



Changing the world  
one educator at a time.



# Investor Presentation

7 March 2018

Acquisition Announcement and Capital Raising

# Important Information and Disclaimer



This presentation contains general information in summary form which is current as at 7 March 2018. This presentation is not a recommendation or advice in relation to Think Childcare Limited (“TNK” or the “Company”).

No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. To the maximum extent permitted by law, TNK, their affiliates and related bodies corporate, and their respective officers, directors, employees and agents disclaim any liability (including, without limitation, any liability arising from fault or negligence) for any loss arising from any use of this presentation (or its content) or otherwise arising in connection with it. TNK is not licensed to provide financial product advice in relation to its shares or any other financial products. No cooling-off period applies in respect of the acquisition of shares.

TNK’s forecasts and other forward-looking statements set out in this presentation are based on a number of estimates, assumptions and pro forma adjustments that are subject to business, economic and competitive uncertainties and contingencies, with respect to future business decisions, which are subject to change and, in many cases, are outside the control of TNK and its directors. TNK believe that the forecasts have been prepared with due care and attention and consider all best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing this presentation. However, the forecasts presented in this presentation may vary from actual financial results. These variations may be material and, accordingly, neither TNK nor its directors give any assurance that the forecast performance in the forecasts or any forward-looking statement contained in this presentation will be achieved.

This presentation includes financial information in relation to TNK. Certain financial data included in this presentation is not recognised under the Australian Accounting Standards and is classified as 'non-IFRS financial information' under ASIC Regulatory Guide 230 'Disclosing non-IFRS financial information' (RG 230). This non-IFRS information may provide information to users in measuring financial performance and condition. The non-IFRS financial measures do not have standardised meanings under the Australian Accounting Standards and therefore may not be comparable to similarly titled measures presented by other entities, nor should they be interpreted as an alternative to other financial measures determined in accordance with the Australian Accounting Standards. No reliance should therefore be placed on any financial information, including non-IFRS financial information and ratios, included in this presentation. Any discrepancies between totals and sums of components in tables contained in this presentation may be due to rounding.

This presentation is not and does not constitute an offer, invitation or recommendation to subscribe for, or purchase any security and neither this presentation nor anything contained in it shall form the basis of any contract or commitment. It is not intended to be relied upon as advice to investors or potential investors, and does not contain all information relevant or necessary for an investment decision. This presentation may not be reproduced or published, in whole or in part, for any purpose without the prior written consent of TNK.

# Executive summary

## CY18 outlook

- TNK reiterate the outlook provided as part of its CY17 results release:
  - Projected CY18 Revenue of approximately \$88.5 million
  - Projected CY18 EBITDA of approximately \$14.2 million
  - Projected CY18 NPAT of approximately \$8.1 million
- For more information refer to TNK’s CY17 results presentation released to ASX on 16 February 2018

## Board and management changes

- Paul Gwilym will retire from the board at the 2018 AGM to be held in May and will cease in the role as CFO on 13 April 2018
- Jennifer Saliba will commence as CFO on 16 April 2018
  - Jennifer has extensive experience working in similar roles across the public and private sector, including financial services, property, education (including RTO) and aged care
  - Jennifer holds an MBA and Bachelor of Economics from the University of Sydney and is a member of the Institute of Chartered Accountants
- TNK is in discussion with several board candidates and expects to make appointments by the AGM

## Acquisitions

- TNK contracted to acquire 4 high quality childcare centres
- Total purchase price of \$5.7 million<sup>1</sup>, representing a 4.0x EBITDA multiple
- \$1.4 million projected EBITDA<sup>2</sup> contribution in the first 12 months post acquisition
- Acquisitions to be fully equity funded through approximately \$10.0 million of proceeds raised via an institutional placement

## Capital Raising

- Institutional placement to raise approximately \$10.0 million (the “Capital Raising” or “Offer”)
- Offer price of \$1.99 per share

### Notes:

1. Excluding earn-out which is contingent on performance and payable over time.

2. After payroll tax and excludes any contribution relating to the earn-out.



## Acquisitions overview

# Acquisitions overview

- Contracted to purchase 4 high quality childcare centres
- Total purchase price is \$5.7 million<sup>1</sup>; representing a 4.0x EBITDA multiple after payroll tax
- The acquisitions fully funded via proceeds from the Capital Raising

