ASX Announcement

G8 Education Limited
(ASX:GEM)

23 August 2021

The Manager
Market Announcements Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

Dear Sir / Madam

I enclose the Investor Presentation for the half year ended 30 June 2021 for G8 Education Limited, which includes a trading update and outlook.

Yours sincerely

Tracey Wood
Chief Legal, Quality & Risk Officer
G8 Education Limited

Authorised for release by G8 Education Limited's Board of Directors.

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2021 HALF YEAR RESULT

Investor Presentation
23 August 2021

G8 EDUCATION LTD
ASX: GEM

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AGENDA

OVERVIEW & CEO COMMENTARY
Gary Carroll

HALF YEAR RESULTS
Sharyn Williams

KEY PROGRAM UPDATE
Gary Carroll

CURRENT TRADING & OUTLOOK
Gary Carroll

Q&A
Gary Carroll & Sharyn Williams

APPENDIX

OVERVIEW & CEO COMMENTARY

GROUP IS WELL POSITIONED

Strategic programs delivering strong momentum and tangible results

Demonstrated resilience and discipline to help mitigate impacts of an uncertain environment

Strong balance sheet with conservative leverage position

Investing in the future, particularly in family and team retention

CY21 H1 HIGHLIGHTS

Strong execution and positive momentum in strategic initiatives

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Occupancy narrowed the gap on CY19

Operating EBIT[1] (after lease interest) of $38.9m, in line with CY19 H1

Net cash $6.5m

98% of Centres Assessed in H1 achieved 'Meeting' or 'Exceeding' NQF

Roster optimisation mitigated wage remediation and compliance impact

CY19 & CY20 Improvement Program Centres delivered $1.5m higher EBIT on CY19 H1

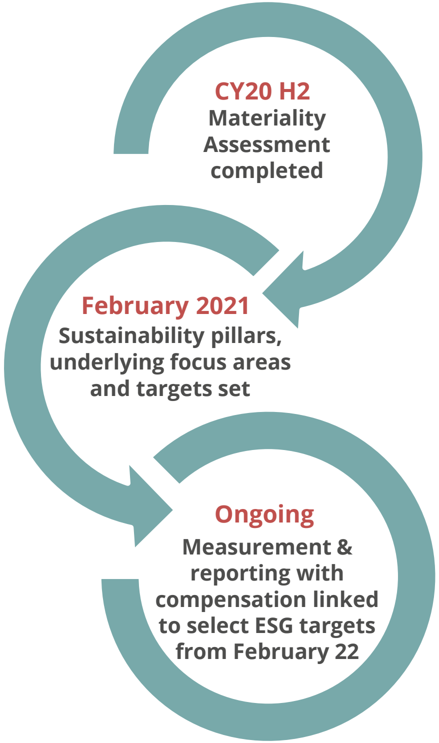
Greenfields performing well and portfolio optimisation on track

Team experience and engagement initiatives on track

1. Operating EBIT after lease interest is equivalent to NPBT before finance costs (non-lease) and non-operating items

QUALITY, COMMUNITY & SUSTAINABILITY

Is at the heart of our business



What we achieved in H1

- Delivered our highest **National Quality Standard** (NQS) result with over 98% of centres assessed in CY21 H1 having achieved 'Meeting' or 'Exceeding' rating
- Developed additional **child safety and protection training** programs that were deployed to the network
- Put in place **educational programs** for over 50,000 children regarding climate change and ways to reduce impacts to the environment
- Executed a **Sustainability-Linked Loan** – the first of its kind for an Australian ECEC provider, with a focus on quality and safety outcomes
- Rolled out the **Study Pathways Program** – supporting the continuing professional development of our team members through the Bachelor Scholarship Program and traineeships
- Strong gender **diversity** on the Board (40% female Non-executive Director representation) and Executive Leadership Team (50% female representation)

STUDY PATHWAYS PROGRAM	
BACHELOR SCHOLARSHIP STUDENTS	124
NEW TRAINEE REGISTRATIONS YTD	328
TRAINEE COMPLETIONS YTD	157
TRAINEE ENROLMENTS IN PROGRESS	109
ACTIVE TRAINEES	843

FINANCIAL SUMMARY

Performance measured against "pre COVID" CY19 H1[1]

$M	CY21 H1	CY20 H1Restated[1]	CY19 H1 Restated[1]	CY21 H1 vs. CY19 H1
Metrics				
Occupancy (Core[2])	68.0%	65.1%	70.4%	(2.4%) pts
Operating Revenue[3]	421.5	308.2	429.9	(2.0%)
Statutory NPAT	25.1	(244.1)	13.7	83.2%
Basic earnings / (loss) (cps)	2.96	(37.94)	2.65	11.7%
Net Cash / (Debt)	6.5	(62.5)	(359.8)	nm
Excluding non-operating items				
Operating EBITDA[3]	102.4	88.9	109.0	(6.1%)
Operating EBIT (after lease interest)	38.9	19.7	38.8	0.3%

- Revenue drivers include the continued recovery in occupancy, February fee review, the Victorian COVID payment ($5.3m) and greenfield growth and divestments. To support and retain families during lockdowns, $1.9m in fees were waived in H1
- Operating EBITDA[1,2] was underpinned by good wage performance
- Operating EBIT[1,3] (after lease interest) benefited from lower lease depreciation, predominantly driven by the CY20 impairment
- Net cash position supportive of COVID affordability measures for families (via fee reductions) and investment in team attraction and retention

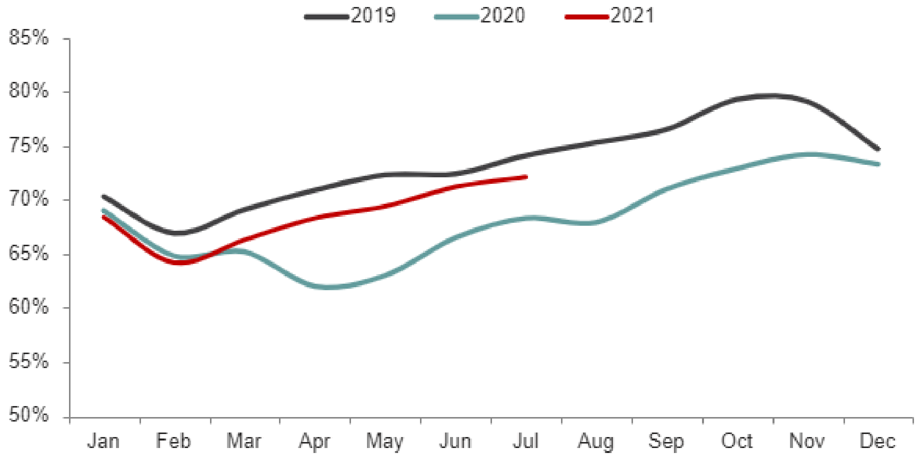
1. Note all references to CY19 H1 and CY20 H1 financials are restated to include wage remediation
2. "Core" includes all centres excluding the 15 centres in the greenfield portfolio
3. "Operating" excludes non-operating items. Refer to slide 16 for further detail

