2019 HALF YEAR RESULTS

G8 Education ltd

Investor Presentation
26 August 2019

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AGENDA

G8 EDUCATION LIMITED
ASX: GEM

OVERVIEW & CEO COMMENTARY
Gary Carroll

GROUP FINANCIALS
Sharyn Williams

STRATEGY UPDATE
Gary Carroll

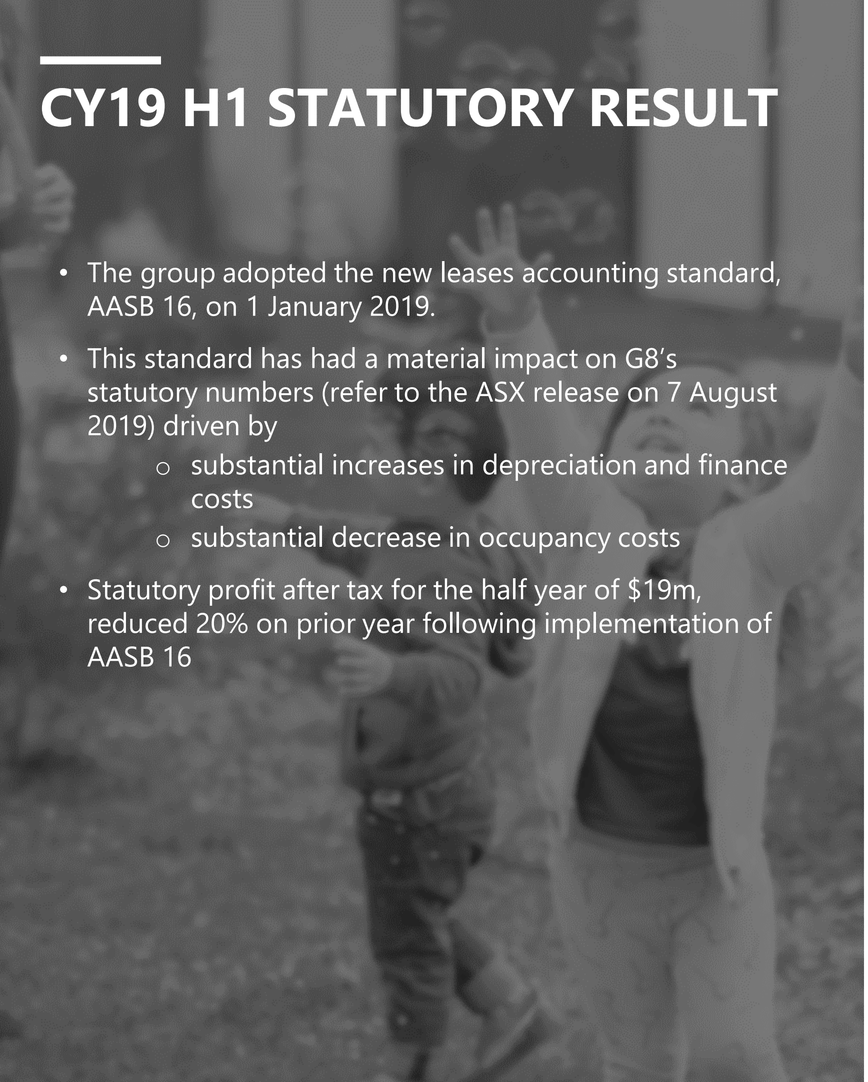
CURRENT TRADING & OUTLOOK
Gary Carroll

Q&A
Gary Carroll & Sharyn Williams

APPENDIX

OVERVIEW & CEO COMMENTARY

Gary Carroll



CY19 H1 STATUTORY RESULT

- The group adopted the new leases accounting standard, AASB 16, on 1 January 2019.
- This standard has had a material impact on G8's statutory numbers (refer to the ASX release on 7 August 2019) driven by
  - substantial increases in depreciation and finance costs
  - substantial decrease in occupancy costs
- Statutory profit after tax for the half year of $19m, reduced 20% on prior year following implementation of AASB 16

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$M	CY19 H1	CY18 H1	% change
Revenue	429.9	393.1	9.4%
Other income	1.0	3.5	(71.7%)
Total revenue	**430.9**	**396.6**	**8.6%**
Employment costs	(260.0)	(242.8)	7.1%
Occupancy	(5.6)	(52.5)	(89.3%)
Direct costs of providing services	(33.7)	(29.9)	12.5%
Depreciation	(48.5)	(8.0)	503.7%
Other expenses	(19.0)	(15.5)	23.0%
Finance costs	(36.2)	(13.7)	164.1%
Total expenses	**(403.0)**	**(362.4)**	**11.2%**
Profit before income tax	**27.9**	**34.2**	**(18.5%)**
Income tax expense	(8.9)	(10.4)	(14.9%)
Profit for the half year	**19.0**	**23.7**	**(20.0%)**
Basic earnings per share (cents)	4.2	5.3	(21.0%)
Diluted earnings per share (cents)	4.1	5.3	(21.1%)

CY19 H1 SNAPSHOT

H1 Financial Results
- Revenue increased by 9% driven by increased occupancy, fee growth and acquisitions
- Underlying EBIT* of $51.6 million, in line with half year consensus, 7% above prior corresponding period
- Strong organic performance, increased 14% on prior period, driven by 1.5%pts LFL occupancy uplift
- Acquisitions performance was mixed

