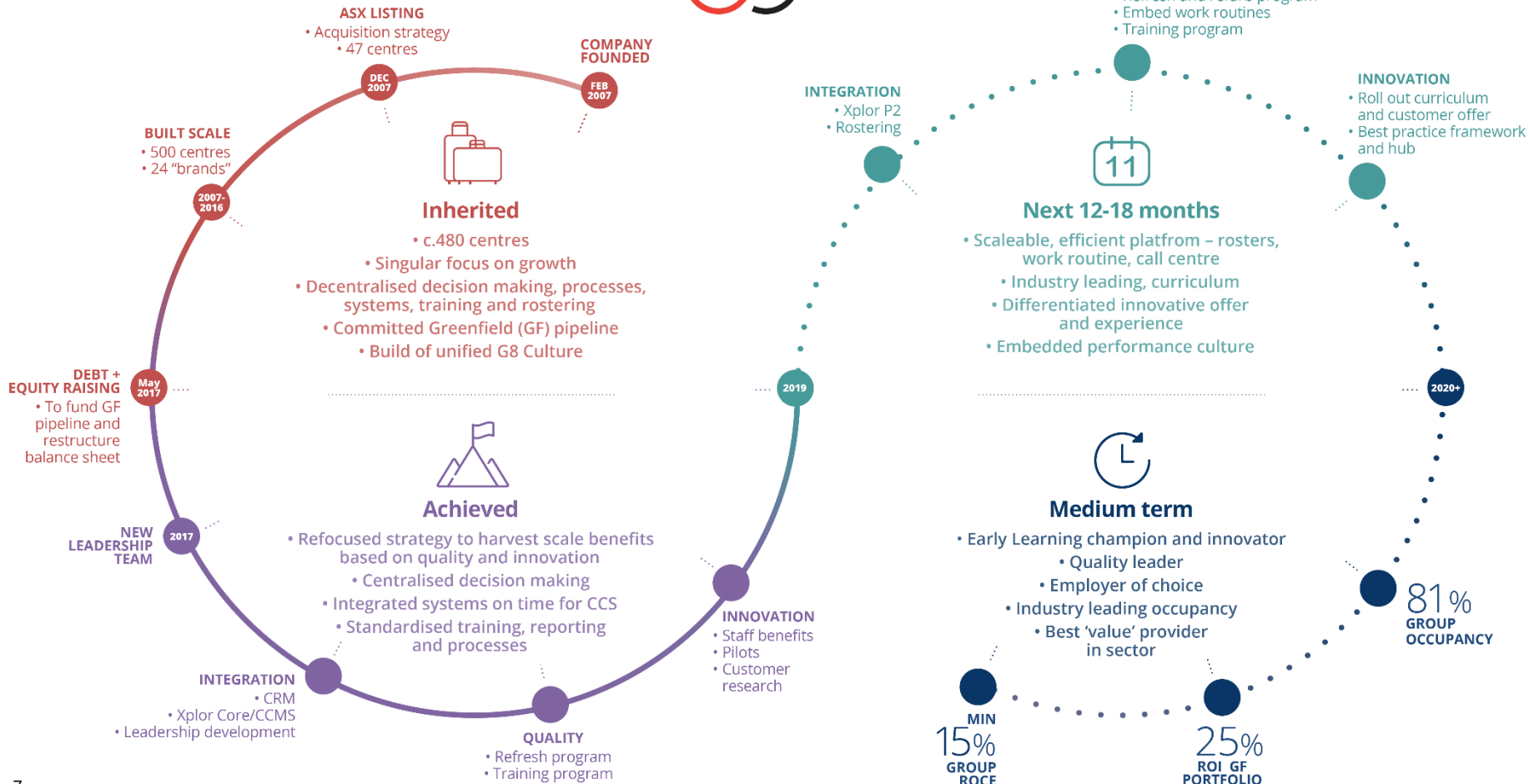



**CREATE
SUSTAINABLE
DIFFERENTIATION**



**CONTINUE
PROFITABLE
GROWTH**

THE JOURNEY





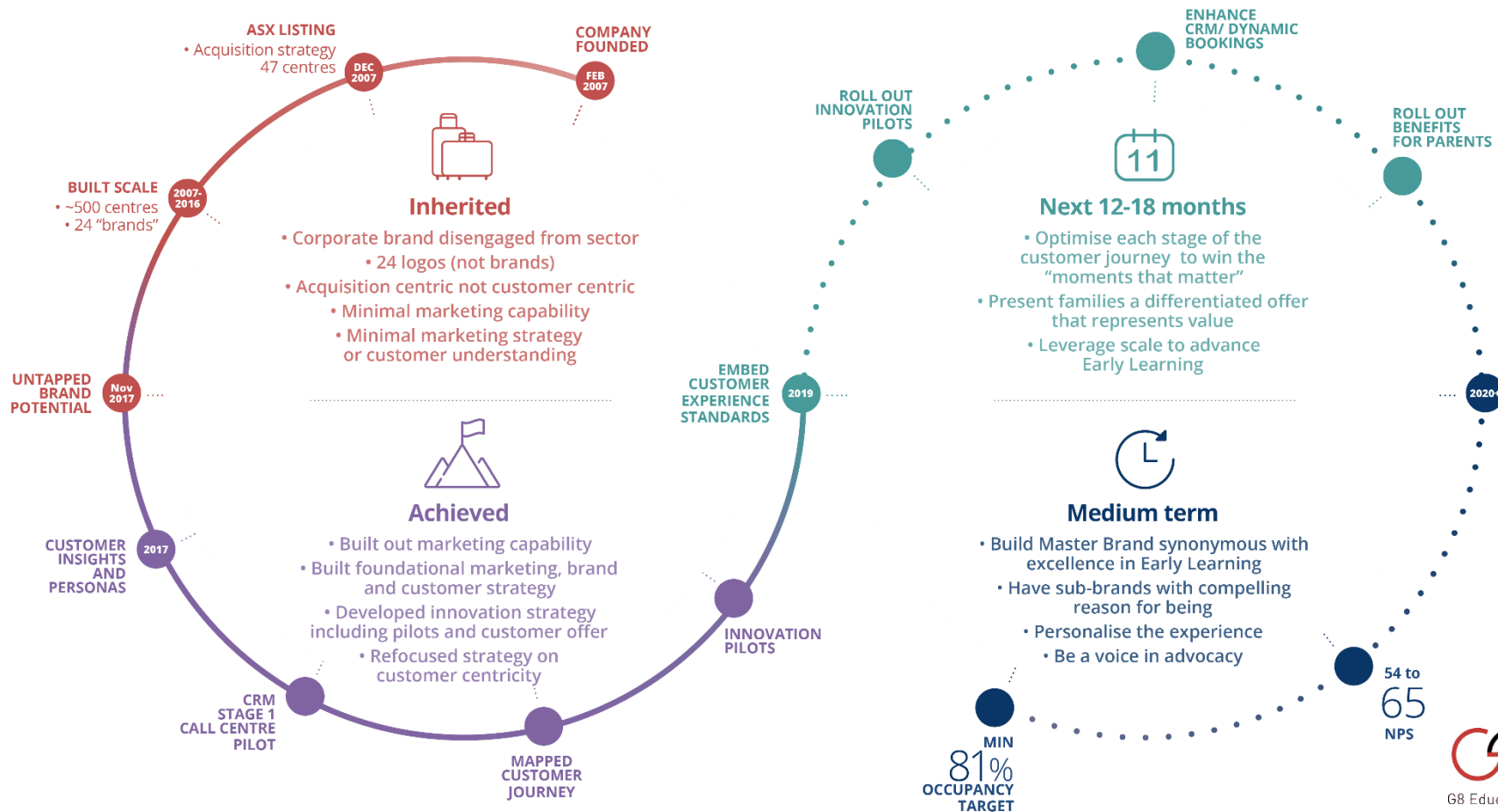
CREATE SUSTAINABLE DIFFERENTIATION

BRAND, MARKETING, CUSTOMER OFFER &
EXPERIENCE

GREG BOWELL

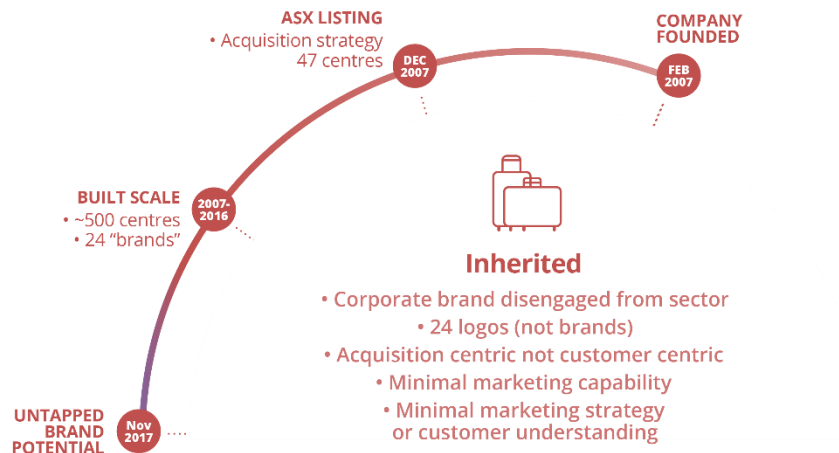


BRAND, OFFER & CUSTOMER JOURNEY



BRAND, OFFER & CUSTOMER JOURNEY

Untapped brand potential



- Sector and G8 lacked strategic, customer led marketing
- It shows in the data:
 - 20% participation, 0-4 year olds
 - 66% attend due to employment commitments
- Master Brand disconnected from sector and ineffectual 24 'logos'

