THINK Childcare Limited

PROPOSED RESTRUCTURE – ADDITIONAL INFORMATION

14 AUGUST 2019

Nido Early School QV1

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THINK

1 STRATEGY

STRATEGIC OBJECTIVES – WHY?

Think Childcare Limited (**TNK**), by increasing the internal development of greenfield child care services through Think Childcare Development Limited (**TND**), seeks to:

- Reduce reliance on and complement third party incubator strategy
- Enhance involvement in negotiating favourable terms with landlords and developers[1]
- Respond to market opportunities presented by non-incubator developers
- Create separation between child care service operations and greenfield developments
- Facilitate access to project finance for future pipeline[2]
- Retain the benefit of development profits within the Stapled Group[3] for reinvestment in the future pipeline
- Recognise the value of a new purpose-built Nido service at acquisition price on TNK balance sheet[4]

1. Market evidence suggests that developers are now seeking greater security when dealing with third party incubators (e.g. increase in bank guarantees from 6 to 12-months, demand for strong tenant covenants)
2. Preliminary discussions with debt advisor support competitive financing by way of project finance. Proposed initial debt funding via existing Macquarie Bank Limited facility with an expectation that over-time, TND would access project finance for future developments
3. The Stapled Group comprises TNK and TND. For statutory reporting purposes TNK and TND will form a consolidated group, consequentially goodwill and other transactions between TNK and TND are eliminated on consolidation
4. TNK excluding TND

STAPLED STRUCTURE – HOW?

TNK today announced its intention to pursue a new incubator strategy through a stapled security structure

A staple structure is an arrangement where two or more entities that are commonly owned are bound together, such that they cannot be traded separately[1]

- A newly incorporated entity, TND, is proposed to act as the developer and incubator of greenfield opportunities on behalf of TNK
- TND and TNK would form a new stapled entity (together, the **Stapled Group**). This would involve the issue of shares in TND to existing shareholders of TNK[2] for implementation of the Stapled Group
- A dividend or capital return (or combination) of $6 million would be paid by TNK to TNK shareholders which would be immediately applied by TNK shareholders as consideration for the issue of shares[2] in TND
- Under a scheme of arrangement of TNK shareholders (**Scheme**), shares in TND would be stapled to shares in TNK on a one to one basis (**Stapled Shares**)[3] which will restrict the transfer of shares in TNK unless there is a transfer of a like number of shares in TND to the same transferee
- The Stapled Group will be list on the ASX and the Stapled Shares will trade together as a single security
- TND would be governed by a Board comprising, a majority of independent directors (that would include common TNK directors) with a dedicated and experienced management team to oversee the governance, financial stewardship and operations of the TND business

1. Staple structures have been used in Australia by the property sector since the 1980s
2. Fully paid ordinary shares as at the record date
3. A new constitution will need to be adopted by TNK to permit stapling (and identical stapling provisions are included in TND's constitution)

STAPLED STRUCTURE – WHY?

Drive commercial benefits

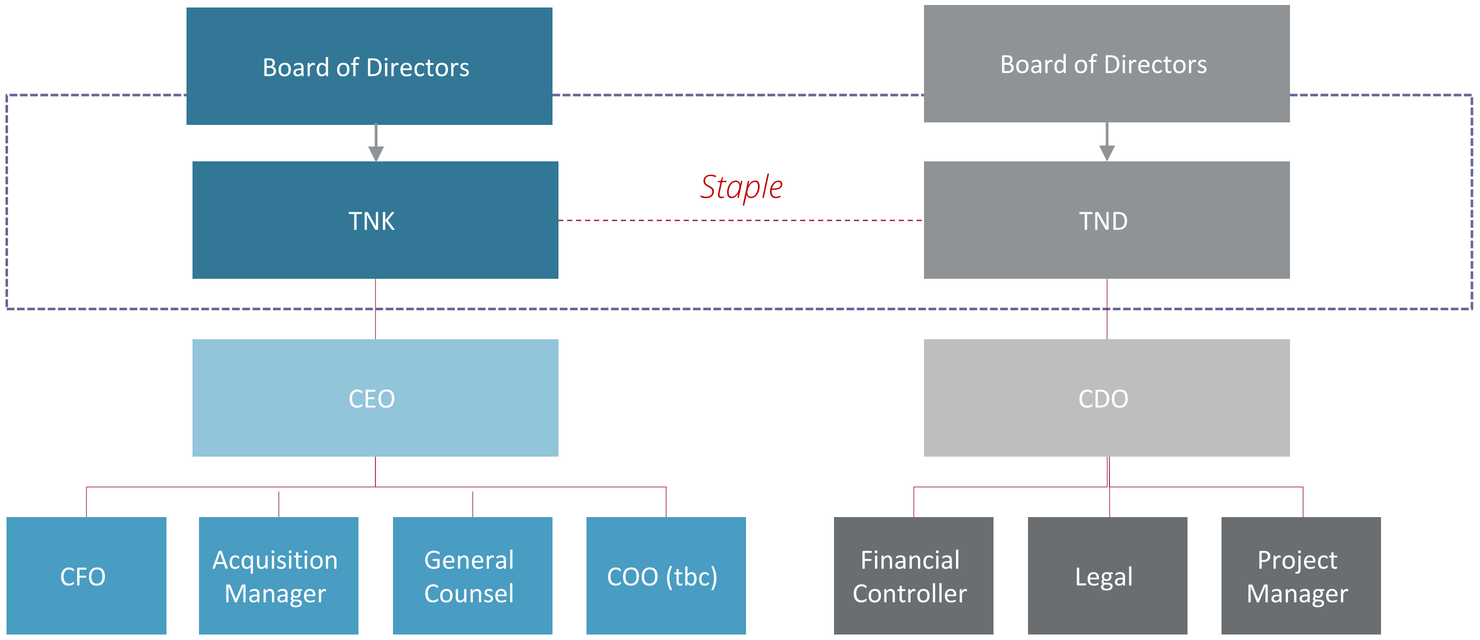
- Quarantine development and trade-up risk in TND and consequentially outside of TNK
- TNK is expected to benefit from the competitive financial terms and features offered by Macquarie Bank Limited (MBL) under the existing Syndicated Facility Agreement, which are appropriate for an operator of child care services (as distinct from a developer or incubator)
- Subsequent to the delivery of the initial TND pipeline, TND is expected to have flexibility to seek project finance for future growth without requiring MBL consent and is expected not to be reliant on TNK[1]
- TND is expected to, via the stapled structure, have direct access to equity[2] in proportion to equity value from time to time
- The intention is to provide shareholders transparency of earnings from operations and development activities as TNK and TND are expected to constitute different cash generating units (CGU) and reported separately (and as a consolidated group for statutory accounts)
- TNK, on a stand-alone basis, expects to recognise acquisitions from TND at 4 times EBITDA and thereby, benefit from an uplift of the goodwill value when determining key financial metrics (under the MBL facility)
- TND is expected to sell traded-up services to TNK at 4 times EBITDA and thereby, benefit from the ability to recycle development profits by way of investment in its future pipeline

