2018 FULL YEAR RESULTS

Investor Presentation
25 February 2019

G8 Education ltd

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AGENDA

G8 EDUCATION LIMITED
ASX: GEM

OVERVIEW & CEO COMMENTARY
Gary Carroll

GROUP FINANCIALS
Sharyn Williams

STRATEGY UPDATE
Gary Carroll

CURRENT TRADING & OUTLOOK
Gary Carroll

Q&A
Gary Carroll & Sharyn Williams

APPENDIX

G8 Education

OVERVIEW & CEO COMMENTARY

Gary Carroll

CY18 SNAPSHOT

CY18 Financial Results

- Underlying CY18 EBIT of $136.3 million, in line with management guidance
- Strong CY18 H2 organic performance in both occupancy and wages, in line with expectations
- Earnings from acquisitions were below expectations but improvement initiatives are showing positive early signs in CY19

Strong progress in Strengthening the Foundation

- Appointed Head of Early Learning & Education
- First 100 centres connected to the Customer Engagement Centre with remainder on track to follow in April 2019
- Remaining strategic initiatives are on track

Continued strong cash flow generation

- Reported EBITDA to cash conversion of 107%, underlying cash conversion of 98%

Balance sheet refinancing complete

- Secured $500 million of syndicated debt facilities
- Achieved interest rate saving of c. 2% pts on a like for like basis

Dividend

- CY18 H2 dividend of 8.0 cents, representing a circa 75% payout of H2 Net Profit After Tax, payable April 2019

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$M	CY18	CY17	% change
Total Revenue	**858.2**	**796.8**	7.7%
Employee expenses	(507.1)	(445.8)	13.7%
Occupancy	(108.9)	(97.8)	11.3%
Direct costs	(61.6)	(58.6)	5.2%
Other costs	(31.4)	(28.7)	9.7%
Total Expenses	(709.1)	(630.9)	12.4%
EBITDA	**149.1**	**165.9**	(10.1%)
Depreciation & amortisation	(16.5)	(14.0)	18.1%
Reported EBIT	**132.6**	**151.9**	(12.7%)
Net finance costs	(29.0)	(34.1)	(15.1%)
Profit before income tax	**103.6**	**117.8**	(12.0%)
Income tax expense	(31.8)	(37.2)	(14.6%)
Profit for the full year	**71.9**	**80.6**	(10.8%)
Add/(Less) non-operating transactions	7.6	12.3	(38.3%)
Underlying NPAT	**79.4**	**92.9**	(14.5%)
Underlying EBIT	**136.3**	**156.0**	(12.7%)
Basic earnings per share (cents per share)	15.9	18.9	(16.1%)
Underlying EPS (cents per share)	17.5	21.8	(19.5%)

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 there is evidence of demand stimulation which is expected to continue over the medium term

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 female workforce participation rates
- Strong bi-partisan government support
- Continued strong population growth from births and migration

SUPPLY GROWTH MODERATING

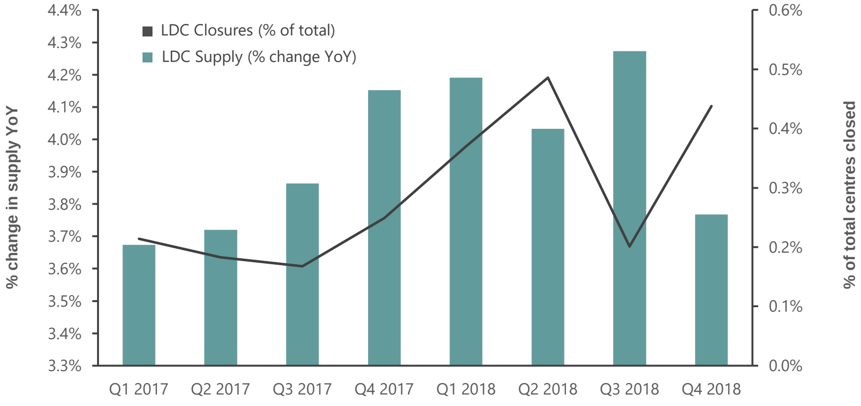
- Latest industry supply data indicates the rate of supply growth slowed in CY18 Q4
- Continued tightening of bank funding to developers is likely to see this trend continue in CY19
- We maintain our view that the market will be more in balance by mid to late 2019

SUPPLY / DEMAND DYNAMICS

Signs of moderating supply

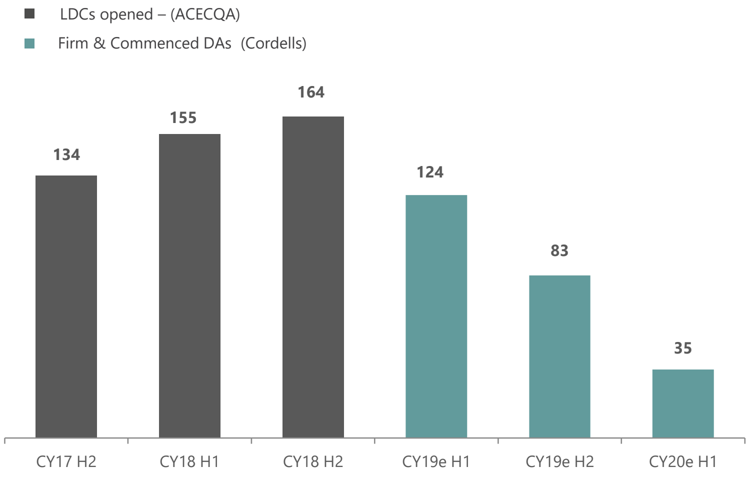
National Long Day Care Supply vs. LDC Centre Closures