THE BRAND, OFFER & CUSTOMER JOURNEY

Deep customer understanding



- Foundational Research completed
 - Customer Insights into the sector
 - 4 clear and differentiated Personas
 - Complete Customer Journey
- Customer validated “pain points” in the Journey
 - Website
 - Call centre/CRM
 - Centre tours
 - Enrolment/Induction
- Key moments that matter – drop off, pick up, transition

THE BRAND, OFFER & CUSTOMER JOURNEY

Deep customer understanding



- Aligned customer experience (CX) with our people experience (PX) for a 'best in class' approach; when our people thrive, our customers thrive
- Recently launched innovation pilots:
 - I Love Reading program
 - Kinderling Digital Radio & content
 - iSandBox
 - Adapt Allied Health
- Update on progress to be provided at the CY18 result in February

CUSTOMER INSIGHTS

Driving participation rates through advocacy

The fundamental shift that has to take place

Child care is
a necessary compromise
(for both my child, and myself)
that allows me to work

It would probably be better
for my child if they didn't go
until pre-school

FROM

TO

Early childhood learning
provides not only care,
but gives my child
fundamental learning
and developmental
opportunities

If my child doesn't go,
they will miss out,
and
will be at a disadvantage
socially, emotionally
& developmentally

Replace the care compromise...
...with development and learning benefits

- Our in depth customer research reveals an immense opportunity exists for G8 to lead societal change against the 'Care Compromise'
- Adding Learning to Care will shift attitudes to Early Learning thereby driving longer term growth through higher participation rates
- G8's size and scale demands it leads and champions the sector

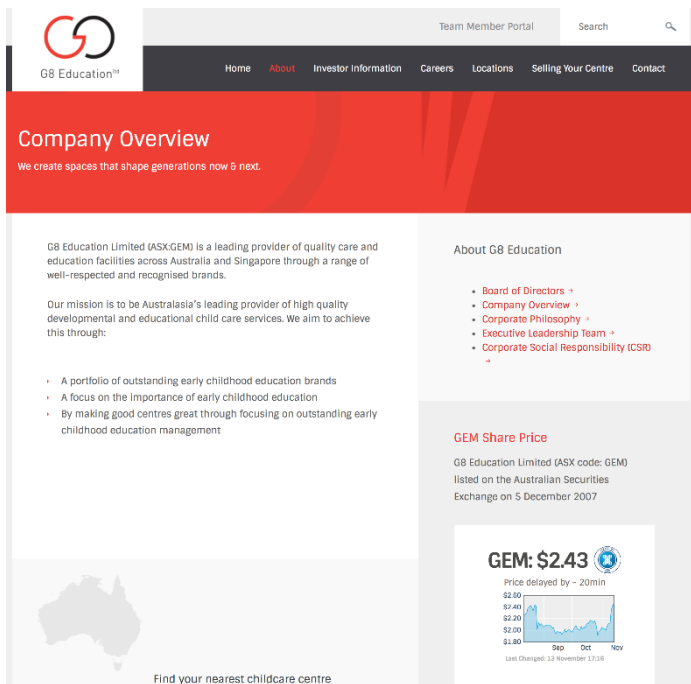
CUSTOMER PERSONAS & CUSTOMER JOURNEY



CONVERTING PAIN POINTS TO ENROLMENTS

To improve occupancy and experience

Current G8 website



- New Corporate and Brand websites under development
- CRM phase 1 - booking process tool
 - Supports centre managers processing parent enquiries and tours etc
 - Waitlist management
 - Removes manual processing
 - Introduces control and accountability
- Call centre pilot
 - 17 centres
 - Circa 2% lift in occupancy
 - Conversion doubled (from tour completed to enrolled)
 - Enables visibility and management of performance

THE BRAND, OFFER & CUSTOMER JOURNEY

Winning the 'moments that matter'



- To win we turn 'pain points' into value drivers and embed 'moments that matter' into customer experience standards
 - Each function will understand their role by end of CY18 for CY19 rollout
 - Clear measure of performance

THE BRAND, OFFER & CUSTOMER JOURNEY

Winning the 'moments that matter'



- Roll out call centre
 - Externally managed enquiries and tour booking
 - Introduction of refined customer processes from enquiry to enrolment
 - Embedded in 100 centres January 2019, all 500 all centres by early April 2019
- Enhance CRM
 - Sweat current CRM
 - Dynamic bookings to be rolled out in 2020
 - Automated, predictive customer marketing and communications tool

DIGITAL TRANSFORMATION

For enhanced experience

Xplor Hope App



- First stage on path to sector-leading, dynamic web platform - Sitecore
- New Corporate website to be rolled out in CY19 Q3 to reflect G8's customer centric and sector leading strategy
- Xplor Parent App will be key to differentiated parent communication and information – CY19 Q2 launch
- Enhanced CRM to become the single source of truth for customer data, driving enrolment and retention as well as predicting churn – rollout in 2020

BENEFITS FOR PARENTS

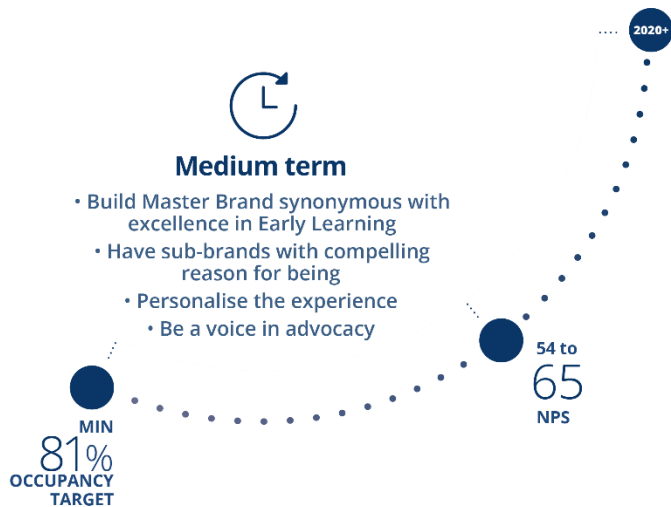
"Value" based offer that supports affordability



- Perception is expensive "care" with some inclusions but little perceived added "value"
- We are leveraging our scale and insights to differentiate and improve the quality of our offer
- 'Benefits for Parents' will consolidate these scale benefits and drive new revenue streams
- Primary deliverable is to attract and retain families
- Appetite for a 'Benefits for Parents' program confirmed by recent research

THE BRAND, OFFER & CUSTOMER JOURNEY

To being the first choice Early Learning centre in every area



- Master Brand is currently under review
- Leverage and establish a true brand position for each sub brand that aligns with the Master Brand and the customer personas
- Allows us to truly leverage media scale and drive marketing effectiveness
- Opportunity to leverage scale to be seen by stakeholders as a leader in Early Education
 - Government
 - Sector
 - Potential Employees
 - Our Families
 - Our People