1. TND gearing target set by the Board would be 50-60%
2. In proportion to the TNK and TND relative issued capital circa 10% (which may change over-time)

GOVERNANCE, MANAGEMENT AND SYNERGIES

An independent governance, management and capital structure is a key objective for the new incubator strategy

- A key element of TNK's incubator strategy is the creation of an appropriate governance and capital management structure as between TND (as the proposed development entity) and TNK (as the operator and manager of the child care services)
- TNK and TND will have separate Boards, with TND having a majority of independent directors that will include members of the TNK Board and TND will have an independent management team
- Synergies will be created through the association between TND and TNK and leveraging TNK's existing governance and operational infrastructure
- A Management Services and Administration Deed will govern the provision of services by TNK to TND



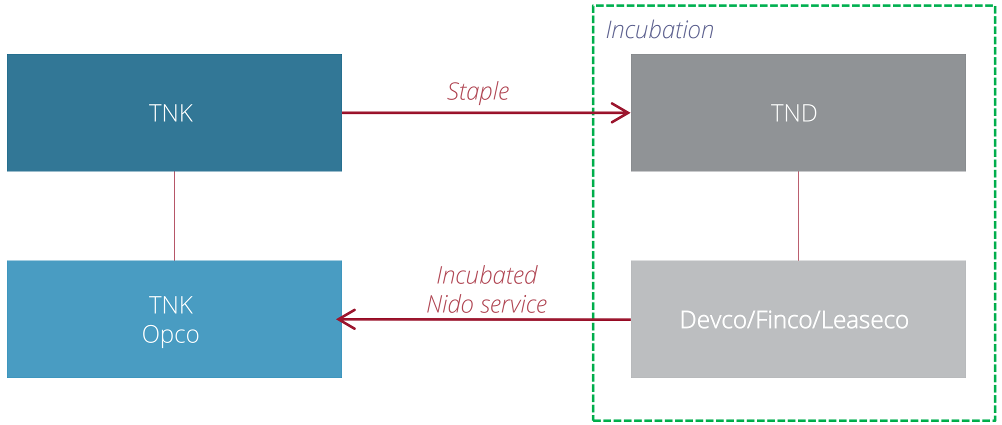
2 PROPOSED TRANSACTION

PROPOSED TRANSACTION STRUCTURE

The proposed structure segregates existing child care operations from development and trade-up risk

Under the structure:

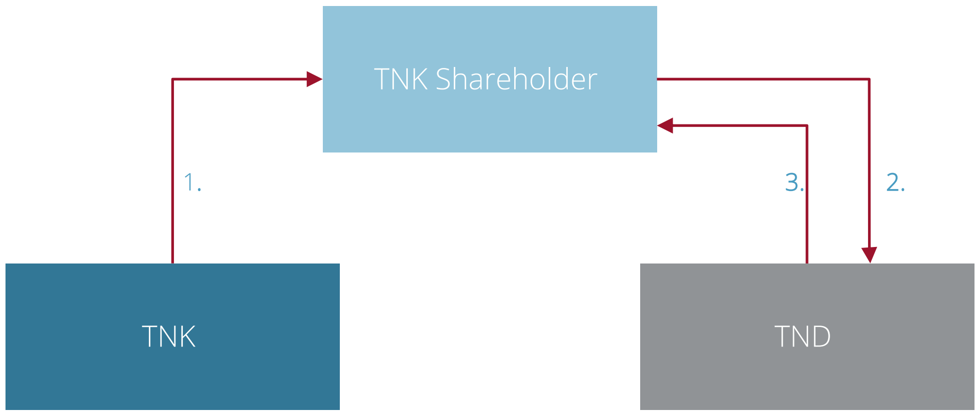
- TNK and TND are stapled or bound together
- TNK continues to focus on operating mature child care services
- TND undertakes development and incubation of greenfield child care sites and trade-up opportunities under TNK's Nido brand and assumes the risk of trade-up until key commercial metrics are achieved at which time it sells the services to TNK
- TNK acquires the new purpose-built or trade-up Nido services at 4 times EBITDA
- TND development profits (if any) are retained within TND and reinvested in its future pipeline
- TND holds the new service development and trade-up risk, over-time has separate project financing from TNK and is reported as a CGU in TNK financial statements
- TND initially funded by a dividend or capital contribution paid by TNK to TNK shareholders, which is immediately paid to TND on behalf of TNK shareholders in consideration for the issue of shares[1] in TND to TNK shareholders
- Dividends would be determined and paid separately by TNK and TND to stapled security holders as profits accrue, to the extent they are available and not retained as capital



1. Fully paid ordinary shares as at the record date

ESTABLISHMENT OF THE STAPLED STRUCTURE

TNK dividend (or capital) is paid on behalf of TNK shareholders to TND in consideration for the issue to TNK shareholders of new shares[4] in TND which are then stapled to TNK shares



Legend

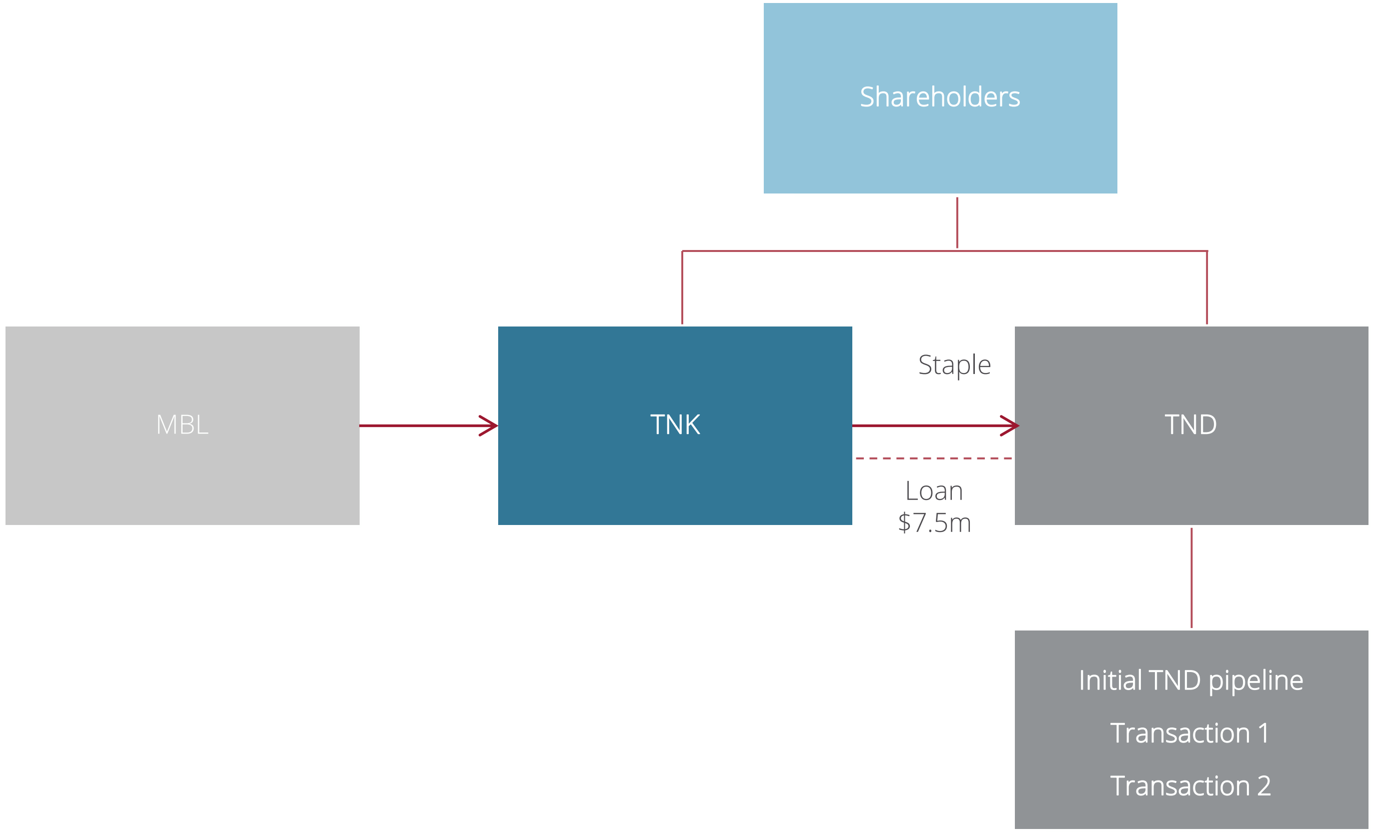
1. Dividend or capital return (or a combination) paid to TNK shareholders is expected to be 10 cents per share
2. TND is capitalised on behalf of TNK shareholders at an equivalent value per share, ie. 10 cents per share
3. 10 cents per share is applied by TNK on behalf of TNK shareholders to apply for new TND shares equal to the number of shares each shareholder has in TNK
4. Shares are ordinary fully paid up shares