(ACECQA)



- Sector supply growth accelerated through CY17 and this trend appears to have moderated in CY18
- The CY18 Q3 supply growth and closures data suggests that completion of construction activity was timed to coincide with the implementation of the new Child Care Subsidy
- CY18 Q4 saw re-emergence of the downward trend in growth rates driven by tightening credit and the exit of marginal operators

Long Day Care Centres Opened / Firm & Commenced DAs



- Forecast pipeline of firm/commenced development applications (DAs) is aligned to market feedback that continued tight credit conditions will lead to a reduction in DA activity

CY18 OCCUPANCY – G8

Steady improvement sustained into year end

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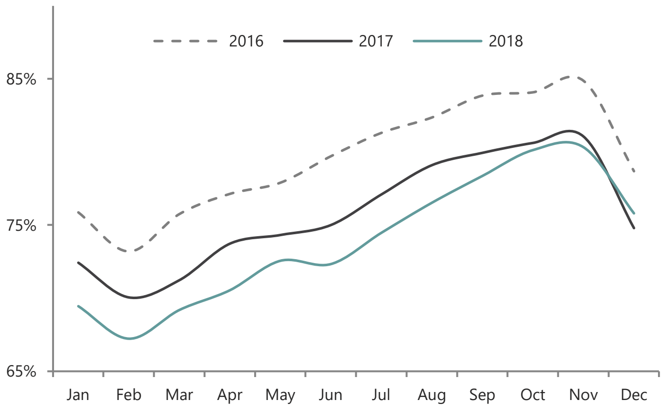
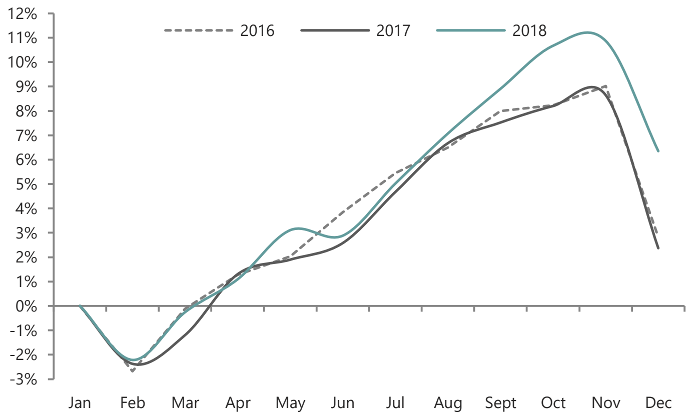
Monthly Like for Like Occupancy* (%)



- Strong CY18 H2 occupancy with CY18 occupancy rates ending the year above 2017

* Like-for-like occupancy is an average and includes all brownfield centres owned for at least 12 months and greenfield centres owned for at least 15 months. Divested centres are excluded from the data.

Occupancy Improvement from January base (%)



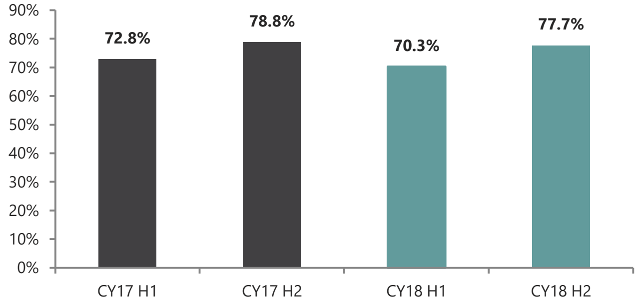
- 2018 occupancy growth from January/February's seasonal low tracked ahead of prior years

OCCUPANCY

- Higher seasonal growth rates in occupancy in CY18 H2 resulted in December occupancy being above the PCP
- CY18 occupancy of 74.0%, 1.9%pts below CY17 occupancy of 75.9%
- CY18 H2 of 77.7%, 1%pt below CY17 H2 of 78.8%
- Occupancy by state has shown improvement in line with expectations with the top relative performances coming from Queensland and South Australia where the supply impact was less pronounced throughout the year

* All occupancy figures are like-for-like

Half-Yearly Like for Like G8 Occupancy (%)



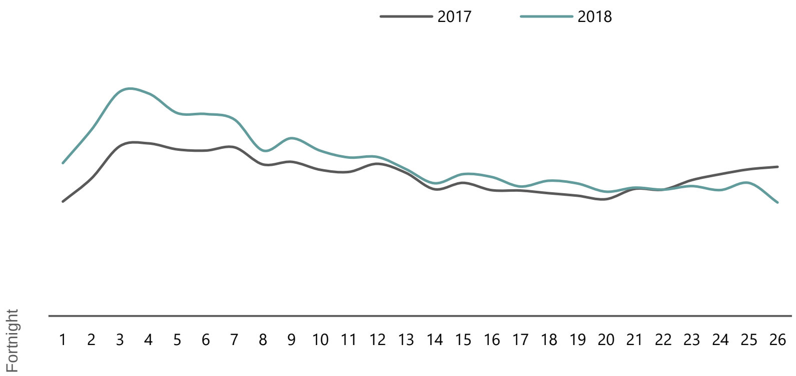
State by State G8 Occupancy vs Industry Supply Growth

