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one educator at a time.

THINK
Childcare Limited

Investor Presentation

14th August 2017

Half Year Calendar Year 2017 Results

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Workplace Gender Equality Act 2012 (Act) – Annual Public Report

In accordance with the requirements of the Workplace Gender Equality Act 2012 (Act), on 31 May 2017, Think Childcare Limited lodged its annual compliance report with the Workplace Gender Equality Agency (Agency). A copy of this report is available on the Company's website at www.thinkchildcare.com.au.

Market Summary

Issued Shares	**42,140,311**
Share Price as at 14th August 2017	$2.11 (IPO price $1.00)
Market Capitalisation	$88,916,056
Official listing date	24/10/2014
Issuer code	TNK

Substantial Shareholders – Top 5 as at 10th August 2017

Rank	Name	Type	Shareholding
1	Mathew Edwards	Related	14,056,278
2	HSBC Custody Nominees (Australia) Pty Ltd	Institution	5,836,220
3	Citicorp Nominees Pty Ltd	Institution	3,450,728
4	J P Morgan Nominees Australia Ltd	Institution	3,167,861
5	Riversdale Road Shareholding Company	Institution	2,354,828
	Board - Outside of Mathew Edwards	Related	2,208,378

Business Metrics Overview

Operations	Dec 15	Dec 16	Jun 17
Centres	32	38	38
Licensed Places	2,476	3,209	3,209
Average Centre size	77	84	84
Average Fees per day	$92	$103	$108
Centre's Base Wages to Turnover	47.54%	49.55%	48.96%

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Childcare Limited

Operational Results

Half Year Calendar Year 2017 Results

Financial Summary

	HY CY16	HY CY17	Change %
Revenue	$24,410,066	$29,751,587	22%
NPAT	$1,609,115	$2,699,021	68%
EBITDA	$2,647,000	$4,547,000	72%
Underlying EBITDA	$2,730,000	$3,225,000	18%
Earnings Per Share (EPS)	3.98c	6.44c	62%
Centre Based Turnover (32 centres)	$23,811,963	$24,797,005	4%
Centre Based EBITDA (32 centres)	$4,471,809	$4,618,196	3%
Fully franked dividend declared for period	4.0c	4.0c	-

**Wages excluding on costs*

Dividend

Interim Fully Franked Dividend HY CY17	4.0c per share
Franking	100%
Dividend Announced	15 August 2017
DRP* pricing	5% discount to the VWAP
VWAP calculation period	16 August – 5 September 2017
Dividend payment & issue under the DRP	20 September 2017

**Dividend Re-investment Plan (“DRP”)*

Centre Acquisitions

Acquisitions 2016

Late in 2016 we settled three (3) low occupancy centres and opened three (3) greenfield centres. The centres have not performed as expected, but are now beginning to trade more in line with our initial expectations.

Acquisitions 2017

Think has contracted for the acquisition of four (4) high occupancy childcare centres from 3rd party vendors. One (1) centre has settled and the remaining three (3) centres are expected to settle within the next sixty (60) days.

Data	**Acquisition Metrics**
Projected CY18 EBITDA stand alone	$2,397,000
Projected CY18 EBITDA after payroll tax	$2,229,000
Total investment	$10,650,000
Multiple on a stand-alone basis	4.44
Multiple after payroll tax	4.78
Licensed places	278
Average occupancy	91%
Funding	Debt

Perfect Storm

Perfect Storm hits Child Care

The first half of 2017 has been a challenging year across the sector, we faced what can be best described as a ‘perfect storm’.

Three elements came together in a manner that has never previously occurred, and will in all likelihood never occur again. The outcome has been a temporary decrease in occupancy (particularly in the older age groups, our most profitable category) independent of any typical centre-specific influencers.

2017 - The Three Elements

The three elements have been 1) supply of new centres, 2) historical birth rates and the number of children reaching school age versus childcare age children, and 3) the $7,500 Child Care Rebate (CCR) threshold not being increased since 2012 against escalating fees.

