

EVO Chair address

Special Shareholders Meeting 15 September 2022

Good morning and good afternoon everyone and welcome to Evolve Education Group's Special Shareholder meeting.

My name is Hamish Stevens, and I am the chairman of Evolve and I will be chairing this virtual meeting. I can confirm we have a quorum on-line and I declare the meeting open.

Voting on the resolution of this meeting will be conducted by way of poll. Shareholders will be able to cast their vote using the electronic voting card received when online registration is validated. Please refer to the virtual annual meeting online portal guide or use the help line specified. Shareholders participating online through the virtual meeting website will also be able to ask questions.

I encourage online shareholders who have questions relating to the business of the meeting, to send their questions through as soon as possible. Please note that only shareholders, proxy holders or shareholder company representatives may vote.

I am joined today by my fellow Directors and senior management. MD Chris Scott, independent director Adrian Fonseca and independent director Kim Campbell. Also on-line is Group CFO Edmund Mah.

We have one ordinary resolution to vote on at this meeting as set out in the Notice of Meeting dated 30 August 2022. As it is an ordinary resolution it will require 50% of the votes cast to be accepted.

The order of proceedings will be:

- I will give an address outlining the proposed transaction and why the Directors unanimously recommend you vote in favour of it
- I will put the resolution
- We will then take shareholder discussion and questions
- And finally we will vote on the resolution.

The directors of Evolve are proposing a significant strategic realignment of the company. In essence a reallocation of physical, financial, and management resources to the Australian market – a market with stronger attractive attributes and which we believe will provide Evolve shareholders with substantially higher long term returns.

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 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 will enable Evolve to redeploy proceeds to acquire assets in Australia, thereby accelerating its Australian growth strategy.

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

The key transaction details are set out in the Notice of Meeting so I don't propose to cover these again, but I will make some general comments about the rationale for the proposed 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. Occupancy has been slow to recover as evidenced by the first half FY22 results, where the New Zealand underlying EBITDA was a loss of \$0.9m compared with a profit in Australia of \$5m.

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 favourable 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

The implied sale multiple of the proposed transaction is 13.1. This compares with Evolve's trading EV/EBITDA multiple of 9 immediately prior to the announcement of this transaction.

Final transaction proceeds are not able to be determined due to the MoE funding cycle in New Zealand, but we expect these to be between \$42m and \$49m. We intend to redeploy these funds to acquire quality early education assets in the Australian market. The level of additional EBITDA from these acquisitions will depend on several factors but it can be noted that Australian centre acquisition multiples in recent Evolve purchases have been between 4 and 5.

In addition to shareholder approval today, the transaction is subject to a number of conditions. These include release of the bond security by the security trustee, change of control consents for centre leases, and Ministry of Education licence approvals.

There are several implications of the sale not proceeding. Although there are no financial penalties if the transaction is not completed (unless a director changes their recommendation or Evolve enters discussions with other parties in relation to a similar transaction, and this has not happened), we have incurred around \$300k of advisory expenses to date.

The centres operated by Evolve will require some upgrading expenditure over the next few years.

Trading conditions are still unpredictable, so we are not in a position to set out the underlying profitability implications of not proceeding.

A few comments about Anchorage. Anchorage is a leading Australian private equity firm and has significant experience in the ECE sector through its ownership of Affinity Education one of Australia's leading providers with 150 centres. Previous Affinity directors will join the board of Lollipops. The directors of Evolve have strong confidence in Anchorage to run the centres well.

The proposed transaction is part of a long term strategic realignment of the company. The directors believe that substantial benefits lie in the Australian ECE market. However right now the company is incurring a significant opportunity cost by not being able to resume our Australian acquisition strategy. To take advantage of Australian opportunities it is necessary to release the resources currently employed in the New Zealand market. The directors believe that this realignment of resources is in the best long term interests of the company. We also believe that a sale of the New Zealand business to Anchorage (a proven operator in the sector) is in the interests of our children, our families, and our team of dedicated teachers.

We unanimously recommend that shareholders vote in favour of the proposed transaction.

I will now formally put forth the resolution:

Resolution: That the shareholders of Evolve Education Group Limited (Evolve) ratify, confirm and approve for all purposes, including for the purposes of both Rule 5.1.1(a) and (b) of the NZX Listing Rules, the sale of 100% of the shares in Lollipops Educare Centres Limited under a

share sale agreement dated 29 August 2022 between Shine BidCo Limited, Lollipops Educare Holdings Limited and Evolve Early Education Pty Limited, wholly owned subsidiaries of Evolve (the Transaction), as described in the Notice of Meeting and accompanying materials, and to authorise the directors of Evolve to take all actions, do all things and execute all documents and agreements necessary or considered by them to be necessary or expedient to give effect to the Transaction.

Thank you for voting. The scrutineers will tally the votes and the outcome of the proxies received to date, plus today's on-line votes will be advised to the NZX and ASX later today.

Once again, I thank you for your time and on behalf of my fellow directors I wish you a good day.