ASX Announcement

G8 Education Limited
(ASX:GEM)

G8 Education ltd

21 February 2023

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

Dear Sir / Madam

I enclose the Investor Presentation for the full year ended 31 December 2022 for G8 Education Limited.

Yours sincerely

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

ENDS

This document has been authorised for release by the Board of Directors.

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G8 Education ltd

2022 FULL YEAR RESULTS

Investor Presentation

21 February 2023

ASX: GEM

Acknowledgement OF COUNTRY

G8 Education acknowledges the Traditional Owners of the lands on which we operate and pays our respects to Elders past, present and emerging.

We recognise that Aboriginal and Torres Strait Islander peoples have been nurturing and teaching children on these lands for thousands of years.

We are grateful for the opportunity to work, learn and grow connections together as a united community.

DISCLAIMER

G8 Education ltd

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AGENDA

CY22 HIGHLIGHTS
Pejman Okhovat

OPERATING AND FINANCIAL PERFORMANCE
Sharyn Williams

MEDIUM TERM OUTLOOK, STRATEGY AND CURRENT TRADING
Pejman Okhovat

Q&A
Pejman Okhovat & Sharyn Williams

APPENDIX

INTRODUCTION

G8 Education ltd

Pejman Okhovat
CEO & Managing Director

FIRST 90 DAYS

- **Immersion** - G8 organisation and centre network
  - Listen/evaluate and learn about our operating model
  - Meet with key internal stakeholders to understand the culture, team and capability
  - Understand and evaluate strategic direction
- **Engage** with key stakeholders including Board of Directors, investor community and strategic partners
- **Understand** - key macro and sector specific issues, including the regulatory environment, and how this relates to G8 Education. This includes interacting with all the relevant stakeholders from peak bodies and unions

ABOUT PEJMAN

- Over **29 years of leadership and executive experience** across a number of well-known organisations in Australia and internationally, including as the Managing Director of BIG W, Chief Executive Officer of NZX-listed retailer The Warehouse and as a senior leader at UK retailers Marks and Spencer, Sainsburys and ASDA/Walmart
- Pejman holds a BA Hons in Business Studies from Leeds Business School and has completed INSEAD's Advanced Management Programme
- Committed to continuing G8 Education's purpose-led approach to deliver meaningful societal impact through quality early childhood education delivered through a passionate and capable team of educators, teachers and support team

BIGW
THE WAREHOUSE GROUP
Sainsbury's
Walmart
M&S
ASDA

CY22 HIGHLIGHTS

CY22 OVERVIEW

A year of stabilisation, leveraging the foundation

	CY22	H1 – COVID and flood impacted	H2 – Solid rebound
Solid result supported by stronger H2	Core occupancy[1] - 71% Operating EBIT[2] - \$80.3m	Core occupancy[1] ↓ 0.9%pts Operating EBIT[2] ↓ 46.2%	Core occupancy[1] ↑ 1.0%pts Operating EBIT[2] ↑ 44.3%

Continued execution of strategy

- Driving quality outcomes for family and team – NQF ↑ 3%pts[3]
- Supporting increased demand from families – enquiries ↑10%, conversion ↓3%pts
- Effective cost control and delivery of \$14m cost-out target
- Continuous network improvement and optimisation
- Navigating workforce shortages – recruitment, retention and rostering improving vacancies
- ESG initiatives driving sustainable performance

Leveraging the foundation

- Long-term ECEC[4] sector fundamentals remain favourable, but we remain cautious given ongoing focus required by key stakeholders to address acute workforce shortages
- Completion of the HRIS system implementation assisted with improved workforce planning outcomes
- Strong balance sheet with conservative leverage
- Capital management (\$68.5m in buy back and franked dividends in CY22) to enhance shareholder returns

Note: All measures are relative to the prior corresponding period. 1. Average core occupancy excludes greenfield centres. 2 Operating EBIT excludes non-operating items and Kiddo and is after lease interest and depreciation. Refer to Note 7 of 2022 Annual Report for non-operating items. 3. Increase in centres that are 'Meeting' or 'Exceeding' National Quality Standards under the National Quality Framework (NQF) . 4. Early Childhood Education and Care (ECEC)

FINANCIAL SUMMARY

- Modest revenue growth driven by H2 recovery in occupancy and fee increases
- Operating EBITDA[1] growth of 5.2% was underpinned by disciplined cost control, including the cost out program and solid wage outcomes
- Increased depreciation as a result of capital investment in centre quality resulted in flat Operating EBIT[1] on pcp
- Statutory NPAT of $36.6m, includes a net non-trading expense of $9.1m (an $8.5m increase on the pcp) relating to SaaS, restructuring costs and non-operating gains/losses
- Spot occupancy (fortnight ending Feb 19) is 64.3%, 1.8%pts above CY22 and 1.5%pts below CY19

$M	CY22	CY21	Change
Revenue	901.3	866.3	4.0%
Statutory NPAT	36.6	45.7	(19.9%)
Basic earnings (cps)	4.4	5.4	(18.7%)
Net Debt (excluding leases)	(90.1)	(22.0)	(68.1m)
Excluding non-operating items			
Operating EBIT[1]	80.3	80.1	0.2%
CY22 H1	*21.0*	*39.0*	*(46.2%)*
CY22 H2	*59.3*	*41.1*	*44.3%*
Operating EBITDA[1]	106.5	101.2	5.2%

Average Core[2] occupancy	**CY22**	**CY21**	**Change**
Average Core occupancy	71.0%	70.9%	0.1%pt

'Spot' Core[2] occupancy	**CY23**	**CY22**	**CY19**
Fortnight ending 19 Feb	64.3%	62.5%	65.8%

1. "Operating" excludes non-operating items and Kiddo and is after lease interest and depreciation. Refer to Note 7 of 2022 Annual Report for non-operating items. 2. "Core" excludes greenfields

DRIVERS OF GROUP MOMENTUM

Solid results in a challenging environment

Leading contributing factors → **Sustainable outcomes**

Pursuing high quality + Increasing stable engaged team + Increasing sector demand + Optimising location + Strong operational execution = More enquiries & higher family retention & **>80% network occupancy**

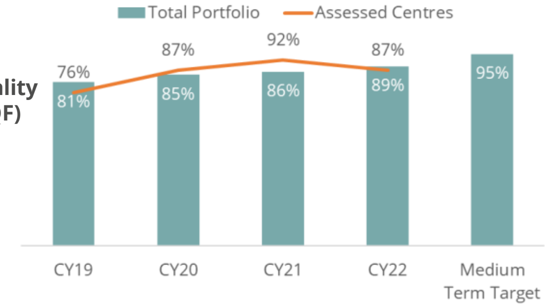
Quality

- 89% of G8 centres in CY22 are rated as 'Meeting' or 'Exceeding'[1] in line with the national Long Day Care (LDC) average reflecting improved outcomes from key investments
- Centralised Improvement Program is complete with the program rolled out across the network including refreshed educational resources in each centre
- Our approach now is focused on sustaining and continuously improving centre quality, supported by the efforts of the centre "Field Support" teams