The process to establish the stapled structure is:

- TNK shareholder approval of the stapling transaction by way of a Scheme of Arrangement, any capital return and an amendment to TNK's constitution
- TNK dividend (or capital return) is paid by TNK and applied on behalf of TNK shareholders to subscribe for the issue of new shares in TND
- Apart from the dividend (or capital return), TNK shareholders are not required to contribute additional equity to capitalise TND
- TNK:TND issued share capital on creation of the stapled structure is intended to be 90:10
- This ratio may change over-time. Future capital raisings will be allocated to the relevant ratio at the time of the raise
- Issued shares in TNK and TND will be stapled and will trade as a single security on the ASX

FUNDING OF INITIAL TND PIPELINE

Following the implementation of the Scheme, funding of the development and trade-up of the initial TND pipeline is by way of draw-down under the MBL facility



- MBL consent has been obtained to enable TNK to draw-down under the MBL facility to lend funds to TND to develop and trade-up the initial TND pipeline. This is expected to be achieved whilst remaining within banking covenants
- Security and serviceability under the MBL facility is limited to TNK and not reliant on TND
- Preliminary discussions with debt advisor indicate TND should be able to access project finance to fund its future pipeline (along with TND retaining development profits and equity)
- A summary of the initial capital structure is detailed opposite.

PROPOSED INITIAL TND PIPELINE

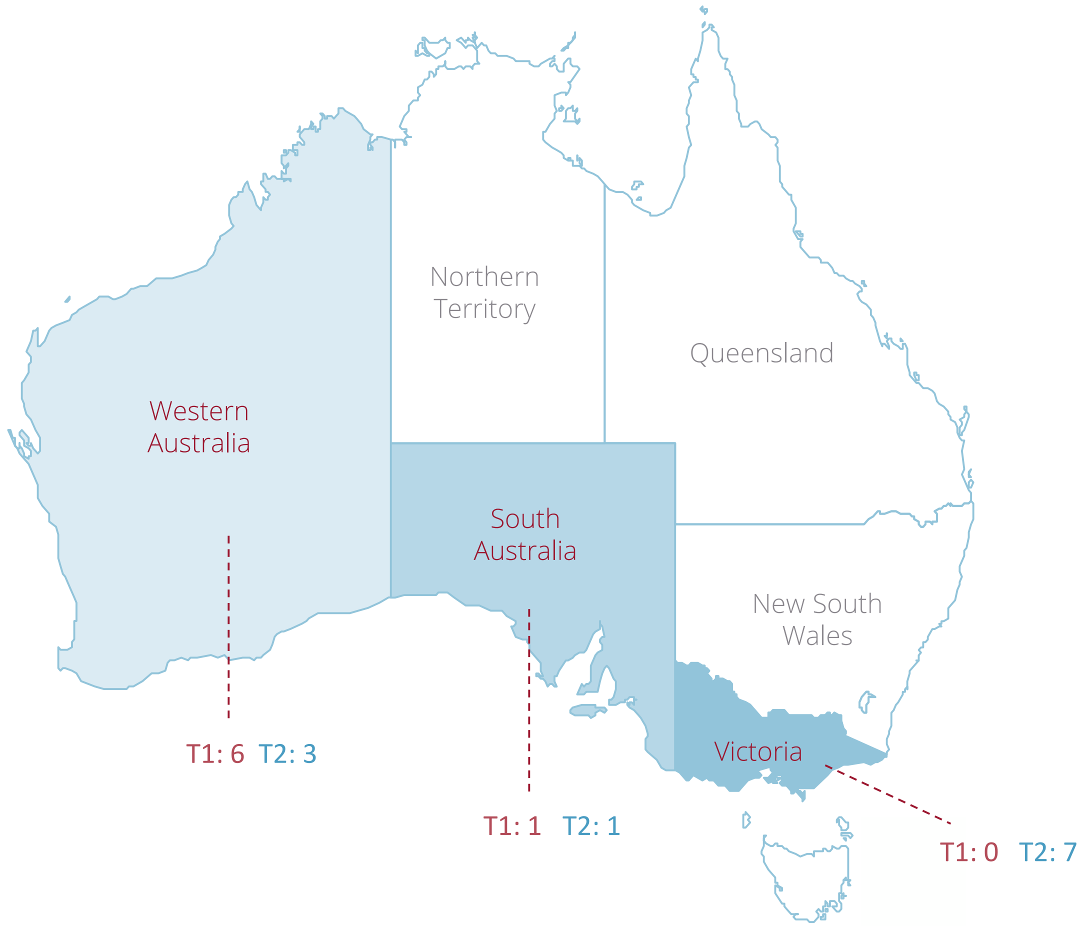
If successfully completed will add 18 purpose-built Nido services to the TNK portfolio

