Investing in the future
of Early Education.

G8 Education

G8 Education – Full Year Results Presentation
Year Ended 31 December 2016

G8 Education Limited (ASX:GEM)
20 February 2017

Key Messages 2016

G8 Education ltd

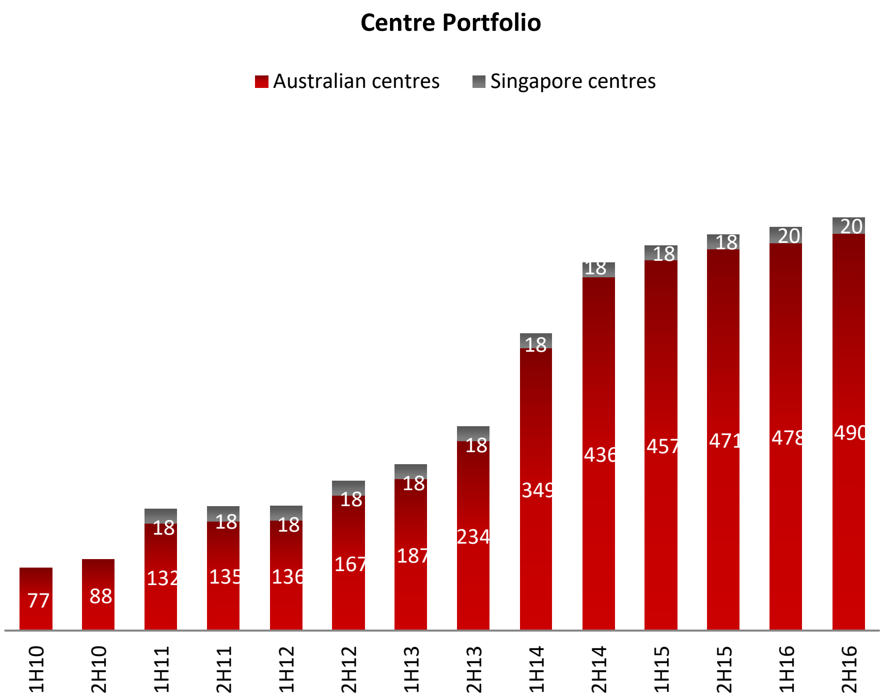
- Revenue up 10.2% from prior year driven by fee increases and acquisitions in 2015 and 2016
- Underlying EBIT up 10.5%, driven by good organic growth in H2 and acquisitions performing in line with expectations. EPS growth improved from (2.5%) in H1 to 6.8% in H2
- Significant investment in future performance via increased expenditure in centre upgrades and refurbishments, as well as increased staff training
- Debt profile improved during the year, with expiring SGD bond and bank working capital facilities both extended by 2 years. FX risks associated with the SGD bond have been fully hedged
- Executive team in place, with new Managing Director, CFO and General Counsel being appointed
- Post-balance date, the Group announced an equity placement of $212 million at a 8% premium to a subsidiary of China First Capital Group, the funds will be used to repay A$ bond and bank debt facilities as well as assisting in funding the growth in our child care centre network

Key Financial Highlights	FY 2016	FY 2015	YOY % Growth
	$'000	$'000	
Revenue	778,513	706,164	10.2%
Underlying EBITDA	172,367	154,810	11.3%
Underlying EBIT	160,660	145,438	10.5%
Underlying NPAT	93,342	87,131	7.1%
Underlying EPS (cents per share)	24.68	23.87	3.4%

	H1 16	H2 16
Underlying NPAT growth (pcp)	1.62%	10.25%
EPS growth (pcp)	-2.5%	6.8%

Operational Update

Group Centre Network



- As at 31 December 2016 the Group operated 490 centres in Australia and 20 centres in Singapore bringing the total licenced places to 38,713
- During 2016 G8 Education settled 19 centres in Australia and 2 in Singapore with a total purchase price of $62.9m

FY 2016 Financial Performance

G8 Education[ltd]