	Occupancy			Supply growth
State	**CY17**	**CY18**	**%pt change**	**Q4 YoY**
ACT	76.5%	74.4%	-2.1%	4.8%
NSW	78.0%	75.4%	-2.6%	3.3%
QLD	76.3%	76.1%	-0.2%	3.6%
SA	80.4%	77.9%	-2.5%	4.3%
VIC	76.4%	74.5%	-1.9%	4.3%
WA	66.8%	65.4%	-1.4%	4.3%
National	**75.9%**	**74.0%**	**-1.9%**	**3.7%**

WAGE PERFORMANCE

2H efficiency outperformance vs. prior year

Fortnightly hours per booking (CY18 vs. CY17)



- CY18 H2 wage performance was consistent with the outlook provided at the November Investor Day, delivering outcomes in CY18 Q4 that were well below prior year levels
- In the first 7 weeks of CY19, wage efficiency remains well managed and performance has continued to track in line with expectations

OPERATING PERFORMANCE

- Underlying CY18 Group EBIT decreased by $19.8m (12.7%) to $136.3m with $4.4m in incremental acquisition earnings offset by:
  - $14.8m reduction in organic centre EBITDA
  - $8.1m increase in support office costs
  - $1.3m increase in depreciation due to asset refurbishment activity
- Primary driver of the decrease in CY18 organic centre EBIT was the weaker H1 result, with H2 EBIT being broadly in line with PCP
- CY18 organic EBIT margins were 1.3%pts below PCP narrowing the 4%pt difference in CY18H1 (from 17.0% to 24.4% in CY18 vs. 21.5% to 25.7% in CY17)
- LDCPDP program concluded in CY17. G8 have continued to invest in training and development, with CY18 spend in line with the prior year
- Acquisition earnings were below expectations driven by the CY16 and CY17 cohorts

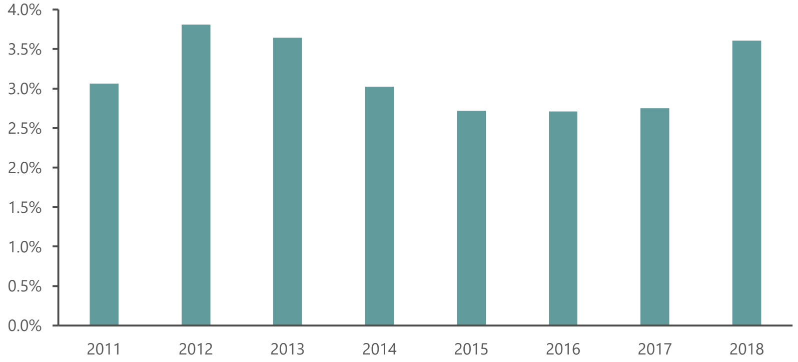
$M	CY18	CY17*	% change YoY
Total Organic Revenue	**715.2**	**700.4**	**2.3%**
Wages	(401.3)	(376.5)	6.6%
Rent	(84.1)	(81.2)	3.3%
Depreciation	(13.2)	(11.9)	13.0%
Other	(66.6)	(64.6)	3.0%
Centre Expenses	(565.2)	(534.2)	5.8%
Organic Centre EBIT	**150.0**	**166.2**	**(20.1%)**
Underlying Organic Centre EBIT mar	*21.0%*	*23.7%*	
2016 Acquisitions	12.8	12.8	
2017 Acquisitions	6.2	2.6	
2018 Acquisitions	(1.5)	-	
Divested Centres	0.3	(2.0)	
Total Acquisition EBIT	17.8	13.4	33.6%
Total Centre EBIT	**167.9**	**179.6**	**(15.8%)**
Underlying Centre EBIT margin	*19.6%*	*22.5%*	
Support Office Costs	(31.6)	(23.5)	34.5%
Underlying Group EBIT	**136.3**	**156.0**	**(12.7%)**
EBIT margin	*15.9%*	*19.6%*	
Organic Costs as % Organic Revenue			**% pt change YoY**
Wages	56.1%	53.8%	2.3%
Rent	11.8%	11.6%	0.2%
Depreciation	1.9%	1.7%	0.1%
Other	9.3%	9.2%	0.1%
Support Office as % Total Revenue			**% pt change YoY**
Support Office	3.7%	3.0%	0.7%

* CY17 restated for divestments

SUPPORT OFFICE COSTS

Rightsizing the business

Support Office Costs as % Total Revenue



- CY18 support office costs increased $8.1m YoY, primarily driven by:
  - $3.5m increase from newly created roles to support network expansion, improved capability and service delivery
  - $2.0m in annual wage increases and annualisation of recently appointed roles
  - $1.0m one-off investment relating to the CCS transition and research, and
  - $0.3m increase in depreciation
- As flagged at the CY18 H1 result, the increased investment in the support office was required to facilitate G8's strategic plan of leveraging scale to drive innovation and quality
- The support office is now adequately resourced with future support office costs as a % total revenue expected to plateau around current levels