Continued strong cash flow generation
- EBITDA to cash underlying conversion of 108%

Balance sheet restructure complete
- Repayment of SGD $270m bonds funded by syndicated debt facilities
- Increased loan tenor to 3.6 years

Dividend
- H1 fully franked dividend of 4.75 cents, being a 0.25 cents per share increase on prior year H1 dividend

Strong progress in strengthening the foundation
- Education Strategy roll-out is on track
- All 500 centres connected to the Customer Engagement Centre in line with April target
- Remaining strategic initiatives are broadly on track

$M	CY19 H1 Statutory	AASB 16 Adjustment	CY19 H1 Proforma	CY18 H1 Statutory	% change
Total Revenue	**430.6**	**-**	**430.6**	**396.4**	**8.6%**
Employee expenses	(260.0)	-	(260.0)	(242.8)	7.1%
Occupancy	(5.6)	(52.7)	(58.3)	(52.5)	11.0%
Direct costs	(33.7)	-	(33.7)	(29.9)	12.7%
Other costs	(19.0)	(0.9)	(19.9)	(15.5)	28.4%
Total Expenses	**(318.3)**	**(53.6)**	**(371.9)**	**(340.7)**	**9.2%**
EBITDA	**112.3**	**(53.6)**	**58.7**	**55.7**	**5.4%**
Depreciation and amortisation	(48.5)	38.1	(10.4)	(8.0)	30.0%
Reported EBIT	**64.1**	**(15.5)**	**48.6**	**47.7**	**1.9%**
Net finance costs	(36.2)	21.7	(14.5)	(13.5)	7.4%
Profit before income tax	**27.9**	**6.2**	**34.1**	**34.2**	**(0.3%)**
Income tax expense	(8.9)	(1.9)	(10.8)	(10.4)	3.8%
Profit for the half year	**19.0**	**4.3**	**23.3**	**23.7**	**(1.7%)**
Add non-operating transactions			2.9	1.9	52.6%
Underlying NPAT			**26.2**	**25.6**	**2.3%**
Underlying EBIT			**51.6**	**48.1**	**7.3%**
Basic earnings per share (cents)	4.2	0.9	5.1	5.3	(3.7%)
Underlying EPS (cents)			5.7	5.7	- %

* Underlying non IFRS (i.e. pre AASB 16 lease standard)

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)
- The new subsidy package has improved affordability and stimulated demand from both new and existing families

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 and 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 showed supply growth in CY19 H1 was lower than prior corresponding period
- Continued tightening of bank funding to developers is likely to continue to constrain supply growth
- While supply remains a headwind, the market is closer to being in balance

SUPPLY / DEMAND DYNAMICS

Signs of moderating supply

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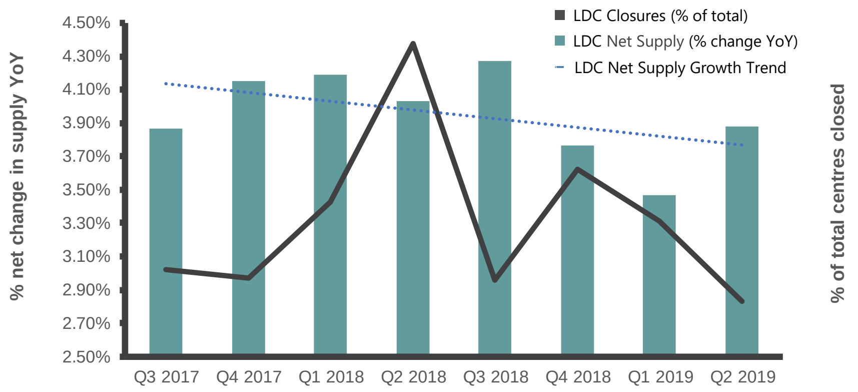
National Long Day Care (LDC) Net Supply Growth and LDC Centre Closures



Source: ACECQA

- While supply growth increased Q2 on Q1 2019 (driven by a lower number of closures), CY19 H1 is down on the prior period
- In CY19 H1, 89 G8 centres faced new supply within a 2km radius, broadly inline with the prior period
- Analysis of centres impacted in a similar way in the 2017 year revealed that 40% of centres where the centre manager and team were stable have since increased occupancy despite the increase in supply
- This analysis provides strong evidence that G8's strategy of increased quality and lower turnover can grow occupancy even in the face of increased supply
- Based on Cordell's data, new supply directly impacting G8 is expected to reduce to circa 50 centres in CY19 H2 broadly inline with prior period. Note that this data has historically understated new supply and is therefore used as a guide only

OCCUPANCY*

- H1 occupancy of 71.3%, 1.5%pts above prior year
- The government subsidy has improved affordability
- Supply defence initiatives are showing positive early signs
- The Customer Engagement Centre is delivering performance in line with targets (i.e. enquiry conversion to tours)
- Occupancy has improved in every state with the exception of South Australia as 2018 supply growth is digested

* All occupancy figures are like-for-like i.e. an average occupancy that 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.