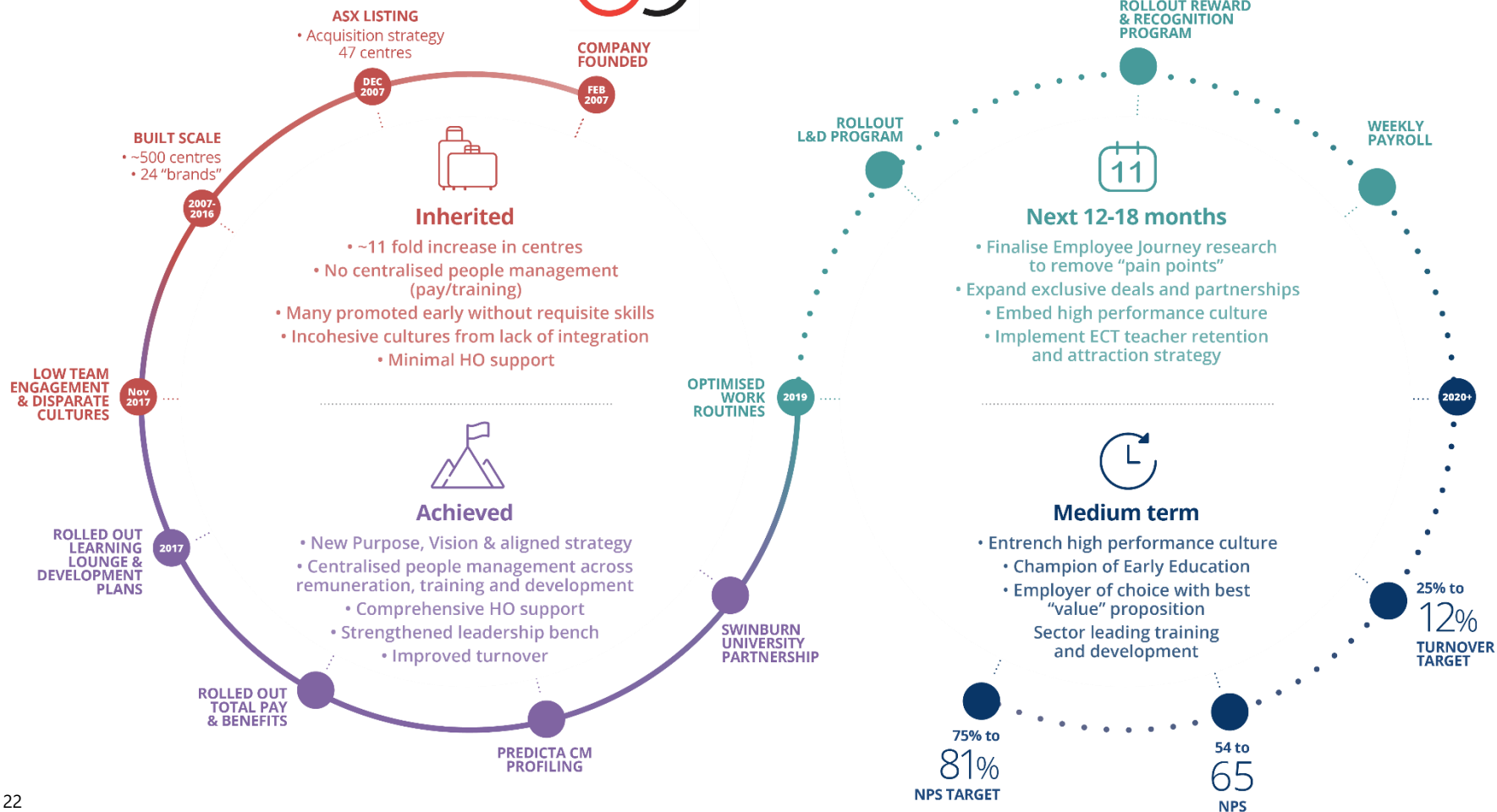


BUILD A GREAT TEAM STRENGTHEN THE FOUNDATION

TEAM, OPERATIONS & CENTRE NETWORK

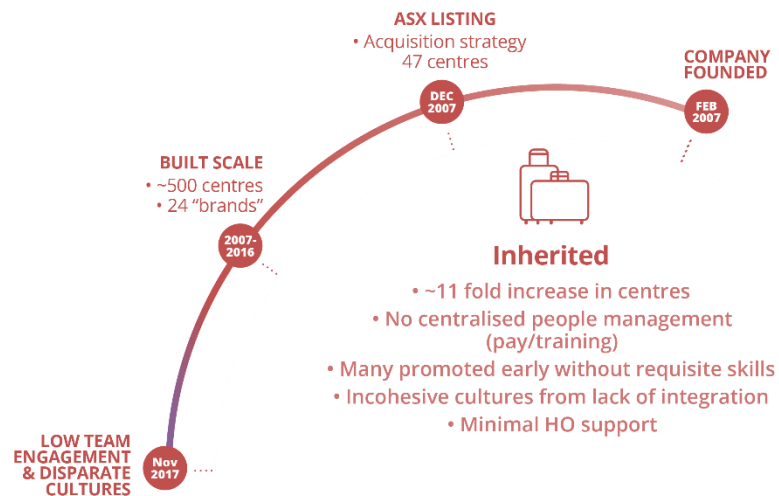
JASON BALL

THE G TEAM JOURNEY

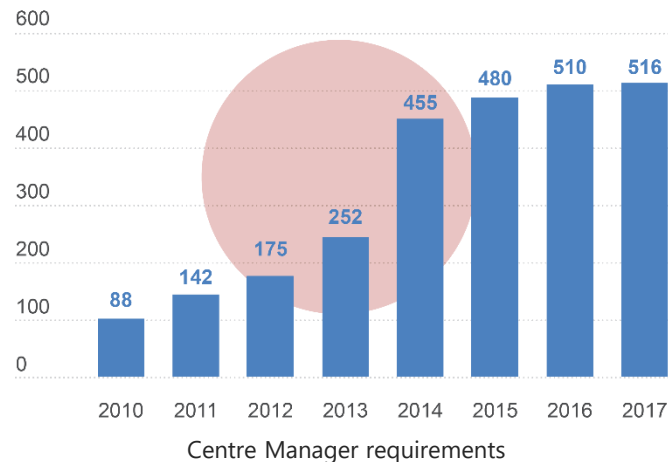


THE TEAM JOURNEY

Growth without cohesion



- Acquisition strategy created a scalable portfolio but this rapid growth outstripped people capability and numbers
- Mergers of many businesses created an inconsistent culture and high team turnover



THE TEAM JOURNEY

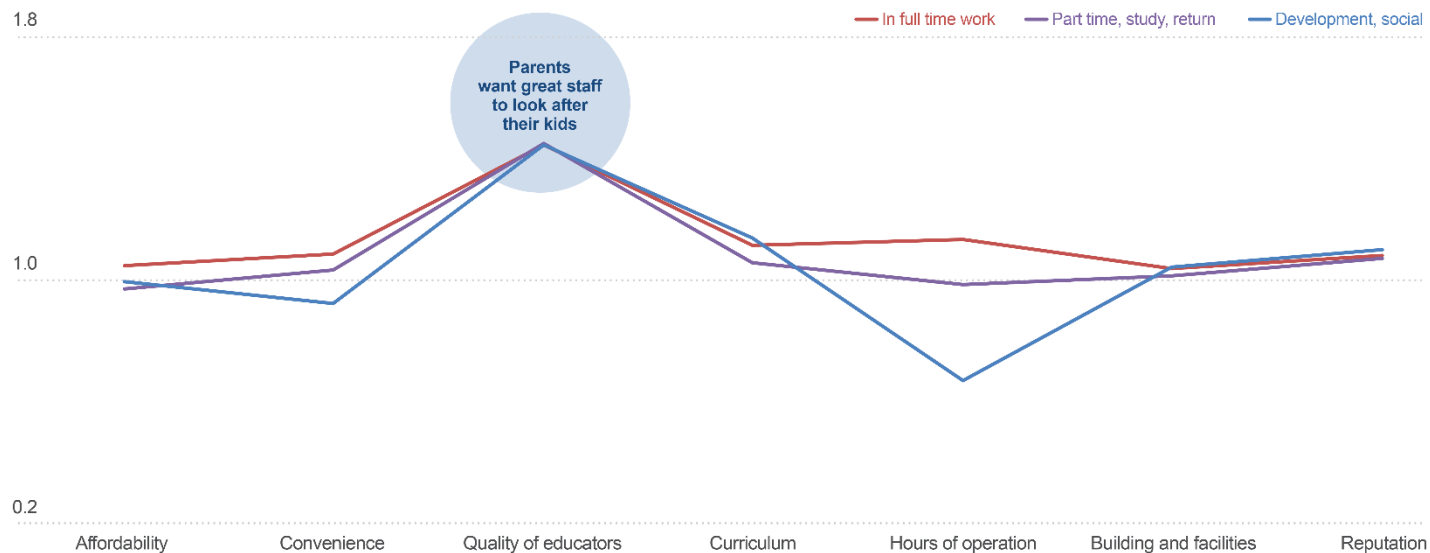
Early Learning is about trust



- Parents entrust us with the most precious thing in their lives
- Relationships between educators and families contribute to the village that helps raise a child

THE TEAM JOURNEY

What parents want

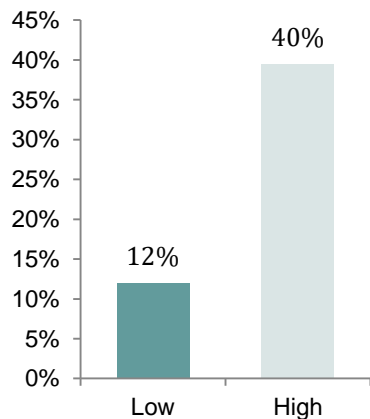


- Families want consistent, stable, quality educators above all else

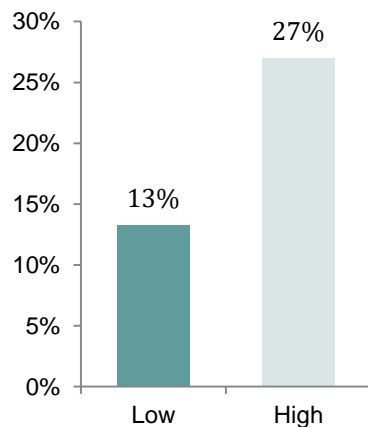
THE TEAM JOURNEY

G8 is a people business

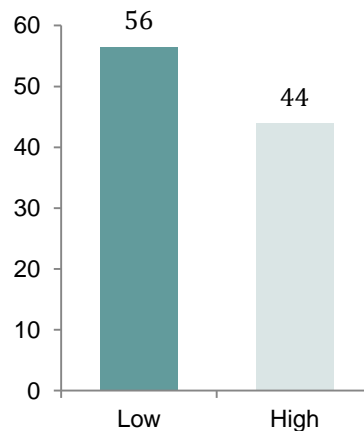
High staff turnover...