ACQUISITION PERFORMANCE

Mixed performance with improvement plans in place

EBIT from acquisitions and divestments

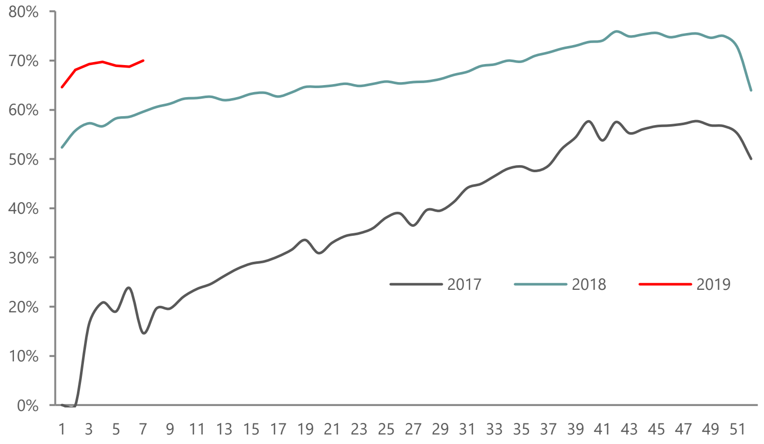
$M	CY18	CY17
2016 Acquisitions	12.8	12.8
2017 Acquisitions	6.2	2.6
2018 Acquisitions	(1.5)	-
Divested Centres	0.3	(2.0)
Total Acquisition EBIT	17.8	13.4

- Acquisitions (net of divestments) contributed EBIT of $17.8m in CY18 vs. $13.4m in CY17
- In CY18 H2, prior year acquisitions were below expectations, contributing an incremental $1.3m in EBIT vs. $3-4m forecast in November 2018
  - CY16 acquisitions were approximately $1m below expectations primarily driven by CY18 occupancy being impacted by supply in the Greenwood portfolio. CY19 YTD occupancy has stabilised to be flat YoY
  - The remaining variance was primarily driven by CY17 brownfield acquisitions, with both CY17 greenfield and CY18 greenfield acquisitions performing in line with expectations

CY17 COHORT PERFORMANCE

Occupancy on the right trajectory

CY17 Greenfields Cohort – Weekly Occupancy



- The performance of the centres in the CY17 greenfield cohort is consistent with the update provided at the November Investor Day
- Occupancy for the greenfield centres ended the year slightly below expectations but are now trending in the right direction with these centres making a solid start in CY19
- The CY17 brownfield cohort delivered a solid month-on-month EBIT improvement in October but enquiry conversion did not meet expectations leading to a lower occupancy outcome in November and December. This cohort has had an encouraging start to CY19 with EBIT contribution up 30% YoY in January

NETWORK GROWTH STRATEGY

Underpinned by detailed network modelling

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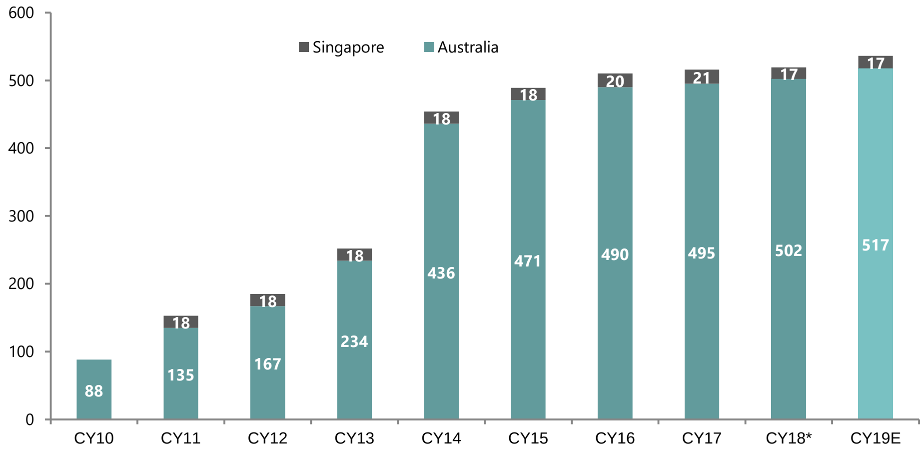
Centre Portfolio



* CY18 total includes the merger of 5 service approvals into one location, reducing the regulatory burden and associated costs

- G8's committed greenfield pipeline remains its primary network growth driver in the short term:
  - 16 centres completed in CY18, in line with expectations
  - 19 centres targeted in CY19 – 17 greenfield and 2 brownfield
- The Group closed 8 centres in CY18 (5 in H1, 3 in H2) and have identified 4 other sites for closure at lease expiry in CY19
- The Group continues to evaluate opportunities to optimise the portfolio in a disciplined manner
- There is capacity and potential to grow the centre network without cannibalisation

GROUP FINANCIALS

Sharyn Williams

CASHFLOW

Consistent and strong cash conversion

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EBITDA to Cash flow Conversion

$M	CY18	CY17
Operating cash flow	105.9	92.0
+ Net interest	22.5	25.2
+ Tax paid	29.9	34.1
Gross operating cash flow	**158.4**	**151.3**
Underlying operating cash flow	**145.0**	**158.3**
EBITDA	148.7	164.8
EBITDA/cash flow conversion	**107%**	**92%**
Underlying EBITDA/cash flow conversion	**98%**	**96%**