2018 - The Storm Clears

2018 will see all three factors dissipate, and Think management expect we will move from adverse conditions to more favourable conditions leading to increased numbers of children participating in child care.

Perfect Storm hits Child Care (Supply)

Five (5) centres have been impacted by new competitors. The direct forecasted impact to our P&L in CY17 against CY16 is a reduction of c$662K. Since 2013 there has been an escalation of new centres opening, we expect this has peaked in 2016.

New Centres	2017 (projected)	2016	2015	2014	2013
VIC	71	80	51	40	35
NSW	48	123	111	90	78
SA	7	12	10	9	7

Looking forward

Our centres impacted by competition have started to recover.

We are seeing a number of new childcare centre projects not proceeding, as a result of the acquisition appetite of G8 and Affinity declining, and a tightening of construction credit.

Perfect Storm hits Child Care (Birth Rates)

Birth rates since 2012

Victoria (our main market) saw a reduction in birth rates from 2012 to 2013 through to 2015.

In 2017, 77,405 children graduated to school, moving from our most profitable age group, kindergarten/preschool, while 5% less children, 73,969, transitioned into their place.

Birth Rates	2016	2015	2014	2013	2012
VIC	84,404	73,568	74,224	73,969	77,405
NSW	90,204	100,079	91,074	100,462	99,054
SA	N/A	19,587	20,384	20,090	19,892

Looking forward

Victoria saw a growth in birth rates of 14.7% in 2016, which is the highest birth rate experienced in the state.

NSW experienced a decline of 10% in 2014 (baby bonus reduced) and in 2016. Think remains mindful of this when selecting greenfield sites and adjusts our intake and marketing accordingly.

Perfect Storm hits Child Care (Funding)

Qualifying families receive a 50% rebate of their out of pocket expenses for child care (Child Care Rebate (CCR)). Since 2012 the CCR has not increased. During this period, fees have risen from $80 to $110 for Think centres.

Families are exhausting the maximum $7,500 CCR sooner, and some, rather than having to pay full fees have reduced days in care until the CCR was reset on July 1.

CCR – Weeks to hit threshold example	**Scenario 1**	**Scenario 2**
Fees	$80	$110
Days of Care	3	3
Fees per week	$240	$330
Weeks to hit $15,000 in fees	**63**	**45**
Weeks at full fee	**0**	**7**
Fees per day for remaining weeks	40	110
Fees over the remaining weeks	**$785**	**$2,160**

Looking forward

From July 1, 2018 a 10% increase in funding to the sector will take affect. Around $37 billion will be spent on childcare support over the next four years.

Increase in Child Care Funding

Jobs for Families Childcare Package launches 1 July 2018

The Australian Government will invest around $37 billion on childcare support over the next four years. This significant investment includes an increase of around $2.5 billion to support the implementation of the Jobs for Families Child Care Package. The package will make our child care system more flexible, more accessible, more affordable and targeted to those who need it most.

From 1st July 2018, the majority of our families will enjoy a reduction in the cost of child care. The aim of the package is a productivity measure to allow a greater participation in the workforce and thus stimulating the broader economy.

