



**MAYFIELD**

Childcare Limited

# Investor Presentation

28 February 2017

CY 2016 Preliminary Results

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# Market Summary

<b>Issued Shares</b>	<b>30,005,000</b>
Share Price as at 28 February 2017	\$1.27 (issue price \$1.00)
Market Capitalisation	\$38,106,350
Official Listing Date	30 / 11 / 2016
Issuer Code	MFD

## Substantial Shareholders – Top 5 as at 27 February 2017

<b>Rank</b>	<b>Name</b>	<b>Type</b>	<b>Shareholding</b>
1	Riversdale Road Shareholding Company	Institution	5,920,000
2	DW & MR Clarke Pty Ltd	Related	2,300,000
3	J P Morgan Nominees Australia Ltd	Institution	1,507,310
4	REDCUE Pty Ltd	Institution	1,000,000
5	JT Campbell Properties Pty Ltd	Institution	1,000,000

# Board of Directors

The Board of Mayfield consists of 2 executive directors and 1 non-executive director:

## **Non-Executive Chairman – Peter Lowe**

- Non-Executive Chair of United Energy Pty Ltd
- Non-Executive Chair of Multinet Pty Ltd
- Non-Executive Chair of Lochard Energy Pty Ltd

## **Chief Executive Officer – Dean Clarke**

- 12 Years Childcare industry experience with a focus on identification, design and construction of greenfield sites.
- Previously General Manager Retail, Tabcorp, leading a multi-channel retail network of over 800 venues: and
- General Manager Development, Tabcorp with oversight for the Retail business development and transformation programs.

## **Executive Director – Michelle Clarke**

- An accomplished owner/operator with over 12 years experience, having successfully acquired, established and operated centres in many highly competitive areas.
- Highly competent in the delivery of quality outcomes and best practice standards in childcare evident in her Childcare Centre quality ratings

# Experienced Management Team

**Dean Clarke (CEO)**

**Michelle Clarke (Executive Director and Quality Operations)**

**Glenn Raines (Chief Financial Officer)**

- A CPA with over 20 years' experience in financial management and company secretarial duties
- Formerly Financial Controller and Company Secretary of Rail Manufacturing CRC Ltd
- Formerly Group Financial Controller and Company Secretary for dual ASX and London AIM listed Ceramic Fuel Cells Limited

## **Business Operations**

- 1 x Development Manager
- 2 x Area Managers
- 2 x Finance team members
- 1 x Systems support (on engagement)

## **Centre Operations**

- 16 Centre Managers
- 340+ Educators

# BUSINESS OVERVIEW



# Mayfield Overview

## ➤ Listing portfolio of 16 Long Day Care centres

- All centres located in Victoria, predominately North Western and South Eastern metropolitan, with the 3 regional sites within 2 hour drive of Melbourne CBD
- All centres are accredited through ACECQA, with 15 of the 16 offering a funded Kindergarten program
- Centres account for 1,360 licensed childcare places, with an average of 85 places per centre
- Good mix of well performing centres and centres that can deliver growth

## ➤ Operating platform

- The centralised geographical distribution aide and simplifies operational management and integration
- All centres operated under Leaseholds, with the weighted average lease term in excess of 23 years, representing current term periods and options
- Centres will continue to trade under their existing names benefiting from local community identity and goodwill
- All existing centre managers and educators have transitioned across to Mayfield at time of listing, ensuring continuity of operations and consistency for families.

# OPERATIONAL & FINANCIAL SUMMARY CY 2016





# Business Integration

- **Integration plans identified at listing have been fully implemented**
  - All centre settlements were completed on Day 1 of operations, exceeding expectations.
  - Rights of Entry / Mortgages over Leases provided to Westpac for all centres.
  - Regulatory and licensing requirements including CCB/CCR requirements were completed within the first 2 weeks of operation
  - Data migration and centralisation of QikKids operating system delivered on start-up, including refresher training for all staff.
  - Ezidebit, direct debiting system and interface with QikKids, implemented across all centres
  - Successfully outsourced the payroll function to our Payroll & HR service provider.
  - Kindergarten funding application submitted and approved in line with Prospectus forecasts.
  - Centre re-measures conducted for all centres, identifying where possible renovations / extensions which could provide opportunities for an increase in licensed places.
  - Established social media presence for all centres and website updates where required.