- Cashflow generation remained strong in CY18 H2
- Underlying CY18 cashflow conversion of 98% adjusts for the timing of the final year payroll outflow of $13.4m that was paid in the first week of January 2019
- Underlying CY17 cash conversion of 96% reflects a $7m adjustment for LDCPDP prepayments and repayments due to changes in government funding

CASHFLOW

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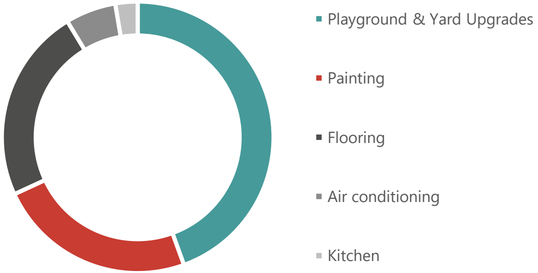
- Net cashflows from operating activities of $105.9 million increased 15% YoY, primarily driven by timing of payroll and lower interest costs
- PP&E payments of $36.8 million reflect investment in centre upgrades and resources, the new Child Care Management System and improved IT infrastructure
- Purchase of businesses of $52.6 million reflects the acquisition of 16 centres
- Net increase in borrowings of $50 million
- The outflows for the remaining development pipeline of 17 centres in CY19 is expected to be circa $62m and will conclude the committed greenfield pipeline
- This takes the total spend on the development pipeline to circa $160m for 44 centres

$M	CY18	CY17
Cash flows from Operating Activities		
Receipts from customers (net of GST)	853.6	777.8
Payments to suppliers and employees (net of GST)	(695.2)	(626.5)
Interest received	0.5	1.0
Interest paid	(23.0)	(26.2)
Income taxes paid	(29.9)	(34.1)
Net cash inflows from operating activities	**105.9**	**92.0**
Cash flows from Investing Activities		
Payments for purchase of businesses (net of cash acquired)	(52.6)	(67.4)
Payments for purchase of intangible assets	(3.3)	-
Payments for divestments	(0.1)	(0.4)
Payments for property plant and equipment	(36.8)	(18.4)
Net cash outflows from investing activities	**(92.8)**	**(86.2)**
Cash flows from Financing Activities		
Share issue costs	(0.0)	(5.3)
Debt issue costs	-	(4.4)
Dividends paid	(48.1)	(62.8)
Repayment of corporate note	(50.0)	(70.0)
Proceeds from issue of shares	0.1	200.7
Inflows from Borrowings	195.0	10.0
Outflows of Borrowings	(104.0)	(51.2)
Net cash (outflows) / inflows from financing activities	**(7.0)**	**17.0**
Net increase in cash and cash equivalents	6.1	22.8
Cash and cash equivalents at the beginning of the financial year	49.2	26.5
Effects of exchange rate changes on cash	0.2	(0.0)
Cash and cash equivalents at the end of the financial year	**55.5**	**49.2**

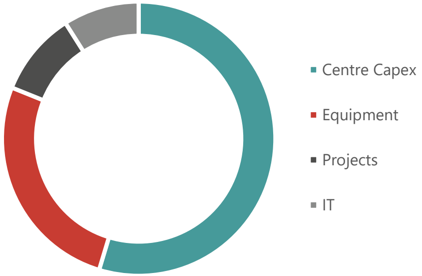
CAPEX COMMITMENTS

Supported by robust cashflow

Centre CY18 Capex = $19.8 million



Total CY18 Capex = $36.8 million



- CY18 total capex of $36.8m, c. $6.8m ahead of the estimate outlined in August 2018 due to:
  - acceleration of Refurb and Refresh program (~$4m)
  - educational equipment/resources (~$1m)
  - IT/wifi upgrades (~$1m)
- Total centre capex (Refurb and Refresh)
  - CY18 - $19m
  - CY19 - $25m
  - CY20 - $21m
  - CY21 – revert to maintenance capex commensurate with quality standards
- Total forecast capex in CY19 of $35-40m
  - $25m centre capex
  - $10m to $15m in equipment, IT and project capex (e.g. rostering system)

BALANCE SHEET

- Current borrowings of $279.6m ($268.8m net of derivative) represents the SGD bonds maturing in May 2019 to be repaid from available undrawn facilities (currently circa $400m)
- Goodwill increased during the year reflecting the acquisition of 16 centres
- The new AASB16 Lease Standard became effective on 1 January 2019. Management will continue to work with G8's external auditors and update the market in due course