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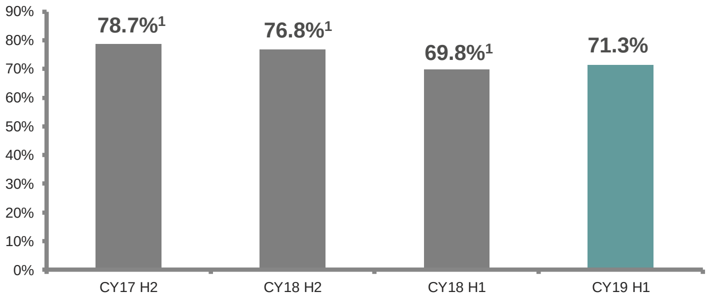
Half-Yearly Like-for-Like Occupancy (%)



1. Occupancy restated to allow for a like-for-like comparison

State by State Occupancy vs Industry Supply Growth

	Occupancy			Supply growth
State	**1H18**	**1H19**	**%pt change**	**Q2 YoY**
ACT	71.3%	76.7%	5.4%	4.7%
NSW	72.6%	73.2%	0.6%	3.3%
QLD	71.8%	72.7%	0.9%	5.0%
SA	75.3%	74.3%	(1.0%)	2.1%
VIC	69.1%	71.2%	2.1%	4.7%
WA	60.0%	63.0%	3.0%	3.5%
National	**69.8%**	**71.3%**	**1.5%**	**3.9%**

OCCUPANCY – RECENT TRENDS

Steady improvement on prior year

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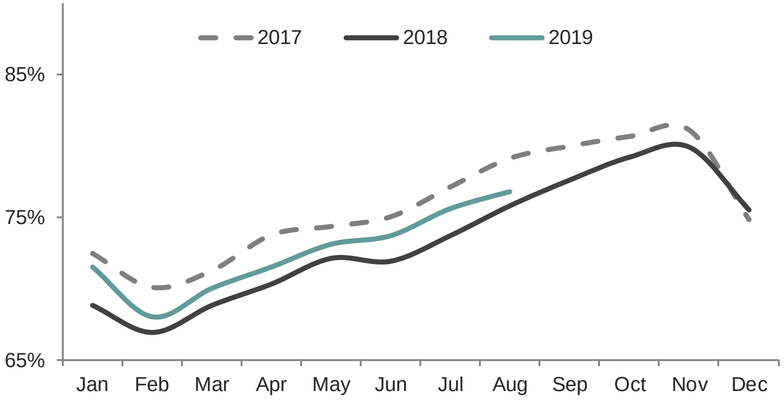
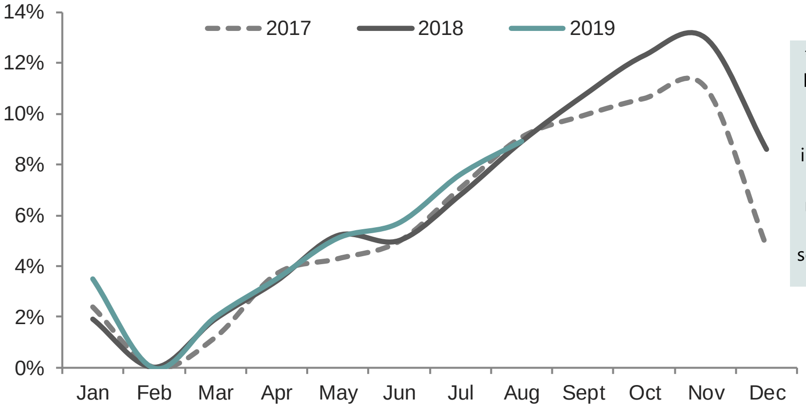
Monthly Like-for-Like Occupancy (%)



- 2019 occupancy is consistently tracking above prior year
- CY18 H2 included occupancy uplift driven by the new CCS making occupancy improvement YoY more challenging

Occupancy Improvement from February* base (%)



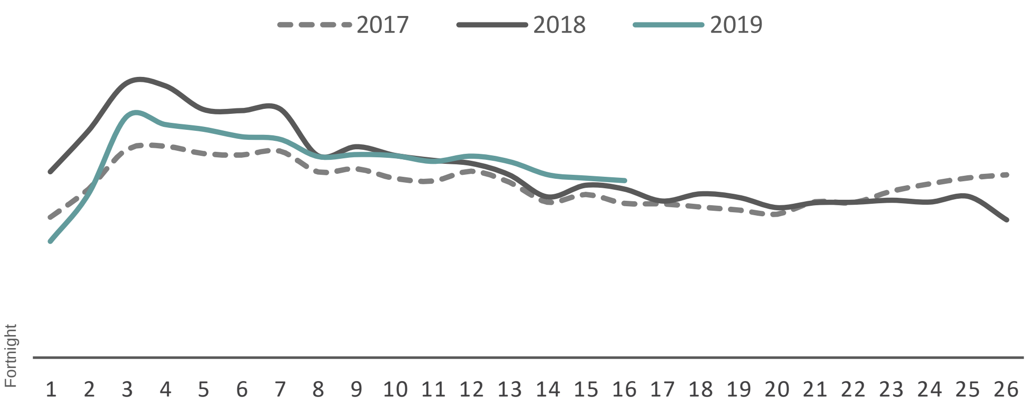
* A February base is more reflective of occupancy improvement given it removes the 'back to school' timing difference

- Maintaining the trajectory of the prior year would result in full year like-for-like occupancy growth of circa 1.5%pts

