Market Office Announcement

ASX Limited

Date: 9 November 2018

THINK CHILDCARE LIMITED ("TNK") ACQUIRES 5 CHILDCARE CENTRES AND REDUCES YEAR ON YEAR OCCUPANCY GAP TO 0.5%

- TNK has contracted to acquire five high quality childcare centres
- Total purchase price of $7.7 million
- $1.9 million projected EBITDA contribution in the CY2019 period
- TNK reiterate the outlook provided as part of its H1 CY2018 results

ACQUISITIONS

TNK is pleased to announce that it has agreed to purchase five high quality childcare centres from its incubator partners, at a multiple of 4.0x EBITDA after payroll tax.

The acquisitions will be fully funded by its debt facility. A summary of the acquisitions and their impact on TNK's performance is outlined in the following presentation dated 9th November 2018.

OPERATIONAL UPDATE

We have experienced significant improvement in key performance metrics between Q3 and Q2. With the Child Care Subsidy transition completed 96% of TNK's families are benefiting from the subsidy, which should translate into an increased usage in CY2019.

Our marketing campaigns have resulted in an increase in occupancy (days sold) with our base 38 centres now only 0.5% down on the same time last year. As a result of these successes we have elected to spend a further $350K in the November to February marketing campaign.

Whilst we will incur the cost in CY2018 it will assist us to maximise enrolments at the start of CY2019.

Impact of new supply has been factored into our forecast and targeted response strategies are proving to be effective.

Mathew Edwards
Managing Director and Chief Executive Officer
Enquiries: 02 9712 7444

End.