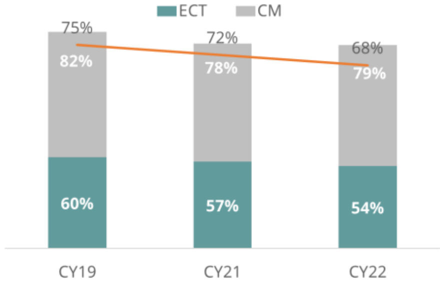
Team

- Sector-wide workforce shortages remain the key strategic challenge and an inhibitor to occupancy growth
- Focused recruitment reduced the centres with multiple vacancies by 56% in CY22
- Filled 44% more roles in CY22 compared to pcp through more proactive centralised recruitment
- A reduction in vacancies of 38% on the pcp, a solid result in an environment with sector vacancies growing
- Credible retention outcomes in both CM and ECT roles following implementation of a targeted framework
- CM 'First Steps' induction program increased "CM retention in the first 6 months" by 14%pts to 88%
- Key initiatives to enhance team retention include ongoing training and professional development and strengthening the employee value proposition

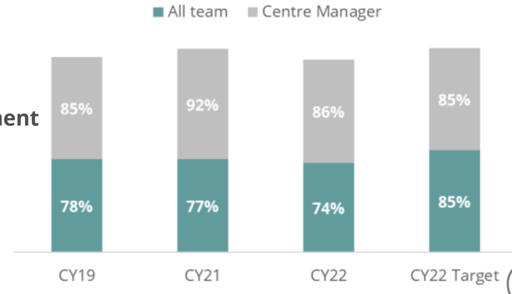
Quality (NQF)



Team retention (LTM)



Team engagement (LTM)



1. 'Meeting' or 'Exceeding' under NQF

CM = Centre Manager and ECT = Early Childhood Teacher

DRIVERS OF GROUP MOMENTUM

Solid results in a challenging environment

Leading contributing factors | **Sustainable outcomes**

Increasing stable engaged team + Pursuing high quality + Increasing sector demand + Optimising location + Strong operational execution = More enquiries & higher family retention & **>80% network occupancy**

Increasing Sector Demand

- Continued strong growth in new customer enquiries
- Days in care increased further (+3.1% vs. pcp) particularly in states that have increased investment by state governments in kindy funding
- Net out of pocket fee increases in H1 were minimal as Government changes supported improved affordability, however inflationary pressures driving increases in H2
- Further improvements to affordability for families effective in July 2023 however access to labour is an occupancy constraint

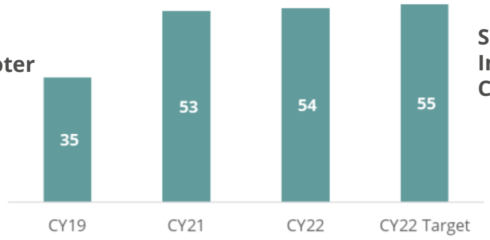
Optimising Location

- LDC net supply annual growth 2.84% (vs 3.09% CY21)
- G8 centres impacted by supply within 2km in CY22 increased by 13% compared to CY21
- Greenfield centre pipeline progressing slowly as supply chain issues and inflation impact developer timelines
- Portfolio optimisation continued with 16 centres exited
- WALE 4.3 years to next expiry and 17.6 across all options

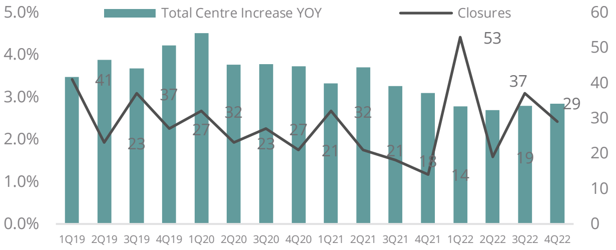
Operational Execution

- Enquiries have increased however conversions have been impacted by team constraints and already performing high occupancy centres
- Workforce planning central support and new HR system mitigated agency usage through rostering and shared utilisation of team
- Cost out program, predominantly focused on support office costs, executed well
- Quarterly business reviews assisting performance management

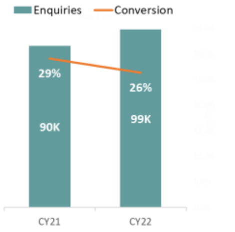
Net promoter score (NPS)



Supply Increase & Closures



Enquiries / conversion[5]



5. Enquiries not available for CY19 – platform progressively rolled out from April 2019

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ENVIRONMENT, SOCIAL & GOVERNANCE

Targeting continuous improvement

Our sustainability achievements (CY22)

- ✓ **Centre Quality -** 89% 'Meeting' or 'Exceeding' the National Quality Standard (NQS) network wide, a 3%pts increase year on year
- ✓ **Signed Sustainability Linked Loan** - KPIs linked to centre quality, emission reductions and reconciliation
- ✓ **Study Pathways Program** expanded to include Masters of Teaching scholarships
- ✓ **Child safety and protection –** Queensland Child Protection Week Child Safe Organisation Award
- ✓ **Educational programs** for > 45K children regarding climate change and ways to reduce impacts to the environment
- ✓ **Modern Slavery Supply Chain Review –** Standard contract terms include modern slavery provisions; developing new procure to pay system;
- ✓ **Strong Diversity** – 62.5% Female Executive Leaders; 66% Female Non-Executive Directors
- ✓ **Executive remuneration -** linked to key sustainability focus areas
- ✓ **Environment** – Set Scope 1 and 2 emission targets; successful nappy recycling trial in partnership with Kimberly-Clark

SUSTAINABLE DEVELOPMENT GOALS

1 No Poverty	7 Affordable and Clean Energy
3 Good Health and Well-being	8 Decent Work and Economic Growth
4 Quality Education	10 Reduced Inequalities
5 Gender Equality	12 Responsible Consumption and Production
6 Clean Water and Sanitation	13 Climate Action

What's next for sustainability

Below are the key next steps which build upon the important work already being undertaken in this space, including the sustainability initiatives driven by the children and team in our Centres:

- **Reconciliation Action Plan** – G8 will embark on a journey to further its inclusion, awareness and engagement with Aboriginal and Torres Strait Islander peoples and contribute to national reconciliation
- **Reduction in Carbon Emissions** – Targeting Scope 1 and Scope 2 carbon emissions across 2023-2025
- **Inclusion** – In-Centre Allied Health Hub pilot is underway
- **Waste reduction** – expansion of recycling initiatives
- **Compliance Management System** – digitisation and automation of key child safety prevention and incident response procedures
- **Education Strategy** ongoing investment in programming and practice support
- **Modern Slavery** - Supplier Code of Conduct & Procurement Policy in development

OPERATING AND FINANCIAL PERFORMANCE

G8 Education[ltd]

OPERATING AND FINANCIAL PERFORMANCE

Result reflects an improved H2

KEY TAKEAWAYS

- Stronger centre performance in H2 reflects occupancy seasonal trends and continued recovery towards CY19 levels
- Regional centres continue to perform well, outperforming both CY21 and CY19 however Metropolitan centres below both CY21 and CY19
- Core centre margins were broadly in line with CY21 reflecting a strong H2 performance driven by good wage management outcomes and delivery of the cost out program offsetting continuing inflationary pressures