WAGE PERFORMANCE

Efficiency performance continuing

Wage hours per booking by fortnight



- CY19 H1 wage performance delivered an expected improvement on prior period (where wage costs were impacted by regulatory change to staff ratios) as efficiencies were realised
- Continued wage efficiency gains are required in H2 to absorb further increases in Early Childhood Teachers (ECT) wages in anticipation of regulatory change in January 2020 (in most states)
- The extent of the impact will be determined by ECT requirements being met by the training and development of existing G8 team members

OPERATING PERFORMANCE

- Organic centre revenue was 6% higher than the prior corresponding period driven by occupancy and fee increases partly offset by 1 less trading day and removal of the license fee ($2m)
- Total underlying centre EBIT increased by $8m on prior period to $70m (+12%) driven by a strong organic centre performance (+14% on PCP) partly offset by the $3m drag from current year greenfield centres
- Depreciation and other costs increased due to asset refurbishment activity, customer engagement centre and increased occupancy
- Total acquisition EBIT was slightly lower than expected driven by 2018 greenfield acquisitions
- Support Office team now in place and ongoing costs are at appropriate levels

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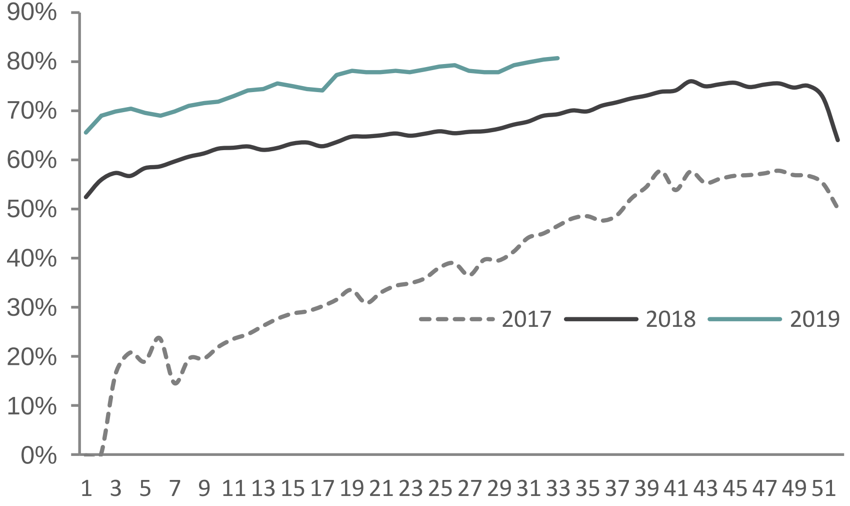
$M	CY19 H1[1]	CY18 H1[2]	% change
Total Organic Revenue	**374.0**	**352.9**	**6.0%**
Wages	(210.9)	(204.5)	3.1%
Rent	(46.4)	(44.7)	3.8%
Depreciation	(7.9)	(6.9)	15.1%
Other	(38.1)	(34.8)	9.6%
Centre Expenses	(303.3)	(290.8)	4.3%
Organic Centre EBIT	**70.7**	**62.1**	**13.9%**
Underlying Organic Centre EBIT margin	*18.9%*	*17.6%*	
2017 Acquisitions	3.8	1.3	
2018 Acquisitions	(0.5)	(0.5)	
2019 Acquisitions	(3.0)	-	
Divested Centres	(0.7)	(0.3)	
Total Acquisition EBIT	(0.4)	0.5	
Total Centre EBIT	**70.3**	**62.6**	**12.4%**
Underlying Centre EBIT margin	*16.3%*	*17.0%*	
Support Office Costs	(18.8)	(14.5)	29.9%
Underlying Group EBIT	**51.6**	**48.1**	**7.2%**
Group EBIT margin	*12.0%*	*12.1%*	
Organic Costs as % Organic Revenue			**% pt change**
Wages	56.4%	58.0%	(1.6)
Rent	12.4%	12.7%	(0.3)
Depreciation	2.1%	1.9%	0.2
Other	10.2%	9.9%	0.3
Support Office as % Total Revenue			**% pt change**
Support Office	4.4%	4.0%	0.4

1. CY18 H1 restated for divestments
2. Underlying EBIT refers to non-IFRS and can be reconciled to statutory NPAT on page 6

CY17 COHORT PERFORMANCE

Occupancy on the right trajectory

CY17 Greenfields Cohort – Weekly Occupancy



- CY17 acquisitions delivered $2.5m in incremental EBIT ($1.5m greenfield and $1.0m brownfield)
- CY17 greenfields are nearing occupancy maturity
  - Focus for these centres is now on achieving EBIT maturity (optimising cost base and reconfiguring rooms to match the maturation profile of the centre)
- CY17 brownfield cohort improved in line with expectations in terms of both occupancy and wage efficiency
  - With wages now optimised, focus for these centres is continuing to rebuild occupancy towards the group average