CORE[1] OCCUPANCY TRENDS

Seasonal growth trend reinstated in H1

- Occupancy in the first half continued to narrow the gap on CY19, driven by our strategic change programs and the seasonal uplift trend being re-established
- Post-June this seasonal trend has been disrupted in certain areas as COVID movement restrictions were implemented
- The G8 team has continued to support families through the pandemic by maintaining regular contact, retaining enrolments and rebuilding attendances after lockdowns

Monthly Core Occupancy (%)



1. "Core" includes all centres excluding the 15 centres in the greenfield portfolio

CORE[1] OCCUPANCY

Regional centres outperforming

- National CY20 H1 core occupancy of 68.0%, 2.4%pts lower than CY19 H1
- Geographic portfolio diversification, with limited CBD exposure, provides insulation against specific location or state-based lockdowns
- Regional centres outperformed, with occupancy 1.9% pts higher than CY19 H1
- Occupancy level in Victoria impacted by the cumulative effect of mobility restrictions
- ACT improvement plans in place, focused on team and physical appeal of the centres with occupancy benefits expected over time
- Divestment of 25 centres in CY19 drove improved occupancy in WA

Occupancy by region

	Core Average Occupancy						
Region	**CY21 H1**	**CY20 H1**	**CY21 H1 v CY20 H1**	**CY19 H1**	**CY21 H1 v CY19**	**Centres**	**Licenced Places**
Metro	63.8%	62.0%	1.8% pts	69.0%	(5.2%) pts	246	19,844
Regional	73.8%	69.4%	4.4% pts	71.9%	1.9% pts	191	16,530
CBD	43.7%	53.4%	-9.7% pts	76.9%	(33.2%) pts	7	510
National	**68.0%**	**65.1%**	**2.9% pts**	**70.4%**	**(2.4%) pts**	**444**	**36,884**

Occupancy by state

	Core Average Occupancy							
State	**CY21 H1**	**CY20 H1**	**CY21 H1 v CY20 H1**	**CY19 H1**	**CY21 H1 v CY19**	**Supply YoY**	**Centres**	**Licenced Places**
ACT	57.0%	60.9%	(3.9%) pts	76.7%	(19.7%) pts	6.8%	9	894
NSW	70.0%	65.4%	4.6% pts	70.1%	(0.1%) pts	2.7%	170	11,994
QLD	71.8%	71.2%	0.6% pts	75.1%	(3.3%) pts	4.0%	66	5,671
SA	70.0%	68.1%	1.9% pts	72.8%	(2.8%) pts	2.9%	27	2,225
VIC	64.9%	61.9%	3.0% pts	70.3%	(5.4%) pts	5.2%	135	13,148
WA	68.6%	66.2%	2.4% pts	63.2%	5.4% pts	4.6%	37	2,952
National	**68.0%**	**65.1%**	**2.9% pts**	**70.4%**	**(2.4%) pts**	**3.7%**	**444**	**36,884**

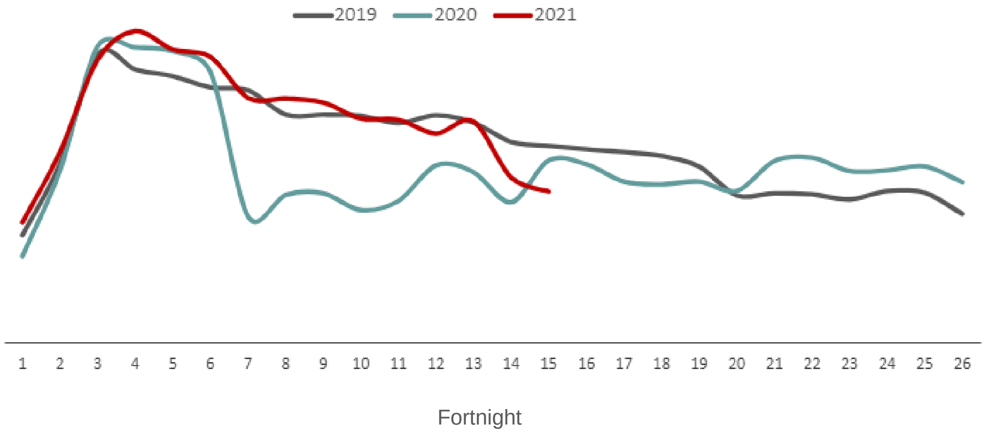
1. "Core" includes all centres excluding the 15 centres in the greenfield portfolio

WAGE OPTIMISATION

Wage outperformance enabling further investment in quality care

- Improved systems, training and processes relating to award compliance have resulted in positive wage performance
- Improvements in efficiency were achieved despite lower occupancy levels that cause inefficiencies in a regulated ratio wage environment
- Roster optimisation and compliance activities mitigated $6.5m in CY19 H1 wage remediation impacts
- Fortnights 14 and 15 in CY21 reflect reduced hours as COVID movement restrictions impact attendance levels
- A 2.5% increase in the Child Services Award was effective 1 July 2021 and has been applied across the entire G8 workforce