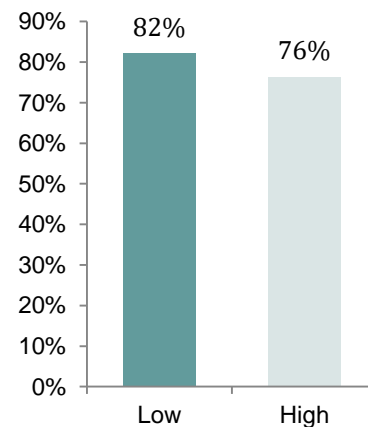
Is correlated with high centre manager (CM) turnover



Which drives lower Net Promotor Scores



And lower centre occupancy



...centres with no CM turnover in previous 12 months had average occupancy 8% pts higher than those that changed CM

THE TEAM JOURNEY

Focus on Centre Manager stability & team turnover



- 2017 “Have your Say” employee survey highlighted the focus areas for the Retention Strategy:
 - “To have support” and “to feel valued” were in the top 3 responses
 - Desire to have good training rated 3 times the benchmarking norm for the broader Care sector and ranked in the top 5
- First step – unified the team with a common Purpose and Vision

THE TEAM JOURNEY

Focus on Centre Manager stability & team turnover



- Leveraged scale opportunity to:
 - Provide operational and day to day business support (90% centre employees satisfied/highly satisfied *)
 - Invest in our talent and provide career pathways through training & development (T&D) and a consistent, transparent and compelling Total Pay & Benefits program
- Developed bench strength
 - 330 Assistant Centre Managers (ACMs) in place and growing
 - Provides risk mitigation
- Improved CM turnover - 17.2% (2018 YTD), down almost 5% pts since December 2016

* Results from November 2018 Head Office Support Survey

TOTAL PAY & BENEFITS

Innovative, cost effective way of delivering “value” to team

Some of our Playground brand partners



Exclusive to G8 team members

Over 500 different retailers

Discounts of 5 - 30%

Can be accessed anywhere, anytime on computers, tablets & smartphones

- Leveraged scale to form partnerships and offer employee discounts
- Our wellness initiative, Active8, provides discounted gym memberships, counselling and special offers from BUPA and CBA
- Potential annual savings of up to 6% for a single employee and 12% for a family
- Already showing signs of moving the needle and full benefits, in terms of turnover, expected to impact in CY19

THE TEAM JOURNEY

How has life changed for our employees?

"The Learning Lounge enables me to expand my extensive knowledge within the ECEC setting. With various courses to choose from, I'm able to choose what interests me and complete these at my own pace. The courses explore various perspectives which keeps learning interesting and fun!"

Vatcharee Godron
Early Childhood Teacher

"This morning when we received the lovely Educators gift from G8, the Educators were blown away!! They have asked that I can say a huge Thank You to everyone that has made this happen. This gesture has meant so much to these staff, who previously haven't always felt the love from G8, So well Done!!! They are all looking forward to their Ice-cream Sundae!"

Jo Jones
Centre Manager

"Throughout my studies, I was always supported and encouraged by both G8 and CTAS. Completing my Diploma has opened up a number of opportunities and pathways. Upon completion, I was awarded Student of the Year with CTAS and have since been invited to work closely with G8 to discuss the future vision of their company."

Tully Langton
Diploma in Early Education & Care

"The Learning Lounge is amazing! We have used it to support our educators and learn as a team. It is helping raise our professionalism. The courses are relevant, quick to complete and the support we get from G8's learning & development team is outstanding."

Meghan Webb-Wagg
Centre Manager

"I just wanted to let you know that you have created a huge win for Centre Managers this last few months with our New Communications Framework... You have made my life and hundreds of Centre Managers lives easier. We are eternally grateful."

Donna Thone
Centre Manager

"I've had a HUGE week and opening the box on my desk and seeing this wonderful Sundae Station surprise for my team made my day. THANK YOU SO MUCH - really appreciate the great ideas and hard work. You're all amazing!"

Justine McKinnon

"While studying with Swinburne Online, I have been provided with quality and supportive learning environments which prepared me for a career in the 21st Century. G8 has been very supportive and has worked with me so I'm able to take leave for exams, seminars and collaborations!"

Rosalia Bland
Bachelor of Education (Early Childhood)

"I love the Learning Lounge!!! I love that it allows me to remain up to date with emerging sector practices. I believe that everyone is a life long learner and that the learning journey never ends so the support that G8 provides us is amazing."

Stephaie Selmes
Area Manager

THE TEAM JOURNEY

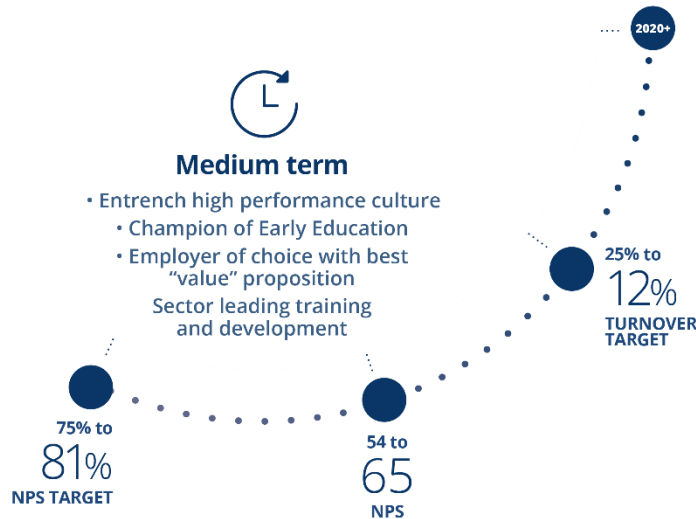
Remove “pain points” to enhance capability & engagement



- Streamline Centre Manager and Area Manager roles:
 - Work routines – embed best practice and win the ‘moments that matter’
 - Improve processes from Support Office functions
- Enhance leadership capability:
 - 40% of exited employees leave due to poor leadership
 - Recruitment filter based on Predicta profiling
- Retain talent:
 - Relevant benefits/reward and recognition programs
 - Move to weekly payroll
 - Induction and Onboarding – well trained and immersed CMs enhance customer and team experience
 - Particular focus on retaining Early Childhood Teachers (ECTs), the sector’s highest turnover group
 - Partnering with leading sector professionals