OPERATING PERFORMANCE

G8 Education ltd

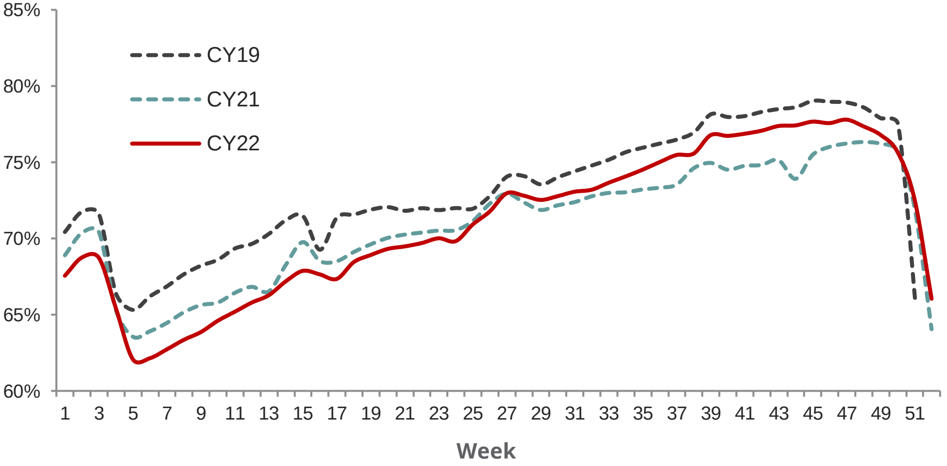
- Core centre revenue growth driven by higher average fees and H2 recovery in occupancy from Q2 low
- Core centre margins broadly in line with CY21 driven by
  - Costs managed to occupancy levels and delivery of the cost out program mitigated inflationary pressures
  - Wage efficiency partially offset higher wage rate due to elevated agency usage
  - Annual rental rate increased 5.4% including market reviews of 6.6%
  - Other costs increased as a result of insurance, property maintenance and normalisation of travel post COVID-19
  - Increased depreciation reflects increased capital investment
- Greenfield portfolio delivered earnings in line with expectation
- Network support costs broadly in line with prior year, reflecting the impact of the cost out program and increase in temporary subsidies
  - Boosting Apprenticeship Commencements and Completions (BAC) subsidy (CY22 $7.4m; CY21 $5.1m) closed to new entrants at 30 June 2022
  - BAC subsidy reduces to c.$2.4m in CY23 (i.e. net c.$5m lower vs pcp)

$M	CY22	CY21	Change
Core Centres			
No. of centres	422	432	-3.7%
No. of LP	35,015	35,367	-2.3%
Core Revenue	**871.2**	**828.0**	**5.2%**
Wages	(501.5)	(475.1)	5.6%
Wages Subsidies	2.6	3.5	-25.8%
Rent Proxy[1]	(112.4)	(109.3)	2.9%
Depreciation	(23.7)	(18.9)	25.5%
Other	(93.3)	(90.3)	3.4%
Centre Expenses	**(728.4)**	**(690.2)**	**5.5%**
Core Centre NPBT	**142.8**	**137.8**	**3.6%**
Core Centre NPBT Margin	***16.4%***	***16.6%***	
Greenfield Centres			
No. of centres	16	16	0.0%
No. of LP	1,733	1,730	0.2%
Greenfield Centre NPBT	**(2.8)**	**1.5**	**Nm**
Total Centre NPBT	**140.0**	**139.3**	**0.5%**
Network Support Costs	(59.7)	(59.3)	0.8%
Operating EBIT[2]	**80.3**	**80.1**	**0.3%**
Operating EBIT Margin	***8.9%***	***9.2%***	
Core Costs as a % of Revenue			
Wages (including Subsidy)	57.3%	57.0%	0.3%
Rent	12.9%	13.2%	-0.3%
Depreciation	2.7%	2.3%	0.4%
Other	10.6%	10.9%	-0.3%
Support Office as % Total Revenue			
Network support costs	6.6%	6.8%	-0.2%

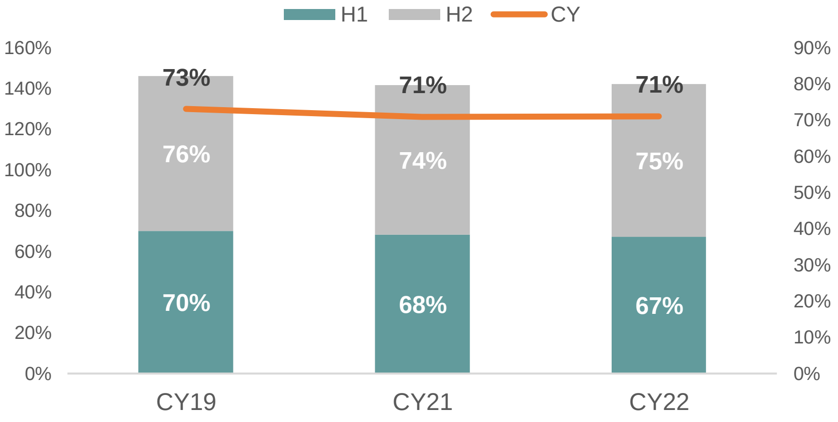
1. Rent Proxy comprises lease depreciation, lease interest & outgoings 2. Operating EBIT excludes non-operating items and Kiddo and is after lease interest and depreciation. Refer to Note 7 of 2022 Annual Report for non-operating items.

CORE[1] OCCUPANCY

Weekly Core[1] Occupancy (%)



Core[1] Occupancy by Half (%)



- Occupancy improved in H2 re-establishing the historical seasonal trend to end in line with CY21, narrowing the gap to CY19
- Solid occupancy growth in H2 was achieved in regional areas and states impacted in Q1 by COVID-19 movement restrictions and floods
- Conversion rates have remained flat from H1 where enrolments continue to be constrained by reduced capacity due to workforce shortages

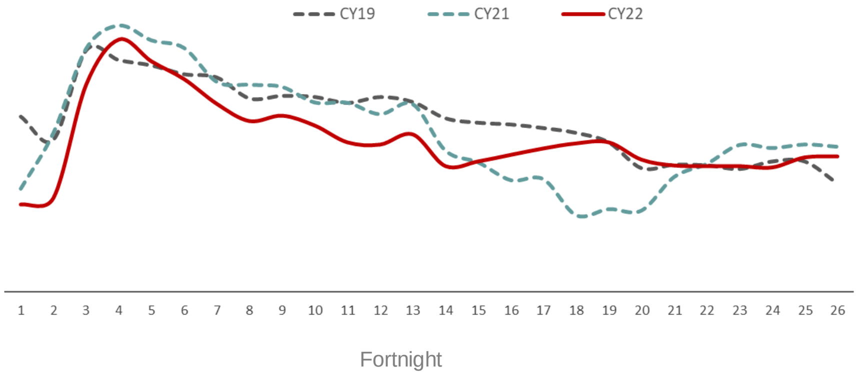
1. "Core" includes all centres excluding the 16 centres in the greenfield portfolio

WAGE EFFICIENCY

Wages managed well in a challenging environment

- Solid wage performance throughout CY22 reflects new HRIS system, centralised wage support and centre work routines
- Wage efficiencies continued to be realised in line with occupancy recovery in H2, achieving CY19 wage hour per booking levels
- Sector team shortages remain a challenge resulting in increased agency usage compared to CY21
- Labour rate increase of 7.8% vs pcp, comprised of internal wage rate increase of 4.7% and a step change in agency usage
- Agency usage as a percentage of work hours was 4.6% in CY22 vs 1.9% in the pcp, reflecting increased reliance on temporary team members