Wage hours per booking by fortnight



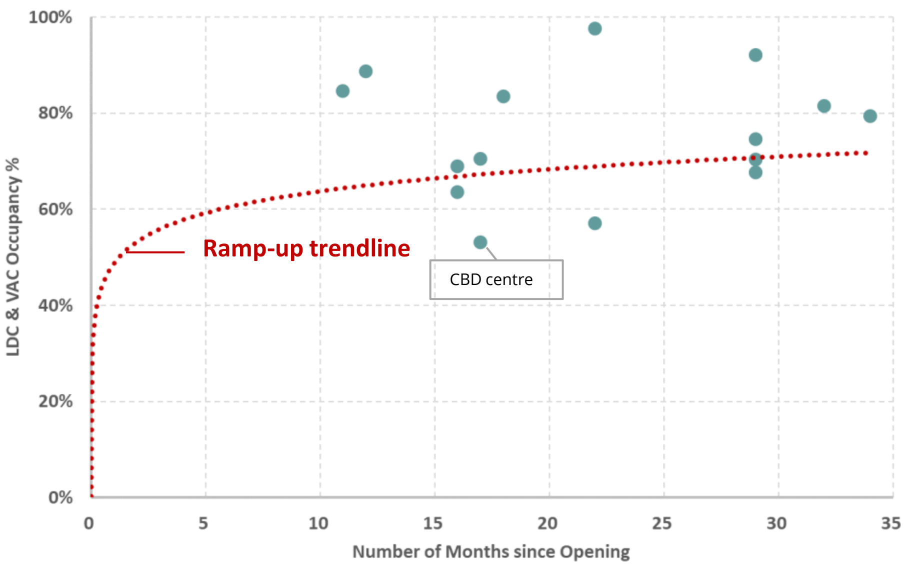
GREENFIELD CENTRES

Greenfield centres continue to build occupancy

Greenfields

1. 71% average occupancy
2. $3m NPBT turnaround to $0.7m, from a $2.3m loss in CY20 H1
3. 6 centres expected to mature to the core at the end of CY21
4. No centres were opened in H1 2 greenfield centres expected to open by December 2021

Greenfield Occupancy (as at 30 June 2021)



Key metrics

Number of centres	15	Average age	22 months
Total H1CY21 NPBT	$0.7m	Cohort average occupancy	71%

Centres reviewed annually for inclusion into the Core portfolio

IMPAIRED CENTRES

Divestment program on track

1. **6 centres divested, 6 surrendered during the half**
2. **15 completed to date with a further 11 indicative agreements in place**
3. **Of the impaired portfolio's CY19 EBIT losses (pre-AASB 16) of $12m, the 15 completed centres accounted for $2.4m**
4. **Net cash outflows of $1.3m related to divestments/surrenders during the half**

- The property portfolio optimisation is progressing well with half of the 52 impaired centres either divested, leases surrendered or conditional, indicative agreements in place
- On a statutory basis, the impaired portfolio is broadly breakeven and already reflects the P&L benefit of exiting the portfolio of 52 centres due to
  - Lower lease depreciation as a result of the CY20 impairment (H1 $4.3m; CY21 c.$9.8m)
  - Lower EBIT losses from operational performance of this portfolio on pre-AASB 16 basis
- Completion of this program will drive an improvement in operating cash flow
- A commercial approach, guided by return on capital, will continue to be employed when assessing exit alternatives, taking into consideration
  - Lease tail of the centre
  - Trading performance of the centre

HALF YEAR RESULTS

FINANCIAL IMPACTS

P&L

- Operating performance continued to recover post the COVID impacted CY20 period
- Victorian Covid subsidy provided a buffer for occupancy recovery and team retention
- Roster optimisation and compliance activities mitigated the potential impact from wage remediation
- Impairment of underperforming assets reduced the lease component of depreciation
- Borrowings costs reduced significantly following the restructure of borrowing facilities and CY20 capital raising

FINANCIAL OVERVIEW

- Revenues were impacted by lower occupancy and the absence of divested centres, partially offset by greenfield growth, the Victorian COVID subsidy and a February fee increase
- EBITDA increased on the prior COVID-impacted year as occupancy recovered but was 6% lower than CY19 H1 due to lower revenue
- Savings in the direct cost of services funded centre utilities and maintenance increases
- "Other expenses" driven by increases in
  - Customer Engagement Team (increased activity and full 6 months vs 3 months in CY19 H1)
  - IT (websites, internet, cyber, systems)
  - Insurance cost escalation
- Operating EBIT (after lease interest) benefited from lower lease depreciation, primarily due to the impairment (circa $4.3m) coupled with a reduced number of centres
- Lower non-lease finance costs reflects the restructuring of borrowing facilities and repayment of drawn debt post the CY20 capital raising

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Financials versus "pre-COVID" CY19 H1

$M	CY21H1	CY20 H1 Restated[1]	CY19 H1 Restated[1]	CY21 H1 vs. CY19 H1
Total Operating Revenue	**421.5**	**308.2**	**429.9**	**(2.0%)**
Employment costs	(262.3)	(172.9)	(267.0)	(1.8%)
Property, utilities and maintenance costs[2]	(22.3)	(15.6)	(20.1)	10.9%
Direct costs	(16.9)	(16.8)	(19.5)	(13.3%)
Other expenses	(17.6)	(14.0)	(14.3)	23.1%
Total operating expenses	**(319.1)**	**(219.3)**	**(320.9)**	**(0.6%)**
Operating EBITDA	**102.4**	**88.9**	**109.0**	**(6.1%)**
Depreciation and amortisation	(10.7)	(10.8)	(10.2)	4.9%
Depreciation - leases	(32.8)	(36.6)	(38.2)	(14.1%)
Operating EBIT	**58.9**	**41.5**	**60.6**	**(2.8%)**
Finance costs - leases	(20.0)	(21.8)	(21.8)	(8.3%)
Operating EBIT (after lease interest) [3]	**38.9**	**19.7**	**38.8**	**0.3%**
Net finance costs - non-lease	(7.0)	(12.5)	(15.2)	(53.9%)
NPBT excl. non-operating items	**31.9**	**7.2**	**23.6**	**35.2%**
Impairment loss	-	(274.8)	-	-
Non-operating items[4]	4.1	(13.7)	(3.3)	nm
NPBT	**36.0**	**(281.3)**	**20.3**	**77.3%**
Income tax benefit/(expense)	(10.9)	37.2	(6.6)	65.2%
NPAT	**25.1**	**(244.1)**	**13.7**	**83.2%**

1. Restated for wage remediation (slide 37) and reclassifications (note 14 Interim Financial Report 2021)
2. Includes rates, utilities, services, outgoings, cleaning, maintenance, variable rent etc.
3. Refer slide 37 for reconciliation to Underlying EBIT pre-AASB16 for prior years
4. Refer to Interim Financial Report CY21 Note 2 and slide 37