Nido Early School Altona Meadows, Melbourne

THINK Childcare Limited

TNK Q3 2018 Market Update

9th November, 2018

Contents

01 Highlights

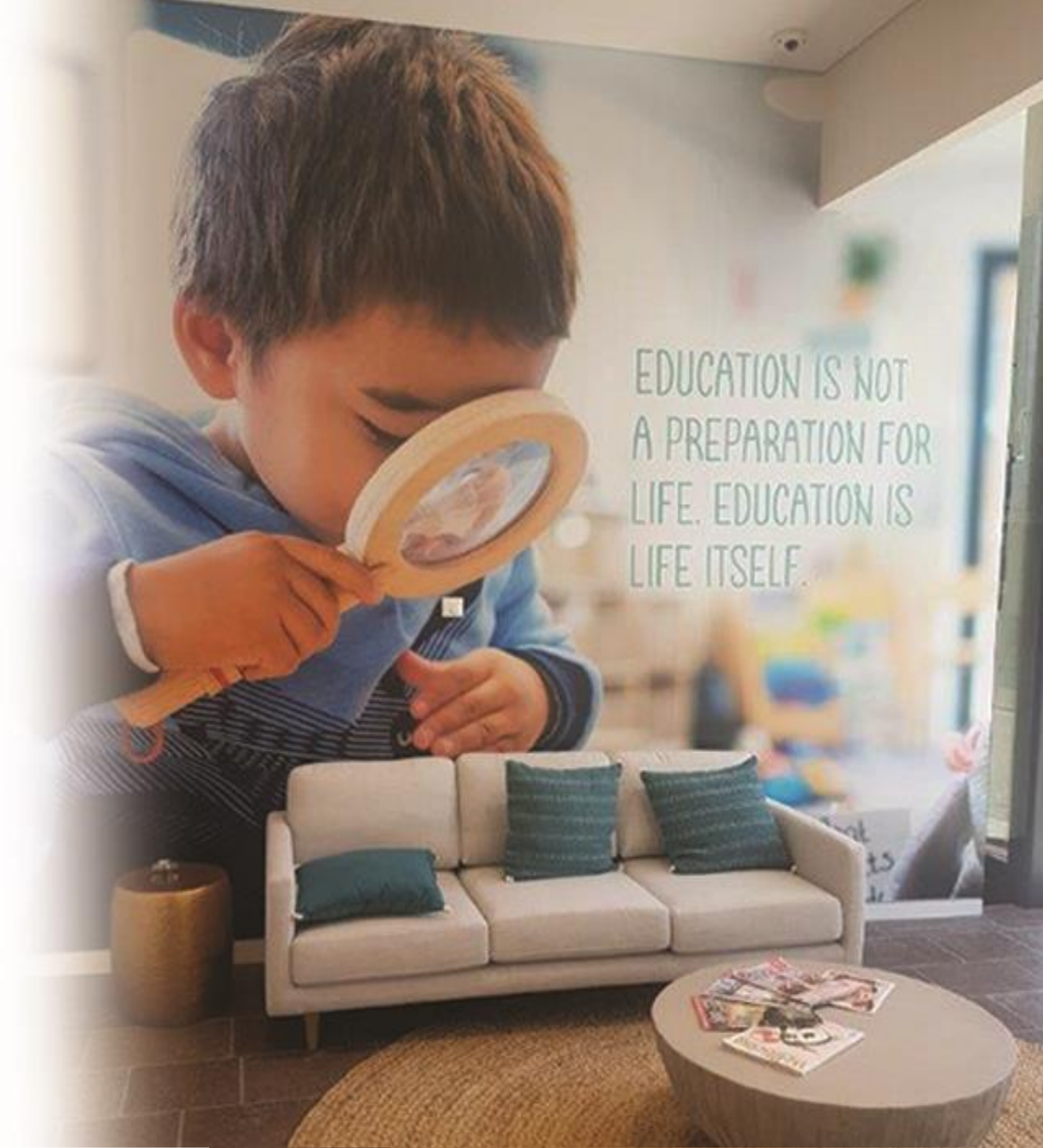
02 Acquisitions

03 Operations

04 Supply-Demand

05 CY18 Outlook

06 Corporate Details



01 Highlights

Nido Early School Carlisle, Perth

Highlights and Strategy

Green shoots in Q3, benefits expected to continue into CY19

- Five incubator centres contracted with target settlement date in November and total price of $7.7m
- Significant improvement in key performance metrics between Q3 and Q2
- Childcare Subsidy transition completed with 96% of families benefiting from the subsidy confirmed
- Marketing campaigns show early signs of delivering organic growth strategy with increase of 5 Days enrolled from 9% to 10%, increase of 160 days sold per week
- Nido premium brand national roll-out well underway – moving away from street address branding and decentralised marketing towards a national brand and customer engagement strategy
- Impact of new supply factored into outlook and targeted response strategies are proving to be effective

THINK Childcare Limited

Business Highlights

Closing the gap on occupancy through proactive marketing initiatives, delivering on capital and investment programs

Days Sold (38 Base Centres)

- Our core centres have continued to strengthen number of days sold throughout Q3, closing the gap to -0.5% week-on-week, refer slide 10

Operational investment

- Interactive marketing and educational resources campaign translating into positive occupancy outcomes
- Key executive positions now in place across all functions, including the appointment of Chief Financial Officer, General Manager of Business, National Service Delivery Manager, Commercial Manager, and Financial Controller, Transformation
- Investment in Nido Early School brand awareness across QLD, NSW, VIC and SA

Capital programs

- 2018 centre investment program nearing completion
- 70% of 2018 funding has been targeted towards 14 underperforming centres

Acquisition & incubator pipeline

- Incubator strategy delivering 9 acquisitions in CY2018, with a strong pipeline into CY2019.
- Thirteen centre acquisitions on prior comparison period (pcp)
- Greenfield developments are purpose-built Nido Early School centres

02 Acquisitions

Nido Early School Woolloongabba, Brisbane

Five acquisitions expected to settle in November

Increasing number of owned centres by 10% in Nov 2018 to 55, acquired from incubator partners with majority purpose-built Nido Early Schools