Transaction 1 Related Party subject to shareholder approval	〉 TNK has undertaken due diligence on the purchase of seven child care services from entities associated with Mathew Edwards, the Chief Executive Officer and through controlled entities a 25% shareholder in TNK 〉 Consideration of approximately $5 million, payable by the issue of new Stapled Shares to Mathew Edwards (or his associated ultimate holding entity of the companies) 〉 A related party of TNK that will require shareholder approval under the ASX Listing Rules 〉 TND would acquire all the shares in entities[1] associated with Mathew Edwards that hold the leases to seven greenfield child care services. Consent would be required to be obtained from the landlords of each child care services in relation to the change of control 〉 The immediacy of the services proposed to be purchased, with several soon to open, is what makes the acquisition compelling for TNK/TND 〉 A critical factor in the success of TND, it removes the typical long lead-time in finding greenfield child care services and going through the development and construction process to commencement of trade (2-3 years) 〉 Transaction 1 comprises five child care services under construction and two services with development approval imminent
Transaction 2 Third Party non-binding heads of agreement	〉 A series of proposed individual greenfield transactions with third parties. It is proposed that Transaction 2 will be undertaken in conjunction with the Scheme and the creation of the stapled structure, which will require certain approvals, orders and relief from regulatory authorities 〉 If the proposed transactions proceed as planned, the future pipeline for TND and ultimately TNK is expected to be enhanced 〉 Transaction 2 comprises three services under construction, four achieved development approval and four development approval imminent 〉 Geographical diversified portfolio with seven services in Victoria, three in Western Australia and one in South Australia

1. A whitewash procedure will be undertaken as part of the transaction
2. Transaction 1 and Transaction 2 are independent of each other
3. Proposed Transaction 2 comprises non-binding heads of agreement with third parties

INITIAL TND PIPELINE

Exciting opportunities with initial TND pipeline



	DA	Development	Trade up
Transaction 1			
Transaction 2			

Services	Lic Places	2H19	1H20	2H20	1H21	2H21
2	155					
2	169					
3	256					
4	300					
4	349					
2	184					
1	88					
18	1,501					

	Services	Places	Child / Place	Highest fee	TNK fees	Stars
Transaction 1	7	580	5.9	$ 132	$ 134	4.6
Transaction 2	11	921	3.8	$ 133	$ 130	4.2
	18	1,501	4.6	$ 132	$ 132	4.3

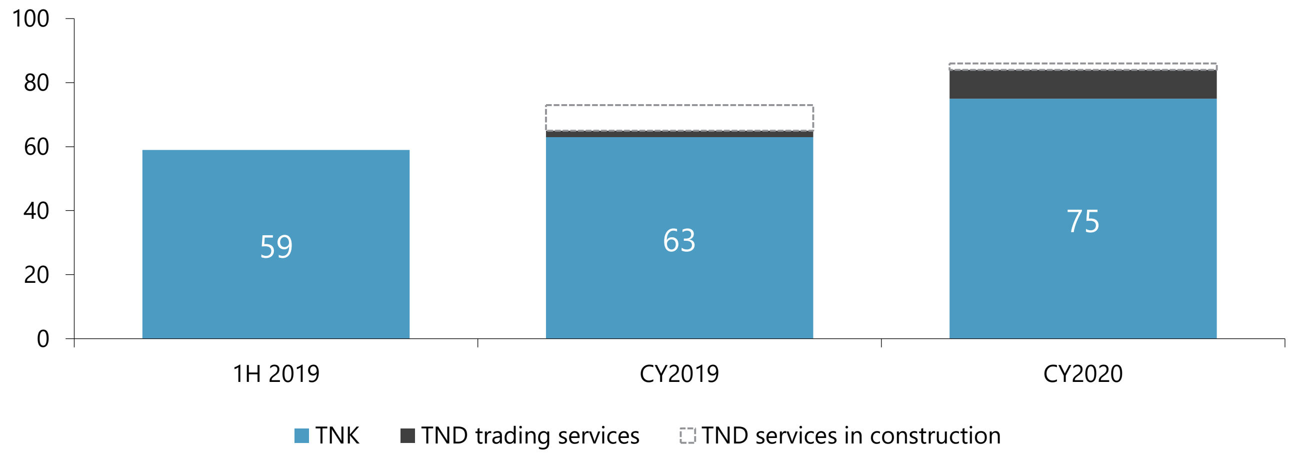
	Services	Places	Child / Place	Highest fee	TNK fees	Stars
Western Australia	9	743	5.4	$ 128	$ 132	4.6
South Australia	2	165	6.7	$ 117	$ 120	4.3
Victoria	7	593	3.0	$ 142	$ 135	4.0
	18	1,501	4.6	$ 132	$ 132	4.3