OPERATING PERFORMANCE

- Improved Core centre earnings reflect
  - Roster optimisation and compliance activities are mitigating prior year wage remediation costs
  - February fee increase mitigated cost inflation in H1
  - Lower rent proxy[3] due to a decrease in depreciation (following the impairment) and a lower number of centres
  - Divestment of lower margin centres
- Performance of the Greenfield portfolio reflects continued growth in occupancy
- Network support and corporate costs up $5.6m, after adjusting for prior year items (see slide 19)
- Operating EBIT (after lease interest)[1] flat on CY19 H1 as benefits of the improvement program, fee increase and greenfield growth were invested in increased network support
- Wages as a % of revenue are expected to be broadly flat in H2. The usual margin expansion in H2, driven by wage efficiency from higher occupancy, will not occur as wage rate increases on 1 July will not be funded by a further fee increase in CY21

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$M	CY21 H1	CY20 H1 Restated	CY19 H1 Restated	CY21 H1 vs. CY19 H1
Core Centres				
No. of centres	444	448	484	(8.3%)
No. of LP	36,884	37,005	39,248	(6.0%)
Core Revenue	403.5	293.8	418.9	(3.7%)
Wages	(233.7)	(235.8)	(247.1)	(5.4%)
Wage Subsidies	1.5	83.4	1.3	14.6%
Rent Proxy[1]	(54.3)	(58.3)	(63.2)	(14.1%)
Depreciation (non-leases)	(9.2)	(9.4)	(9.1)	1.4%
Other centre costs	(42.9)	(33.0)	(40.8)	5.1%
Centre Expenses	**(338.6)**	**(253.1)**	**(358.9)**	**(5.6%)**
Core Centre NPBT	**64.8**	**40.7**	**60.0**	**8.0%**
Core Centre NPBT Margin	***16.1%***	***13.9%***	***14.3%***	
Greenfield Centres				
No. of centres	15	13	6	150.0%
No. of LP	1,636	1,315	573	185.7%
Greenfield NPBT	**0.7**	**(2.3)**	**(2.5)**	n.m.
Network Support Costs	(26.6)	(18.7)	(18.8)	41.2%
Operating EBIT (after lease interest)[2]	**38.9**	**19.7**	**38.8**	**0.3%**
Margin	***9.2%***	***6.4%***	***9.0%***	
Core Costs as % Core Revenue				**% pt change**
Wages (including subsidy)	57.6%	51.9%	58.7%	(1.1%)
Rent	13.5%	19.8%	15.1%	(1.6%)
Depreciation	2.3%	3.2%	2.2%	0.1%
Other	10.6%	11.2%	9.7%	0.9%
Support Office as % Total Revenue				
Network support costs	6.3%	6.0%	4.4%	1.9%

1. Proxy for rent expense comprising lease depreciation, lease interest and outgoings
2. Operating EBIT (after lease interest) equivalent to NPBT before finance costs (non-lease) and non-operating items

NETWORK SUPPORT

Supporting our teams and network to be the centre of choice for families

Network Support Investment

$M	CY20 H1	CY21 H1	Change
Centre support team & programs	23.3	28.9	4.2
Corporate Costs			1.4
COVID cash conservation	(0.9)		0.9
Apprenticeship subsidy		(2.3)	(2.3)
JobKeeper	(2.3)		2.3
Singapore subsidised earnings	(1.4)		1.4
Total Network Support	18.7	26.6	7.9

- Focus is on achieving sustainable improvements across our portfolio of centres, so certain Improvement Program costs will remain
- Programs are focused on team engagement and retention

Field-based teams working closely with the centres across pedagogy, operations, compliance, safety and quality

Centre Support

- Improvement Program (IP)
- Workforce Optimisation/Compliance
- Study Pathways Program
- Quality Assurance Program
- Team Service Recognition

+ $1.5m *EBIT uplift for CY19/CY20 IP centres*

WHPB at CY19 levels *despite lower occupancy*

967 students *to "grow our own" talent*

98% NQF *'exceeding' or 'meeting' ratings in H1 reviews*

Scalable platforms for team and family experience

Corporate Costs

- Insurance
- IT systems
- Cyber

FINANCIAL IMPACTS

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Cashflow & Capital

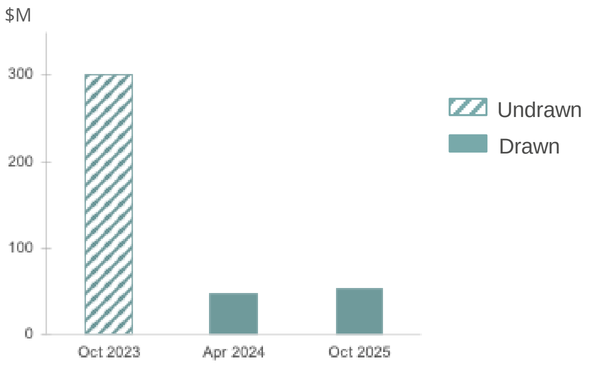
- Strong balance sheet, net cash position of $6.5m
- Debt refinance completed in February 2021 delivered lower interest costs, increased flexibility and increased tenor
- Dividend payments expected to recommence with a full-year CY21 dividend intended to be paid in CY22
- Well-positioned to capitalise on sensible growth opportunities

CAPITAL MANAGEMENT

Sources of funding and liquidity remain strong

- February 2021 refinance of debt facilities maintains a staggered debt profile and includes sustainability-linked performance targets
- CY21 net finance costs (excluding lease interest) of $7.0m is a reduction of $4.4m from CY20 H1

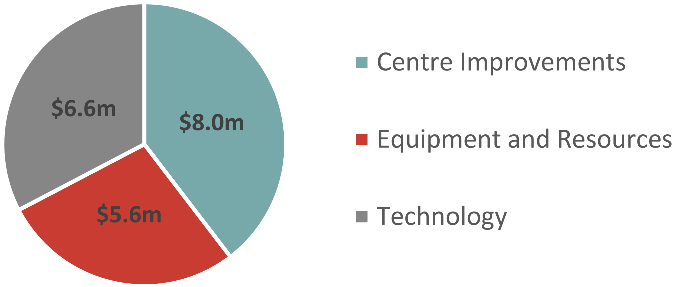
Debt Facility Profile ($M)



Dividend

- Dividend policy expected to recommence with full year CY21 dividend intended to be paid in CY22

Total CY21 H1 Capex = $20.2 million



- Total CY21 capex of c. $65m focused on continued investment in centre quality
- Centre capital works carried over from CY20 are c. $10m