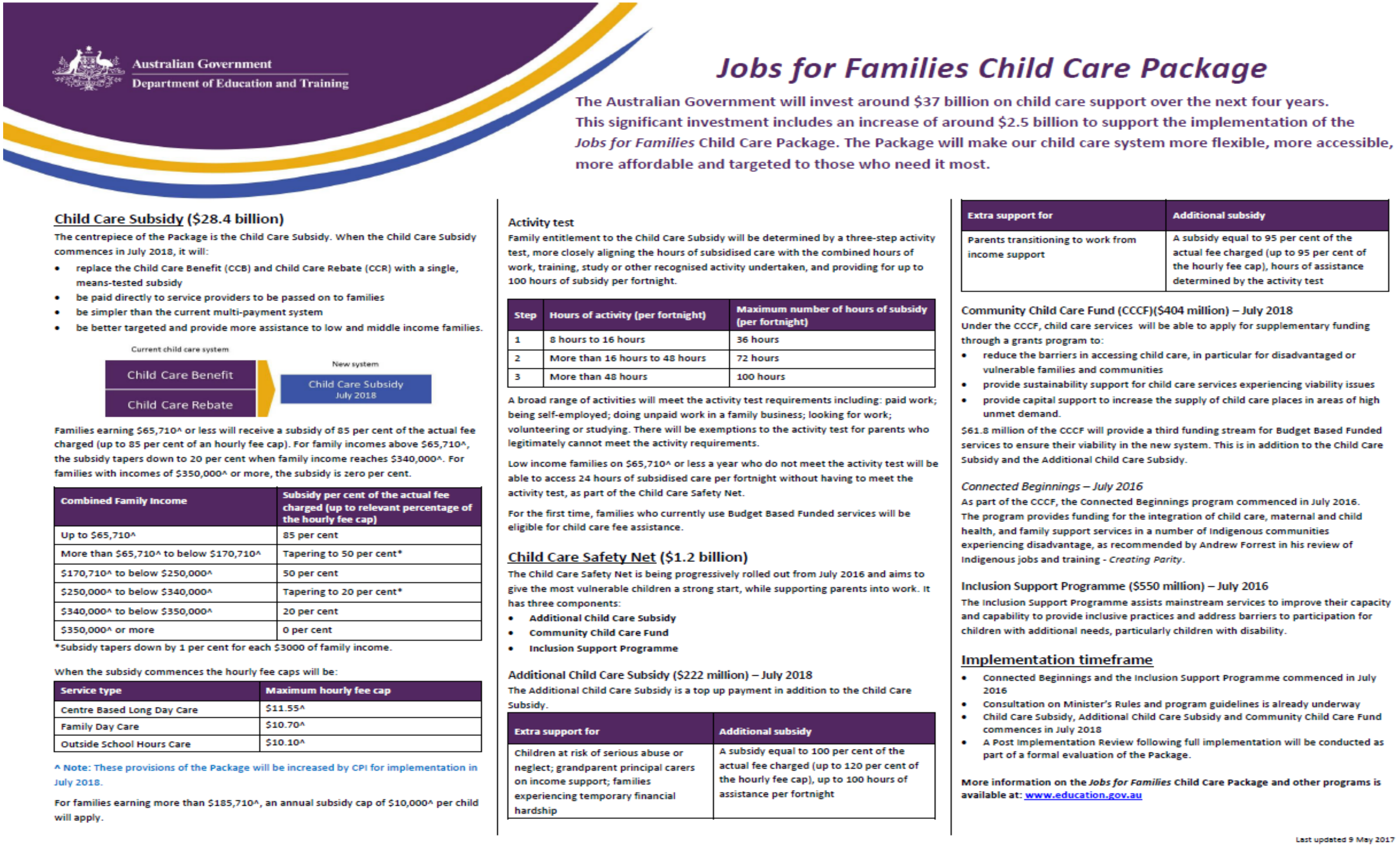
The effect for Think and the likes of G8, Goodstart and Affinity, will be an increase in the number of days our families participate in care, and the package will encourage new families to participate in care. This is expected to result in an overall growth in care usage across the sector.

Calculator: **https://www.education.gov.au/sites/education/files/sch/est/index.html**

Funding Comparison	Per fortnight
Current Government Assistance	$408.81
New Package Government Assistance (July 2018)	$486.00
Savings	16%

Example is a family earning $100,000 per annum, working 80+ hours per fortnight, using care 3 days per week.

Childcare Package



Australian Government
Department of Education and Training

Jobs for Families Child Care Package

The Australian Government will invest around $37 billion on child care support over the next four years. This significant investment includes an increase of around $2.5 billion to support the implementation of the *Jobs for Families* Child Care Package. The Package will make our child care system more flexible, more accessible, more affordable and targeted to those who need it most.