CY18 COHORT PERFORMANCE

Occupancy heading in the right direction

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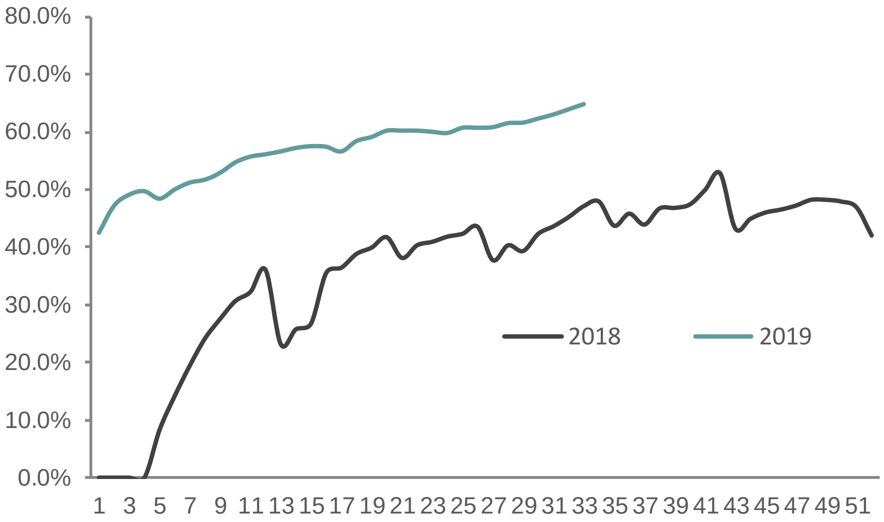
CY18 Greenfields Cohort – Weekly Occupancy



- While as a cohort the ramp has been slower than anticipated, occupancy for the greenfield centres continues to build on the solid start to CY19
- 7 of the 11 centres opened in CY18 are meeting expectations while 4 of the centres are taking longer for occupancy to ramp
  - All 4 centres are in the turnaround 'focus group' for operational improvement and are showing encouraging signs thus far in H2
- The slower ramp up in occupancy of these CY18 centres means that the contribution from the CY18 cohort will be circa $3m lower than the previous forecast
- Incremental earnings from prior year acquisitions are therefore expected to be approximately $6m – $7m in CY19

CY19 COHORT PERFORMANCE

Impacted by delays

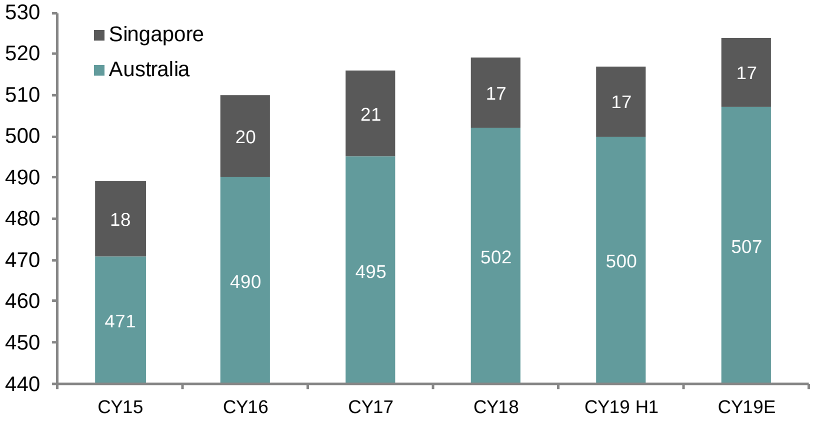
- CY19 acquisitions were a $3m drag on earnings in H1, consistent with guidance given at the AGM
- Of the 12 centres opened in H1, 3 of the larger format centres that were opened in May/June are not meeting expectations
- Licencing has delayed the opening of 7 centres until H2 (due to be opened May/June)

- The net impact of these issues is that the deficit from CY19 centres is now expected to be $3m in CY19 H2 vs. previous guidance of a $1m EBIT contribution in H2

NETWORK GROWTH STRATEGY

Active portfolio management

Centre Portfolio



* CY19 H1 total includes the merger of 1 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:
  - 5 greenfield centres completed in CY19 H1
  - 2 brownfield centres acquired in CY19 H1
- 12 centres are expected to be opened in CY19 H2 with 2 already opened since June 30
- 8 centres were closed in CY19 H1 and a further 5 sites have been identified for closure at lease expiry in CY19 H2
- 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

CASH CONVERSION

Consistent and strong

EBITDA to Cash Flow Conversion – Lease Adjusted

$M	CY19 H1 Proforma	CY18 H1 Statutory
Operating cash flow	31.8	30.3
+ Net interest	14.6	10.9
+ Tax paid	16.8	13.8
Gross operating cash flow	**63.2**	**55.0**
EBITDA	58.7	55.7
EBITDA/cash flow conversion	**108%**	**99%**

- Cash flow generation remained strong in CY19 H1 with a continued focus on efficient working capital management

CASH FLOW

- Lease adjusted proforma net cashflows from operating activities of $32m, an increase of 5% on prior corresponding period, primarily driven by proforma (pre-AASB16) EBITDA
- PP&E payments of $16m reflect investment in centre upgrades, resources and improved IT infrastructure
- Purchase of businesses of $32m reflects the acquisition of 7 centres (5 greenfield and 2 brownfield)
- Net increase in borrowings of $35m to fund acquisitions during the period
- The outflows for the remaining development pipeline of 12 centres in CY19 is expected to be circa $30m and will conclude the committed greenfield pipeline
- This takes the total spend on the development pipeline to circa $155m for 44 centres