50 Centres pre-acquisition

+

05 Centres acquired November 2018

55 Total centres

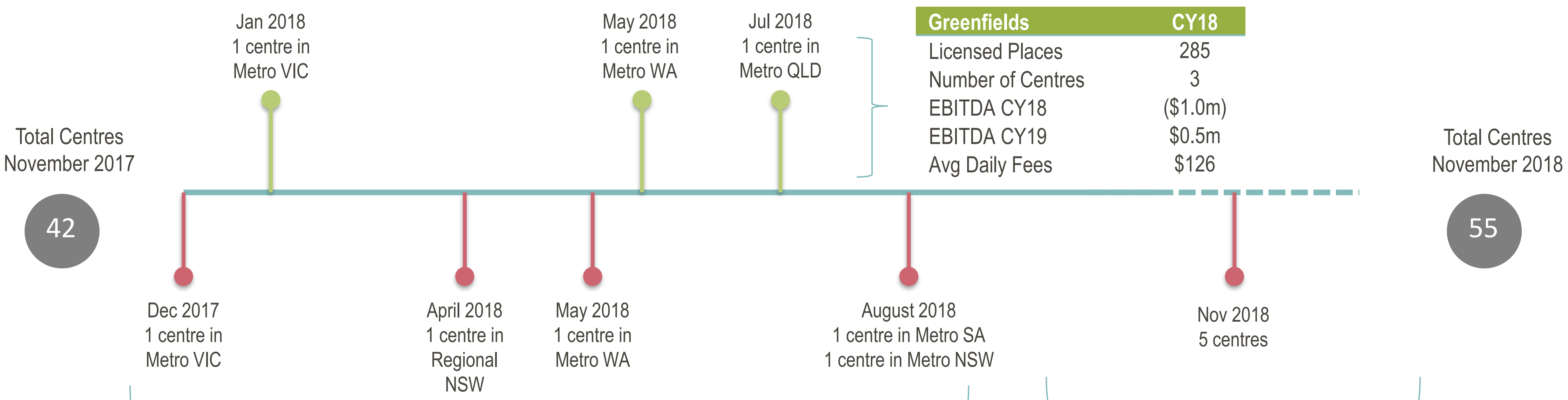
November 2018 Acquisition

Key Statistics	
Licensed Places	532
Number of Centres	5
EBITDA CY18	$Nil
EBITDA CY19	$1.9m
Avg Daily Fees	$115
Purchase Price	$7.7m
Funding Source	Debt

THINK Childcare Limited

Acquisitions improve quality of CY19 earnings

Organic growth strategy delivers 13 centres pcp (9 incubator, 3 greenfield and 1 off-market)



Greenfields	CY18
Licensed Places	285
Number of Centres	3
EBITDA CY18	($1.0m)
EBITDA CY19	$0.5m
Avg Daily Fees	$126

Acquisitions**	Q1-Q3
Licensed Places	542
Number of Centres	5
EBITDA CY19	$2.3 m
Avg Daily Fees	$110

Acquisitions	Q4
Licensed Places	532
Number of Centres	5
EBITDA CY19	$1.9m
Avg Daily Fees	$115

Acquisition Greenfield

**Acquisitions trading above base centre average

03 Operations

Nido Early School QV1, Perth

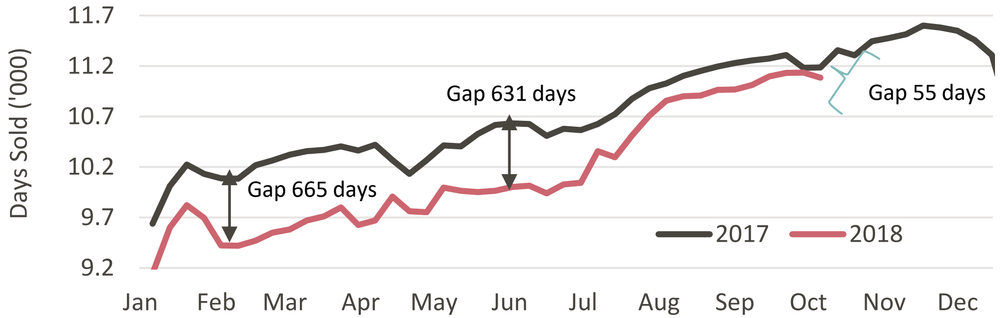
THINK Childcare Limited

Base Centre Performance

Revenue ahead of prior year, gap in days sold closing

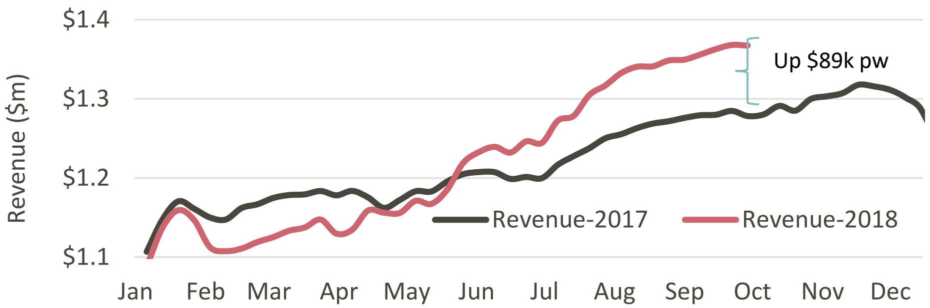
Days sold: week-on-week

Base centre occupancy closed 2017 gap to -0.5% week-on-week. We anticipate closing this gap fully by Dec 2018