# Centre Improvements

- **Extensive centre refurbishment works have been undertaken and completed, including**
  - Full internal re-painting of 5 centres, including the externals of 1 centre
  - New external play equipment
  - Updated play areas
  - Landscaping
  - New sand pits
  - New shade sails
  - New room resources
  - Signage
  - Extensive centre clean ups



# Occupancy and Quality Improvement Plan

## ➤ **Occupancy has trended as expected**

- Average occupancy for the period of ownership by Mayfield was 76.3%, against a forecast of 76.3%, with a peak occupancy of 79.5%.
- There were mix variations across the group, with slight gains in the more mature centres, offsetting minor losses in some of the trade-up / development centres.
- Consistent with Mayfield strategy, centre improvements have been weighted towards the trade-up / development centres
- The December 2016 result is reflective of the seasonal slowdown in childcare services, with 3 of the Mayfield centres having closed during the Christmas / New Year period.

## ➤ **Progress against the Quality Improvement Plan has proceeded well**

- An extensive self-assessment under the National Quality Framework undertaken for all centres establishing clear work plan for management and educators
- Satisfaction benchmark studies for staff and parents executed for all centres, again feeding into our work plan

# Mayfield Profit & Loss Statement CY 2016

A\$ 000's	Actual CY 2016	Prospectus CY 2016	Var Fav/(Unfav)	Comments:
<b>Revenue</b>	<b>2,288</b>	<b>2,033</b>	<b>+ 12.5%</b>	Revenue up 12.5% <ul style="list-style-type: none"> <li>• Additional trading period</li> <li>• Occupancy at forecast levels</li> </ul>
Centre Employee Expense	(1,346)	(1,136)	(18.5%)	Employee expenses up 18.5% <ul style="list-style-type: none"> <li>• \$210K above forecast, \$142K of which reflects additional period</li> </ul>
Centre Rent & Operations	(437)	(428)	(2.1%)	Centre Rent & Operations up 2.1% <ul style="list-style-type: none"> <li>• Additional trading period</li> </ul>
<b>EBITDA from Operations</b>	<b>505</b>	<b>469</b>	<b>+7.7%</b>	Transaction costs down 0.3% <ul style="list-style-type: none"> <li>• IPO &amp; formation costs below forecast</li> </ul>
Transaction Costs	(1,506)	(1,510)	+0.3%	Admin & Integration cost down 4.4% <ul style="list-style-type: none"> <li>• Expended \$151K in addition to approx. \$100K capital expenditure on the implementation of a variety of centre improvements.</li> </ul>
Admin and Integration	(387)	(405)	+4.4%	
<b>EBITDA</b>	<b>(1,388)</b>	<b>(1,446)</b>	<b>+4.0%</b>	
Depreciation	(15)	(14)		
<b>EBIT</b>	<b>(1,403)</b>	<b>(1,460)</b>	<b>+3.9%</b>	
Interest Expense	(30)	(8)		
Tax Benefit (Expense)	185	(82)		
<b>NPAT</b>	<b>(1,248)</b>	<b>(1,550)</b>	<b>+19.4%</b>	NPAT up 19.4%

# Mayfield Balance Sheet as at 31 December 2016

A\$ 000's	Actual Dec 31, 2016	Prospectus Nov 25, 2016*
<b>Current Assets</b>		
Cash & Cash Equivalents	1,410	826
Trade & Other Receivables	1,115	
Other Current Assets	287	192
<b>Total Current Assets</b>	<b>2,812</b>	<b>1,018</b>
<b>Non Current Assets</b>		
Intangibles	27,018	27,213
Plant & Equipment	1,161	1,073
Deferred Tax	234	667
<b>Total Non Current Assets</b>	<b>28,413</b>	<b>28,953</b>
<b>Total Assets</b>	<b>31,225</b>	<b>29,971</b>