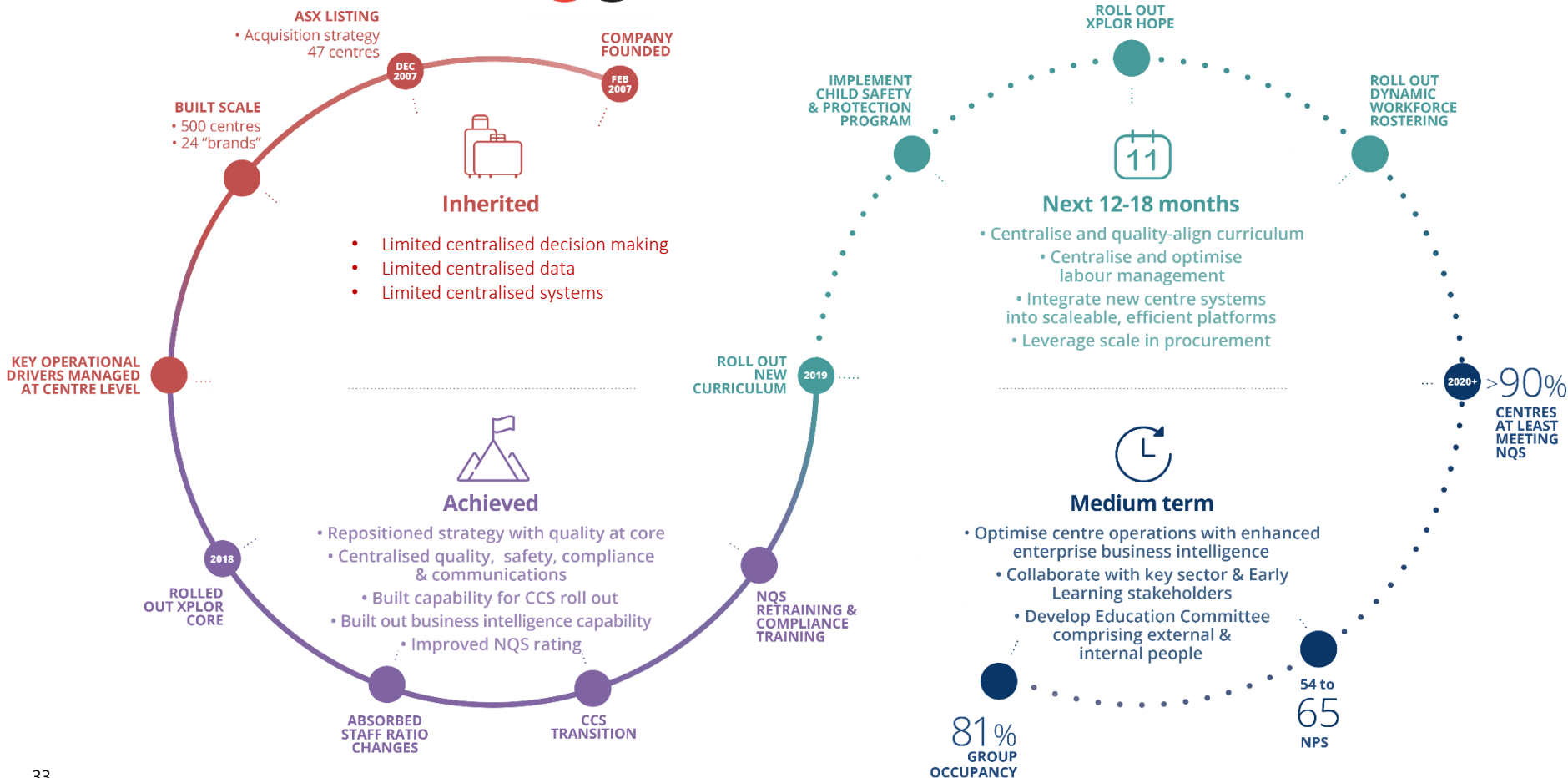
THE TEAM JOURNEY

To being the first choice Early Learning Centre in every area



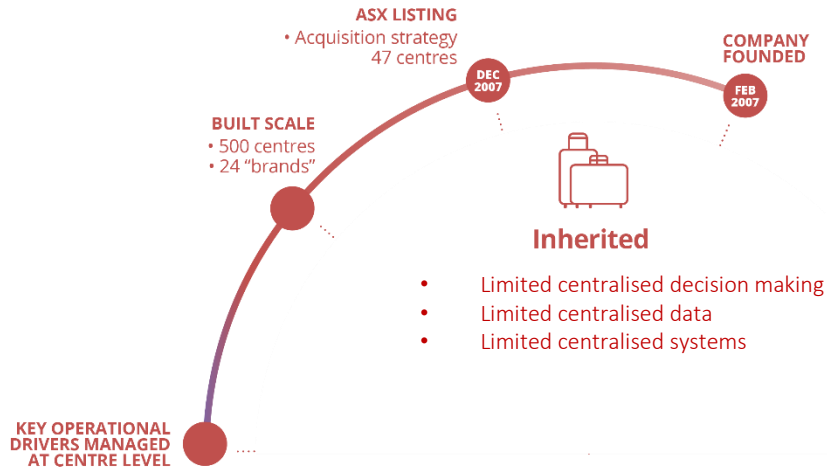
- Leverage our scale advantage to:
 - Provide differentiated professional development and career opportunities that not only retain but attract the best people -> lower turnover centres have higher occupancy
 - Partner with leading organisations (national & international) to develop and implement best early learning and people practices -> higher quality centres have higher occupancy
 - Improve systems and training to elevate our employees and give them more time to create the best quality experience for our children and parents -> higher team engagement and stability has higher occupancy

THE OPERATIONAL JOURNEY



THE OPERATIONAL JOURNEY

Systems, processes and information lagged growth



- Centre operations were inconsistent across the portfolio
 - Rapid acquisition growth outpaced best efforts for centre integration
 - Centres given autonomy with limited head office (HO) support
- Scale was not fully leveraged

THE OPERATIONAL JOURNEY

Laying the foundations

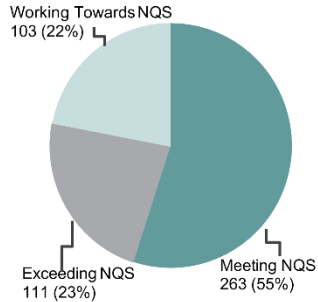


- Transitioned through significant regulatory changes:
 - Ratio and supervision changes - Oct 17
 - National Quality Standards changes - Feb 18
 - Child Care Subsidy CCS - July 18
 - Change of Child Care Management System (CCMS) - CY18 H1
- Implemented business intelligence capability critical to managing a network of 500 centres
 - For example, facilitated the absorption of 30,000 hours per week to achieve wage performance target
- Xplor 'Core' consolidated 3 legacy systems and became G8's central enterprise hub
- Aligned team on 'quality driven' objectives and expectations

QUALITY DRIVES OCCUPANCY

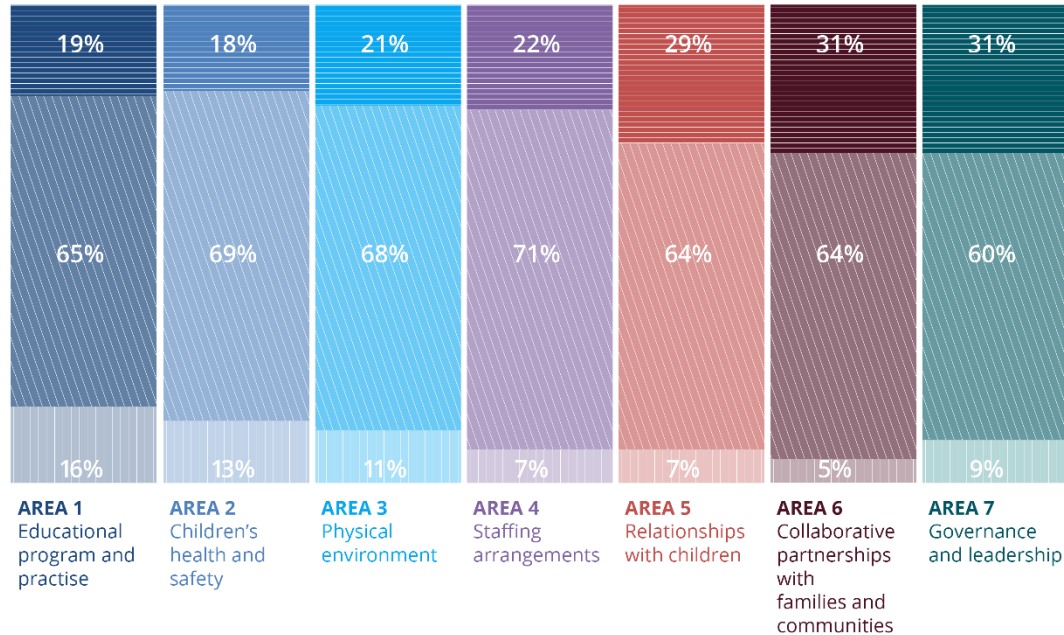
National Quality Framework

G8 ratings >



- Exceeding NQS
- Meeting NQS
- Working towards NQS

Current G8 ACECQA ratings >



G8 priorities >

This is how we're getting there

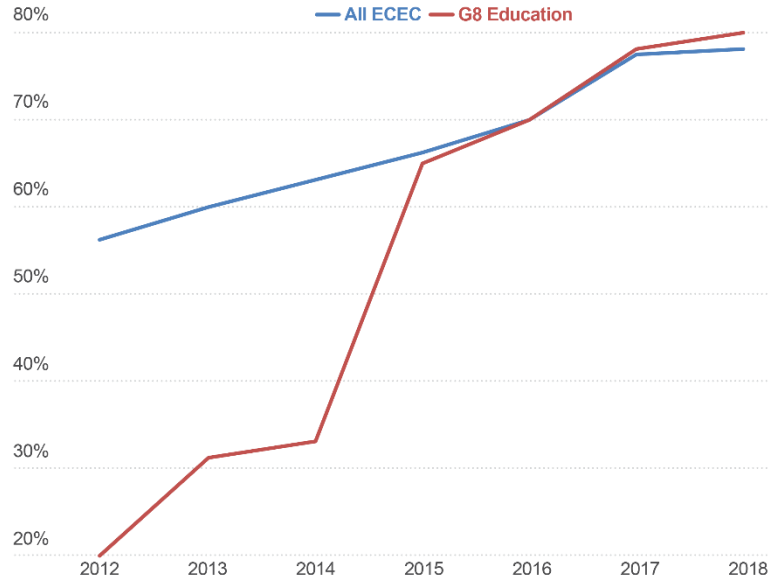
- AREA 1 Curriculum
- AREA 2 Child Safety and Protection program
- AREA 3 Refresh and Refurb program
- AREA 7 Centre Manager and work routines