Child Care Subsidy ($28.4 billion)

The centrepiece of the Package is the Child Care Subsidy. When the Child Care Subsidy commences in July 2018, it will:

- replace the Child Care Benefit (CCB) and Child Care Rebate (CCR) with a single, means-tested subsidy
- be paid directly to service providers to be passed on to families
- be simpler than the current multi-payment system
- be better targeted and provide more assistance to low and middle income families.

Current child care system

Child Care Benefit

Child Care Rebate

New system

Child Care Subsidy
July 2018

Families earning $65,710^ or less will receive a subsidy of 85 per cent of the actual fee charged (up to 85 per cent of an hourly fee cap). For family incomes above $65,710^, the subsidy tapers down to 20 per cent when family income reaches $340,000^. For families with incomes of $350,000^ or more, the subsidy is zero per cent.

Combined Family Income	Subsidy per cent of the actual fee charged (up to relevant percentage of the hourly fee cap)
Up to $65,710^	85 per cent
More than $65,710^ to below $170,710^	Tapering to 50 per cent*
$170,710^ to below $250,000^	50 per cent
$250,000^ to below $340,000^	Tapering to 20 per cent*
$340,000^ to below $350,000^	20 per cent
$350,000^ or more	0 per cent

*Subsidy tapers down by 1 per cent for each $3000 of family income.

When the subsidy commences the hourly fee caps will be:

Service type	Maximum hourly fee cap
Centre Based Long Day Care	$11.55^
Family Day Care	$10.70^
Outside School Hours Care	$10.10^

^ Note: These provisions of the Package will be increased by CPI for implementation in July 2018.

For families earning more than $185,710^, an annual subsidy cap of $10,000^ per child will apply.

Activity test

Family entitlement to the Child Care Subsidy will be determined by a three-step activity test, more closely aligning the hours of subsidised care with the combined hours of work, training, study or other recognised activity undertaken, and providing for up to 100 hours of subsidy per fortnight.

Step	Hours of activity (per fortnight)	Maximum number of hours of subsidy (per fortnight)
1	8 hours to 16 hours	36 hours
2	More than 16 hours to 48 hours	72 hours
3	More than 48 hours	100 hours

A broad range of activities will meet the activity test requirements including: paid work; being self-employed; doing unpaid work in a family business; looking for work; volunteering or studying. There will be exemptions to the activity test for parents who legitimately cannot meet the activity requirements.

Low income families on $65,710^ or less a year who do not meet the activity test will be able to access 24 hours of subsidised care per fortnight without having to meet the activity test, as part of the Child Care Safety Net.

For the first time, families who currently use Budget Based Funded services will be eligible for child care fee assistance.

Child Care Safety Net ($1.2 billion)

The Child Care Safety Net is being progressively rolled out from July 2016 and aims to give the most vulnerable children a strong start, while supporting parents into work. It has three components:

- **Additional Child Care Subsidy**
- **Community Child Care Fund**
- **Inclusion Support Programme**

Additional Child Care Subsidy ($222 million) – July 2018

The Additional Child Care Subsidy is a top up payment in addition to the Child Care Subsidy.

Extra support for	Additional subsidy
Children at risk of serious abuse or neglect; grandparent principal carers on income support; families experiencing temporary financial hardship	A subsidy equal to 100 per cent of the actual fee charged (up to 120 per cent of the hourly fee cap), up to 100 hours of assistance per fortnight
Parents transitioning to work from income support	A subsidy equal to 95 per cent of the actual fee charged (up to 95 per cent of the hourly fee cap), hours of assistance determined by the activity test

Community Child Care Fund (CCCF)($404 million) – July 2018

Under the CCCF, child care services will be able to apply for supplementary funding through a grants program to:

- reduce the barriers in accessing child care, in particular for disadvantaged or vulnerable families and communities
- provide sustainability support for child care services experiencing viability issues
- provide capital support to increase the supply of child care places in areas of high unmet demand.

