

ASX Announcement

G8 Education Limited
(ASX:GEM)



25 February 2025

G8 EDUCATION ANNOUNCES RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2024 INCLUDING DIVIDEND PAYMENT

G8 Education Limited (the “Group” or “G8”, ASX : GEM), a leading provider of quality early education and care with more than 400 centres across Australia, today announced its results for the full year ended 31 December 2024 (CY24).

HIGHLIGHTS

- Reported Group revenue up 3.5% on the prior comparative period (pcp) to \$1,021.8 million
- Statutory NPAT of \$67.7 million up 20.8% on pcp
- Operating EBIT¹ up 14.3% on pcp to \$115.0 million
- Occupancy levels above prior year, despite tough macroeconomic conditions and cost of living pressures
- Successful bargaining of the Multi-Employer Agreement, resulted in 10% pay increase for centre team funded by the Federal Government
- Team retention and engagement rates increased with decreased team vacancy rates leading to lower dependence on agency staff delivering workforce stability
- Targeted focus on customer journey led to NPS increasing 6pts vs pcp
- Emphasis on safety and educational programs for children, resulted in strong quality outcomes with 93% of G8 Education centres rated as ‘Exceeding’ or ‘Meeting’ the National Quality Standard
- Network optimisation continued to deliver benefits with 18 centres divested, 9 surrenders, and 3 new centres
- Successful debt refinancing provided adequate liquidity optionality
- Share buyback is progressing strongly with purchases totalling \$18.4 million to 31 December 2024 at an average price per share of \$1.35
- Fully franked final dividend of 3.5 cents per share, taking total fully franked dividend to 5.5c representing 65% of reported CY24 NPAT

TRADING PERFORMANCE

\$M	CY24	CY23	% Change vs pcp
Operating			
Revenue	1,017.7	985.3	3.3
EBIT ¹	115.0	100.6	14.3
NPAT ²	72.4	63.4	14.2
Reported			
Revenue	1,021.8	987.0	3.5
EBIT	152.8	133.1	14.8
NPAT	67.7	56.1	20.8
EPS	8.4	6.9	21.1
Occupancy			
Group Occupancy	70.7%	70.4%	0.3%pts

¹ Operating EBIT excludes non-operating items and is adjusted for lease interest. Refer to Note 7 of G8 Financial Report for non-trading items.

² Excludes non-operating items.

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G8 Education Chief Executive Officer and Managing Director and Pejman Okhovat said:

“Throughout 2024, our journey focused on building a fit core and laying the foundations for consistent operational execution to deliver high quality education and care for our children. This included improving efficiency across our processes and systems, managing costs and assets effectively, and continuing to build capabilities in our team.”

“Our people are the foundation of G8 Education’s success, and during 2024, we made substantial strides in strengthening and supporting our team. Employee engagement improved year on year and team member retention increased, while significantly reducing the number of vacancies.”

“In a landmark achievement, we, alongside a small number of providers, peak sector bodies and unions successfully bargained for a sector wide Multi-Employer Agreement, securing a Federal Government funded 10 per cent pay rise in December 2024, with a further 5 per cent increase in December 2025 for our team members and the sector.”

“Our focus on safety is unwavering with continued attention to managing key child safety categories and includes our ongoing efforts to gather and act on family feedback through our ‘always on’ feedback channels. In 2024 our Net Promoter Score (NPS) increased by 6 points – an excellent result reflecting the loyalty of families to the G8 Education centre they attend.”

“Pleasingly we can report that 93 per cent of our centres are ‘Meeting’ or ‘Exceeding’ the National Quality Standards, which is 2 per cent above the sector average, a clear indication of the high standards we maintain in early childhood education and care.”

“In 2024, we achieved a solid financial performance, aligning our operations, activities and strategic focus with the first horizon of our strategic plan to create a fit core. Our statutory Earnings Before Interest and Tax (EBIT) increased 14.8 per cent to \$152.8 million, with a Net Profit After Tax (NPAT) of \$67.7 million.”

“As part of our commitment to delivering value to our shareholders, we are pleased to announce a final dividend of 3.5 cents per share up 16.7 per cent on pcp reflecting strong earnings, the strength of our financial performance and our dedication to returning value to our investors. Further, our share buy-back is progressing strongly completing \$18.4 million in CY24.”

“We are confident our operational execution, in a challenging environment, will gain momentum in CY25 and we remain optimistic that favourable macro factors including female workforce participation, easing inflation, lower interest rates and unemployment will start to increase childcare participation.”

FINANCIAL PERFORMANCE

The Group’s financial performance has delivered strong earnings driven by improved occupancy vs pcp, driving better value from our procurement and a well-managed cost base including support costs.

CY24 operating NPAT increased 14.2 per cent on the pcp to \$72.4 million and statutory NPAT improved 20.8 per cent on the pcp to \$67.7 million achieved by strong operational execution.