Consolidated Income Statement	2016 $'000	2015 $'000	%
Revenue from continuing operations	774,970	686,747	
Other Income	3,543	19,417	
Total Revenue	**778,513**	**706,164**	**10.2%**
Total expenses	(616,779)	(543,124)	13.6%
Total finance costs	(47,065)	(40,267)	16.9%
Profit before income tax	**114,669**	**122,773**	**-6.6%**
Income tax expense	(34,404)	(34,192)	0.6%
Profit for the year	**80,265**	**88,581**	**-9.4%**
Basic earnings per share	**21.22**	**24.27**	**-12.6%**
Add/(Less) non-operating transcations			
Deferred consideration	(2,500)	(5,755)	
Write off of boerowing costs on refinancing	7,474	2,010	
Profit on sale of financial assets	-	(7,343)	
Foreign currency translation reserve	5,634	8,378	
Other	2,469	1,260	
Underlying Net Profit After Tax	**93,342**	**87,131**	**7.1%**
Underlying EPS (cents per share)	**24.68**	**23.87**	**3.4%**
Underlying Earnings Before Interest and Tax	**160,660**	**145,438**	**10.5%**

- Operating Revenue increased by $88.2m (12.8%), driven by growth in LFL parent fee revenue (net of discounts) of $27.9m and acquisitions. The LFL revenue growth was circa 2% lower than the fee increase level due to lower occupancy
- Underlying EBIT growth in 2016 was 10.5%, with growth increasing to 11.6% in H2 as wage and other cost efficiency momentum that was built in H1 continued into H2, while 2015 and 2016 acquisitions performed in line with expectations to deliver EBIT contributions of $21.5m and $8.4m respectively
- Underlying NPAT grew by 7.1% for the year, lower than EBIT growth due to higher financing costs
- Prior year includes a gain on sale of shares in Affinity of $7.3m after tax

Like for Like Centre Performance Breakdown

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Like for Like Centre Financials	H1 2016	Change vs pcp	H2 2016	Change vs pcp	2016	Change vs pcp
Parent fees (net of discounts)	299,680	17,983	335,180	9,886	634,860	27,868
Net LDC funding	2,803	1,675	(1,014)	(9,588)	1,789	(7,913)
Kindy funding	4,983	1,725	4,123	(1,576)	9,106	149
Other income	1,296	91	1,851	609	3,147	700
Total Revenue	308,762	21,474	340,141	(670)	648,903	20,804
Revenue Growth	***7.47%***		***-0.20%***		***3.31%***	
Revenue Growth (Adjusted for LDC Funding)	***6.92%***	***19,799***	***2.68%***	***8,918***	***4.64%***	***28,717***
Total Wages	176,935	16,194	180,343	(343)	357,278	15,851
Wages Growth	*10.07%*		*-0.19%*		*4.64%*	
Wages as % of Revenue	*57.30%*	*1.35%*	*53.02%*	*0.00%*	*55.06%*	*0.70%*
Rent Expense	36,680	1,570	36,726	838	73,406	2,409
Rent Growth	*4.47%*		*2.34%*		*3.39%*	
Rent as % of Revenue	*11.88%*	*-0.34%*	*10.80%*	*0.27%*	*11.31%*	*0.01%*
Other operating expenses	35,110	3,067	34,008	(1,648)	69,118	1,420
Other operating expenses Growth	*9.57%*		*-4.62%*		*2.10%*	
Other operating expenses as % of income	*11.37%*	*0.22%*	*10.00%*	*-0.46%*	*10.65%*	*-0.13%*
Reported Centre EBIT	60,036	642	89,064	482	149,101	1,124
Reported EBIT Growth	*1.08%*		*0.54%*		*0.76%*	
EBIT Growth (Adjusted for LDC Funding)	***-1.77%***	***(1,032)***	***12.59%***	***10,070***	***6.54%***	***9,037***
Reported Centre EBIT margin	***19.44%***	***-1.23%***	***26.18%***	***0.19%***	***22.98%***	***-0.58%***
Centre EBIT Margin (adjusted for LDC Funding)	***18.71%***	***-1.66%***	***26.40%***	***2.32%***	***22.76%***	***0.40%***

Like for Likes calculated based on ownership for a full year. Acquisitions made part way through the year are captured in the following years data. Acquisitions made during 2015 and subsequent to that date are excluded.