$61.8 million of the CCCF will provide a third funding stream for Budget Based Funded services to ensure their viability in the new system. This is in addition to the Child Care Subsidy and the Additional Child Care Subsidy.

Connected Beginnings – July 2016

As part of the CCCF, the Connected Beginnings program commenced in July 2016. The program provides funding for the integration of child care, maternal and child health, and family support services in a number of Indigenous communities experiencing disadvantage, as recommended by Andrew Forrest in his review of Indigenous jobs and training - *Creating Parity*.

Inclusion Support Programme ($550 million) – July 2016

The Inclusion Support Programme assists mainstream services to improve their capacity and capability to provide inclusive practices and address barriers to participation for children with additional needs, particularly children with disability.

Implementation timeframe

- Connected Beginnings and the Inclusion Support Programme commenced in July 2016
- Consultation on Minister's Rules and program guidelines is already underway
- Child Care Subsidy, Additional Child Care Subsidy and Community Child Care Fund commences in July 2018
- A Post Implementation Review following full implementation will be conducted as part of a formal evaluation of the Package.

More information on the *Jobs for Families* Child Care Package and other programs is available at: www.education.gov.au

Last updated 9 May 2017

THINK Childcare Limited

Financial Information

Half Year Calendar Year 2017 Results

Key Financial Metrics

	HY CY17	**HY CY16**
NPAT	$2.70m	$1.61m
Earnings per Share (EPS)	6.44c	3.98c
Interim Dividend per Share- Fully franked	4.0c	4.0c
Net Profit Margin (NP/Revenue)	9.08%	6.59%
Enterprise Value (EV)*	$98.32m	$85.32m

	HY CY17	**CY16**
Net Debt / Equity	44.1%	40.3%
Gearing+	30.6%	28.7%
Debt/ (Equity + Common control) ++	24.2%	21.2%
Debt/(total assets+ Common control) **	16.1%	13.7%
EBIT/Interest (times)	14.1	21.7
Debt/ Assets	23.0%	19.7%

**EV = market value of equity (Share price at 14/08/17 x no of shares on issue) + debt - cash*

+Gearing is calculated as (Net Debt / (Equity + Net Debt)
++ Net debt/ equity +Common control reserve
*** Net debt/ Total Assets +Common control reserve*

Profit & Loss HY CY2017

	HY CY17 $m	HY CY16 $m	Variance $m	Variance %
REVENUE	**29.80**	**24.40**	**5.40**	**22%**
Other non operating income	1.38	-	1.38	100%
EXPENSES				
Employee expenses	19.31	16.08	3.23	20%
Occupancy expenses	4.15	3.01	1.14	38%
Direct expenses	1.12	0.97	0.15	15%
Marketing expenses	0.53	0.43	0.10	23%
IT & communications	0.28	0.23	0.05	22%
Acquisition expense	0.06	0.08	(0.02)	(25%)
Other expenses	1.09	0.82	0.27	33%
Share based payments	0.09	0.14	(0.05)	(36%)
Total expenses	26.63	21.76	4.87	22%
EBITDA	**4.55**	**2.64**	**1.91**	**72%**
Depreciation	0.46	0.26	0.20	77%
EBIT	**4.09**	**2.38**	**1.71**	**72%**
Net finance costs	0.29	0.14	0.15	107%
Income tax	1.10	0.64	0.46	72%
NPAT	**2.70**	**1.60**	**1.10**	**68%**