Wage hours per booking by fortnight



NETWORK UPDATE

Portfolio optimisation progressing as part of BAU

CY22 Greenfields Update

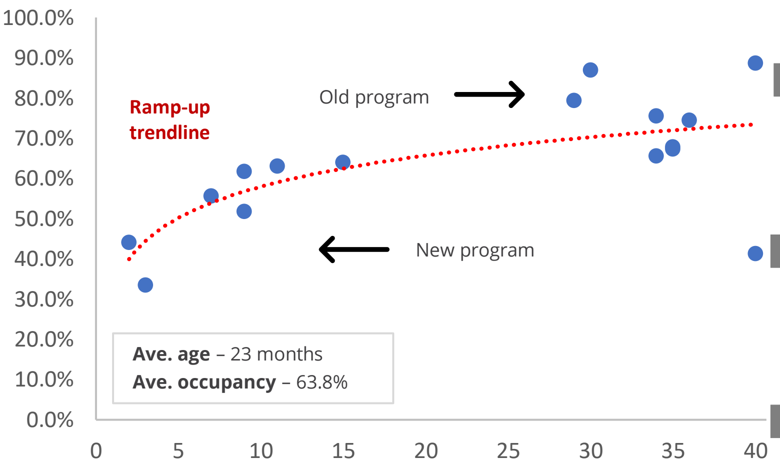
1 Average occupancy – 63.8%
NPBT[1] $2.9m loss vs. $1.5m profit in CY21

2 6 greenfield centres opened in CY22

3 7 centres moved to the Core centre group as at 1 January 2023 ($Nil NPBT), leaving 9 centres in the portfolio

4 Pipeline of 12 greenfield centres will continue to be subject to robust commercial review

Greenfield Occupancy (as at 31 December 2022)



New Greenfield locations will be targeted at optimising our existing footprint

Continued review and optimisation of portfolio locations

CY22 Divestments Update

1 2 impaired centres exited during the year and 14 centre leases surrendered

2 22 of the 52 impaired centres completed to date (reflecting $3.1m of CY19 losses)

3 Improved operational performance from the impaired centres with a reduced loss of $4.3m (excluding any impairment benefit) (CY21: $7.0m loss, CY19: $12.1m loss)

4 Net cash outflows were immaterial relating to divestments/surrenders during the year

CASH CONVERSION

Managed well with timing impacts

- Lower gross operating cash flow driven predominantly by the timing of receipts, and payments of creditors and employee provisions, at year-end
- Additional creditors carried into January 2022 due to transition to new finance system cause a timing impact across CY21 and CY22
- Benefits of the subordinated debt facility refinance reflected in the reduced non-lease interest cash outflows, reducing from $11.2m in CY21 to $10.0m in CY22

EBITDA to Cash Flow Conversion

$M	CY22	CY21
Operating cash flow[1]	189.9	163.6
+ Wage remediation payments	3.6	37.9
- Lease payments	(111.6)	(111.9)
+ Rent relief & restructuring costs[2]	2.8	2.5
+ SaaS outflows	7.3	6.9
Gross operating cash flow	**92.0**	**99.0**
Operating EBITDA[3]	106.5	101.2
Depreciation - leases impairment	(8.2)	(8.7)
Operating EBITDA less impairment adjustment	**98.3**	**92.5**
Cash flow conversion	**94%**	**107%**

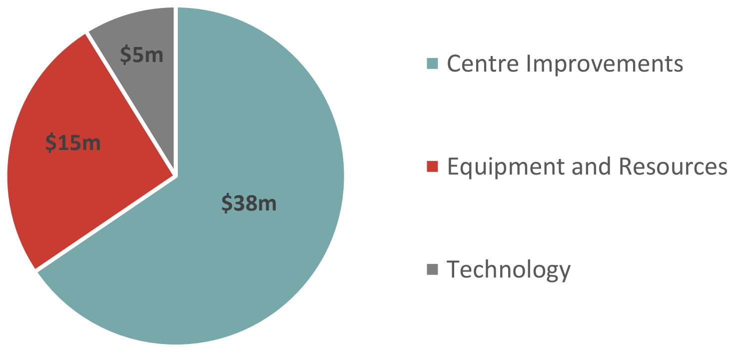
1. Operating cash flow before net interest and tax paid
2. Rent relief of $2.5m in CY21 and restructuring costs of $2.8m in CY22
3. Operating EBITDA excludes non-operating items and Kiddo and is after lease interest and depreciation. Refer to Note 7 of 2022 Annual Report for non-operating items.

CAPEX

Capital Investment contributing to improved quality ratings and family satisfaction

- Total CY22 capex of $58m, excludes $7m in software development costs (SaaS)
- Capital investment was across 3 main areas:
  - centre improvements
  - centre equipment and resources
  - technology
- Property investment is driving positive momentum in Quality ratings with 96% of centres audited under the NQF in CY22 receiving 'Meeting' or 'Exceeding' in the QA3 Property standard
- Improved family satisfaction relating to physical facilities and learning resources
- Expected CY23 Capex (excluding SaaS) of $59m and will focus broadly on the same areas

Total CY22 Capex[1] = $58 million



1. 'Equipment and Resources' includes $5.8m total capex for the CY22 Improvement Program

FUNDING AND CAPITAL MANAGEMENT

Strong balance sheet

G8 Education ltd

Dividend

- CY22 fully franked final dividend of 2.0 cents per share declared, taking total CY22 dividends to 3.0 cents per share, a 68% payout ratio

On-Market Buyback completed in January 2023

- 37.9m shares bought back, totalling $40m
- Buyback objective was to enhance shareholder returns, while preserving funding reserves and maintaining a conservative leverage position

Non-cash capital reduction

- Non-cash share capital reduction undertaken on 21 February 2023, and involves no reduction to net equity or the number of shares on issue
- Simplifies balance sheet presentation through the offset of historic losses with recorded capital contributions to more closely reflect the net equity of G8

Gearing Ratios

$M	CY22	CY21
Non-current borrowings	127.9	96.1
Cash and cash equivalents	(37.8)	(74.1)
Net Debt[1]	**90.1**	**22.0**
Operating EBITDA[2]	106.5	101.2
Net Debt[1]/Operating EBITDA[2] (x)	**0.8**	**0.2**
Net interest[3]	10.9	13.6
Operating EBITDA[2]/Net Interest[3] (x)	**9.8**	**7.4**
Fixed charge cover (x)	**1.47**	**1.42**
Gearing ratio (%)[4]	**9%**	**2%**

Sources of funding and liquidity remain strong

- Net debt[1] of $90.1m and conservative leverage of 0.8x Net Debt[1]/Operating EBITDA[2]
- Debt refinance complete – reduced facility size and an extended staggered debt profile to December 2025 and 2026 with sustainability-linked performance targets

1. Net Debt excludes lease liabilities and current borrowings for insurance premium funding. 2. Operating EBITDA excludes non-operating items and Kiddo and is after lease interest and depreciation. Refer to Note 7 of 2022 Annual Report for non-operating items. 3. Net interest excludes lease interest and previously capitalised borrowing costs written off due to refinance. 4. Gearing ratio = Net Debt (excludes lease liabilities) / (Net Debt (excludes lease liability) + Equity)