Operating revenue increased 3.3 per cent on the pcp to \$1,017.7 million (CY23: \$985.3 million) driven by improved occupancy performance, portfolio optimisation and inflationary responsive fee increases.

Operating costs reported a marginal 2 percent increase on the pcp to \$902.7 million driven by inflation across the operational cost base, however, this has been well managed and offset by strategic procurement activities that have achieved better operational value.

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G8 Education^{ltd}

Operating EBIT increased 14.3 per cent to \$115.0 million reflecting growth of 10.2 per cent in centre earnings offset in part by a minor increase in Network support costs.

Network optimisation, as a result of divestments, has contributed to positive EBIT and margin outcomes which will continue in CY25.

From a statutory perspective, NPAT increased by 20.8 per cent to \$67.7 million with non-trading items including SaaS expense, loss on centre exits and net impairment expenses.

OPERATING MODEL AND CENTRE EXPERIENCE

Reported occupancy of 70.7 per cent was above pcp by 0.3 per cent against of backdrop of tough trading conditions across the sector during the period, with enquiries slowing and affordability impacting families.

The continued targeted focus on enhancing families' customer journey resulted in NPS being 6 points above pcp. While enquiries decreased year on year, an improved conversion rate vs pcp was recorded resulting from the focus the customer journey experience for new families.

G8 Education successfully bargained as the only large provider for a sector wide multi-employer agreement, securing a 10 per cent funded Award pay increase for our centre team members. The focus on team delivered strong results with a 3 per cent increase in team retention to 77 per cent and employee engagement improving 2 per cent to 78 per cent, a result that is above the sector average of 2 per cent.

G8 Education continued to strengthen its workforce through investment in higher education for centre team members with over 2,300 team members engaged in G8 Education's Study Pathways program and in CY24 a new learning management system was implemented to further enhance team member capability.

Across G8 Education's network, 93 per cent of centres are rated as 'Exceeding' or 'Meeting' the National Quality Standard and 94 per cent of centres are 'meeting' or 'exceeding' NQS Quality Area 1 – Educational program and practice.

A continued focus on safety and improved educational programs for children resulted in the implementation of a new digital compliance management system to increase and improve visibility and accountability of child safety in centres and a strengthened connection with Governments to further support inclusive programs in our centres.

CONSERVATIVE BALANCE SHEET

The Group continued to maintain a strong balance sheet with solid operating performance supporting strong cash conversion and low leverage. The Board is committed to generating long-term sustainable value for its shareholders and has declared a CY24 fully franked final dividend of 3.5c cents per share, taking total dividends to 5.5 cents per share up 22.2 per cent on pcp. This represents 65 per cent of reported CY24 NPAT, payable in April 2025.

The share buyback is progressing strongly with purchases totalling \$18.4 million in CY24 at an average price per share of \$1.35. Share buy-back will continue into CY25.

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TRADING UPDATE AND OUTLOOK

Trading update

- Group 'spot' occupancy 61.8 per cent, 3.5 percentage points lower than pcp and 65.0 per cent YTD 1.9 percentage points lower than pcp¹
- Change to school holiday periods slightly changing the seasonal occupancy trends resulting in later than normal enrolments
- Optimising our call centre to deliver improved response times
- Targeted marketing activity to drive enquiries
- Focusing on conversion and family retention
- Maintaining our rigour on competitive performance, operational execution and family experience
- Fee increase of 4.32 per cent implemented in January 2025 mitigating inflationary impacts
- Capital allocation framework to deliver:
- Capex CY25 circa \$45 million, including a roll-over of circa \$7 million from CY24 unspent funds due to timing
- Network optimisation ongoing, with 2 centres divested post 31 December 2024
- Share buy-back will continue in CY25, YTD total purchases of circa \$25 million at an average price per share of \$1.35

Outlook

Confident of our operational execution in challenging environments, and anticipation of improving macro factors, we remain cautiously optimistic for a more positive CY25.

- Momentum in enquiries and tours are building, following a slow start
- Anticipate more favourable macro factors including increased female workforce participation, easing inflation, lower interest rates and unemployment will start to improve childcare participation
- Whilst cost of living pressures continue to be an issue, with the interest rate cut, families outlook for CY25 is more positive
- Access to three days a week of guaranteed subsidised childcare, removing the activity test, for families passes through parliament starting from January 2026
- Workforce challenges, no longer a critical issue for G8 in CY25

Our near-term focuses are:

Team: maintaining our team engagement and building capability

Family: continue to provide great experience and drive inquiries

Operations: drive occupancy and performance

Safety & Quality: deliver safe and high-quality services every day

Cost Management: maintain a disciplined approach to capital and cost management

Strategy: executing horizon 2, 'enhanced core', of our strategic plan, enabling the consideration for future growth strategies

ENDS

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

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1. For week ending 16 February 2025