Underlying Profit & Loss HY CY2017

	HY CY17 $'000	HY CY16 $'000	Variance	
REVENUE	**29,752**	**24,410**	*Up*	22%
EBITDA				
Profit after income tax	**2,700**	**1,608**	*Up*	68%
Add: Income tax expense	1,100	640		
Add: Depreciation and amortisation	456	264		
Add: Finance cost	291	137		
Less: Interest income	-	(2)		
EBITDA	**4,547**	**2,647**	*Up*	72%
Add: Acquisition expenses	60	83		
Less: Earn-outs not payable	(1,382)	-		
Underlying EBITDA	**3,225**	**2,730**	*Up*	18%
DEBT less Cash	10,178	2,696		
Debt / Equity*	44.1%	14.9%		
Gearing**	30.6%	13.0%		

**(Net debt= Current+ non- current borrowings – cash)/ Total equity*

***Net debt/ (total equity + net debt)*

Underlying Revenue, underlying EBITDA, and EBITDA are financial measures which are not prescribed by Australian Accounting Standards ("AAS") and represent the results under AAS ***adjusted*** *for non-cash and other items.*

The directors consider the underlying results to reflect the core earnings of the consolidated entity.

Balance Sheet as at 30th June 2017

	HY CY17 30-Jun-17 $ m	FY16 31-Dec-16 $ m	Variance $ m	%
Current assets				
Cash at bank	2.05	1.80	0.25	14%
Trade and other	1.24	1.94	(0.70)	(36%)
Other current assets	1.72	1.18	0.54	46%
Total-current assets	**5.01**	**4.92**	**0.09**	**2%**
Current assets				
Property plant & equipment	3.90	3.32	0.58	17%
Intangible assets	31.34	31.35	(0.01)	-
Deferred tax assets	1.45	1.54	(0.09)	(6%)
Other non-current assets	2.61	2.29	0.32	14%
Total-non-current assets	**39.30**	**38.50**	**0.80**	**2%**
Total assets	**44.31**	**43.42**	**0.89**	**2%**

	HY CY17 30-Jun-17 $ m	FY16 31-Dec-16 $ m	Variance $ m	%
Current liabilities				
Trade & other payables	4.23	4.57	(0.34)	(7%)
Borrowings	0.05	0.06	(0.01)	(17%)
Current tax payable	1.00	0.55	0.45	82%
Employee benefits	1.81	1.80	0.01	1%
Contingent & deferred payable	1.38	2.51	(1.13)	100%
Total-current liabilities	**8.47**	**9.49**	**(1.0)**	**(11%)**
Non- current liabilities				
Borrowings	12.17	10.28	1.89	18%
Employee benefits	0.60	0.55	0.05	9%
Contingent & deferred payable	-	1.90	(1.90)	(100%)
Total-non-current liabilities	**12.77**	**12.73**	**0.04**	**-**
Total liabilities	**21.24**	**22.22**	**(0.98)**	**(4%)**
NET ASSETS	**23.07**	**21.20**	**1.87**	**9%**
Equity				
Issued capital	41.55	40.40	1.15	3%
Reserves	(18.74)	(18.84)	0.10	(1%)
Accumulated losses	0.26	(0.36)	0.62	(100%)
TOTAL EQUITY	**23.07**	**21.20**	**1.87**	**9%**

Cash Flows HY CY2017

	HY CY17	HY CY16
	$m	$m
Cash flows from operating activities		
Cash receipts from parents and Gov. funding	29.67	23.69
Payments to suppliers and employees	(27.37)	(21.30)
Government grants received	0.84	0.89
Interest and other finance costs paid	(0.29)	(0.14)
Income taxes paid	(0.56)	(0.58)
Net cash from operating activities	**2.29**	**2.56**
Cash flows from investing activities		
Payments for contingent considerations	(1.65)	-
Payments for PPE	(1.02)	(0.97)
Payments for security deposits	(0.32)	-
Payments for intangibles	(0.01)	(0.13)
Net cash used in investing activities	**(3.00)**	**(1.10)**

	HY CY17	HY CY16
Cash flows from financing activities		
Proceeds from issue of shares	1.15	1.80
Proceeds from borrowings	1.91	0.00
Dividends paid	(2.08)	(2.85)
Payment for finance leases	(0.02)	(0.01)
Net cash from/(used in) financing activities	**0.96**	**(1.06)**
Net Decrease in cash and cash equivalents	**0.25**	**0.40**
Cash and cash equivalents at the beginning of the period	1.80	2.36
Cash and cash equivalents at the end of the period	**2.05**	**2.76**

Looking Forward

Growth Strategy

Going forward it is unlikely we will acquire further centres in trade up, as the energy and resources required to undo previous wrongs is far greater than the energy required to open a greenfield site and trade it up.

