

Special Shareholders' Meeting

15 September 2022

evolve
education group



Order of business



- Chair address
- Put the resolution
- Shareholder discussion and questions
- Vote on the resolution.

Summary

- The board of Evolve is proposing a significant strategic realignment of the company
- Wholly owned subsidiaries of Evolve have entered into a conditional share sale agreement dated 29 August 2022 with Shine BidCo Limited (BidCo), an acquisition vehicle managed by Anchorage Capital Partners (Anchorage) to sell 100% of the shares in Lollipops Educare Centres Limited (LECL).
- LECL is a wholly owned subsidiary of Evolve and is the operator of Evolve's New Zealand based centres.
- BidCo has agreed to purchase LECL for an enterprise value of \$46.0m (the Transaction).
- The transaction will enable Evolve to redeploy proceeds to acquire assets in Australia, thereby accelerating its Australian growth strategy.
- The Transaction is conditional on, amongst other things, approval by Evolve shareholders in accordance with Rule 5.1.1 of the NZX Listing Rules.

The rationale for selling is largely to accelerate the execution of Evolve's Australian growth strategy



NZ performance has been severely impacted by Covid-19 restrictions over the past two and a half years. Centre closures together with closed borders has led to teacher shortages, lower immigration levels and a detrimental impact on overall centre occupancy.

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

- 24 centres today (13 acquired in 2021) contributing revenue of \$44m and underlying centre-level 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%

The board believes that the funds from the sale of the New Zealand centres can be best allocated in the Australian market for a targeted acceleration of the Australian growth strategy.

- Acquisitions will be made with a stringent focus on prices which are sensible and sustainable
- We believe the current market conditions are highly favorable for centre acquisitions and market consolidation.

Transaction multiple

31 December 2021* Actuals (NZ \$ million)	New Zealand	Australia	Support & Corporate	Consolidated
Number of centres	109	23	-	132
Childcare fees	36.2	15.6	-	51.8
Government funding	77.8	28.4	-	106.2
Total revenue	113.9	44.0	-	158.0
Operating expenses	(104.1)	(31.9)	(9.3)	(145.4)
Underlying EBITDA	9.8	12.1	(9.3)	12.6
<u>Carve out Allocations</u>				
Underlying EBITDA	9.8	12.1	(9.3)	12.6
Support and corporate functions being transferred	(6.3)	-		
Support and corporate functions being retained	-	(3.0)		
Pro forma EBITDA	3.5	9.1		12.6
Proposed Transaction EV	46			
Implied Transaction Multiple (including Support and Corporate)	13.1x			

Transaction net proceeds



	NZ\$m	
Enterprise Value	46.0	<ul style="list-style-type: none">Given the seasonality of the business, final Transaction proceeds are not able to be confirmed until after completion of the Transaction has occurredUnder the terms of the notes issued by Evolve on 2 December 2020, proceeds from the divestment of assets needs to be redeployed on acquisitions of productive assets within a period of 6 monthsIt is the Board's intention to redeploy proceeds from the Transaction to acquire quality early education assets in the Australian market
Plus cash to be retained by EEG*	10.0 to 11.0	
Plus / Minus completion adjustments*	(9.5) to (5.5)	
Gross Transaction Proceeds	46.5 to 51.5	
Less transaction and other costs*	(4.5) to (2.5)	
Net transaction proceeds	42.0 to 49.0	

Conditionality

Completion under the Sale and Purchase Agreement is conditional on the following:

- The shareholders of Evolve approving the Transaction for the purposes of NZX Listing Rule 5.1.1.
- Release of security being approved by the security trustee in relation to the notes issued by Evolve under the Information Memorandum of December 2020.
- Receipt of necessary change of control consents for specific leases.
- No written communication prior to completion from the Ministry of Education that indicates that the Ministry of Education could be expected to take any materially adverse action in relation to LECL's ECE licenses in response to the Transaction.

Implications of not proceeding

- Evolve will not incur financial penalties under the Share Sale Agreement 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. This has not happened.
- To date legal and other advisory expenses have amounted to ~\$300k.
- The centres operated under Evolve require further investment for refurbishment of older centres in order to improve occupancy levels. Management estimate this to be in the quantum of \$4.5m p.a. over the next couple of years.
- Trading conditions over the short to medium term are unknown as New Zealand continues to respond to the COVID-19 pandemic. Profitability and the ability to pay dividends are difficult to forecast in the current market.

Anchorage

- Anchorage is a leading Australasian private equity firm established in 2007. Anchorage has a strong track record of investing across a wide range of sectors and has significant experience in the childcare sector. Anchorage previously owned Affinity Education Group Limited, one of Australia's largest providers of early education and childcare with a portfolio of over 150 centres.
- As part of Anchorage's acquisition of Affinity, a comprehensive performance improvement program was developed to leverage the full potential of Affinity's portfolio of centres. There was significant investment in centre quality, curriculum, and systems and processes which drove above market occupancy growth. A strong focus on employee development and career progression led to a refreshed culture and material improvement in staff retention.
- Simon Woodhouse and Callen O'Brien, Anchorage principals who were on the board of Affinity, will join the board of the purchaser.

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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.

Conclusion of Resolutions



- Vote online – for the next 5 minutes
- Results to the NZX later today

Proxies received to Tuesday 13 September



Proxy votes received:

For – 72,305,332 representing 99.00% of valid votes cast

Against – 42,037 representing 0.06% of valid votes cast

Open – 683,725 representing 0.94% of valid votes cast

Thank you



- Thank you for attending our Special Shareholders Meeting