CASH FLOW

- Operating cashflows of $48.4m, a decrease of 23% on CY19 or 6% excluding material timing differences and the benefit from lower interest
  - Lower cashflows from trading due to lower occupancy
  - Lower interest payments due to refinance (- c.$9m)
  - Timing of insurance prepayments (+ c.$8m)
  - Timing of payroll and creditor payments relating to CY20 accruals (+ c.$12m)
- PP&E and intangible payments of $20.6m reflect investment in centre maintenance and strategic projects
- Payments for divestments of $1.3m relates to the exit of underperforming centres
- Payment of borrowings of $201.5m reflects repayment of the revolving facility in full
- Principal lease repayments variance driven by
  - Rent deferral repayments of $1.5m during CY21 H1
  - Cash relief in the form of $1.9m in rent waivers and $1.2m in deferrals in CY20 H1

$M	CY21H1	CY20H1	CY19H1	CY21H1 vs. CY19H1
Cash flows from operating activities				
Receipts from customers (inclusive of GST)	426.0	337.9	433.3	(1.7%)
Payments to suppliers and employees (inclusive of GST)	(338.3)	(247.0)	(317.0)	6.7%
Interest received	0.1	0.4	0.3	(66.7%)
Interest paid (non-leases)	(5.9)	(11.2)	(14.9)	(60.4%)
Interest paid (leases)	(20.0)	(21.7)	(21.8)	(8.3%)
Income taxes received (paid)	(13.5)	0.5	(16.8)	(19.6%)
Net cash inflows from operating activities	**48.4**	**58.9**	**63.1**	**(23.3%)**
Cash flows from investing activities				
Payments for purchase of businesses (net of cash acquired)	-	(11.1)	(31.6)	(100.0%)
Payments for purchase of intangible assets	(3.8)	-	-	-
Payments for divestments	(1.3)	(0.5)	(0.7)	85.7%
Payments for property plant and equipment	(16.8)	(15.2)	(15.9)	5.7%
Net cash outflows from investing activities	**(21.9)**	**(26.8)**	**(48.2)**	**(54.6%)**
Cash flows from financing activities				
Share issue costs	-	(11.1)	-	-
Dividends paid	-	-	(27.1)	-
Principal portion of lease payments	(35.5)	(30.2)	(31.2)	13.8%
Repayment of corporate notes	-	-	(269.9)	-
Proceeds from issue of shares	-	301.2	-	-
Proceeds from borrowings	-	65.0	305.0	-
Payments of borrowings	(201.5)	(160.0)	(2.0)	-
Net cash (outflows)/inflows from financing activities	**(237.0)**	**164.9**	**(25.2)**	**nm**
Net (decrease)/ increase in cash and cash equivalents	(210.5)	197.0	(10.3)	-
Cash and cash equivalents at the beginning of half year	317.0	40.6	55.5	471.2%
Effects of exchange rate changes on cash	-	(0.1)	-	-
Cash and cash equivalents at the end of the period	**106.5**	**237.5**	**45.2**	**135.6%**

CASH CONVERSION

Managed well with timing impacts

- Cash flow was well managed although was impacted by the timing of items such as rent relief unwinding from CY20 ($1.5m), settlement of payroll and creditor accruals from late CY20 ($11.9m) and prepaid insurance ($7.9m)
- Cash conversion will be impacted by the lower depreciation relating to impaired centres

EBITDA to Cash Flow Conversion

$M	CY21H1	CY20H1 Restated	CY19H1 Restated
Operating cash flow	48.4	58.9	63.1
+ Net interest (non-leases)	5.8	10.8	14.6
+ Tax paid / (received)	13.5	(0.5)	16.8
- Lease principal portion of lease payments	(35.5)	(30.2)	(31.2)
Gross operating cash flow	**32.2**	**39.0**	**63.3**
Operating EBITDA	102.4	88.9	109.0
Depreciation - leases	(32.8)	(36.6)	(38.2)
Finance costs - leases	(20.0)	(21.8)	(21.8)
+ Wages remediation restatement	-	6.0	6.5
Operating EBITDA (adj. lease int. & depr.)	**49.6**	**36.5**	**55.5**
Cash flow conversion	**64.9%**	**106.8%**	**114.1%**

KEY PROGRAM UPDATE

IMPROVEMENT PROGRAM DRIVING STRONG OUTCOMES

Underpinned by breadth and depth of Centre Support team

G8 Education

Total investment to date - $3.9m Opex and $5.6m Capex

Centre "Field" Support

- Practice Partners
- Operations Coaches
- HR Business Partners
- Quality Partners
- Resource Investment

Key Program Elements

Learning Environments
Resources
Tools and training

Centre Manager (CM) Development
One-on-one coaching
Support to manage teams
Performance management
Accountability

CM Weekly Work Routines
Consistency of process
Embedded with guides/checklist

224 Centres
106 (CY19/20)
118 (1H21)

EBIT Uplift
$1.5m on 1H19[1]

100% Meeting/ Exceeding NQS[2]

Occupancy *growth ahead of targets*

1. CY19 and CY20 Improvement Program Centres
2. CY19 and CY20 Improvement Program Centres assessed CY21 H1

STRATEGIC PROGRAM UPDATE

G8 Education[ltd]

Quality & experience improvement

- Improving the support provided to centre team members and recognising the incredible role they perform for our families is of paramount importance. There's a lot more to do and this is the number one strategic priority
- The Improvement Program (IP) is on track to be completed by early CY23, with 118 centres completed in CY21 H1. The performance of the IP centres is ahead of budget, including targeted occupancy levels
- As part of the program, processes and reporting frameworks have been put in place to ensure that improvements are sustainable
- Numerous initiatives have been, and are planned to be, rolled out to enhance team member experience and engagement e.g. external cleaning, service recognition, CM remuneration, enhanced study and induction programs

Network optimisation & growth

- Two greenfield centres are planned to be opened during CY21 H2
- Lease agreements for 10 greenfield centres have been executed and the centres are expected to be operational in CY22, contributing to a target of more than 10 greenfield centres opening during CY22
- Good progress made on resolving impaired centres with half of them either exited (by sale or lease surrender) or conditional agreements reached to divest them

Systems & platforms

- The build of the HRIS & rostering system is substantially complete, and the testing program is well advanced. Implementation of the system across the support office and across one or two states (as the first regional wave) is expected to occur by the end of CY21
- Phase 1 of the financial management system program has moved to the build stage. Delivery of the system is expected to be achieved by the end of CY21