- H2 saw a significant improvement in EBIT performance for LFL centres, with savings in Wages, Childcare expense and R&M more than offsetting increased investment in training and higher rent expense
- The comparison between 2016 and 2015 performance is significantly impacted by the timing and quantum of Net LDC Funding Revenues (i.e. funding revenues less P&L expenses related to that funding)
- Revenue growth adjusted for Net LDC Funding movements shows a 6.9% increase in H1, reducing to 2.7% in H2. This was expected as the fee increase in H1 was 2%pts higher than pcp, while H2 was in line with the prior year
- Adjusting for such differences in Net LDC Funding Revenue highlights the underlying improvement in EBIT performance in H2 – from a ($1m) EBIT reduction vs 2015 in H1 (driven by higher wage costs) to a $10m increase in H2
- On this underlying basis, 2016 LFL EBIT margins grew by 0.4%pts during the year, with underlying organic growth of $9m for the year

Occupancy - LFL

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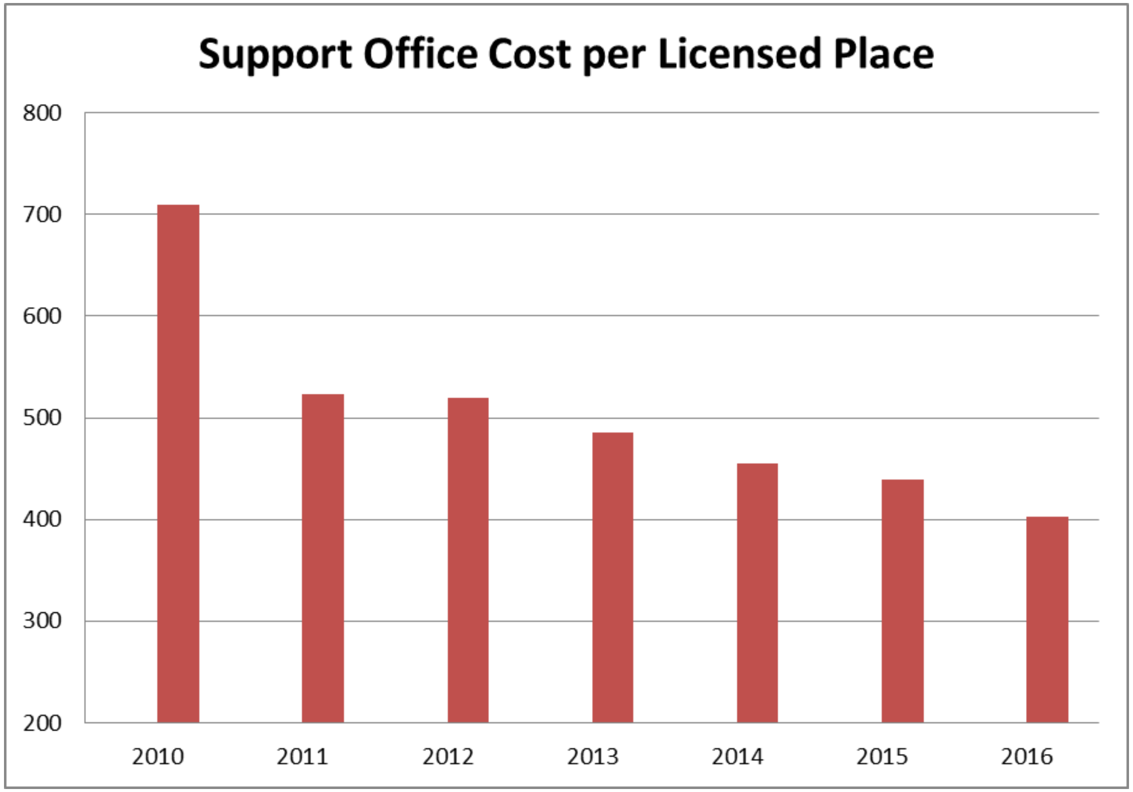
Occupancy - Like for Like				
State	**No Centres**	**2016**	**2015**	**Change in pcp**
ACT	9	79.68%	87.91%	-8.23%
NSW	173	82.50%	85.34%	-2.85%
QLD	73	80.85%	81.88%	-1.03%
SA	28	86.56%	85.30%	1.26%
VIC	115	79.63%	80.99%	-1.36%
WA	73	67.68%	72.52%	-4.85%
Total Like for Like	**471**	**79.66%**	**81.87%**	**-2.21%**

Like for Likes calculated based on ownership for a full year. Acquisitions made part way through the year are captured in the following years data. Acquisitions made during 2015 and subsequent to that date are excluded.