## Comments:

The cash position of \$1.4M puts the company in a strong position going forward

Receivables represents trading from settlement to period end. Includes outstanding balances for government funding which has since been received

Intangibles of \$27.0M are in line with Prospectus forecasts

\* Prospectus balance sheet reflects pre trading position

# Mayfield Balance Sheet as at 31 December 2016

A\$ 000's	Actual Dec 31, 2016	Prospectus Nov 25. 2016*
<b>Current Liabilities</b>		
Payables & Tax Liabilities	2,074	
Provisions	278	77
<b>Total Current Liabilities</b>	<b>2,352</b>	<b>77</b>
<b>Non Current Liabilities</b>		
Provisions	613	719
Borrowings	7,480	8,000
<b>Total Non Current Liabilities</b>	<b>8,093</b>	<b>8,719</b>
<b>Total Liabilities</b>	<b>10,445</b>	<b>8,796</b>
<b>Net Assets</b>	<b>20,780</b>	<b>21,175</b>
<b>Equity</b>		
Contributed Equity	22,028	22,490
Accumulated Losses	(1,248)	(1,315)
<b>Total Equity</b>	<b>20,780</b>	<b>21,175</b>

## Comments:

Payables represents trading from settlement to period end. Includes accruals for listing costs which have since been paid

Movement in total provisions reflects change in LSL ageing coupled with growth in Annual Leave

During the period Mayfield exercised its financing arrangements with Westpac. At period end the company had drawn down on \$7.5M of the initial \$8M facility to fund childcare centre acquisitions, and has fully utilised the \$850K rental bond facility

\* Prospectus balance sheet reflects pre trading position



# BUSINESS FORECAST CY 2017



# CY 2017 Outlook

- Based on its first 2 trading months, the Board is confident of meeting the occupancy, revenue and profit forecasts for CY17.
- We have established a sound operating platform from which to drive growth, in keeping with the strategic objectives of the business
- The investment to date in our centres, particularly our trade-up and development centres, has resonated well with parents, facilitating our growth marketing programs to the local communities
- Through the integration of our payroll and rostering processes, we will continue to look to extract savings on wage costs, while maintaining compliance with industry regulations
- We will implement our App-based ePortfolio and Learning platform to support childrens' development and enhance the parent experience, as well as our Casual Day Booking App
- The company recognises the current proposed legislation and supports any measures, that would lower the cost of childcare, make it more available and improve the quality of care and education.



# Mayfield Prospectus Forecast CY 2017

A\$ 000's	Prospectus CY 2017
<b>Revenue</b>	<b>28,962</b>
Centre Employee Expense	(15,479)
Centre Rent & Operations	(6,104)
<b>EBITDA from Operations</b>	<b>7,379</b>
Admin and Integration	(1,866)
<b>EBITDA</b>	<b>5,513</b>
Depreciation	(202)
<b>EBIT</b>	<b>5,311</b>
Interest Expense	(324)
Tax Expense	(1,505)
<b>NPAT</b>	<b>3,482</b>
<b>EPS (c)</b>	<b>11.6</b>
<b>DPS (c) MFD dividend policy = 65% payout ratio</b>	<b>7.5</b>

## Comments:

Forecast for CY 2017 remains unchanged from original Prospectus forecasts

Further guidance will be provided during the period

# Growth Strategies

## ➤ Organic

- Our primary focus will be to look to extract the occupancy gains and cost efficiencies from the existing portfolio
- Continue to invest in our physical assets, our educators and the resources needed.
- Utilise technology to drive a deeper engagement with families while delivering a broader communication and marketing platform
- Seek competitive fee increases relative to the local area of operation

## ➤ Acquisitions

- Mayfield will seek acquisition opportunities throughout 2017, consistent with the strategic intent of acquiring and improving under-performing centres
- Acquisitions will be considered, in line with agreed criteria and with a focus on improving shareholder value

## ➤ Managed services

- Mayfield will seek opportunities for the provision of managed services to third party operators as part of our broader acquisition strategy

# Corporate Details

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