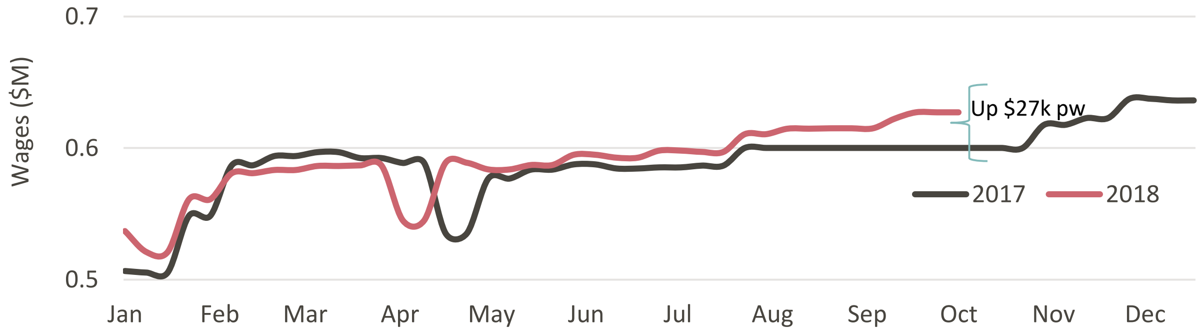
Revenue: week-on-week

September/October are up year on year with last week in October being $89k ahead of same time last year



Wages: week-on-week

Marginal increase in wages which is expected in line with revenue growth



THINK Childcare Limited

September YTD Operational Update

Improvement in key performance metrics in Q3 vs H1. Increase in days enrolled, Greenfield trade-up behind expectation.

Key Performance Metrics	H1-2018	Q3-2018	Percentage Points
CNT EBITDA Margin	11.5%	17.4%	5.9
Group EBITDA Margin	6.8%	11.5%	4.7
Labour / Revenue	64.3%	59.3%	5.0
Occupancy / Revenue	16.3%	14.8%	1.5
Consumables / Revenue	3.0%	2.7%	0.2
Corporate OH / Revenue	3.7%	3.3%	0.3
CNT leave and entitlements / base labour cost	27.9%	27.7%	0.2
Fee/day/child (avg.)	$104.6	$116.3	$11.7

2H18 Objectives Tracking

NOT ACHIEVED Greenfield centres achieve breakeven	ACHIEVED Complete $4m capital improvement program
ACHIEVED Stabilise centre performance and reinvigorate enrolments	ACHIEVED Deploy integrated online training platform to 2,200 educators nationally

- Q3 2018 performance metrics favourable due to higher fees and increase in days sold
- Labour to revenue percentage tracking in line with Outlook
- 2H18 objectives are tracking well with the exception of greenfield centres which are trading up at a slower rate than expected

THINK Childcare Limited

Greenfield Centres, three new purpose built Nido centres opened in CY18

Trade-up expectations revised, with breakeven in Q1 2019

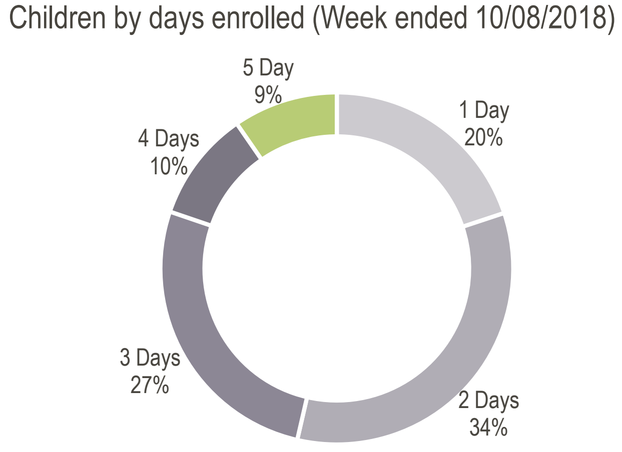
	Current Utilisation	Break even Utilisation
Greenfield – VIC	49%	55%
Greenfield – WA	43%	57%
Greenfield – QLD	32%	55%

