

Disposition of New Zealand business

VOTE IN FAVOUR

Letter from the Chair

30 August 2022

Dear Shareholders,

The directors of Evolve are proposing a significant strategic realignment of the company.

On 29 August 2022, Evolve Education Group Limited (**Evolve**) agreed, through its wholly owned subsidiary Lollipops Educare Holdings Limited, to sell 100% of the shares in Lollipops Educare Centres Limited (**LECL**) to Shine Bidco Limited, an acquisition vehicle for funds managed by Anchorage Capital Partners (**Anchorage**) for an enterprise value of NZ\$46m, less net debt (inclusive of a capex adjustment of NZ\$2.5m) and subject to adjustment post completion to reflect actual levels of completion net working capital against reference working capital (the **Transaction**). The enterprise value of \$46m represents a multiple of over 13x FY21 New Zealand underlying EBITDA. This compares with Evolve's current trading multiple of 9x FY21 EBITDA.

The Transaction is expected to complete by 30 September 2022 and is subject to conditions, including approval of Evolve's shareholders.

On behalf of the Evolve Board, I am pleased to outline the merits of this Transaction and to recommend that all shareholders **vote in favour** of the Transaction.

Strategic Rationale for the Transaction

Over the past two and a half years, New Zealand performance has been directly impacted by Government-mandated closures in response to the COVID-19 pandemic and closed borders have led to teacher shortages, lower immigration levels and a detrimental impact on overall centre occupancy.

While the board believes occupancy will recover in New Zealand once COVID-19 impacts are reduced, the timing and extent of this is inherently uncertain and largely conditional on factors outside the control of the company.

In contrast, the board sees substantial opportunity in the Australian market where it has seen continued successful execution of our Australian growth strategy.

Highlights of Evolve's Australian business include:

- 24 centres today (13 acquired in 2021).

- Acquired centres have contributed revenue of \$44m and underlying centre EBITDA of \$12.0m in CY21.
- Underlying EBITDA doubled from 2020 to 2021, providing strong earnings and cash flow to the Group. Evolve's Australian operations contributed over 80% of the Group's Underlying EBITDA in FY21.
- Australian centres have seen strong occupancy (FY21) of ~80% (vs 69% in New Zealand).

The board believes that the funds from the sale can be best allocated in the Australian market for a targeted acceleration of the Australian growth strategy. Evolve will have a stringent focus on acquisitions at prices which are sensible and sustainable. Evolve believes the current Australian market conditions are highly favorable for centre acquisitions and market consolidation. The board believes Anchorage will be a valuable operator of the New Zealand business and will provide the support and resources necessary to ensure our centres continue to provide a safe, secure, and stimulating environment for our children, their families, and our team of dedicated teachers.

Shareholder Approval Required

Evolve will hold a Special Shareholders Meeting at 12 noon (NZST) on 15 September 2022 to approve the Transaction. The meeting will be held via **the Link Market Services Virtual Meeting platform at www.virtualmeeting.co.nz/evosm22**.

Ahead of the meeting, Evolve's Board encourages you to carefully read the Transaction Summary and Notice of Meeting that accompanies this letter, which set out the key terms of the Transaction. On behalf of the Board of Directors, I encourage you to cast your **VOTE IN FAVOUR OF THE TRANSACTION**.

If you are not able to attend and vote at the virtual meeting you can cast a proxy or postal vote in advance of the meeting. Further details on how to vote or to appoint a proxy are included on the proxy and postal voting form itself, as well as in the Notice of Meeting that accompanies this letter.

If you wish to vote in advance of the meeting, your vote must be received by 12 noon (NZ time) on 13 September 2022 to ensure your voice is heard.

I am pleased to confirm that all Evolve Directors intend to vote all shares held or controlled by them in favour of the resolution to approve the Transaction.

On behalf of the Board, I welcome your consideration of this exciting development in Evolve's future and encourage you to have your say by casting your vote.

Thank you for your continued support.

Yours sincerely,



Hamish Stevens
Chairman