3 FINANCIAL PERFORMANCE AND FUNDING

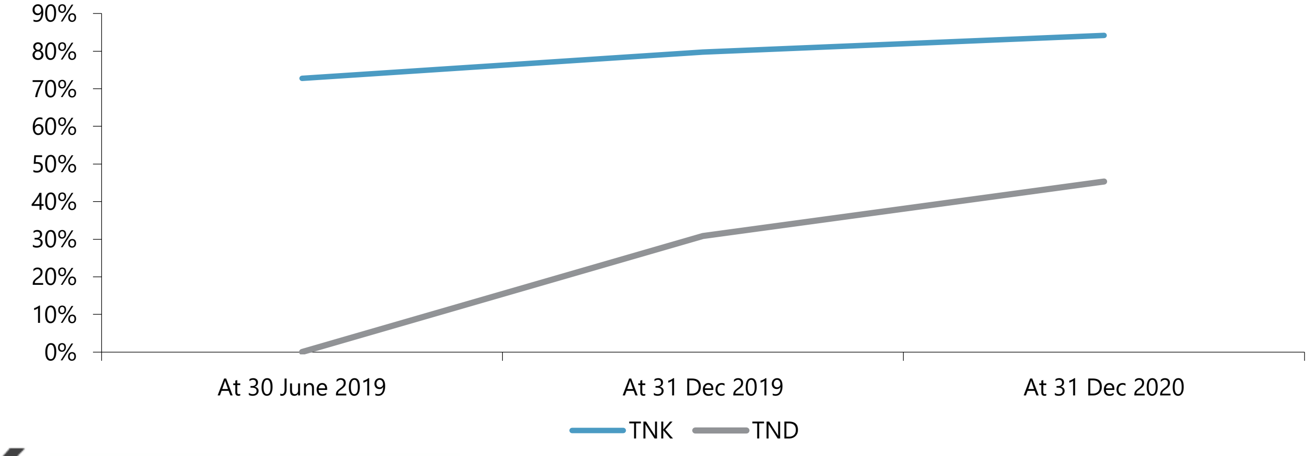
OPERATIONS - SERVICES AND UTILISATION

TNK expects to add 16 services over the c. 18-month period to CY20 with occupancy increasing as acquired services mature

Number of services



Average occupancy



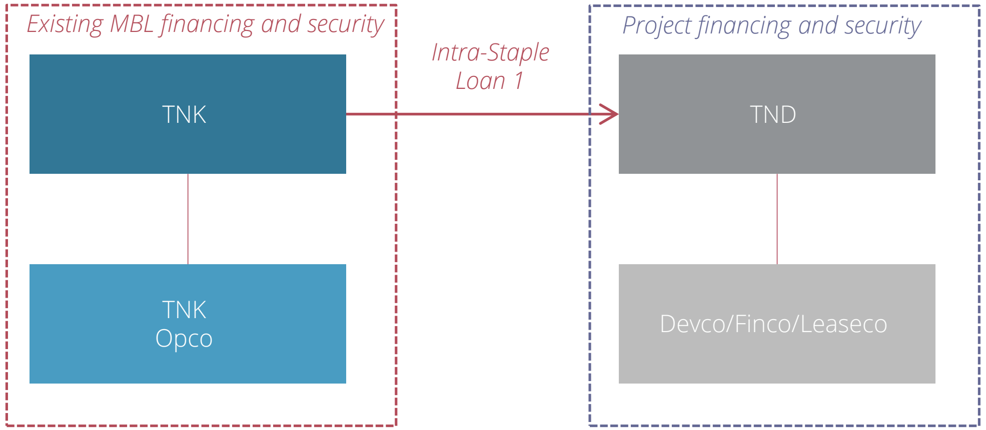
- The TNK portfolio comprises 59 trading services (as at 1H19, excluding managed) with an additional 16 services expected to be acquired over the next 18 months.
- The growth is sourced from TND and other incubators.
  - TND: 4 services
  - TNK Greenfield: 2 services
  - Incubators: 10 services
- Edhod remains in receivership, the outcome of which is currently uncertain. The CY19/CY20 forecast assumes TNK acquires Edhod services in the ordinary course.

DEBT FINANCING CONSIDERATIONS

The stapled structure would have flexibility to access project financing[2] outside the existing facility with MBL given its clear structural separation for TNK

- Debt financing is a key component to funding the new incubator strategy and delivering an appropriate cost of capital
- MBL facility limits TNK greenfield development to 2 – 4 sites per year and specific consents have been obtained to fund the initial TND pipeline
- Stapled structure would permit TND to procure its own independent project level finance that is structurally separated from TNK
- Recourse under TND's new project finance, post the initial TND funding for the initial TND pipeline, is expected to be limited to TND's development and trade-up assets (see opposite)
- Project finance of TND future pipeline would be subject to TND remaining within prescribed gearing limits and the execution of the initial (Transaction 1 and 2) pipeline by way of sale of traded-up services to TNK