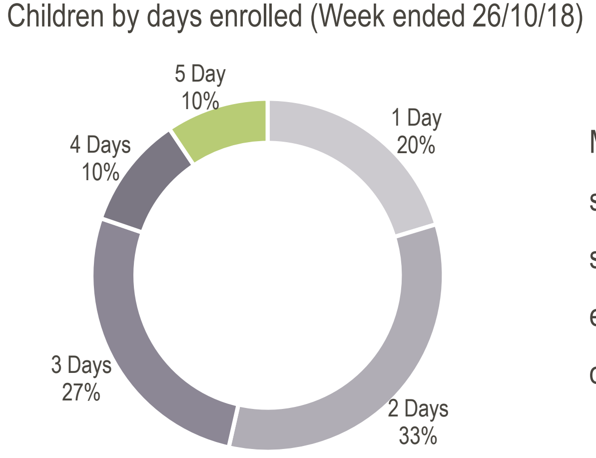
- Revised CY18 forecast earnings ($1.0m)
- CY19 forecast earnings $0.5m
- Medium to long-term strategy

THINK Childcare Limited

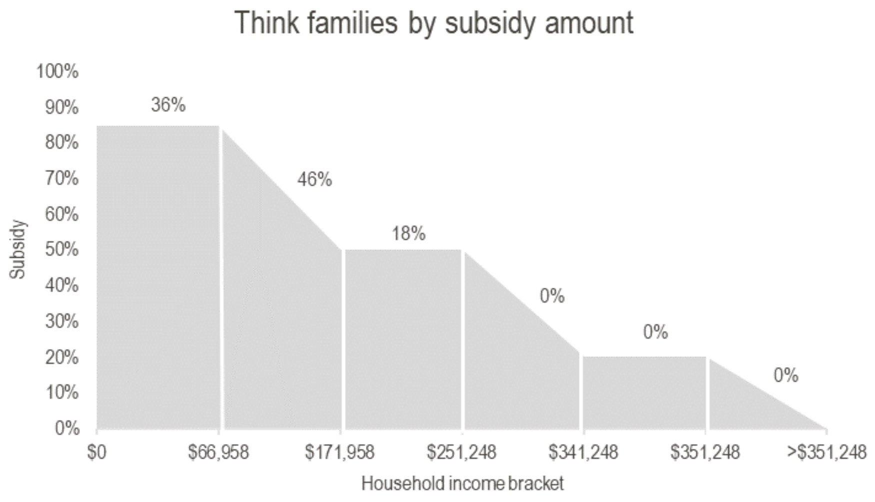
September YTD Operational Update

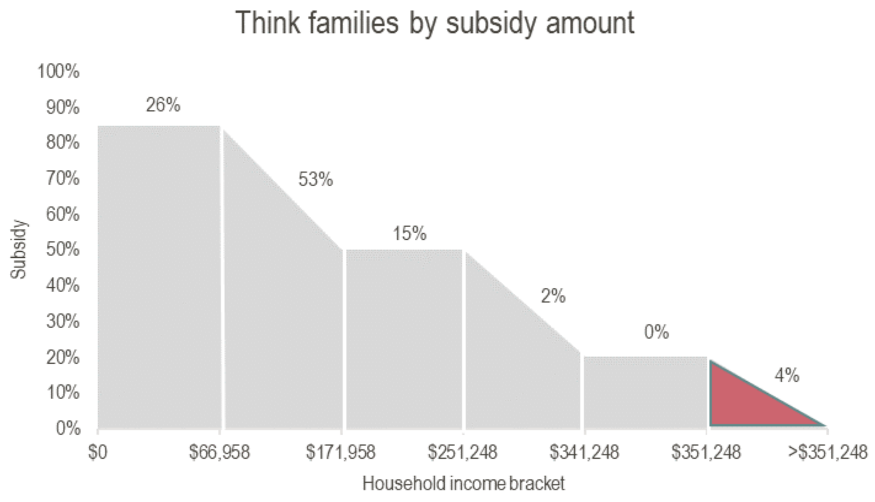
Childcare Subsidy transition completed with 96% of families benefiting from the subsidy confirmed