Data	Acquisition Metrics
12 month projected EBITDA <sup>2</sup>	\$1,419,270
Total purchase price <sup>1</sup>	\$5,677,081
EBITDA multiple	4.0x
Licensed places	386
Average Occupancy	75.5%
Debt funding from existing facilities	Nil
Equity funding	\$5,677,081
Vendors (1 from incubator partner)	3

*Notes:*

1. Excluding earn-out which is contingent on performance and payable over time.

2. After payroll tax and excludes any contribution relating to the earn-out.

# Sources and uses table

- The acquisitions will be funded through approximately \$10.0 million of proceeds raised via the Capital Raising
- Remaining proceeds from the Capital Raising (approximately \$3.9 million) will be used for working capital and balance sheet strengthening purposes

Sources	A\$m	Uses	A\$m
Proceeds from the Capital Raising	10.0	Purchase price <sup>1</sup>	5.7
		Working capital and balance sheet strengthening	3.9
		Offer costs	0.4
<b>Total</b>	<b>10.0</b>	<b>Total</b>	<b>10.0</b>

Notes:

1. Excluding earn-out which is contingent on performance and payable over time.

# Pro Forma Balance Sheet

	Think as at 31-Dec-17 \$ m	Pro forma acquisition and Offer adjustment	Pro forma
<b>Current assets</b>			
Cash at bank	0.45	3.92	4.37
Trade and other	3.03	-	3.03
Other current assets	2.07	-	2.07
<b>Total-current assets</b>	<b>5.55</b>	<b>3.92</b>	<b>9.47</b>
<b>Non-Current assets</b>			
Property plant & equipment	4.68	0.19	4.87
Intangible assets	43.39	6.43	49.82
Deferred tax assets	1.28	0.03	1.31
Other non-current assets	3.65	-	3.65
<b>Total-non-current assets</b>	<b>53.00</b>	<b>6.65</b>	<b>59.65</b>
<b>Total assets</b>	<b>58.55</b>	<b>10.57</b>	<b>69.12</b>
<b>Total-current liabilities</b>			
	<b>9.38</b>	<b>0.97</b>	<b>10.35</b>
<b>Total non-current liabilities</b>			
Debt	23.05	-	23.05
Other non-current liabilities	0.73	-	0.73
<b>Total non-current liabilities</b>	<b>23.78</b>	<b>-</b>	<b>23.78</b>
<b>Total liabilities</b>	<b>33.16</b>	<b>0.97</b>	<b>34.13</b>
<b>NET ASSETS</b>	<b>25.39</b>	<b>9.60</b>	<b>34.99</b>
<b>TOTAL EQUITY</b>	<b>25.39</b>	<b>9.60</b>	<b>34.99</b>

- Property, Plant & Equipment and Employee benefits are provisional
- Equity movement of \$9.6 million represents the funds received from capital raising net of offer costs.



## Capital Raising detail



# Capital Raising details

---

**Offer size** Non-underwritten institutional placement of approximately 5.0 million shares to raise approximately \$10.0 million

**Issued Capital** The shares issued through the Offer will represent approximately 11.8% of TNK's issued share capital prior to the Offer

**Offer Price** \$1.99 per share

**Ranking**

- New shares issued under the Offer which are expected to be allotted on 15 March 2018 will rank equally with existing TNK shares
- Share issued under the Offer will not be entitled to receive the CY2017 final dividend

**Joint Lead Managers** Canaccord Genuity and Wilsons

# Offer timetable<sup>1</sup>

- 
- **Trading Halt (pre-market open)**
  - **Offer opens and bookbuild conducted**
  - **Ex-date for CY2017 final dividend**
- Wednesday, 7 March 2018

- **ASX Announcement of Offer completion**
  - **Trading halt lifted (pre-market open)**
- Friday, 9 March 2018

- **Expected settlement date of new shares issued under the Offer**
- Wednesday, 14 March 2018

- **Expected allotment and quotation of Offer shares**
- Thursday, 15 March 2018

*Notes:*

*1. Dates and times are indicative only and subject to change without notice. TNK reserves the right to alter the dates in this presentation at its discretion and without notice, subject to the ASX Listing Rules and Corporations Act 2001 (Cth). All dates refer to Sydney, Australia time.*



## Additional Information

# Key risks

This section outlines some of the key risks associated with an investment in TNK shares, together with risks relating specifically to the acquisition and participation in the Offer. This is not an exhaustive list of the relevant risks and the risks set out below are not in order of importance.