$M	CY18	CY17
ASSETS		
Current assets		
Cash and cash equivalents	55.5	49.2
Trade and other receivables	36.5	30.4
Other current assets	14.1	12.4
Derivative financial instruments	10.8	0.0
Current tax asset	0.0	0.3
Total current assets	**117.0**	**92.2**
Non-current assets		
Property plant and equipment	91.7	63.9
Deferred tax assets	17.9	16.2
Intangible assets	1134.5	1088.0
Other non-current assets	25.5	32.3
Derivative financial instruments	0.0	0.6
Total non-current assets	**1269.6**	**1201.0**
Total assets	**1386.5**	**1293.2**
LIABILITIES		
Current liabilities		
Trade and other payables	67.9	65.9
Contract liabilities	8.5	9.2
Borrowings	279.6	49.9
Provisions	30.0	26.1
Total current liabilities	**386.7**	**151.1**
Non-current liabilities		
Other payables	5.3	1.1
Borrowings	92.2	253.6
Provisions	8.9	8.3
Derivative financial instruments	-	13.8
Total non-current liabilities	**106.4**	**276.8**
Total liabilities	**493.1**	**427.8**
Net assets	**893.5**	**865.3**
EQUITY		
Contributed equity	893.6	876.4
Reserves	56.5	44.6
Retained earnings	(56.6)	(55.6)
Total equity	**893.5**	**865.3**

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GEARING RATIOS AND CAPITAL RETURNS

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Gearing Ratios

$M	CY18	CY17
Current borrowings	268.8	49.9
Non-current borrowings	92.2	267.4
Cash and cash equivalents	(55.5)	(49.2)
Net Debt	**305.4**	**268.1**
Underlying EBITDA	152.7	170.0
Net Debt/EBITDA (x)	**2.00**	**1.58**
Net interest	28.6	33.1
EBITDA/Net Interest (x)	**5.35**	**5.14**
Fixed charge cover (x)	**1.73**	**1.97**
Gearing ratio (%)*	**25.5%**	**23.7%**

- During current growth phase, debt metrics (Net Debt/EBITDA) reflect lag between capital invested and earnings achieved
- Fixed charge cover ratio remains strong and the Group remains conservatively geared
- The Group continues to maintain significant headroom in relation to its covenants and goodwill valuation

Return on Capital Employed

$M	CY18	CY17
Underlying EBIT	136.3	156.0
Shareholders' equity (average last 12 months)	890.0	745.6
Debt liabilities (average last 12 months)	339.1	357.1
Capital Employed	**1,229.1**	**1,102.6**
Return on Capital Employed (ROCE) %	**11.1%**	**14.2%**

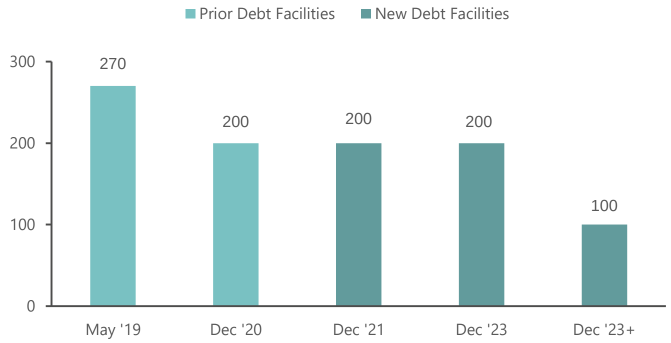
- Return on capital employed of 11.1%, down 3.1%pts YoY reflecting:
  - Current earnings profile
  - Investment in network growth with earnings from these investments to be realised in future periods
- ROCE is expected to trend higher as the core portfolio delivers organic growth and the greenfield centres mature

CAPITAL MANAGEMENT

Reinforcing balance sheet strength

- Secured $400 million syndicated bank debt facility and $100 million subordinated debt facility to refinance:
  - $270 million SGD bonds
  - $200 million Club Bank facility
- Syndicated debt facilities currently drawn to circa $100m
- SGD bonds ($269m net of derivative) to be repaid on maturity
- At peak debt, the balance sheet will have circa $100m in available facilities and cash
- Management remain confident in the balance sheet position given the seasonally stronger cashflow in H2; reduced development pipeline outflows; and moderate capital commitments post completion of the committed greenfields pipeline in CY19H2
- Total reported CY18 dividend of 22.5 cents includes a 10 cent transition dividend moving from quarterly to proportionate half yearly dividends.
- The Company expects to declare dividends of 70% to 80% of NPAT on a semi-annual basis

Debt facility profile



Borrowing costs

- CY19 borrowing costs are expected to be slightly higher than CY18 with the reduced interest rate offset by increased drawings to fund the tail end of the greenfield pipeline
- CY19 H1 weighting will be higher than CY19 H2 because of the duplication of costs given the lag between establishing the new facility and repaying the SGD bonds

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STRATEGY UPDATE

Gary Carroll

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

Achieve a ROCE* greater than 15%

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

THE G8 EDUCATION JOURNEY

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COMPANY FOUNDED — FEB 2007

ASX LISTING — DEC 2007
- Acquisition strategy
- 47 centres

BUILT SCALE — 2007-2016
- 500 centres
- 24 "brands"

DEBT + EQUITY RAISING — May 2017
- To fund GF pipeline and restructure balance sheet

NEW LEADERSHIP TEAM — 2017

INTEGRATION
- CRM
- Xplor Core/CCMS
- Leadership development

QUALITY
- Refresh program
- Training program

INNOVATION
- Staff benefits
- Pilots
- Customer research

Inherited
- c.480 centres
- Singular focus on growth
- Decentralised decision making, processes, systems, training and rostering
- Committed Greenfield (GF) pipeline
- Build of unified G8 Culture

Achieved
- Refocused strategy to harvest scale benefits based on quality and innovation
- Centralised decision making
- Integrated systems on time for CCS
- Standardised training, reporting and processes