MEDIUM TERM OUTLOOK, STRATEGY AND CURRENT TRADING

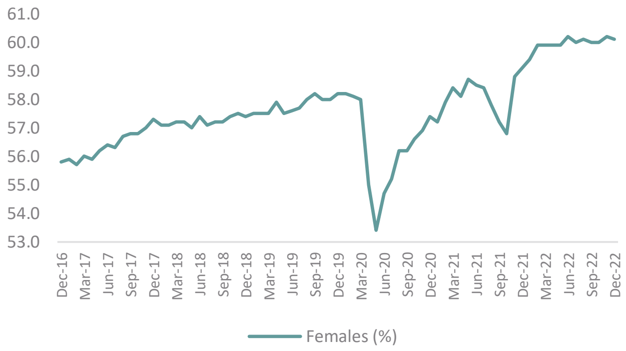
G8 Education ltd

STRONG FUNDAMENTALS DRIVING DEMAND

Recognising the critical role of ECEC to families, society and the economy

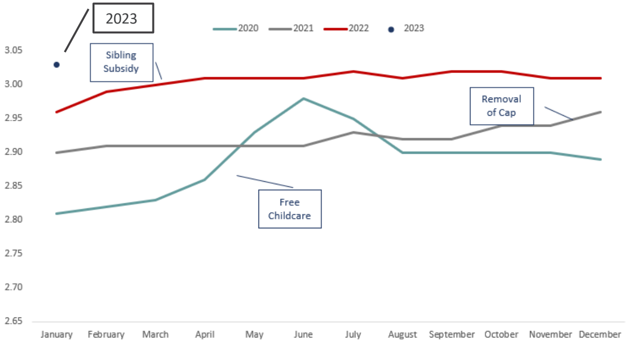
- As evidenced in the pandemic, the ECEC sector is viewed as critical to Australia's economy and has **strong bi-partisan support**
- Government support continues to target **affordability and driving female workforce participation**
- More widespread acceptance of the long-lasting benefits of formal Early Learning to children and society is expected to support longer term demand
- **The stimulatory effect of incremental Child Care Subsidy (CCS) funding is evident in G8's higher average weekly bookings**
- Long-run positive net migration trend is expected to re-establish once international borders reopen

Positive Female Workforce Participation trend



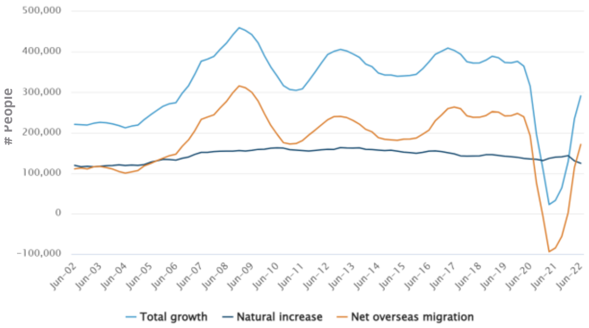
Female employment-to-population ratio
Source: ABS

CCS changes support families to take more days



G8 weekly attendance frequency (average days per week)

Net migration is beginning to recover



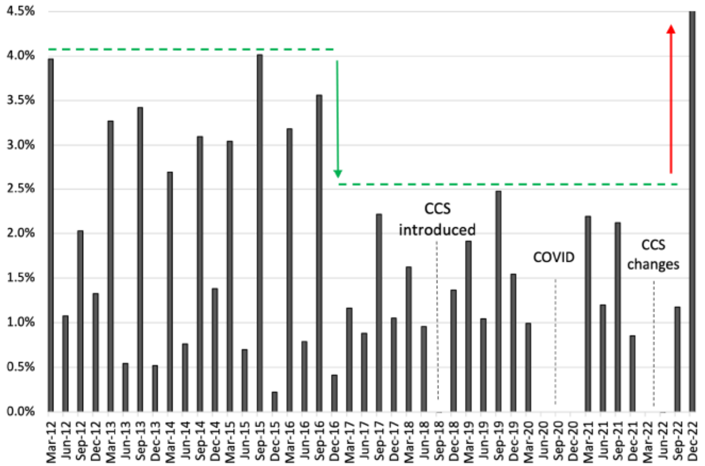
Components of annual population change[1]
Source: ABS

1. Calculated at the end of each quarter

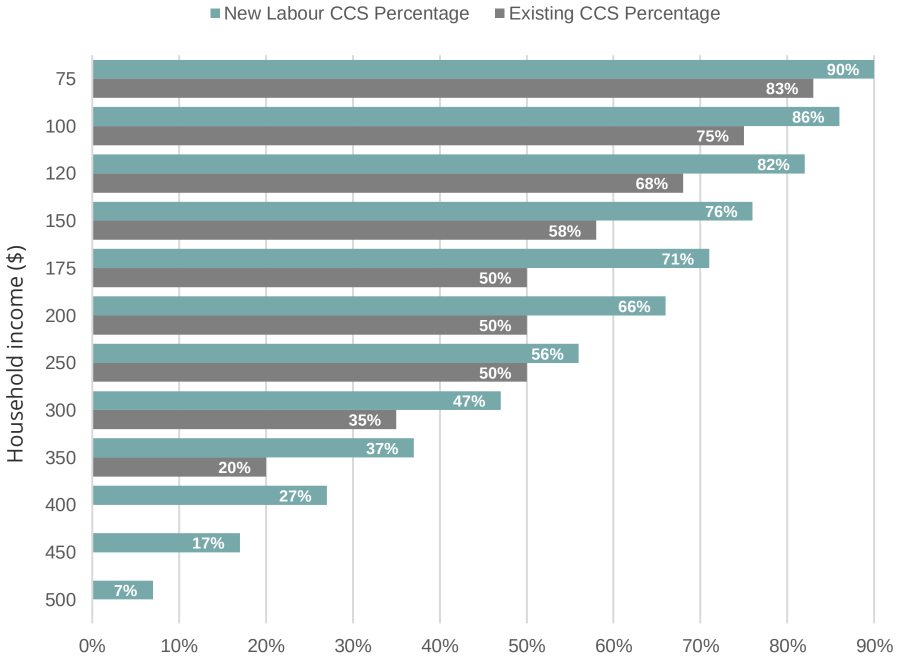
AFFORDABILITY QUESTION

Additional funding supportive of demand but inflation remains an affordability headwind

- Step change in sector "gap fees" in December quarter[2], most acutely felt in NSW, reflect inflationary pressures
- CCS changes via the "Cheaper Childcare Bill[1]" effective July 1, 2023
- These affordability measures are expected to elevate demand by increasing the maximum CCS percentage available to families



Net 'out-of-pocket' expenses (%) after CCS (quarterly)[2]



Child Care Subsidy (CCS) percentage by income

1. Family Assistance Legislation Amendment (Cheaper Child Care) Bill 2022 2. Source: The Sector, ABS CPI - measures net out of pocket expenses after the CCS for families living in Australia's largest metropolitan areas.