- Exceeding NQS
- Meeting NQS
- Working towards NQS

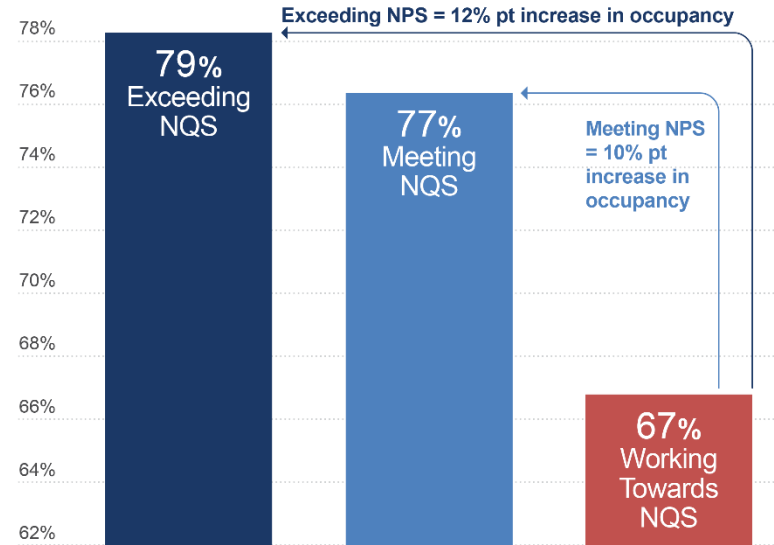
QUALITY DRIVES OCCUPANCY

National Quality Framework

G8 vs All ECEC services assessed as meeting and exceeding the National Quality Standard



Snapshot of portfolio Aug 2018



QUALITY DRIVES OCCUPANCY

National Quality Framework

G8 NQS ratings:

✓ Where we are

Centres **WORKING TOWARDS NQS**



Centres **MEETING NQS**



Centres **EXCEEDING NQS**



✓ Where we need to be

10% Target — Centres **WORKING TOWARDS NQS**



12% point improvement

50% Target — Centres **MEETING NQS**



5% point improvement

40% Target — Centres **EXCEEDING NQS**



17% point improvement

ADDS

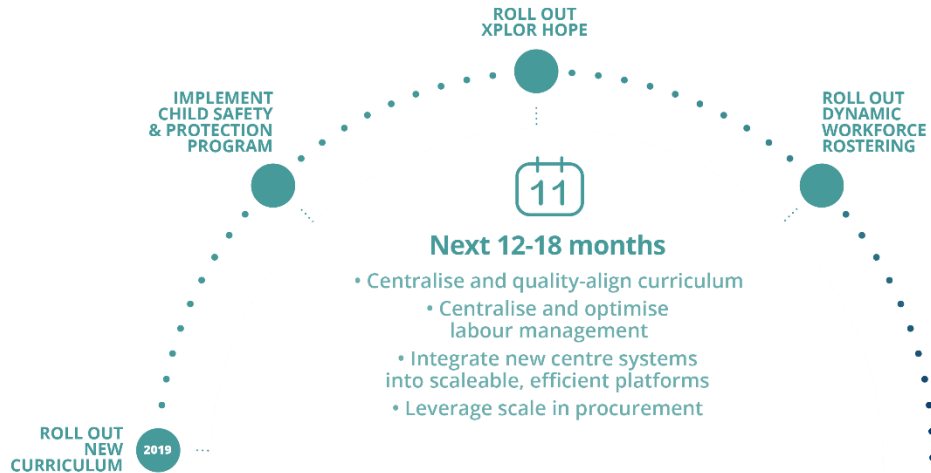


2

% POINTS
TO GROUP
OCCUPANCY

THE OPERATIONAL JOURNEY

Widening the quality gap



- Concentrated focus on improving NQS ratings:
 - Develop a curriculum framework in CY19 Q1 that delivers and exceeds the NQF
 - Elevate Early Learning to advocate the benefits for children
 - Partner with leading sector professionals and institutions
 - Deliver quality differentiation vs. the sector average
- Work routines - CY19 Q1
- Digital evolution, engagement and efficiency via Xplor H.O.P.E

XPLOR H.O.P.E

Digital Attendance

Use HUB to comply with regulation.



This is Xplor.

It's best to do one thing really, really well.

In 2010, founder Mark Woodland and his team would education look if we designed it from scratch. They evaluated everything, from what role technology could complement administrators. What they discovered is that our children can do different education than what most believe is possible. Today, technology can handle many of the administrative and autonomy of their business.

Fast. Easy. Accurate.

1. Register your child's location for the Xplor Hub system
2. Scan your child's QR code to sign them in
3. Scan your child's QR code to sign them out
4. Scan your child's QR code to sign them in

Instant bookings.

Xplor makes it easy for parents to book appointments. Just scan the QR code and notify administrators from the convenience of their mobile phone. You no longer have to wait and the system takes to give a last minute slot. It's quick, easy and accurate.

Bookings

Today's appointments

Sarah Jane

Why children love to play.

Temperature

Sarah Jane

Injury or Accident

Occupancy

80

Why children love to play.

Rooms & Visitors

Child Care Fees

Nursery 09

Kinders 11

Sarah Jane

A revolution

Xplor's digital attendance system is a revolution in the way we manage our children's education. The system is designed to be used by parents and staff to track attendance and time spent. The system is designed to be used by parents and staff to track attendance and time spent. The system is designed to be used by parents and staff to track attendance and time spent.

Home.

With Xplor, you can track your child's location and time spent at school, using the Xplor Hub and the Xplor app. Xplor's digital attendance system is a revolution in the way we manage our children's education. The system is designed to be used by parents and staff to track attendance and time spent. The system is designed to be used by parents and staff to track attendance and time spent.

Instant Attendance

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Xplor Health.

Nothing is more important than a child's health. Xplor's digital attendance system is a revolution in the way we manage our children's education. The system is designed to be used by parents and staff to track attendance and time spent. The system is designed to be used by parents and staff to track attendance and time spent.

Playground.

You have teaching not administration. Xplor's digital attendance system is a revolution in the way we manage our children's education. The system is designed to be used by parents and staff to track attendance and time spent. The system is designed to be used by parents and staff to track attendance and time spent.

Office.

Know exactly how your business is performing. Xplor's digital attendance system is a revolution in the way we manage our children's education. The system is designed to be used by parents and staff to track attendance and time spent. The system is designed to be used by parents and staff to track attendance and time spent.

THE OPERATIONAL JOURNEY

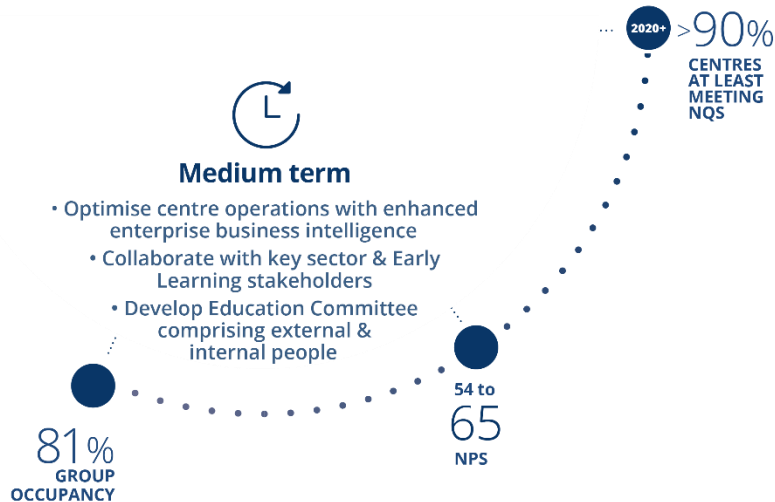
Driving operational efficiencies



- Labour scheduling and rostering system to drive further wage efficiency – CY19 Q3 rollout
 - Dynamic workforce planning
 - Award and regulatory interpretation
 - Casual pooling
 - High single digit millions in annualised cost savings
- Improved systems and processes to improve operational consistency and delivery
- Enhanced data analytics to provide greater insights and control; “what gets watched, gets managed”
- Procurement savings via demand planning to provide an offset to increased Head Office support costs