- Overall national supply increased by 3.1% in 2016, with 7,009 LDC centres operating as at 31 December 2016. This is slightly higher than growth in market demand of 2%-2.5%
- Occupancy has decreased by 2.2%pts from 2015, with the major variances being driven by:
  - Increased supply in ACT and pockets of NSW (Northern Beaches and inner Sydney)
  - General market-wide weakness in WA and North Queensland, with the effect being slightly more pronounced in H2 in both areas

Support Cost per Licensed Place

	2010	2011	2012	2013	2014	2015	2016
Number of Places	6,304	9,868	12,661	19,085	32,782	36,200	38,713
Support Office Cost per Licensed Place	$710	$523	$520	$485	$455	$439	$403



- The Group continued to generate scale and productivity savings in 2016, with Support Office staffing levels being broadly flat to 2015
- As a result, Support office cost per licensed place was $403 for 2016, an 8.2% improvement on prior year

Support office cost per place includes all costs associated with the operation and execution of our centre based strategy. It does not include public company costs such as listing fees and is designed to give an indication of trends in productivity and efficiency at the Support Office level

Balance Sheet

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	31 December 2016 $'000	31 December 2015 $'000
ASSETS		
Current assets		
Cash and cash equivalents	26,467	193,840
Trade and other receivables	22,948	22,943
Other current assets	9,234	9,754
Current tax asset	2,923	-
Total current assets	**61,572**	**226,537**
Non-current assets		
Property, plant and equipment	54,845	41,370
Deferred tax assets	15,415	21,678
Goodwill	1,015,002	944,604
Other non-current assets	23,022	-
Derivative financial instruments	3,359	-
Total non-current assets	**1,111,643**	**1,007,652**
Total assets	**1,173,216**	**1,234,189**
LIABILITIES		
Current liabilities		
Trade and other payables	88,847	83,054
Borrowings	-	148,891
Provisions	25,956	22,824
Current tax liability	-	1,184
Derivative financial instruments	-	4,400
Total current liabilities	**114,803**	**260,353**
Non-current liabilities		
Borrowings	410,649	366,270
Other payables	754	712
Provisions	4,783	4,069
Derivative financial instruments	16,351	-
Total non-current liabilities	**432,537**	**371,051**
Total liabilities	**547,340**	**631,404**
Net assets	**625,875**	**602,785**

- $167m reduction in Cash mainly relates to the repayment of the SGD unsecured note associated with the proposed Affinity Education acquisition
- P,P&E and Goodwill have increased due to acquisitions and investment in centre upgrades in the organic centre portfolio
- Deferred tax asset has decreased due to the realised FX losses associated with the refinancing of the Singapore bonds
- Other non-current assets primarily relates to deposits on centre acquisitions
- The $5.8m increase in Trade and Other Payables is due to the timing of payroll
- Borrowings have decreased by circa $44m with the repayment of the SGD unsecured note facility being partially offset by a $10m increase in SGD bond financing and drawdown of $40m from the bank debt facility
- The derivative financial assets relate to the hedging instruments used to mitigate foreign exchange exposure on the Singapore corporate notes