2019

INTEGRATION
- Xplor P2
- Rostering

QUALITY
- Refresh and refurb program
- Embed work routines
- Training program

INNOVATION
- Roll out curriculum and customer offer
- Best practice framework and hub

Next 12-18 months
- Scaleable, efficient platform – rosters, work routine, call centre
- Industry leading, curriculum
- Differentiated innovative offer and experience
- Embedded performance culture

2020+

Medium term
- Early Learning champion and innovator
- Quality leader
- Employer of choice
- Industry leading occupancy
- Best 'value' provider in sector

81% GROUP OCCUPANCY

MIN 15% GROUP ROCE

25% ROI GF PORTFOLIO

STRATEGIC INITIATIVES

Progressing to plan

Build a Great Team

- Initiatives relating to team turnover reduction are on track with encouraging early results coming from the change in ECT (Early Childhood Teachers) base pay in Q4 2018
- Leadership development program – focus on Centre Managers and Area Managers – CY19
- ECT attraction and retention – next phase commencing Q2 CY19
- Training programs
  - Induction, onboarding and work routines – rollout commencing CY19 Q2
  - ECT professional development - ongoing

Strengthen the Foundation

- Curriculum rollout – from Q2 CY19
- Best practice framework and hub – CY19 Q3
- Refresh and refurbishment program
  - 100 centres in CY19, 100 centres in CY20

STRATEGIC INITIATIVES

Progressing to plan

Create Sustainable Differentiation

- Customer Engagement centre
  - 100 centres rolled out by end January 19
  - Remaining 400 centres on track for April 19
- Innovation pilots (I Love Reading, Kinderling, iSandbox & Adapt Allied Health)
  - Initial results are encouraging
  - CY19 Q2 update
- Xplor Parent and Educator Apps – CY19 Q2 launch
- Optimise existing CRM - Create central hub for customer data, driving enrolment and retention as well as predicting churn – ongoing
- Roll out customer experience standards and training from CY19 Q2

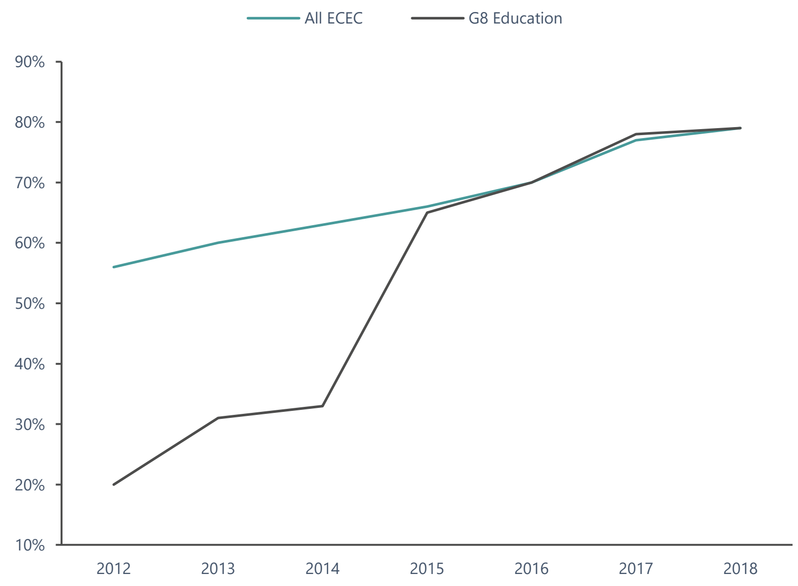
Continue Profitable Growth

- Portfolio optimisation
  - Manage underperforming centres – ongoing
- Labour scheduling and rostering system
  - CY19 Q3 rollout
  - High single digit millions in savings
- Committed CY19 centre pipeline
  - 17 greenfield centres
  - 2 brownfield centres

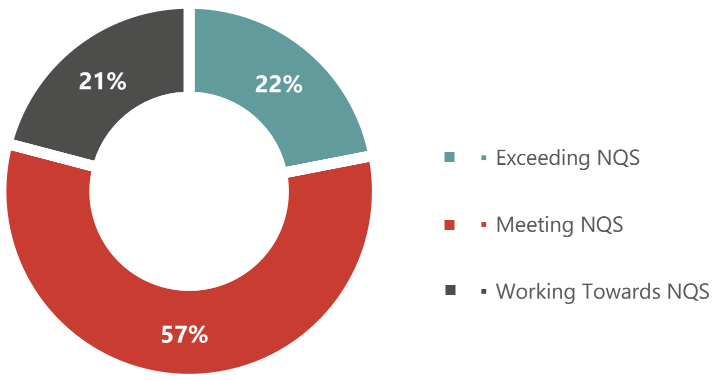
QUALITY DRIVES OCCUPANCY

National Quality Framework

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



Snapshot of portfolio - December 2018



CURRENT TRADING & OUTLOOK

Gary Carroll

CURRENT TRADING & OUTLOOK

- CY19 YTD has had an encouraging start with:
  - occupancy growth circa 2% YTD above PCP; and
  - wages performing ahead of prior year in line with expectations

- Quality and capability are continuing to improve and our initiatives are tracking to plan. We are only part way through our transformation program and the focus remains on execution