Stapled Structure – indicative financing and security

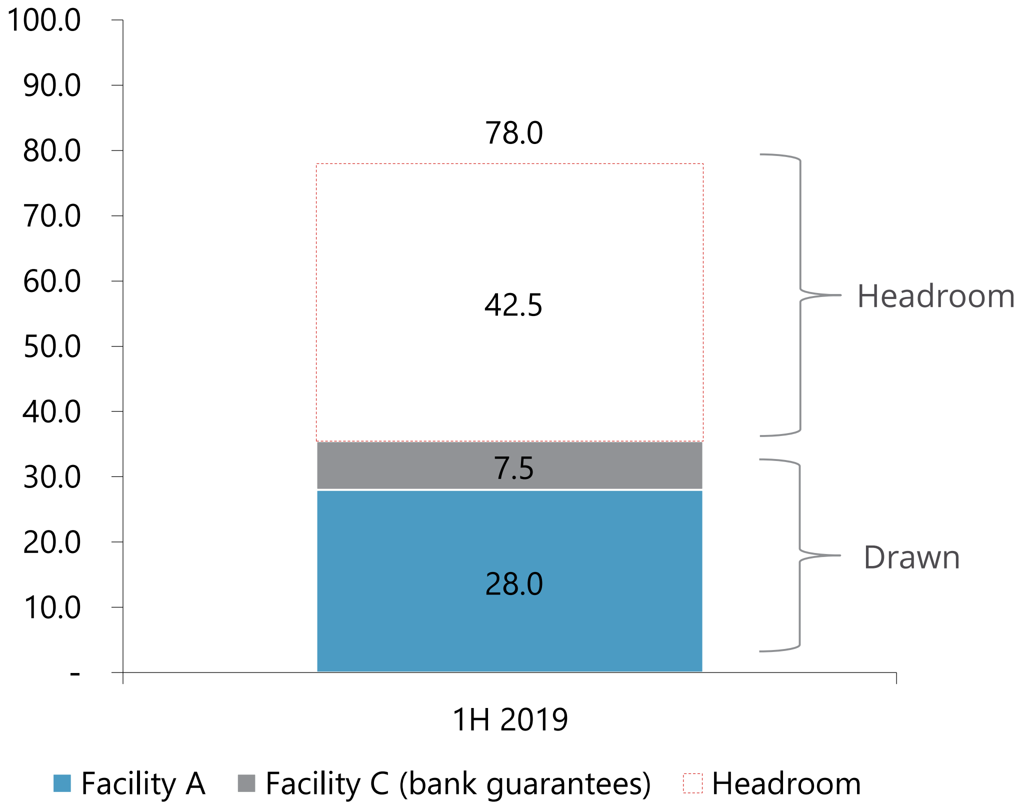


1. MBL consent granted to utilise the facility to finance initial TND pipeline using $7.5m
2. Project finance of TND future pipeline will be subject to TND remaining within gearing hurdles and executing on the initial (Transaction 1 and 2) TND pipeline by way of sale of traded-up services to TNK

DEBT FINANCING – FACILITY AVAILABILITY

TNK has capacity to fund the initial TND pipeline with current facility headroom of c. $43m. Financier consents received for the loaning of funds by TNK to TND as required

1H19 drawn debt and headroom



- TNK's financier has consented to TNK loaning funds to TND (in addition to the initial $6m capitalisation) for the development of the initial TND pipeline
- TNK facility headroom is $42.5m (including the Accordion) at 1H19
- Headroom exists in TNK's covenants, with
  - net leverage of 1.3x (covenant 3.5x), and
  - fixed charge cover of 1.9x (covenant 1.5x) at 1H19

GUIDANCE CY20 – CONSOLIDATED (TNK AND TND)

Guidance CY20 underlying EBITDA is $21m to $23m. CY19 guidance of $13.8m to $14.8m is reaffirmed

- CY20 guidance reflects the consolidation of TNK and TND. TNK and TND intercompany transactions eliminated on consolidation
- EBITDA growth driven by new service acquisitions
- CY20 guidance may change and is subject to achievement of development approvals, trade-up and sale of Nido purpose-built services to TNK
- CY19 EBITDA guidance reaffirmed

Guidance CY19 – CY20

	CY19	CY20
EBITDA underlying	$13.8m - $14.8m	$21.0m - $23.0m
NPAT	$5.0m - $5.5m	$8.0m - $9.5m
Net Debt[1]	$33.0m - $34.0m	$44.0m - $46.0m
Leverage ratio[1]	2.2x – 2.4x	1.6x – 1.9x

1. Leverage ratio is TNK Net Debt/TNK EBITDA. Note these figures may change depending on various factors (e.g. service performance, timing of acquisitions)

4 TIMETABLE AND CONSIDERATIONS

THINK

SCHEME – INDICATIVE TIMETABLE

Announcement of Scheme	14 August 2019
ASIC lodgement of Scheme Booklet for ASIC review	30 September 2019
First Court Date	15 October 2019
Date of the Scheme Booklet Scheme Booklet lodged with ASIC and released on ASX (i.e. publicly available)	16 October 2019
TNK sends out notices for Scheme Meeting	21 October 2019
Scheme and General Meetings	21 November 2019
If Shareholders approve Scheme, Second Court Date	29 November 2019
Effective Date	2 December 2019
Commencement of trading stapled securities	12 December 2019

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. All dates refer to Sydney, Australia time.