EMPLOYEE PAYMENTS REMEDIATION PROGRAM

- The employee payments remediation program announced on 8 December 2020 is progressing well
- An initial payment of approximately $17 million was made in mid-July 2021 to 8,388 current impacted team members. A second payment will be made to current team members in the coming months. Those payments include amounts for back paid wages, superannuation, payroll tax and interest
- Communication with former impacted team members has commenced to obtain current bank and tax details which will allow payments to be made to those former team members
- As announced in December 2020, total program costs were estimated at between $50-$80 million. While certain payments have been made, validation work in respect of some matters continues and engagement with the Fair Work Ombudsman following G8's self-reporting is ongoing
- The Group maintains this provision of $80 million pre-tax ($57m after tax) less costs incurred to date
- The overall remediation program, covering training, reporting and system enhancements to achieve the targeted controls is well advanced, with the measures taken to date producing high confidence in the Group's go-forward wage compliance

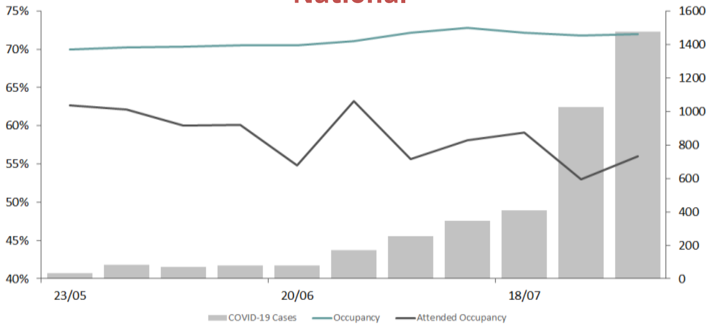
CURRENT TRADING & OUTLOOK

COVID IMPACTS

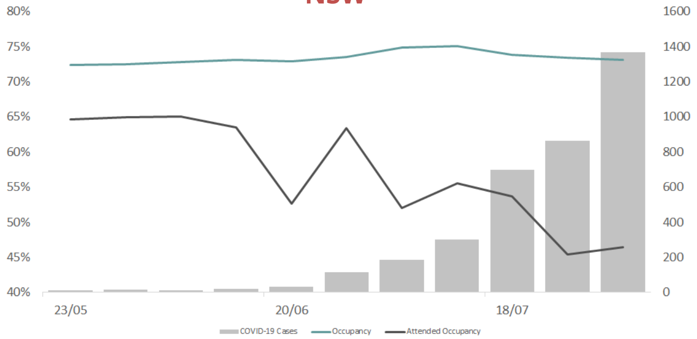
Looking after team and families

Booked weekly occupancy, attendance (%) and reported new COVID cases

National



NSW



- COVID-related movement restrictions continue to impact revenue with \$1.9m of fees waived in H1 to support families and retain enrolments
  - Currently, the provider funds these fee waivers
  - Sector-level discussions are ongoing with Federal Government relating to further targeted support for providers (and families) where movement restrictions are in place
  - Impact on earnings in H1 was not material
- Net earnings impact was also not material in July 2021, with downside risk to earnings from August onwards, in light of tightening restrictions
- Looking after our team and families remains our priority including
  - Keeping our doors open to support families, in line with Government requirements
  - Ensuring a safe and trusted environment for children and team
  - Providing employment surety and wellbeing support
  - Waiving the gap or discounting parent fees for centres impacted by lockdowns[1]
  - Additional external cleaners for centres (from August 2021), increasing H2 cleaning costs by circa \$3m

1. Refer to slide 32

CURRENT TRADING & OUTLOOK

G8 Education[ltd]

- Occupancy recovery was on an encouraging trajectory in H1. Recent lockdowns have impacted the seasonal trend in H2 with the progressively stricter lockdowns expected to weigh on attendances in several states
  - The gap on CY19 core occupancy narrowed to 1% pt in early July but widened again to be 2.6% pts lower (at 72.6% on 15 August), driven by the lockdown states
  - Attendance levels in recent lockdowns have ranged from 15% - 80%

- Net earnings impact was not material in July 2021, with downside risk to earnings from August onwards, in light of tightening restrictions. Earnings impact for the remainder of H2 is dependent on multiple variables
  - Attendance levels in response to evolving lockdown scenarios, any further Government support and how we adapt our operations
  - For states unaffected by lockdown, wages as a percentage of revenue and margins[1] are forecast to be flat on H1

- Despite short term challenges presented by government mandated movement restrictions, the Group remains committed to investing in team, families and quality
  - The Group's focus is on retaining and attracting families to maximise the anticipated uplift in occupancy that was experienced following cessation of prior lockdowns
  - Strategic programs (including the Improvement Program, network growth and exiting impaired centres) are expected to support and drive this recovery
  - Attracting and retaining talent remains the greatest challenge facing the sector. The Group has formulated a coordinated response plan addressing remuneration, benefits, work environment and engagement activities

- The Group has demonstrated an ability to effectively respond and adapt operations to the impacts of the prevailing environment. The strong balance sheet with conservative leverage provides increased resilience to short term challenges

1. Operating EBIT after lease interest

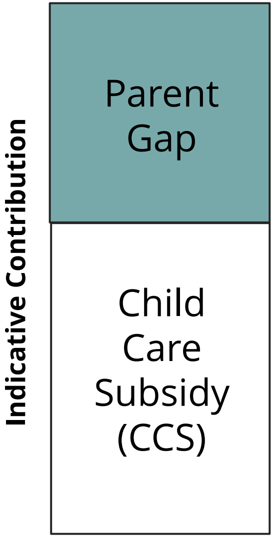
Q&A

G8 Education

APPENDIX

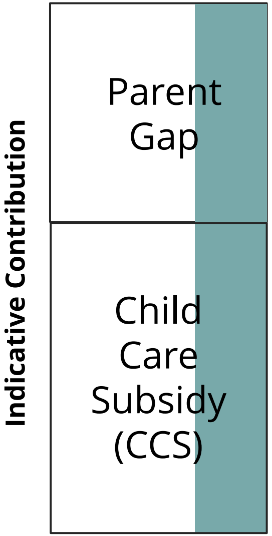
COVID-19 AFFORDABILITY MEASURES

Supporting our families and retaining enrolments



Gap Fee waivers

- Parent “gap” fee portion is waived, and the CCS portion continues to be paid
- Parent “gap” fees can vary between 15% to 100% of the total fee
- Revenue impact is dependent upon how many G8 families continue to attend the centre and their eligibility for CCS
- Currently “gap” fees can be waived (at the election of the provider) in areas that have been declared a COVID-19 hotspot by the Commonwealth Government and have been subject to movement restrictions imposed by the State Government for more than 7 days.
- If the State based movement restrictions limited access to certain families (essential workers, vulnerable children etc.) then “gap” fees can be waived from the first day of movement restrictions