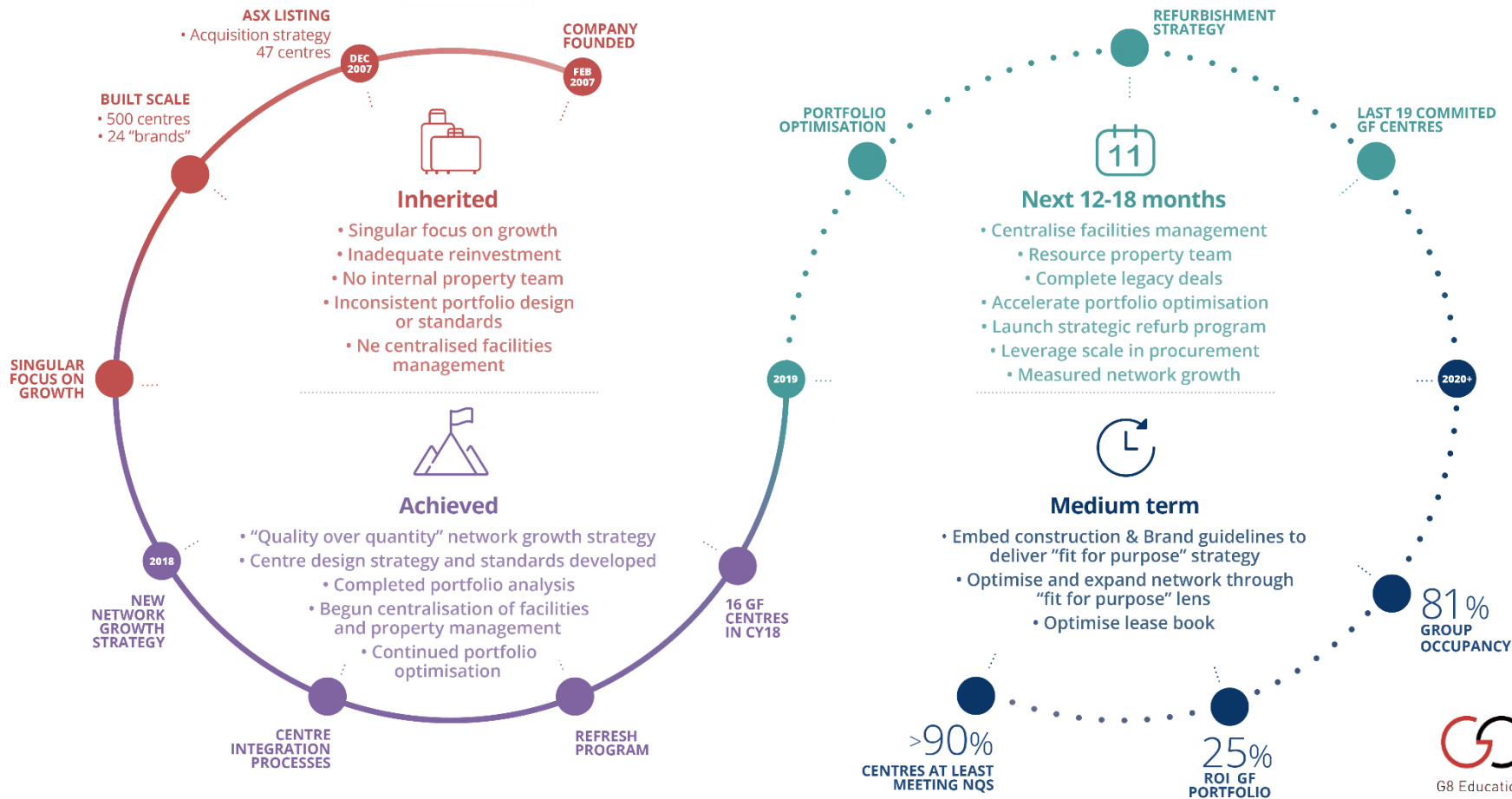
THE OPERATIONAL JOURNEY

To being the first choice Early Learning Centre in every area



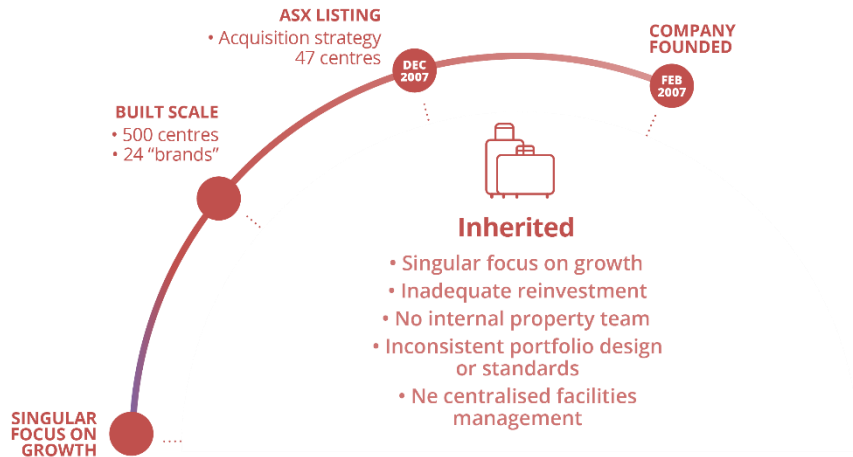
- Attract families via high quality, high appeal centres as well as stable and capable teams -> take market share
- Optimise centre operational efficiencies via 'fit for purpose' systems and tools -> expand margins
- Become an advocate for the benefits of Early Learning -> increase child participation in the sector
- Become an influencer of Early Learning practice and policy -> elevate the Brand

THE G8 CENTRE NETWORK JOURNEY



CENTRE NETWORK JOURNEY

Singular focus on growth



- Inconsistent asset quality and standards
 - High acquisition focus
 - Property maintenance and repairs managed individually at centre level
- No clear network strategy
 - Approached by developers and brokers for opportunities
 - Vast geographic diversity and centre variation

CENTRE NETWORK JOURNEY

Resetting Expectations and Processes



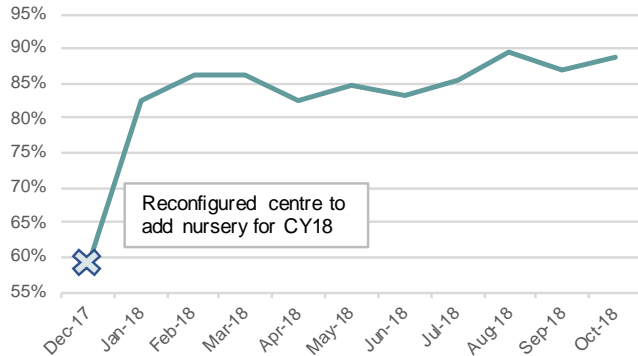
- Strategic network plan completed
 - Filtering/hurdle processes and targets established and applied
 - Portfolio management commenced
- Established new integration processes
 - Accelerate occupancy build up for new centres
- Improved the standard and appeal of the centre network:
 - Commenced quality investments via Refresh program to improve NQS rating and occupancy
 - CY18 – 137 centres ‘refreshed’ (via 181 facility actions)
 - Prioritisation of centres based on lease tail, occupancy, quality ratings and opportunity

CASE STUDIES

High appeal Centres have high occupancy

Kinder Haven Vauluse

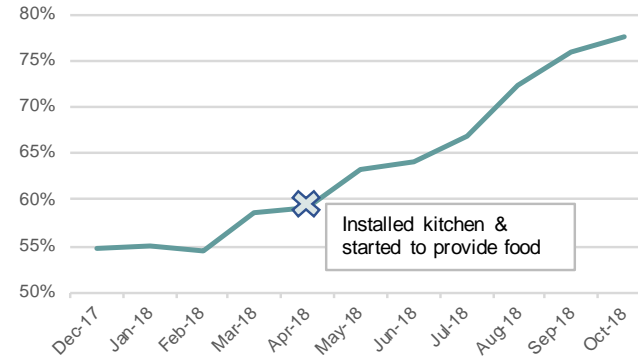
- Issue: centre did not have a nursery room and only offered places to 2-5 years
 - Has an impact on new 0-2 years enquiries and existing parents with siblings in older rooms, forcing them to go to other centres
- Solution: Reconfigure centre & introduce new nursery room
- Investment: \$2k
- Outcome: Occupancy increase of 25% pts
- EBIT increase: \$262k



* ROI – EBIT/capital invested

Community Kids Morisset

- Issue: competing centres were offering inclusive meals – not “most appealing offer in the area”
 - NPS feedback from parents was to supply meals
- Solution: kitchen installed and commenced inclusive “homemade, nutritious meals”
- Investment: \$57k
- Outcome: October occupancy increase of 17.5% pts YoY
- ROI 33.5%