A balanced mix of opening greenfield sites and acquiring high occupancy centres will add the most value for our shareholders; and this will be our focus going forward.

Greenfield

We expect to open five (5) new centres in 2018 and have forecast these centres as a group to trade at breakeven in the CY18 period. As the centres trade beyond 75% occupancy and exceed our target EBITDA budgets we will look to add further greenfield centres. We will restrict the number of greenfield sites in trade up to ensure we have a healthy balance and remain compliant with our banking covenants.

Acquisitions 2018

We have forecast six (6) centre acquisitions throughout 2018, which are expected to contribute c$1.5m in EBITDA (c$3m annualised) in the CY18 period.

Incubator Growth

Incubator

Our Incubator partners have opened 10 new centres in the last 12 months with a further two (2) centres to open by the end of CY17. The incubator is expected to open a further 20 centres CY18.

This will provide Think with the opportunity to acquire centres that we have designed, negotiated leases for, staffed, marketed, managed the finances for and are all brand new facilities with known performance at 4 times historical performance with an earnout and clawback provision.

Infrastructure Growth

In order to deliver this quantum of centres and employ the required 400 new Educators, we have further increased our operational head count. It is expected we will, in CY18, generate $1.8 million in fees from opening ($1.2mil) and ongoing management fees ($600K - which is 50% of the annual management fees due to staggered openings).

Financial Forecast

	CY16	Projected CY17	Change %	Projected CY18	Change %
Revenue	$54,535,395	$66,338,584	22%	$88,511,233	33%
NPAT	$5,367,000	$5,977,720	11%	$8,116,566	36%
EBITDA	$8,495,000	$10,242,243	21%	$14,239,300	39%
Underlying EBITDA	$8,833,000	$9,620,141	9%	$14,395,300	50%
Earnings Per Share (EPS)	13.20c	14.00c	6%	18.68c	33%
Centre Based Turnover (32 centres)	$52,790,842	$53,141,836	1%		
Centre Based EBITDA (32 centres)	$11,317,657	$11,583,553	2%		
Total Capital Expenditure	$1,741,000	$2,200,000	26%	$4,500,000	105%
Assumptions					
Acquisitions				6	
Greenfield developments				5	
Incubator opening				20	
Fee increase				3.75%	
Wage increase				3.5%	

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Corporate Details

Board of Directors

The Board of TNK comprises two executive Directors and two non-executive Directors:

Non-Executive Chairman: **Mark Kerr**

- Chairman of Contango Microcap Limited and Hawthorn Resources Limited
- Director of Contango Income Generator Limited and Alice Queen Limited
- Advisor to public and private boards

Managing Director and CEO: **Mathew Edwards**

- Managing Director of Learning and Education Australia ("LEA") (2008-2014), which owned 12 of the TNK centers
- Formerly LEA's business focused on developing greenfield child care sites and trading up under-performing centres
- Former Director of Australian Daycare Group

Executive Director and CFO: **Paul Gwilym**

- A Chartered Accountant with over 20 years' experience in accounting and financial management
- Formerly CFO of LEA (2013-2014)

Non-Executive Director: **Andrew Hanson**

- A Chartered Accountant with over 27 years at PricewaterhouseCoopers including 16 years as a Partner
- Advisor to the Board of Beacon Lighting Group Ltd., Chairman of Guest Group Pty Ltd and Director (previous past Chairman) of Prestige Inhome Care Pty. Ltd.

Corporate Details

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