Additional risks not presently known to TNK, or that are not presently considered by TNK to be material, may also become important factors that adversely affect TNK. If any of the following risks materialise, TNK's business, financial condition and financial performance, and the price of its shares may be adversely affected. Investors should note that the occurrence or consequences of some of the risks described in this section are partially or completely outside of the control of TNK, its directors and senior management.

In deciding whether to participate in the Offer, you should read this presentation in its entirety and carefully consider the risks outlined in this section. You should also read this presentation in conjunction with TNK's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange ("ASX"), which are available at [www.asx.com.au](http://www.asx.com.au) and you should also consider consulting your financial or legal adviser so as to ensure you fully understand the terms of the Offer and the inherent risks.

## Transaction specific risks

Risk	Explanation
<b>Reliance on information provided for due Diligence</b>	<ul style="list-style-type: none"><li data-bbox="353 868 1866 982">▪ TNK has undertaken a due diligence review in respect of acquisitions of 4 centres. Despite taking reasonable efforts, TNK has not been able to verify the accuracy, reliability or completeness of all the information provided against independent data.</li><li data-bbox="353 1039 1866 1229">▪ There is a risk that information provided by the seller (including financial information) was incomplete, inaccurate or unreliable and there is no assurance that the due diligence was conclusive or identified all material issues in relation to the acquisitions. Limited contractual representations and warranties have been obtained from the seller in respect of the adequacy and accuracy of the materials disclosed during the due diligence process.</li></ul>

## Transaction specific risks

Risk	Explanation
<b>Completion risk</b>	<ul style="list-style-type: none"><li>Completion of the acquisition of the 4 centres are conditional on certain matters (including leases or subleases, service and supply agreements and employee retention arrangements and obtaining applicable operational permits) which are considered by TNK to be customary conditions for a transaction of this nature and TNK anticipates that the conditions will be able to be satisfied in the required timeframes.</li><li>There is a risk that any condition may not be able to be satisfied or waived and that completion of the acquisition may be delayed or cancelled if TNK fails to complete, TNK will need to consider alternative uses for the proceeds of the equity raising or options for returning capital. Failure to complete the acquisition may have an adverse impact on TNKs' financial performance, financial position and its share price.</li></ul>
<b>Acquisition accounting</b>	<ul style="list-style-type: none"><li>In accounting for the acquisitions, TNK has performed a preliminary fair value assessment of all of the assets, liabilities and contingent liabilities of the centres to be acquired, which included the identification and valuation of identifiable intangible assets. TNK will undertake a formal fair value assessment of all of the assets, liabilities and contingent liabilities of the centres post-acquisition, which may give rise to a materially different fair value allocation to that used for the purposes of the financial information set out in this Presentation. Such a scenario will result in a reallocation of the fair value of assets and liabilities acquired to or from goodwill and also an increase or decrease in depreciation and amortisation charges in TNK's income statement (and a respective increase or decrease in net profit after tax).</li></ul>