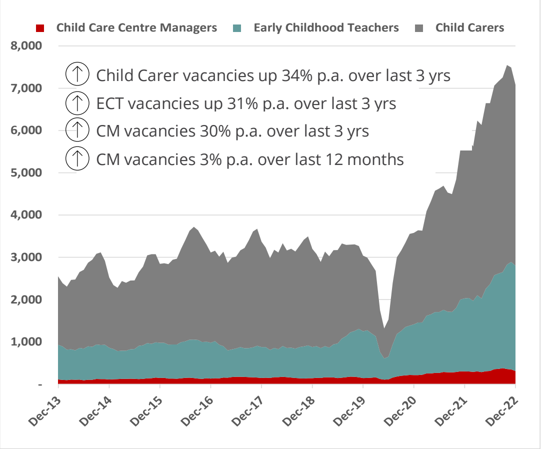
WORKFORCE MACRO CHALLENGE

Multifaceted response to sector-wide issue

Sector challenge

- All states experiencing increased vacancy rates
- ECT value proposition competes with primary schools
- Lack of immigration reduces international ECT's
- Increase demand for ECT's in NSW, VIC due to new regulations

Childcare Worker Vacancies[1]
(3 month average of internet vacancies)



1. Australian Government Jobs and Skills Australia

Macro Response

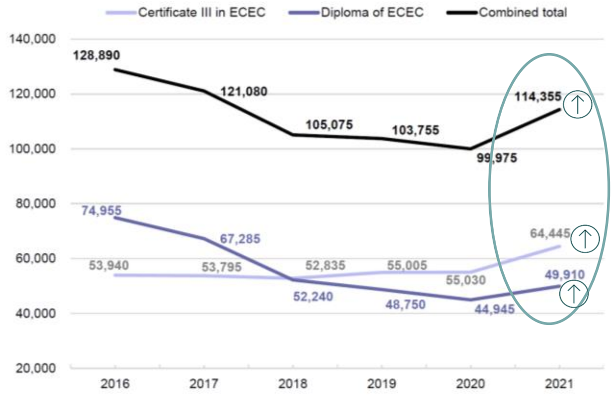
Tertiary - Bachelor qualifications

- NSW & Vic governments scholarships up to $25,000
- Accelerated degrees funded by state governments via approved grants to universities

Vocational Education & Training – Certificate III and Diploma

- Various national and State-based funding for VET qualifications
- Australian Apprentice Training Support Payment

Vocational education enrolment numbers

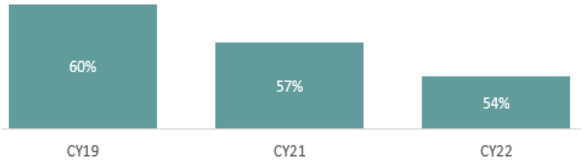


G8 Response

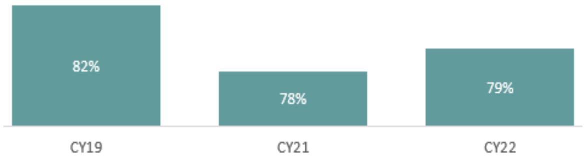
Multi-year response underway

- Above Award remuneration - CM, ECT & trainee roles
- Recognition and benefit programs for all team members
- Comprehensive induction programs for CMs
- Funding for Bachelor scholarship and trainee study
- Pedagogical support, tertiary partnerships, study tours and knowledge sharing portal
- Recruitment initiatives resulting in a reduction in vacancies YoY of 38%, a robust result in an environment with sector vacancies growing

ECT Retention (LTM)



CM Retention (LTM)



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REGULATORY FOCUS ON ECEC - CY23 TIMELINE

Multiple inquiries and potential reforms will require significant focus and resource

	Q1 – Q4 timeline
ACCC - Child Care Inquiry • Examine how pricing and costs differ by provider • Assess impact and effectivness of existing pricing mechanisms	Consultation period **– interim report due 30 June** **Final paper due 31 December**
Productivity Commission [Review] • Focused on supporting affordable, accessible, equitable and high quality ECEC • Reduce barriers to participation and support learning and development outcomes	**Consultation period -** broad public process - **commence 1 March, 2023** **Final Report: 30 June 2024**
SA Royal Commission into ECEC • Examine how the early years system can better support children across South Australia • Extends to offering 3yo preschool to all children	Consultation period – educators, experts, unions, and providers interviewed to aide development of policy options – **interim report due April** **Final paper due 31 August**
NSW IPART • Review of NSW ECEC affordability, accessability and consumer choice	**Interim paper due by August** **Final paper due December**
Multi-employer bargaining • Reforms significantly shift the workplace relations landscape • Pressure to address undervalued work in care sector and close gender pay-gap	**Laws scheduled to come into force** – 6 June 2023

CURRENT TRADING & OUTLOOK

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Trading update

- Current Core[1] occupancy for the last two weeks is 1.8%pts higher than CY22 and 1.5%pts lower than CY19, broadly in line with the December trading update
- Fee increase of c. 6% implemented in January in response to the current inflationary environment
- Wage management disciplines continue this year. Further wage inflation is expected in CY23 due to agency usage remaining as one of the staffing shortage solutions combined with general increases to sector wages
- The Group's balance sheet remains strong following the completion of the c.$40m on-market buyback as part of the Group's capital management strategy