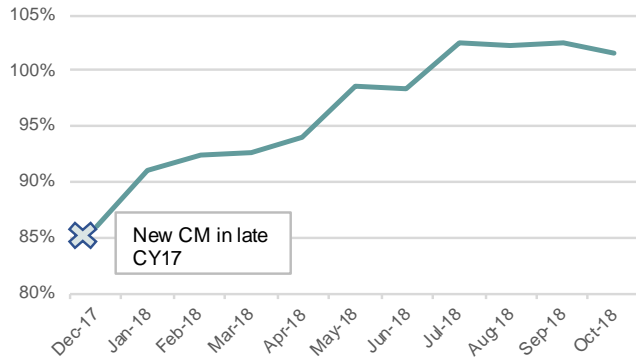


CASE STUDIES

High appeal Centres have high occupancy

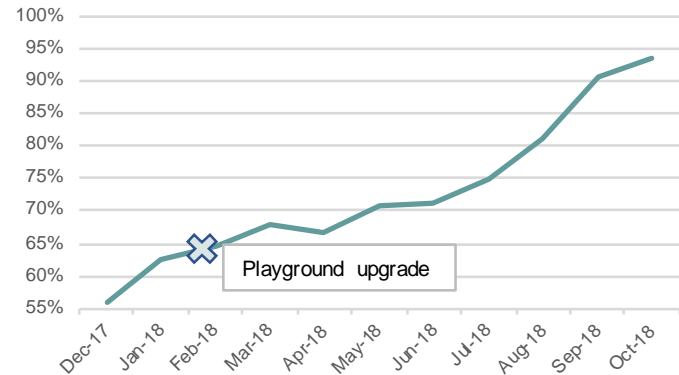
Bambino's Harrington Park North

- Issue: change of Centre Manager in late 2017 stimulated a drop off in occupancy of 14% pts
- Business interruption
- Solution: appoint a strong CM to bring back occupancy
- Investment: N/A
- Outcome: reverted to (& maintained) occupancy > 100%
- EBIT increase of \$181k



Bambino's Horningsea Park

- Issue: poor quality yard
 - not "most appealing offer in the area" impacting converting enquires to enrolments
- Solution: refurbish yard to improve quality of centre and improve enquiry conversion
- Investment: \$171k
- Outcome: October occupancy increase of 22.6% pts YoY
- ROI: 57.4%

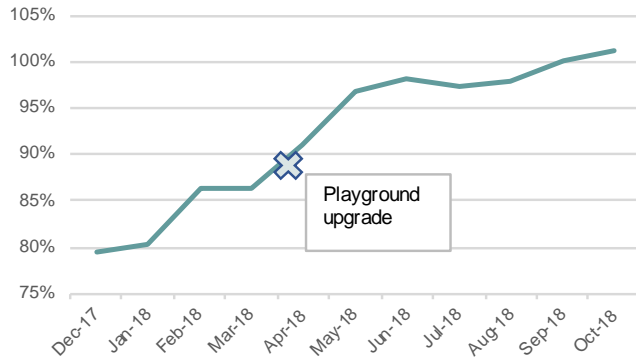


CASE STUDIES

High appeal Centres have high occupancy

Kinder Haven Morningside

- Issue: poor quality yard
 - Not “most appealing offer in the area” reducing conversion rates (enquires to enrolments)
 - New competitors opening in the area
- Centre had the opportunity to be positioned as quality boutique centre vs. new larger format centres
- Solution: refurbish yard to improve quality of centre
- Investment: \$62K
- Outcome: October Occupancy increase of 19.3% pts YoY
- ROI 34%

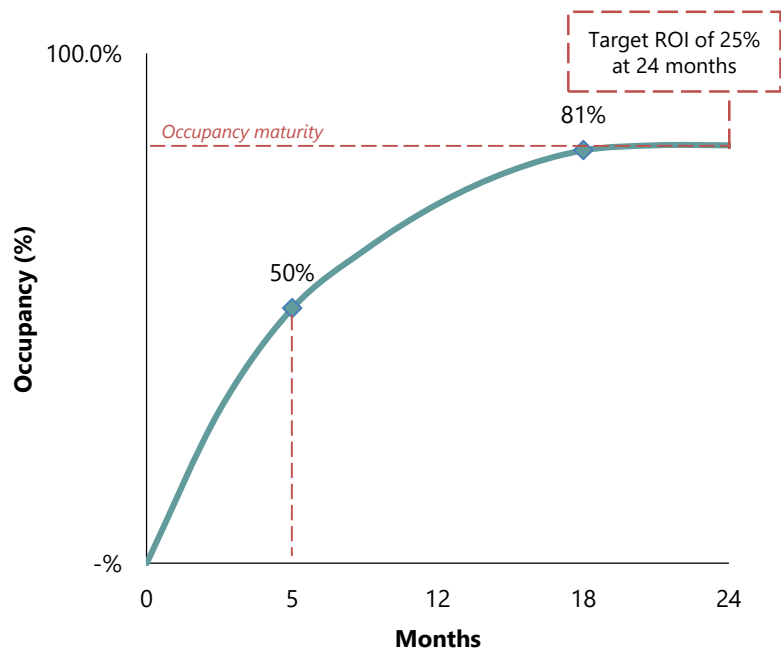


Before



After

GREENFIELDS MATURITY PROFILE



* ROI defined as EBIT / capex invested

- Average capital invested per centre: circa \$4m
- Breakeven occupancy: 5 months
- Occupancy maturity: 18 months
- ROI at maturity: 25%

GREENFIELD PORTFOLIO PERFORMANCE

CY17 Cohort

- 12 centres
- 75% of centres have hit both the 5 month breakeven occupancy hurdle rate and are tracking to ROI target of 25% within 24 months
- All of these centres, with the exception of Community Kids Cessnock, are tracking to 18 month maturity occupancy of 81% and EBIT hurdle
- Community Kids Cessnock is expected to take longer to reach 81% occupancy but has already achieved 25% ROI due to low acquisition cost
- 2 centres in North and South Mandurah Perth are tracking below the occupancy hurdle rates but this is in line with management expectations given they are new within new subdivisions in undersupplied areas with strong demand outlook
- Great Beginnings Notting Hill is the only centre below expectations but is above breakeven and management's strategy to build occupancy over the near term has driven a 20% pt lift in occupancy YoY

CY18 Cohort

- 10 centres operating
- 4 are recently opened but are on track to breakeven within 5 months
- Of the remaining 6 centres:
 - 5 have hit the 5 month breakeven occupancy hurdle and are tracking towards the 81% maturity milestone
 - 2 of these 5 are operating in undersupplied areas and occupancy is already tracking above 90% after only 8 months
 - Only 1 centre is tracking below the targeted maturity profile but is in line with expectations
 - it is operating in a new subdivision within an undersupplied area

CENTRE NETWORK JOURNEY

Creating a 'high appeal' portfolio



- Lift the standard and appeal of the centre network to requisite level
 - Refresh program:
 - 100 centres in CY19, 100 in CY20
 - Total capex \$20m (\$10m p.a.)
 - Refurbishment strategy
 - Roll out CY18 and CY19
 - Total capex \$30m (\$15m p.a.)
 - Implement Environmental & Sustainability measures
- Revert to maintenance capex in CY21 of \$20m p.a.

CENTRE NETWORK JOURNEY

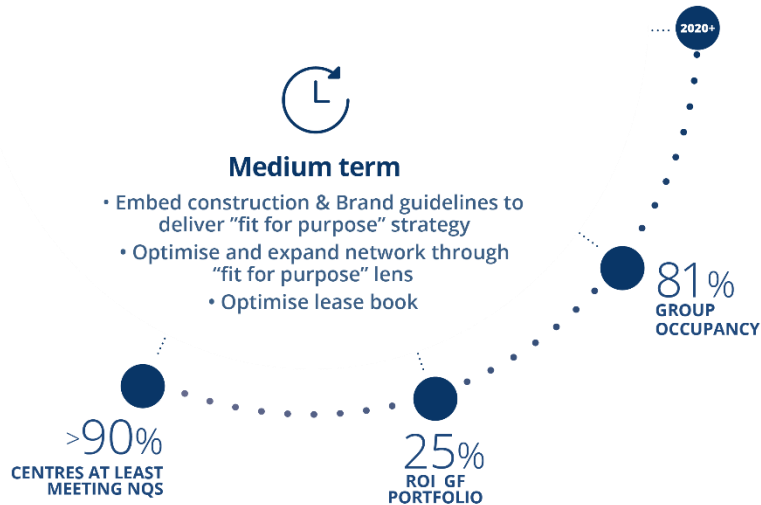
Creating a 'high appeal' portfolio



- Finalise legacy commitments
 - CY18 H2 GF - 9 centres
 - CY19 GF - 19 centres
 - CY19 Brownfield - 3 Eclipse centres
- Portfolio optimisation
 - Leverage scale and purchasing power
 - Manage underperforming centres
 - 32 underperforming/loss making centres = \$3.5m EBIT loss
 - Conduct leases review

CENTRE NETWORK JOURNEY

To being the first choice Early Learning Centre in every area



- Investment criteria
 - Revised methodology using data led mapping to target locations
 - Investment per licence place (LP) to drive ROI and Group ROCE
 - Lease terms and agreements that provide the right balance between commercial return and risk
 - Deliver a differentiated and “fit for purpose” offer
- Have a portfolio of high appeal, high quality centres **Early Learning** centres



SUMMARY & CONCLUSION

GARY CARROLL

Q&A

Early Learning Services
Committed to Child Care

Imagination
take you
EVERYWHERE!
Albert Einstein

creativity. the more you have.
Maya Angelou

THANK YOU



G8 Education Ltd