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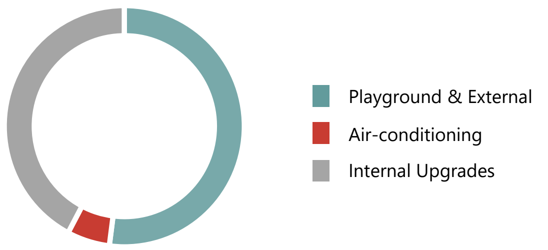
$M	CY19 H1 Statutory	AASB 16 Adjustments	CY19 H1 Proforma	CY18 H1 Statutory
Cash flows from Operating Activities				
Receipts from customers (inclusive of GST)	433.3	-	433.3	391.6
Payments to suppliers and employees (inclusive of GST)	(317.0)	(53.0)	(370.0)	(336.6)
Interest received	0.3	-	0.3	0.2
Interest paid	(36.7)	21.8	(14.9)	(11.1)
Income taxes paid	(16.8)	-	(16.8)	(13.8)
Net cash inflows from operating activities	**63.1**	**(31.2)**	**31.8**	**30.3**
Cash flows from Investing Activities				
Payments for purchase of businesses (net of cash acquired)	(31.6)	-	(31.6)	(28.9)
Payments for divestments	(0.7)	-	(0.7)	(0.1)
Payments for property plant and equipment	(15.9)	-	(15.9)	(17.0)
Net cash outflows from investing activities	**(48.2)**	**-**	**(48.2)**	**(46.0)**
Cash flows from Financing Activities				
Debt issue costs	-	-	-	(0.2)
Dividends paid	(27.1)	-	(27.1)	(31.3)
Principal elements of lease payments	(31.2)	31.2	-	-
Repayment of corporate note	(269.9)	-	(269.9)	(50.0)
Inflows from Borrowings	305.0	-	305.0	80.0
Outflows of Borrowings	(2.0)	-	(2.0)	(0.5)
Net cash (outflows) / inflows from financing activities	**(25.2)**	**31.2**	**6.0**	**(2.1)**
Net increase in cash and cash equivalents	(10.3)	-	(10.3)	(17.8)
Cash and cash equivalents at the beginning of the half year	55.5	-	55.5	49.2
Effects of exchange rate changes on cash	-	-	-	0.1
Cash and cash equivalents at the end of the half year	**45.2**	**-**	**45.2**	**31.5**

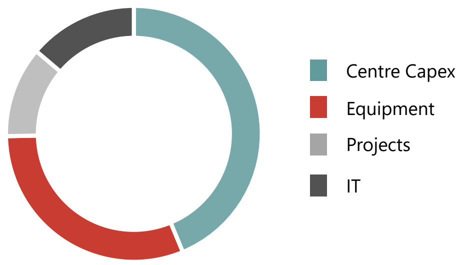
CAPEX COMMITMENTS

Supported by robust and consistent cashflow

Centre CY19 Capex = $7 million



Total CY19 Capex = $16 million



- 1H19 total capex of $16m driven by:
  - Refurb and Refresh program (centre capex) – circa $7m
  - Educational equipment/resources – circa $5m
  - IT/wifi upgrades – circa $2m
  - Project capex (e.g. rostering system) – circa $2m

- Total forecast capex in CY19 of $35m - $40m
  - c. $20m - $25m centre capex (refurb and refresh)
  - c. $15m in equipment, IT and project capex

BALANCE SHEET

- The new AASB16 Lease Standard became effective on 1 January 2019 with $708m lease liability, $612m right of use asset and $30m deferred tax asset brought on to the balance sheet on transition
- Goodwill increased during the period reflecting the acquisition of 7 centres
- Borrowings of circa $1.1bn comprised of:
    - Syndicated facility $397m
    - AASB 16 lease liability $730m
- The $270m SGD bond was repaid during the half and the related hedge instrument expired

$M	CY19 H1 Statutory	AASB 16 Adjustments	CY19 H1 Proforma	CY18 Statutory
ASSETS				
Current assets				
Cash and cash equivalents	45.2	-	45.2	55.5
Trade and other receivables	33.1	0.4	33.5	36.5
Other current assets	8.8	-	8.8	14.1
Derivative financial	-	-	-	10.8
Current tax asset	5.9	-	5.9	-
Total current assets	**93.0**	**0.4**	**93.4**	**117.0**
Non-current assets				
Property plant and	93.1	9.1	102.1	91.7
Right of use assets	628.9	(628.9)	-	-
Deferred tax assets	48.8	(30.7)	18.1	17.9
Intangible assets	1,174.9	-	1,174.9	1,134.5
Other non-current assets	15.9	0.4	16.3	25.5
Total non-current assets	1,961.6	(650.2)	1,311.4	1,269.6
Total assets	**2,054.6**	**(649.8)**	**1,404.8**	**1,386.5**
LIABILITIES				
Current liabilities				
Trade and other payables	61.0	0.5	61.5	67.9
Contract liabilities	7.2	-	7.2	8.5
Current Tax Liability	-	-	-	0.7
Borrowings	-	-	-	279.6
Lease Liabilities	65.5	(65.5)	-	-
Provisions	33.0	-	33.0	30.0
Total current liabilities	**166.6**	**(65.0)**	**101.7**	**386.7**
Non-current liabilities				
Other payables	0.7	4.6	5.3	5.3
Borrowings	396.6	-	396.6	92.2
Lease Liabilities	662.2	(662.2)	-	-
Provisions	13.0	-	13.0	8.9
Total non-current liabilities	**1,072.5**	**(657.5)**	**414.9**	**106.4**
Total liabilities	**1,239.1**	**(722.5)**	**516.6**	**493.1**
Net assets	**815.5**	**72.8**	**888.2**	**893.5**
EQUITY				
Contributed equity	902.9	-	902.9	893.6
Reserves	39.6	4.2	43.8	56.5
Retained earnings	(127.1)	68.5	(58.5)	(56.6)
Total equity	**815.5**	**72.8**	**888.2**	**893.5**