Cash Flow

G8 Education ltd

	31 December 2016 $'000	31 December 2015 $'000
Cash flows from operating activities		
Receipts from customers	769,277	676,870
Payments to suppliers and employees	(601,491)	(516,762)
Interest received	1,198	2,861
Interest paid and borrowing costs	(25,431)	(22,354)
Income tax paid	(34,970)	(45,563)
Net cash inflows from operating activities	**108,583**	**95,052**
Cash flows from investing activities		
Payments for purchase of businesses (net of cash acquired)	(66,667)	(128,940)
Payments for deposits on purchase of businesses	(15,473)	-
Payments for property, plant and equipment	(25,009)	(21,082)
Proceeds from sale of financial assets	-	52,073
Payments for purchase of financial assets	-	(33,182)
Net cash outflows from investing activities	**(107,149)**	**(131,131)**
Cash flows from financing activities		
Share issue costs	(57)	(151)
Debt issue costs	(12,747)	(4,282)
Dividends paid	(57,964)	(53,244)
Proceeds from issue of corporate note	269,281	153,617
Repayment of corporate note	(411,208)	-
Proceeds from issue of shares	6,537	12,934
Repayment of borrowings/Inflows from Borrowings	40,000	-
Premium paid on FX option	(11,028)	-
Proceeds from sale of FX option	8,281	-
Net cash (outflows)/inflows from financing activities	**(168,905)**	**108,874**
Net (decrease)/increase in cash and cash equivalents	193,826	72,795
Cash and cash equivalents at the beginning of the financial year		
Effects of exchange rate	98	852
Cash and cash equivalents at the end of the financial year	**26,453**	**193,826**

- Cash conversion remained strong at 97%, calculated as operating cash flow plus interest and tax paid divided by underlying EBITDA. The slight reduction to prior years is due to timing differences on receivables

- Acquisition activity was lower in 2016 than the prior year, with 21 centres being settled versus 44 in the prior year. Conversely, investment in existing centres refurbishment increased by around 18.6% in 2016, an increase of $4m. The $82.1m in acquisition cash outflows includes $15m in deposits paid for acquisitions that are due to settle in future years

- The $169m cash outflow from financing activities related primarily to the repayment of the SGD unsecured bond facility for the proposed Affinity Education acquisition facility

Key Ratios

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Key Financial Ratios	2016	2015
Fixed Charges Cover	2.05	2.19
Net Debt to Underlying EBITDA (historical)	2.23	2.08
Net Debt : Capital	43.0%	40.2%
Post Tax Return on Equity	12.8%	14.7%
Underlying Earnings per Share Growth	3.4%	29.0%

- There has been a slight deterioration in Fixed Charges Cover, primarily driven by H1 performance, while ratios related to debt have been impacted by timing of acquisitions in H2
- The Group continues to have significant head room in relation to its financial covenants
- Despite the impact of H2 acquisition activity, overall debt to capital ratio remains within Group's targeted levels
- EPS growth on pcp accelerated from (2.5%) in H1 to 6.8% in H2

Capital Structure

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G8's capital structure as at 31 December 2016 consisted of the following Debt and Equity instruments:

	Class	Maturity	Principle/Issuance	Cost
Debt	Senior Unsecured Note	07-Aug-19	A$70m	7.68%
	Senior Unsecured Note	19-May-19	S$270m	4.75%
	Senior Unsecured Note	17-Feb-18	A$50m	BBSW + 3.90%
	Secured Bank Debt Facility	31-Dec-18	A$50m drawn to $40m	
Equity	Ordinary Shares	385,511,733 on issue	$642m contributed equity	

The foreign currency exposure on the S$270m corporate notes has been fully hedged.

Share Placement – Details of the Issue

G8 Education[ltd]

- G8 Education Limited has entered into a binding Term Sheet in relation to a share placement with CFCG Investment Partners International (Australia) Pty Ltd ("CIPI"), the Manager of First Capital Australia Education Master Fund. CIPI is a wholly owned subsidiary of China First Capital Group Limited ("CFCG")
- CFCG is a Hong Kong-based company listed on the Hong Kong Stock Exchange (stock code: 1269) with a market capitalization of HKD13 billion (A$2.2 billion). CFCG is a publicly traded company focusing on investment across the education industry with a full range of licenses in financial services. It has made a series of investments over the last two years to build its presence in the education sector in China
- CIPI has agreed to invest circa $212.8 million by subscribing for 54,846,894 ordinary shares in G8 at an issue price of $3.88 per share. The issue price represents a premium of approximately 8% to the last 30 day volume weighted average price of G8 shares and a premium of approximately 9% to the last closing price of G8 shares on 17 February 2017
- The placement will be conducted in two tranches, with 30% to be settled on 24 February and the remaining 70% on 17 May 2017
- Following the allotment of G8 ordinary shares under Tranche 2, CFCG will hold an interest of approximately 12.45% of G8's issued capital. After completion of the second tranche of the placement, a representative of CIPI will join the G8 Board as a non-executive director