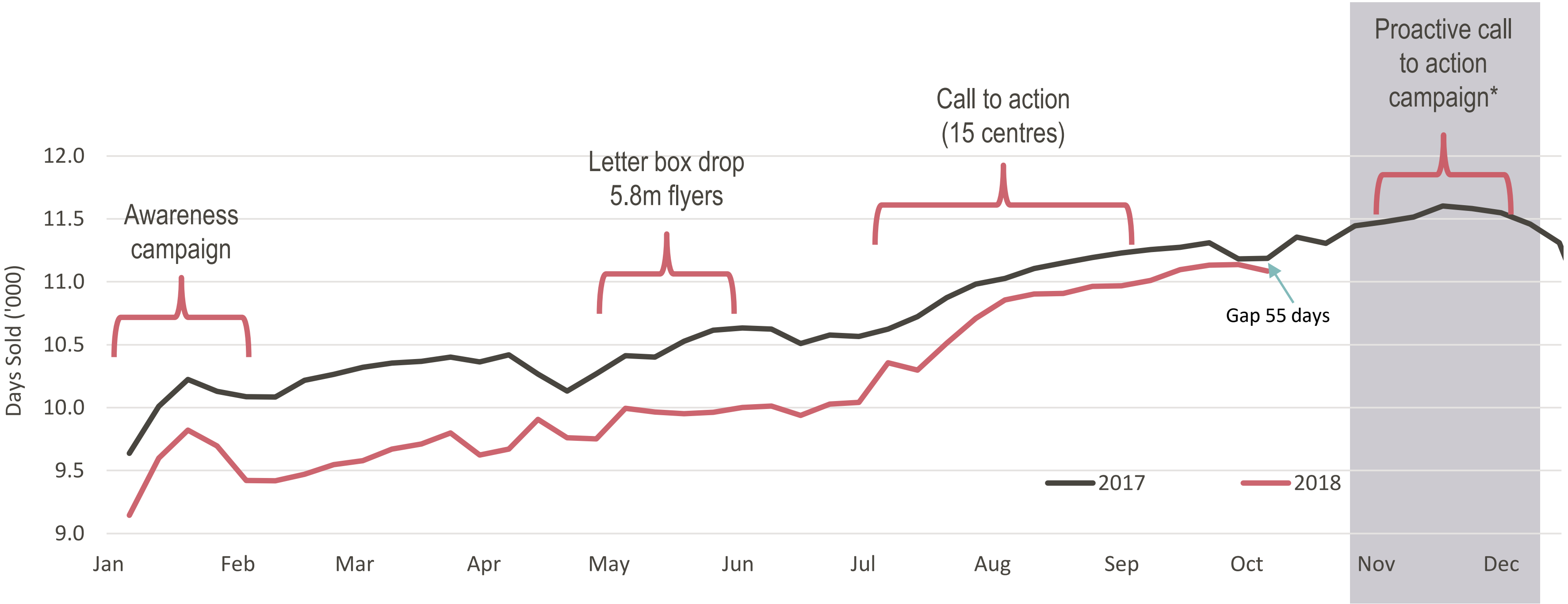
Marketing campaigns show early signs of delivering organic growth strategy with increase of 5 Days enrolled from 9% to 10%, increase of 160 days sold per week





Marketing Update

Successful campaigns carried out in oversupplied areas resulting in incremental new enrolments Year On Year



- *Based on the results of campaigns so far in 2018, we have decided to invest an extra $350k in additional campaigns in Q4 2018 which will help boost enrolments in Q1 2019.
- Whilst the 2H campaigns have been successful, the full quantum in terms of revenue uplift will only be realised from Q1 2019 onward