Fee discounts

- G8 has applied a 35% fee discount where families have kept children at home during a lockdown; but the Government has not agreed to continue payment of the CCS portion if “gap” fees are waived
- The discount applies across the total fee (both parent and government contribution)
- Discounts are designed to reduce affordability pressures on our families during lockdowns

The average Childcare Subsidy (CCS) during the half was 57%

G8 discounts provided to retain enrolments and support families during lockdowns

SUPPLY / DEMAND DYNAMICS

G8 Education

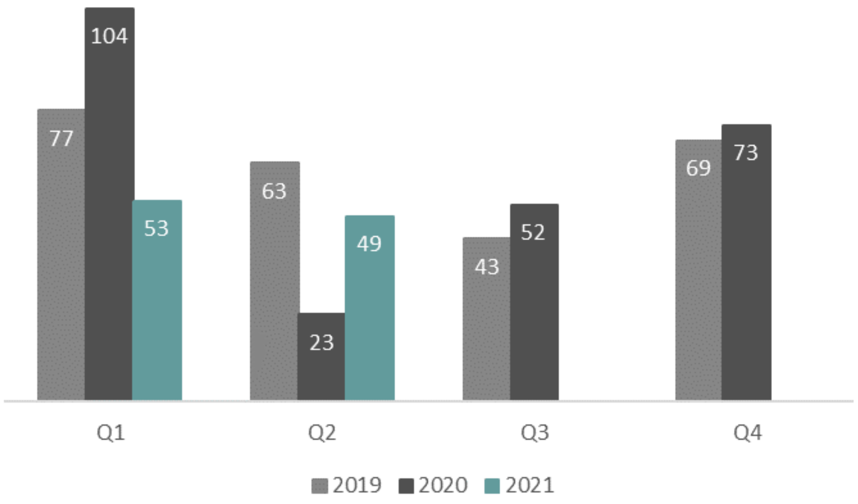
Macro

- LDC net supply annualised growth was 3.7% (vs 3.8% in CY20)
- Unemployment levels have decreased from 6.6% to 4.9% from December 2020 to June 2021[1]
- The recent 2021 Intergenerational Report highlighted the expected short-run shock to net overseas migration and short term fall in the total fertility rate, stemming from the impact of the COVID-19 pandemic

Micro

- G8 centres impacted by supply within 2km up to H1 CY21 increased by 22% when compared to H1 CY20.
- Since January 2017, 312 G8 centres have been impacted by supply within 2km

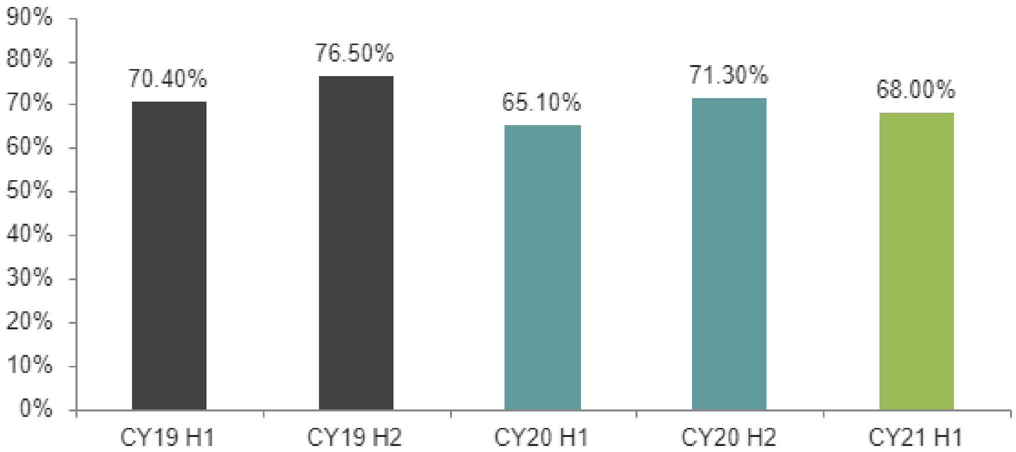
Supply – Net New Centre Openings[2]



[1] https://tradingeconomics.com/australia/unemployment-rate

[2] Net new centre openings is the net result of the new centres opened and closed during the period

HALF YEARLY CORE OCCUPANCY



BALANCE SHEET

- Cash and cash equivalents of $106.5m, a reduction of $211m due to a voluntary $200m repayment of borrowings
- Refinance completed in February 2021
  - $300m revolver facilities undrawn
  - $100m subordinated facility remains drawn
- Net cash position $6.5m
- Increase in other non-current assets reflects an increase in prepayments relating to insurance
- Reduction in trade and other payables relate to payroll and creditor accruals at December 2020 since paid
- Provisions include wage remediation provision of circa $80m pre-tax, of which $16.7m has been paid in July 2021
- Reduction in lease liabilities reflects 13 centres divested or closed during the period
- Accounting for software-as-a-service arrangements within intangible assets (carrying value $11.7m) are under review following IFRIC decision

$M	30 June 2021	31 December 2020
ASSETS		
Current assets		
Cash and cash equivalents	106.5	317.0
Trade and other receivables	13.8	17.4
Other current assets	12.6	10.3
Current tax asset	4.8	-
Total current assets	**137.7**	**344.6**
Non-current assets		
Property plant and equipment	89.8	87.4
Right of use assets	463.1	468.7
Deferred tax assets	112.2	117.1
Intangible assets	1,058.9	1,055.2
Other non-current assets	7.7	1.0
Total non-current assets	**1,731.8**	**1,729.4**
Total assets	**1,869.5**	**2,074.0**
LIABILITIES		
Current liabilities		
Trade and other payables	61.3	73.9
Contract liabilities	10.6	9.1
Current tax liability	-	2.8
Lease liabilities	71.0	69.4
Provisions	122.4	120.6
Total current liabilities	**265.3**	**275.8**
Non-current liabilities		
Other payables	0.5	0.7
Borrowings	94.9	295.1
Lease Liabilities	594.3	611.8
Provisions	14.7	16.2
Total non-current liabilities	**704.5**	**923.8**
Total liabilities	**969.7**	**1,199.6**
Net assets	**899.7**	**874.5**
EQUITY		
Contributed equity	1,209.2	1,209.2
Reserves	49.4	22.9
Retained earnings	(358.9)	(357.6)
Total equity	**899.7**	**874.5**