Share Placement – Use of Proceeds

- The proceeds of the placement will be used as follows:
  - Paying down the $50 million A$ bond facility that is due for repayment in February 2018, as well as $40 million of the Bankwest working capital facility that was utilised to fund acquisitions in the second half of 2016; and
  - Assisting in the funding of committed child care centre acquisitions in Australia totaling approximately $200 million that are due for settlement over the next two years.
- Following repayment of the A$ bond and Bankwest facilities, the Group's reported Net Debt to EBITDA ratio (calculated on a historical basis) will reduce from 2.2 times to 1.7 times, with the Group targeting to maintain gearing at around this level.
- The $200 million in acquisitions that have been identified comprise 49 centres throughout Australia. They are predominantly development centres, sourced from the Group's existing development partners.
- At around 25 centres per year, the level of activity is broadly in line with 2016 levels, but being a higher proportion of premium developments, the total capital spend is higher than prior years
- The acquisitions are covered by existing development agreements that specify purchase prices of around 4 times forecast EBIT, to generate approximately $50 million of annualized EBIT upon completion
- Raising capital will enable G8 to deliver on an additional $100 million of network growth opportunities above that possible from internally generated cash flows alone, whilst maintaining prudent gearing levels
- This additional $100 million of acquisition activity should add $25 million in annual EBIT upon completion, which when combined with repayment of the relevant debt facilities noted above, would mean that the placement is forecast to add circa 2c to earnings per share
- Over the next few months, we will evaluate whether there are viable opportunities for G8 to utilise its expertise to collaborate with CFCG in the child care and early education market in China. Chris Scott will be the key resource from G8 Education in this effort and if viable opportunities are identified, then Chris will play a leading role in the implementation of any such arrangement

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Strategy and Trading Outlook

G8 Strategic Framework

G8 Education[ltd]

Our Purpose *Why are we here aside of making money?*	To Provide Engaging Care and Education Services that Add Value to Families				
Our Goals *Where are we heading?*	By December 2019 - $1.0bn Revenue, $0.40 EPS, 65% team engagement, 65% customer engagement				
Our Strategic Priorities *What will we do to achieve our vision?*	**EXISTING FAMILIES**	**NEW FAMILIES**	**SAFETY and COMPLIANCE**	**TEAM and STAKEHOLDERS**	**PERFORMANCE**
Our Objectives *How will we focus our effort in ways we can measure?*	Retain our existing families	Grow our family base Increase yield from existing assets	Keep our people safe Keep our children safe	Engaged and capable team Engaged investors	Operate a cost efficient organisation
	• Reduce centre turnover by engaging and developing our centre teams • Improve engagement with existing families	• Profitably grow our centre network • Attract new families to existing centres • Generate profitable new revenue streams from existing assets	• Reduce team LTI's • Continue to enhance our compliance management framework • Continue to enhance child safety	• Source, develop and retain great talent • Build a performance culture • Keep our team engaged • Keep our investors engaged	• Reduce support office costs as a % of revenue • Improve centre EBIT margins • Manage the centre portfolio to achieve the required capital return
Our Initiatives *What key one-off programs are required to achieve our vision?*	CRM and Customer Segmentation	CRM and Customer Segmentation Development Team	Performance Framework	Leadership Engagement	Performance Framework

2017 Outlook

- January trading performance was slightly ahead of budget and last year, although occupancy challenges in ACT, North Queensland and WA remain. Overall occupancy is broadly in line with last year
- Delivery of the Group's strategy is on track, with new KPI and Incentive Framework rolled out in January
- The 3-year LDC Funding program was completed in December 2016. Accordingly, there will not be any LDC Funding Revenue from FY17 onward
- There are 28 acquisitions scheduled to be completed during the year for a total cost of approximately $80m, with annualised EBIT of circa $20m. Due to the timing of acquisitions, 2017 EBIT contribution from these acquisitions is forecast to be approximately $7m

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THANK YOU

Questions?