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GEARING RATIOS AND CAPITAL RETURNS

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Gearing Ratios – Lease adjusted

$M	Proforma CY19 H1	Statutory CY18
Current borrowings	-	268.7
Non-current borrowings	396.6	92.2
Cash and cash equivalents	(45.2)	(55.5)
Net Debt	**351.4**	**305.4**
Underlying EBITDA (last 12 months)	158.5	152.7
Net Debt/EBITDA (x)	**2.2**	**2.0**
Net interest (last 12 months)	29.2	28.6
EBITDA/Net Interest (x)	**5.42**	**5.35**
Fixed charge cover (x)	**1.73**	**1.73**
Gearing ratio* (%)	**28.3%**	**25.5%**

- During current growth phase, debt metrics (Net Debt/EBITDA) reflect lag between capital invested and earnings achieved
- After peaking in Q3, Net Debt/EBITDA is forecast to begin amortising by the end CY19
- The Group remains conservatively geared and continues to maintain sufficient headroom in relation to its covenants and goodwill valuation
- Arrangements are in place with lenders to ensure that there is no impact on borrowing facilities or covenant headroom under facility agreements post the adoption of AASB 16

Return on Capital Employed – Lease adjusted

$M	Proforma CY19 H1	Statutory CY18
Underlying EBIT (last 12 months)	139.7	136.3
Shareholders' equity (average last 12 months)	873.8	879.4
Debt liabilities (average last 12 months)	370.5	339.1
Capital Employed	**1,244.3**	**1,218.5**
Return on Capital Employed (ROCE) %	**11.2%**	**11.2%**

- Return on capital employed (ROCE) of 11.2%, is in line with prior year 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

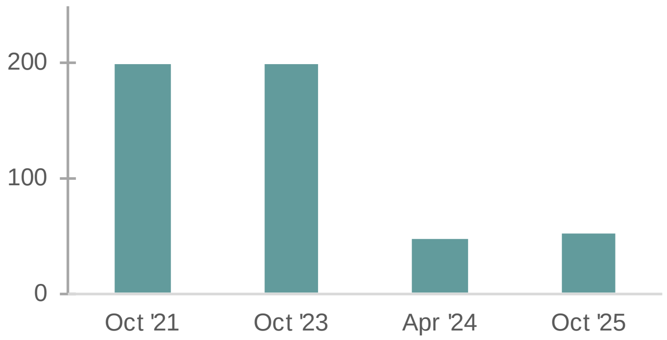
* Gearing ratio = Net Debt/Net Debt + Equity

CAPITAL MANAGEMENT

Reinforcing balance sheet strength

- Singapore bonds ($270m SGD) repaid during the half using syndicated debt facilities, currently drawn to $390m with headroom of $110m
- Net debt is forecast to peak in CY19 Q3 at which point the balance sheet will have circa $110m in available cash and facilities
- Given the moderate capital commitments post completion of the greenfield pipeline at the end of this calendar year, debt is expected to amortise throughout CY20
- CY19 H1 fully franked dividend of 4.75 cents being a 0.25 cents per share increase on prior year dividend
- The dividend policy of paying out 70% to 80% of reported NPAT on a semi-annual basis will be amended to 70% to 80% of 'lease adjusted' NPAT

Debt Facility Profile ($M)



Borrowing costs

- CY19 H2 borrowing costs are expected to reduce on H1 levels to circa $13m post the repayment of the SGD corporate bonds

G8 Education

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%

- Underlying non IFRS (i.e. pre AASB 16 lease standard) ROCE = Underlying EBIT / (Shareholders Equity [ave. previous 12months] + Borrowings [ave. previous 12 months]
- ROI= EBIT/Capital invested in greenfield centres

STRATEGIC INITIATIVES

Progressing to plan

Build a Great Team

- Initiatives relating to team turnover reduction are on track with Centre Manager and Early Childhood Teacher (ECT) turnover reducing in line with expectations
- Training programs
  - Induction and onboarding pilot for Centre Manager role has commenced
  - Work routines rolled out to Area Managers
  - Work routine rollout for Centre Managers to occur in CY20 Q1
  - ECT professional development – 'Teaching for Tomorrow' course rolled out in line with expectations

Strengthen the Foundation

- Education
  - Roll out of the new curriculum has commenced, including best practice framework
- Refresh and refurbishment program
  - On track for 80 centres in CY19 (vs. previous target of 100 centres)

STRATEGIC INITIATIVES

Progressing to plan

Create Sustainable Differentiation

- Customer Engagement Centre
  - Total of 500 centres completed in April 19, in line with expectations
- Innovation pilots
  - Expanded roll-out underway for Kinderling and iSandbox
  - Literacy and Allied Health pilots did not meet pilot hurdles and will not be rolled out
- Xplor Parent and Educator apps – launched in CY19 Q2, as expected
- Customer experience standards being implemented to give families the best enrolment experience possible
  - Centralised enquiry to enrolment process
  - Upskilling CMs on providing a quality tour experience