G8 Education[ltd]

GEARING RATIOS & CAPITAL RETURNS

Strong balance sheet, prudent gearing and solid returns

G8 Education Ltd

Gearing Ratios

$M	CY21 H1	CY20
Non-current borrowings	94.9	295.1
Cash and cash equivalents	(106.5)	(317.0)
Net (Cash)/Debt	**(11.6)**	**(21.8)**
EBITDA[1]	140.6	121.6
Net Debt/EBITDA (x)	**(0.08)**	**(0.18)**
Net interest[2,4]	15.7	20.0
EBITDA/Net Interest (x)	**9.0**	**6.1**
Fixed charge cover (x)	**1.77**	**1.56**
Gearing ratio[3] (%)	**nm**	**nm**

1. Operating EBITDA after lease interest – rolling 12 months
2. Net interest excludes remediation program interest
3. Gearing ratio = Net Debt (excludes lease liabilities) / Net Debt (excludes lease liability) + Equity

Return on Capital Employed

$M	CY21 H1	CY20 H1
Operating EBIT (after lease interest)[6]	119.9	77.7
Shareholders' equity[4]	882.9	840.8
Debt liabilities[4, 5]	194.4	345.3
Capital Employed	**1,077.3**	**1,186.1**
Return on Capital Employed (ROCE) %	**11.1%**	**6.6%**

4. Average last 12 months
5. Debt liabilities exclude lease liability
6. Operating EBIT after lease interest and depreciation – rolling 12 months

Half Year Operating EBIT (after lease interest) Reconciliation

AASB 16 *Leases* Impact on Consolidated Income Statement (Unaudited, Non IFRS)

Consolidated Full Year	30-Jun-20 Statutory $'000	30-Jun-20 AASB16 Adjustment $'000	30-Jun-20 AASB16 Impairment $'000	30-Jun-20 pre-AASB16 $'000	30-Jun-19 Statutory $'000	30-Jun-19 AASB16 Adjustment $'000	30-Jun-19 pre-AASB16 $'000
Revenue	**309,032**		**(377)**	**308,655**	**430,881**		**430,881**
Expenses							
Employment costs	(168,563)			(168,563)	(259,983)	-	(259,983)
Occupancy	(3,603)	(54,457)		(58,060)	(5,624)	(52,632)	(58,256)
Direct costs of providing services	(29,439)			(29,439)	(33,676)	-	(33,676)
Depreciation	(47,429)	36,312		(11,117)	(48,478)	38,032	(10,446)
Impairment loss	(274,757)		99,791	(174,966)	-	-	-
Other expenses	(25,790)	(727)		(26,517)	(19,028)	(867)	(19,895)
Finance costs	(33,564)	21,833		(11,731)	(36,242)	21,754	(14,488)
Total expenses	**(583,145)**	**2,961**	**99,791**	**(480,393)**	**(403,031)**	**6,287**	**(396,744)**
Profit before income tax	**(274,113)**	**2,961**	**99,414**	**(171,738)**	**27,850**	**6,287**	**34,137**
Income tax expense	35,044	(888)	(29,835)	4,321	(8,861)	(1,955)	(10,816)
Profit after income tax	**(239,069)**	**2,073**	**69,579**	**(167,417)**	**18,989**	**4,332**	**23,321**
Net Profit / (loss) before income tax (Pre-AASB 16)				**(171,738)**			**34,137**
Add Finance costs				11,360			14,167
Add/(Less) non-operating transactions:							
Contingent consideration not paid				0			(681)
Acquisition related expenses				2,515			2,840
(Gain)/loss on disposal of assets/centres				1,292			1,092
Impairment loss pre-AASB16 and non-trading expenses				185,278			-
Underlying earnings before interest and tax				**28,707**			**51,555**
AASB16 Adjustment profit before income tax				(2,961)			(6,287)
Wage restatement				(6,000)			(6,500)
Operating EBIT (after lease interest)				**19,746**			**38,768**

Full Year Operating EBIT (after lease interest) & Recategorisation

G8 Education[ltd]

AASB 16 *Leases* Impact on Consolidated Income Statement (Unaudited, Non IFRS)

Consolidated Full Year	31-Dec-20 Statutory $'000	31-Dec-20 AASB16 Adjustment $'000	31-Dec-20 AASB16 Impairment	31-Dec-20 pre-AASB16 $'000	31-Dec-19 Restated Statutory $'000	31-Dec-19 AASB16 Adjustment $'000	31-Dec-19 Restated pre-AASB16 $'000
Revenue	**788,358**	**(216)**		**788,142**	**922,202**	**(1,588)**	**920,614**
Expenses							
Employment costs	(425,921)	-		(425,921)	(558,637)	-	(558,637)
Property, maintenance	(42,995)	(108,309)		(151,304)	(40,571)	(107,451)	(148,022)
Direct costs of providing services	(37,105)	-		(37,105)	(41,043)	-	(41,043)
Depreciation	(91,609)	70,206		(21,403)	(100,117)	78,029	(22,088)
Impairment loss	(275,217)	-	100,250	(174,967)	-	-	-
Other expenses	(52,967)	(1,585)		(54,552)	(34,960)	(1,576)	(36,536)
Finance costs	(66,721)	43,684		(23,037)	(75,974)	45,010	(30,964)
Total expenses	**(992,535)**	**3,996**	**100,250**	**(888,289)**	**(851,302)**	**14,012**	**(837,290)**
Profit before income tax	**(204,177)**	**3,780**	**100,250**	**(100,147)**	**70,900**	**12,424**	**83,324**
Income tax expense	17,167	(1,122)	(30,075)	(14,030)	(18,881)	(3,727)	(22,608)
Profit after income tax	**(187,010)**	**2,658**	**70,175**	**(114,177)**	**52,019**	**8,697**	**60,716**
Net Profit / (loss) before income tax (Pre-AASB 16)				**(100,147)**			**83,324**
Add Finance costs				22,152			30,470
Add/(Less) non-operating transactions:							
Contingent consideration not paid				(64)			(681)
Acquisition related expenses				2,425			5,088
(Gain)/loss on disposal of assets/centres				(9,035)			4,034
Foreign currency translation (gain)/loss				-			(2,810)
Impairment loss and non-trading expenses				189,874			-
Underlying earnings before interest and tax				**105,205**			**119,425**
AASB16 Adjustment profit before income tax				(3,780)			(12,424)
Operating EBIT (after lease interest)				**101,425**			**107,001**