- Incremental earnings from prior year acquisitions are expected to be approximately $10m in CY19. The investment costs associated with the ramp up of CY19 greenfield centres is expected to be $2m in CY19

- The CY19 result will be impacted by the cessation of annual license fee revenue of $4m following the mutually agreed termination of the broker exclusivity agreement. It is expected that this will be absorbed by the improved YoY wage performance

- In summary, the new year has started encouragingly but it is still early days. The Group looks forwards to providing a further update on trading performance at the AGM

Q&A

G8 Education

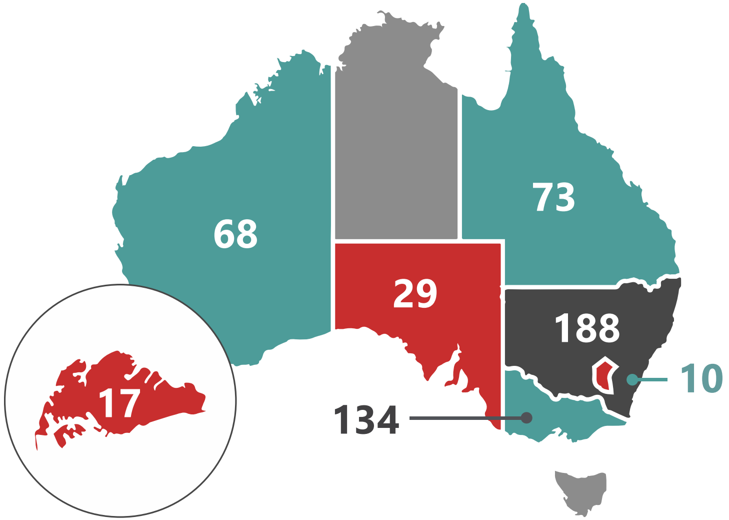
APPENDIX

G8 IS A MARKET LEADER

With significant competitive advantages

~519 CENTRES

Diversified geographic footprint across Australia and Singapore



AUSTRALIA'S LARGEST

Listed Early Childhood Education & Care (ECEC) provider

41K+

Licensed places across Australia and Singapore

9K+

Early Childhood Educators

54K

Children per week

QUALITY DRIVES OCCUPANCY

National Quality Framework

G8 NQS Ratings: Where we are

Centres WORKING TOWARDS NQS:

21% 10%

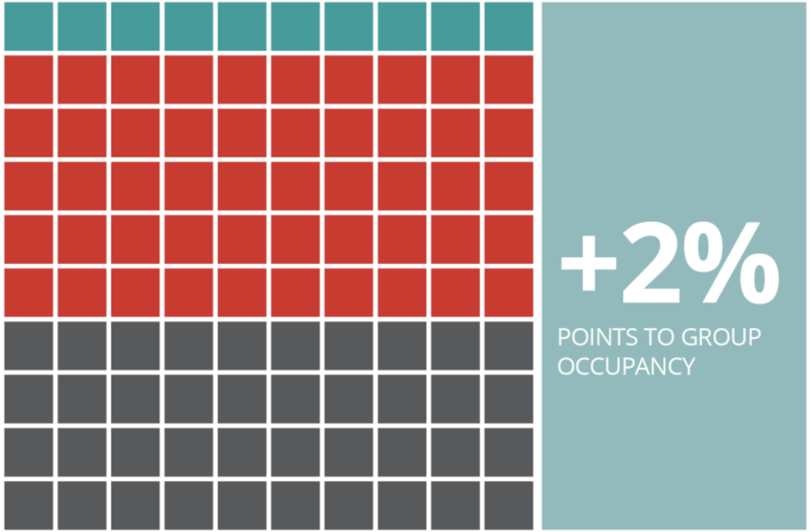
Centres MEETING NQS

57% 50%

Centres EXCEEDING NQS

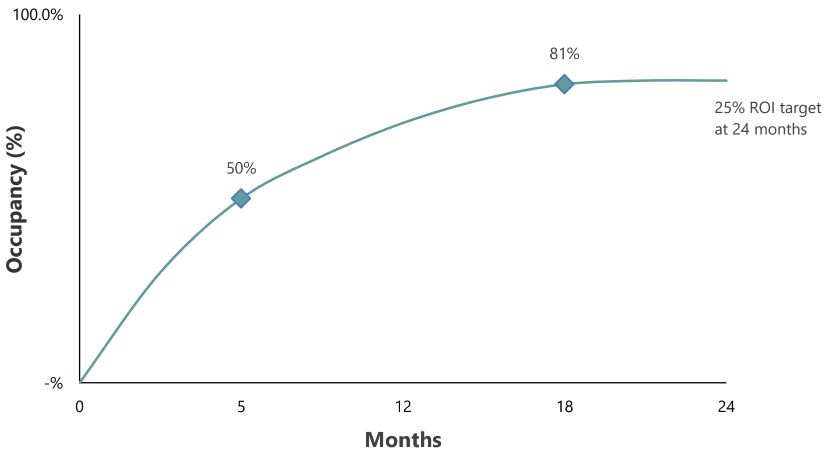
22% 40%

G8 NQS Ratings: Where we need to be



GREENFIELDS PIPELINE

Greenfields Maturity Profile



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

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 no impact on facilities headroom
- 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

G8 Education[ltd]

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.