THINK Childcare Limited

04 Supply – Demand

Nido Early School Carlisle, Perth

Supply – Demand *“our house view”*

Acquisition strategy targeting undersupplied markets

Supply-Demand Analysis	No. of Centres	Child to Place ratio <2.5	Child to Place ratio >2.5
November 2017	42	13	29
Acquistions	13	1	12
November 2018	55	14	41
CY19 incubator pipeline	6-10	0	6
November 2017 % of portfolio		31%	69%
November 2019 % of portfolio		25%	75%
Change		↓	↑

› Active management of acquisition strategy and market supply demographics to ensure future earnings are protected

THINK
Childcare Limited

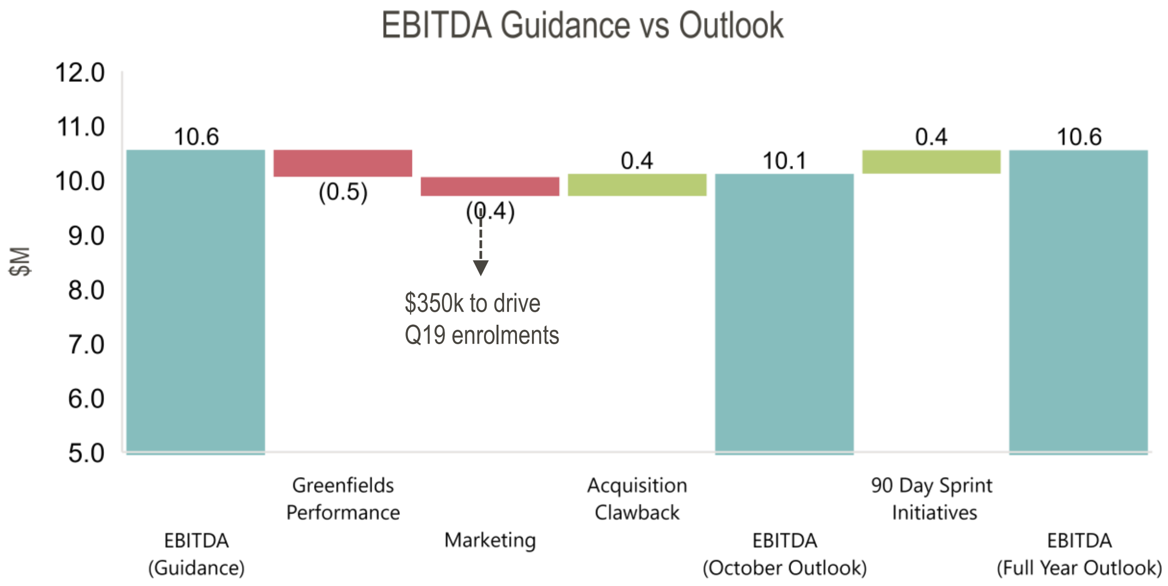
05 CY18 Outlook

THINK Childcare Limited

Nido Early School Woolloongabba, Brisbane

CY18 Outlook

Performance improvement initiatives to drive enrolments and achieve outlook for 2018



- Full Year EBITDA Outlook of 10.6m includes the impact of:
  - Greenfield centres trade-up tracking behind expectations
  - Additional marketing campaign to drive CY19 enrolments
  - Acquisition clawback and
  - Management 90 day sprint initiatives
- Full Year NPAT Outlook remains between 4.75m and 5.25m with EPS forecast between 10c and 11c as provided in August guidance
- Current dividend policy is to pay annual dividends of up to 65% of NPAT. The dividend is subject to board approval and if approved is paid in March.

THINK Childcare Limited

06 Corporate Details

THINK Childcare Limited

Nido Early School Carlisle, Perth

Corporate Details

Contact

Think Childcare Limited (TNK)
Suite 3, 1 Park Avenue
DRUMMOYNE NSW 2047
(02) 9712 7444
www.thinkchildcare.com.au

Mathew Edwards
Managing Director / Chief Executive Officer
mathewe@thinkchildcare.com.au

Jenny Saliba
Chief Financial Officer
jenny.saliba@thinkchildcare.com.au

Nido Early School Website
nidoearlyschool.com.au

THINK Childcare Limited

Important information and disclaimer

This presentation is for personal use only. It contains general information in summary form which is current as at 9th November 2018. This presentation is not a recommendation or advice in relation to Think Childcare Limited ("TNK").

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'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 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.

THINK
Childcare Limited