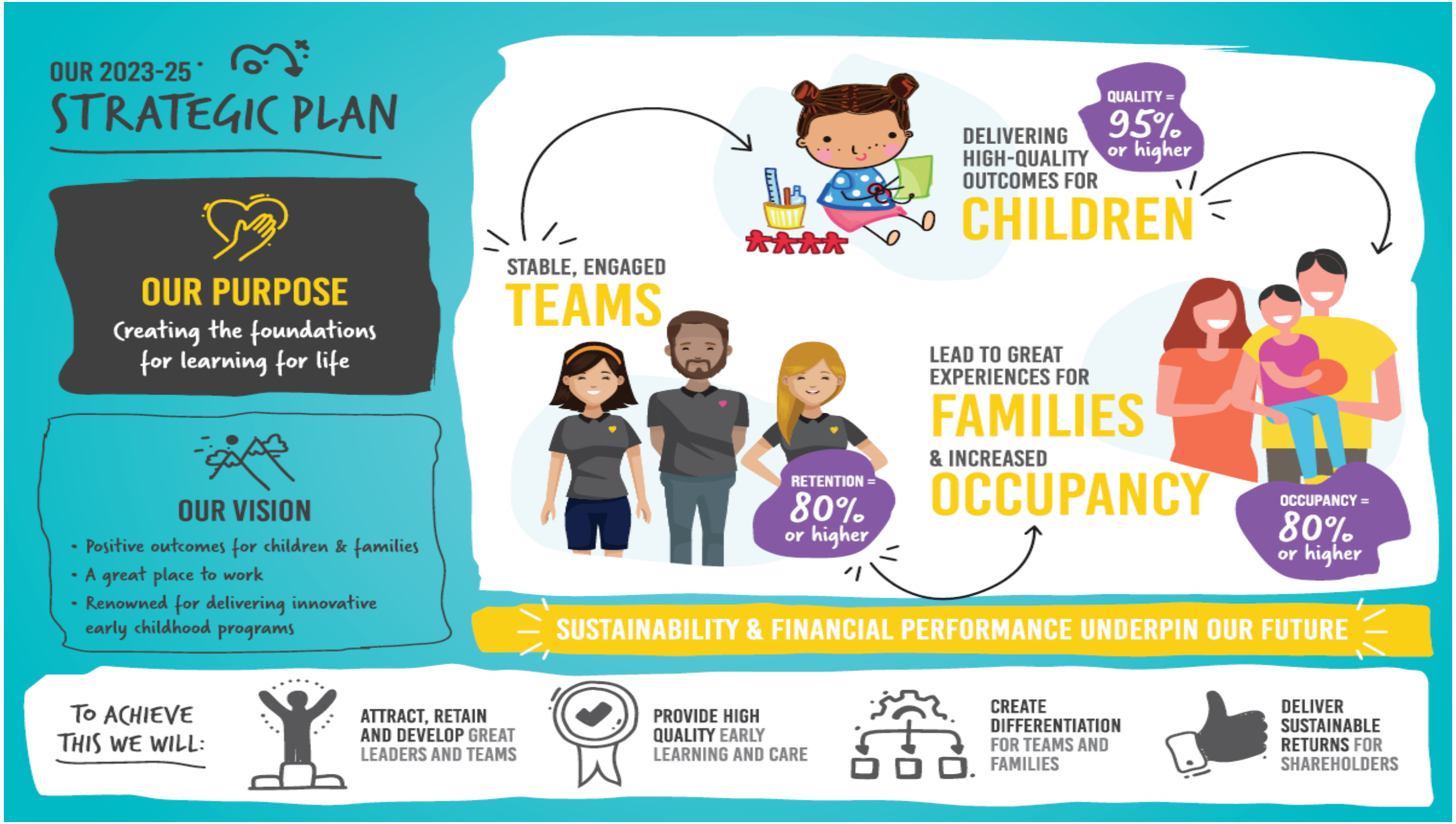
Outlook

- Demand outlook for the ECEC sector is improving, and expected to be further stimulated by the "Cheaper Childcare Bill" scheduled for July 2023
- New centre supply response is still unknown; supply in CY22 was subdued but approval requests increased in January 2023
- Chronic workforce shortages remain the sector's key challenge, constraining occupancy, conversion and sustained improvements
- Inflation will continue to play a role in our families' affordability and our cost base management
- Regulatory focus on the sector will potentially have significant reforms ahead, which will require careful navigation
- G8's focus in the near-term is attracting and retaining the team to support seasonal occupancy growth and assist families in benefiting from the upcoming CCS changes

1. Spot 'Core' occupancy excludes greenfield centres

STRATEGIC FOCUS – DELIVERING ON OUR PURPOSE

Focus on team and quality education leading to great experience for children and families



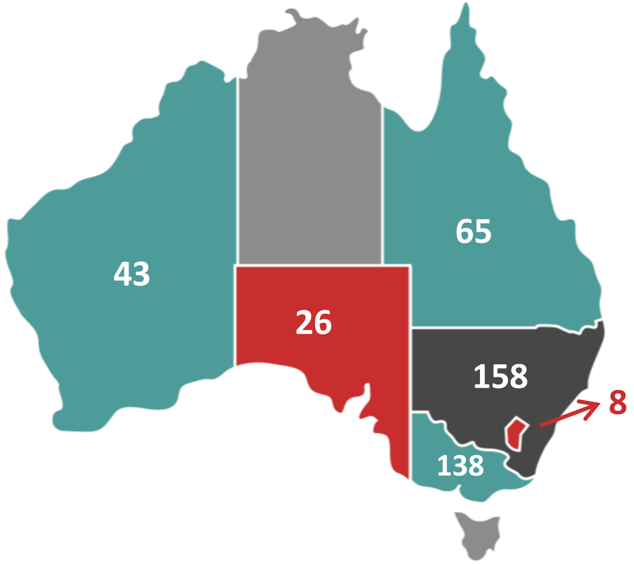
Q&A

APPENDIX

G8 IS A MARKET LEADER

438 CENTRES

Diversified geographic footprint across Australia



AUSTRALIA'S LARGEST
Listed Early Childhood Education & Care (ECEC) provider

37K+
Licensed places across Australia

8K+
Early Childhood Educators

48K+
Children per week

$140
Average daily fee

CORE[1] OCCUPANCY

Regional outperformance maintained

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- Easing of COVID-19 restrictions and recovery from floods has resulted in improved performance in H2
- Regional centres outperformed CY21 and CY19 reflecting the migration trend into the regions however some regional areas challenged by availability of team
- Metro centres in Vic, Qld and SA driving the reduction vs CY19 with material variances between regional and metro areas
- CBD locations continue to be rationalised given the structural changes in demand for those locations
- QLD performed strongly in H2 delivering the highest CY22 occupancy with low reliance on agency usage
- NSW, WA and ACT experiencing higher team vacancies and higher agency usage than other states

Occupancy by region

	Core Average Occupancy						
Region	**CY22**	**CY21**	**CY22 v CY21**	**CY19**	**CY22 v CY19**	**Centres**	**Licenced Places**
CBD	36.6%	43.9%	(7.2%)pts	74.0%	(37.4%)pts	3	250
Metro	65.0%	66.3%	(1.3%)pts	71.6%	(6.6%)pts	230	19,004
Regional	79.3%	77.2%	2.1%pts	74.8%	4.5%pts	184	15,761
National	**71.0%**	**70.9%**	**0.1%pts**	**73.0%**	**(2.0%)pts**	**417**	**35,015**

Occupancy by state

	Core Average Occupancy							
State	**CY22**	**CY21**	**CY22 v CY21**	**CY19**	**CY22 v CY19**	**Supply YoY**	**Centres**	**Licenced Places**
ACT	52.5%	57.1%	(4.6%)pts	78.3%	(25.8%)pts	2.3%	8	819
NSW	73.5%	72.0%	1.5%pts	73.5%	0.0%pts	1.9%	155	11,038
QLD	75.5%	76.0%	(0.5%)pts	76.3%	(0.8%)pts	1.8%	57	4,942
SA	70.2%	72.7%	(2.5%)pts	75.5%	(5.3%)pts	4.4%	25	2,005
VIC	68.1%	67.9%	0.2%pts	72.3%	(4.2%)pts	4.6%	134	13,136
WA	72.6%	73.0%	(0.4%)pts	67.4%	5.2%pts	4.3%	38	3,075
National	**71.0%**	**70.9%**	**0.1%pts**	**73.0%**	**(2.0%)pts**	**2.8%**	**417**	**35,015**

1. "Core" includes all centres excluding the 16 centres in the greenfield portfolio

NETWORK SUPPORT

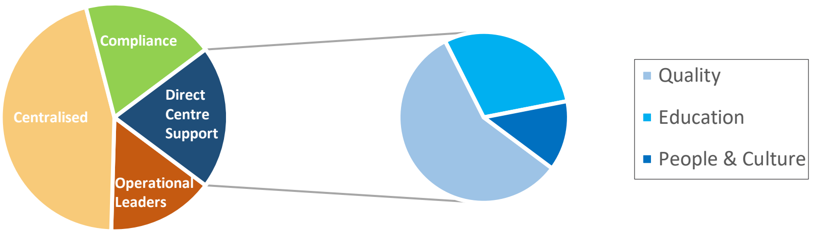
Supporting the network to achieve improved outcomes in Quality, Education and Team

Support office costs CY22 vs. CY21

$M	Gross	BAC*	Net
CY21 total	**64.4**	**(5.1)**	**59.3**
Incremental costs			
Income (e.g. rebates)	(1.2)		(1.2)
Insurance	1.0		1.0
IT, cyber, communications	0.8		0.8
Corporate costs	0.2		0.2
Wages	1.9		1.9
*Subsidy**		(2.3)	(2.3)
CY22 total	**67.1**	**(7.4)**	**59.7**

* Boosting Apprenticeship Commencement (BAC) subsidy ($7.4m) does not repeat in CY23, net impact of subsidy changes =c. $5m

80% of support office FTEs directly support centres or undertake centralised activities



Education
- Practice Partners
- Funding

People & Culture
- HR Partners
- Professional development
- Study Pathways

Quality and Safety
- Quality Assurance Partners
- Safety

Centralised activities (supporting centres)
- Recruitment
- Workforce planning
- Property
- Procurement
- Marketing
- IT service desk