## Risks specific to TNK

Risk	Explanation
<b>Changes in law and government policy</b>	<ul style="list-style-type: none"><li>▪ The childcare industry in Australia is heavily regulated with the National Law and supporting regulations providing a detailed and prescriptive framework for the management and operation of childcare businesses in Australia.</li><li>▪ Any change or addition to the laws, regulation or government policy imposed by the Commonwealth, State and Territory or Local Governments, or changes to their interpretation or enforcement, could affect the operation of the Centres and could impact on the profitability of TNK and demand for its services. Any regulatory or policy change could include, but not be limited to, the level of funding provided by the government and changes that may increase current forecast operating costs. Furthermore, changes to the requirements under the NQF such as staff-to-child ratios and staff qualification requirements may increase expenses incurred by the Company. Other government legislation, including changes to the taxation system, may affect future earnings of and the relative attractiveness of investing in TNK.</li></ul>
<b>Changes to government assistance</b>	<ul style="list-style-type: none"><li>▪ The Commonwealth Government provides substantial assistance to the childcare industry, and users of the childcare industry, through schemes such as the CCB and the CCR. This funding represents a significant proportion of TNK's revenues. These schemes are subject to review at any time by the Commonwealth Government. Any reduction in the funding level (or the proportion of funding allocated to Childcare Centres) or changes to the eligibility criteria of these schemes will have a significantly adverse impact on the operations of TNK.</li></ul>
<b>Increased or new competition</b>	<ul style="list-style-type: none"><li>▪ The market for childcare and early education services in Australia is competitive due to its fragmented nature. TNK will compete with other long day care and outside school hours care providers. Competition is primarily based on the quality of care offered, the location of a Childcare Centre and cost.</li><li>▪ Any increase in competition or deterioration in the competitive position of TNK could have a material adverse impact on TNK's earnings and financial position.</li></ul>

# Key risks

## General risks

Risk	Explanation
<b>General economic condition</b>	<p>Changes in the general economic outlook both in Australia may impact the performance of TNK and its businesses. Such changes may include:</p> <ul style="list-style-type: none"> <li>▪ contractions in the Australian economy or increases in the rate of inflation resulting from domestic or international conditions (including movements in domestic interest rates and reduced economy activity);</li> <li>▪ increases in expenses (including the cost of goods and services used by TNK);</li> <li>▪ increases in unemployment rates; and</li> <li>▪ fluctuations in equity markets in Australia.</li> </ul>
<b>General market and share price risks</b>	<ul style="list-style-type: none"> <li>▪ There are general risks associated with any investment in the share market. The price of TNK shares may increase or decrease due to a number of factors. Those factors include fluctuations in domestic or global financial markets and general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation, the removal or inclusion of TNK's from market indices, and the nature of markets in which TNK operates. These factors may cause the price of TNK shares to trade below the price at which they are offered under the Placement, notwithstanding TNK financial or operating performance.</li> </ul>
<b>Tax / accounting</b>	<ul style="list-style-type: none"> <li>▪ Australian accounting standards and tax laws (including GST and stamp duties), or the way they are interpreted, are subject to change from time to time, which may impact TNK's financial position or Performance.</li> </ul>
<b>Dividends</b>	<ul style="list-style-type: none"> <li>▪ There are a range of factors that determine the payment of dividends on TNKs' shares. These include the profitability of the business, its cash reserves, future capital requirements and obligations under debt facilities. TNKs' Board will determine any future dividend levels based upon the Company's operating results and financial standing at the time. There is no guarantee that any dividend will be paid by TNK, or guarantee that future dividends will equal or exceed previous payments.</li> </ul>
<b>Litigation</b>	<ul style="list-style-type: none"> <li>▪ Legal proceedings and claims may arise from time to time in the ordinary course of TNKs' business and may result in high legal costs, adverse monetary judgments and/or damage to TNKs' reputation which could have an adverse impact on TNKs' financial position and financial performance and the price of its shares.</li> </ul>

# Foreign selling/Offer jurisdictions

## International Offer Restrictions

This document does not constitute an offer of new ordinary shares ("New Shares") of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

### Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

### Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.



# Foreign selling/Offer jurisdictions

## New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act"). The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

## United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares.

This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and the New Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

# Contact Details



**THINK Childcare Limited**

Suite 3, 1 Park Avenue  
DRUMMOYNE NSW 2047  
(02) 9712 7444

[www.thinkchildcare.com.au](http://www.thinkchildcare.com.au)

**Mathew Edwards**

MD / CEO

[mathewe@thinkchildcare.com.au](mailto:mathewe@thinkchildcare.com.au)

**Paul Gwilym**

CFO / Director

[paulg@thinkchildcare.com.au](mailto:paulg@thinkchildcare.com.au)