Continue Profitable Growth

- Turnaround centres
  - Focus group established
  - On track to complete 25 turnarounds in CY19, encompassing team, asset and curriculum
- Labour scheduling and rostering system
  - Rollout of pilot in January 2020 with benefits from CY20 H2
- Committed CY19 centre pipeline
  - 17 greenfield centres
  - 2 brownfield centres

G8 Education

CURRENT TRADING & OUTLOOK

Gary Carroll

CURRENT TRADING & OUTLOOK

G8 Education Ltd

- Organic centre performance continues to track solidly. It is noted that:
    - the second half growth rate will not have the benefit of the CCS stimulus that commenced on 1 July 2018
    - although occupancy-building initiatives are performing in line with expectations and gaining momentum, we remain cautious about the impact of near-term supply
- For these reasons CY19 like-for-like occupancy growth is expected to be in the mid 1%pts
- Wage performance YTD is tracking to expectations and further efficiency gains are expected in H2
- While the success of the 2017 acquisitions gives cause for confidence in the medium-term potential of the greenfield portfolio, the ramp-up of the 2018 and 2019 centres is taking more time resulting in an $8m forecast reduction in CY19 EBIT contribution from these centres
- Balancing the performance of the organic centres with our caution in relation to the market environment, the forecast underlying EBIT range for CY19 is $140m - $145m
- The strategy of driving quality, capability and team engagement is on track and producing results even in the face of increased supply. We are only part way through our transformation program and the focus remains on execution
- The Group looks forward to providing a further update on trading performance at the Investor Day in November 2019

Q&A

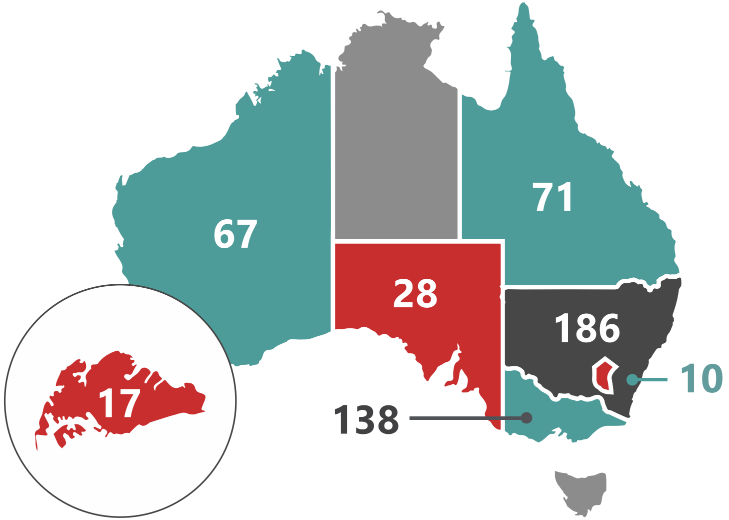
APPENDIX

G8 IS A MARKET LEADER

With significant competitive advantages

517 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

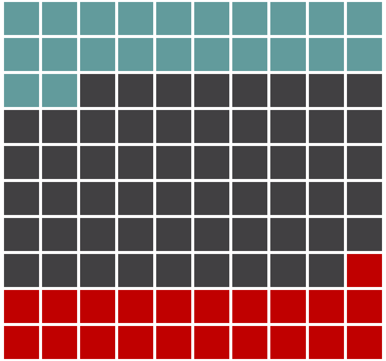
54K

Children per week

QUALITY DRIVES OCCUPANCY

National Quality Framework

G8 NQS Ratings: Where we were



EXCEEDING NQS*:

22% → 21%

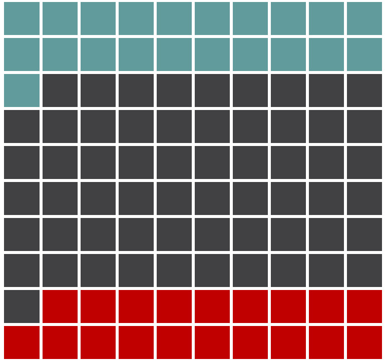
MEETING NQS:

57% → 60%

WORKING TOWARDS NQS:

21% → 19%

G8 NQS Ratings: Where we are

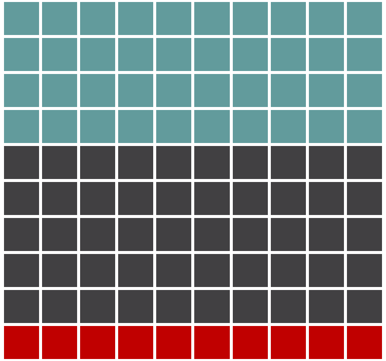


→ 40%

→ 50%

→ 10%

G8 NQS Ratings: Where we need to be



+2%

POINTS TO GROUP OCCUPANCY

* In February 2018 changes in the NQS ratings have made the achievement of an "Exceeding" rating more onerous

THE G8 EDUCATION JOURNEY (November, 2018)

G8 Education[ltd]

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

11

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

MIN 15% GROUP ROCE

25% ROI GF PORTFOLIO

81% GROUP OCCUPANCY