Operational Leaders
- Regional Managers
- Area Managers

- Stable support office costs reflect cost out program and BAC subsidy mitigating cost inflation
- $4.1m reduction in H2 reflects the cost out program
- Stable Corporate costs reflects increased compliance costs (legal, accounting and listing fees) along with reintroduction of travel post COVID-19 offset by reduced consulting costs
- $1.9m uplift in wages is driven by wage inflation, annualisation of roles from CY21 and investment in centralised and centre support roles to drive momentum in occupancy lead indicators

PROFIT AND LOSS

- Revenue growth driven by fee reviews with occupancy flat on prior year
- Operating EBITDA[2] 3% higher driven by cost management mitigating inflationary impacts
- 5% increase in operating expenses due to inflationary impacts on food and consumables, increased level of activities and programs and unscheduled repairs and maintenance costs
- "Other expenses" driven by increases in
  - Insurance cost escalation
  - Increased meeting, travel and accommodation activity
- Operating EBIT[2] was in line with the prior year, due to increased depreciation, following previous increases to capital spend.
- Savings in non-lease finance costs, from the repayment of the higher interest junior debt facility, are offset by the write-off of establishment costs from the refinanced senior facility
- Non-operating items include gains/losses, restructuring costs and Software Development costs

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Group Financials

$M	CY22	CY21	Change
Total Operating Revenue[2]	**903.5**	**866.3**	**4.3%**
Employment costs	(561.5)	(537.6)	4.4%
Property, utilities and maintenance costs[1]	(51.2)	(48.2)	6.2%
Direct costs	(35.1)	(33.7)	4.2%
Other expenses	(41.6)	(38.4)	8.3%
Total operating expenses[2]	**(689.4)**	**(657.9)**	**4.8%**
Operating EBITDA[2]	**214.1**	**208.4**	**2.7%**
Depreciation and amortisation	(26.2)	(21.1)	0.2%
Depreciation - leases	(69.1)	(67.6)	2.2%
Operating EBIT[2]	**118.8**	**119.7**	**(0.8%)**
Finance costs - leases	(38.5)	(39.6)	(2.8%)
Operating EBIT[2]	**80.3**	**80.1**	**0.2%**
Net finance costs - non-lease	(13.5)	(13.6)	(0.7%)
NPBT excl. non-operating items	**66.8**	**66.5**	**0.5%**
Non-operating items[3]	(13.0)	(0.9)	n.m.
Investment in associates	(0.1)	-	-
NPBT	**53.7**	**65.6**	**(18.1%)**
Income tax benefit/(expense)	(17.1)	(19.9)	(14.1%)
NPAT	**36.6**	**45.7**	**(19.9%)**

1. Includes rates, utilities, services, outgoings, cleaning, maintenance, variable rent etc.
2. Operating excludes non-operating items and Kiddo and is after lease interest and depreciation.
3. Refer to Note 7 of 2022 Annual Report for non-operating items.

BALANCE SHEET

- Decrease in current assets due to cash utilised in capital expenditure, the share-buyback process and dividends paid during the year
- Decrease in non-current assets and liabilities due to the reduction in right of use assets and lease liabilities resulting from a reduced number of centres
- Decrease in trade and other payables relates to capital accruals for improvement works completed in Q4 CY21 and paid in Q1 CY22
- Reduction in provisions is due to wage remediation payments made during the year
- Reduction in contributed equity is due to the share-buyback program

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$M	31 December 2022	31 December 2021
ASSETS		
Current assets		
Cash and cash equivalents	37.8	74.1
Trade and other receivables	22.5	19.6
Other current assets	12.7	12.3
Current tax asset	11.4	17.6
Total current assets	**84.4**	**123.6**
Non-current assets		
Property plant and equipment	136.3	107.5
Right of use assets	401.8	441.2
Deferred tax assets	102.4	108.1
Intangible assets	1,051.6	1,057.4
Investment in an associate	0.9	1.0
Other non-current assets	6.2	7.2
Total non-current assets	**1,699.2**	**1,722.4**
Total assets	**1,783.6**	**1,846.0**
LIABILITIES		
Current liabilities		
Trade and other payables	73.5	78.3
Contract liabilities	11.2	12.3
Borrowings	0.9	-
Lease liabilities	81.2	73.2
Provisions	85.8	90.1
Total current liabilities	**252.6**	**253.9**
Non-current liabilities		
Other payables	0.4	6.9
Borrowings	127.9	96.1
Lease Liabilities	503.5	559.6
Provisions	15.8	14.8
Total non-current liabilities	**647.6**	**677.4**
Total liabilities	**900.2**	**931.3**
Net assets	**883.4**	**914.7**
EQUITY		
Contributed equity	1,174.5	1,209.2
Reserves	73.3	65.3
Retained earnings	(364.4)	(359.8)
Total equity	**883.4**	**914.7**

CASH FLOW

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- Operating cashflows of $136.8m, an increase of 62% on CY21
  - Higher cashflows from trading due to the prior year including greater remediation payments (+ c.$34m)
  - Lower interest payments due to refinance (+ c.$1m)
  - Lower lease interest paid due to the lower number of centres (+ c.$1m)
  - Income taxes paid is net of tax refunds for remediation and other historical adjustments (+ c.$12m)
- PP&E and intangible payments of $60m reflect investment in centre maintenance and strategic projects
- Principal lease repayments variance driven by rent increases in CY22
- Dividends paid of $34m reflect the CY21 full-year dividend and the CY22 interim dividend
- Payments for repurchase of own shares of $35m is due to the share buyback program commenced in CY22 and completed in January CY23

$M	CY22	CY21	Change
Cash flows from operating activities			
Receipts from customers (inclusive of GST)	897.7	868.5	3.4%
Payments to suppliers and employees (inclusive of GST)	(707.8)	(704.9)	0.4%
Interest received	0.4	0.1	n.m.
Interest paid (non-leases)	(10.0)	(11.2)	(10.7%)
Interest paid (leases)	(38.4)	(39.6)	(3.0%)
Income taxes paid	(5.1)	(28.6)	(82.2%)
Net cash inflows from operating activities	**136.8**	**84.3**	**62.3%**
Cash flows from investing activities			
Payments for purchase of businesses (net of cash acquired)	(0.1)	(2.6)	(96.2%)
Payments for purchase of intangible assets	(1.1)	(1.3)	(15.4%)
Net proceeds / (payments) for divestments	0.2	(7.1)	n.m.
Proceeds from the sale of property, plant and equipment	0.2	-	-
Payments for property plant and equipment	(58.5)	(41.4)	41.3%
Acquisition of investment in associate	-	(1.0)	-
Net cash outflows from investing activities	**(59.3)**	**(53.3)**	**11.3%**
Cash flows from financing activities			
Dividends paid	(33.7)	-	-
Principal elements of lease payments	(73.2)	(72.3)	1.2%
Payments for repurchase of own shares	(34.8)	-	-
Proceeds from borrowings	30.0	-	-
Payments of borrowings	(2.1)	(201.5)	(99.0%).
Net cash outflows from financing activities	**(113.8)**	**(273.9)**	**(58.5%)**
Net decrease in cash and cash equivalents	(36.3)	(242.9)	(85.1%)
Cash and cash equivalents at the beginning of the financial year	74.1	317.0	(76.6%)
Cash and cash equivalents at the end of the financial year	**37.8**	**74.1**	**(49.0%)**