SCHEME – CONDITIONS

The implementation of the Stapled Structure is subject to a number of conditions and legal approvals. In particular, regulatory approvals, orders and relief including from ASIC and ASX, are required before the Stapled Structure can be implemented. In summary, the conditions of the Scheme and the legal and regulatory requirements to implement the Stapled Structure include:

Conditions precedent:

- Each of the condition's precedent set out in clause 3.1 of the Scheme Implementation Deed being satisfied or waived (a copy of the redacted Scheme Implementation Deed was announced to and available for review via ASX on 14 August 2019), which include but are not limited to:
  - Regulatory approvals (including approvals and relief from ASX and ASIC under the ASX Listing Rules and Chapter 2E of the Corporations Act)
  - TND being listed on ASX
  - ASX granting quotation of the Stapled Shares on ASX
  - Necessary shareholder approvals being obtained
  - The Independent Expert concluding in the Independent Expert's Report that in its opinion the Scheme is in the best interests of TNK shareholders
- Approval of the Scheme by the Federal Court under section 411(4)(b) of the Corporations Act, or any alterations made or required by the Federal Court under section 411(6) of the Corporations Act
- Satisfaction of any other conditions imposed by the Federal Court under section 411(6) of the Corporations Act
- The orders of the Court made under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving this Scheme coming into effect, pursuant to section 411(10) of the Corporations Act, on or before the End Date
- Other customary conditions precedent for a transaction of this kind (ie. the Scheme Implementation Deed and ancillary documents not being terminated, warranties given by TNK and TND being true and correct at the relevant times etc.)

5 CONTACTS

THINK

CONTACT DETAILS

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Jenny Saliba
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Nido Early School Website
nidoearlyschool.com.au

Early Learning & Kinder Website
earlylearningandkinder.com.au

PROFESSIONAL ADVISORS

Corporate Legal Advisors	MinterEllison
Debt Advisors	Skye Capital Advisory Pty Ltd
Financial Advisors	333 Capital
Auditors	KPMG
Independent Expert	Ernst & Young Transaction Advisory Services Limited

6 INVESTOR CALL

INVESTOR CONFERENCE DIAL IN DETAILS

Date: Thursday 15 August 2019 at 9.00am AEST

Joining the Conference:

For Participants:

1. All participants must pre-register to join this conference using the Participant Registration link below.

2. Once registered, an email will be sent with important details for this conference such as the call date and time, as well as a full list of participant dial in numbers to join the call. Also included is a unique Registrant ID. This ID is to be kept confidential and not shared with other participants.

Participant Registration Site:
http://apac.directeventreg.com/registration/event/6973139

7 APPENDICES

IMPORTANT NOTICES

This section outlines some of the key risks associated with the creation of the proposed Stapled Structure, including the creation of TND as a child care service incubator under the control of TNK, an investment in TNK shares, together with risks relating specifically to the acquisition of new shares under, and participation in, the Placement. 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.

You should read the presentation (and this Annexure) in its entirety and carefully consider the risks outlined in this Annexure. 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 (ASX:TNK) and you should consider consulting your financial or legal advisor so as you fully understand the terms of the Stapled Structure and the inherent risks.

Stapled structure

Stapled structure specific risks

The implementation of the Stapled Structure is subject to a number of conditions and approvals. In particular, regulatory approvals, orders and relief including from ASIC and ASX, are required before the Stapled Structure can be implemented. TNK shareholders must approve the Stapled Structure by the requisite majorities. The implementation of the Stapled Structure will not proceed, even if approved by TNK's shareholders, if the Federal Court fails to approve the Scheme, as required by the Corporations Act.

STAPLED STRUCTURE RISKS

Risks associated with holding Stapled Securities

TNK shareholders will receive Stapled Shares (being TNK shares that are stapled to TND shares) following the implementation of the Stapled Structure. To date, there has been no market for these securities. The future market price of Stapled Shares is uncertain, as is their liquidity. The price of Stapled Shares will be influenced by a number of factors, some of which are outside the control of TNK and TND, including the impact of adverse changes in the child care markets in which TNK operates or invests (including regulatory, factors affecting the value of land and property or development opportunities) and risks associated with developing and trading up services, such as vacancies and unexpected capital expenditures.

Risks specific to childcare services and development

Part of TNK's strategy is to identify, analyse and invest in greenfield sites and underperforming child care service projects. Development and trade-up projects have a number of inherent risks in addition to those associated with acquisitions generally, including:

- a risk that appropriate development or trade-up sites cannot be identified;
- a risk that appropriate planning and development consents or service approvals to operate a child care service are not obtained or, if obtained, are not properly adhered to;
- a risk that development costs escalate beyond those originally anticipated;
- a risk of project delays due to factors beyond the control of the Stapled Structure;
- a risk that the Stapled Structure is unable to trade-up or increase the occupancy of a TND child care service such that it does not satisfy TNK's eligibility criteria for purchase and remains with TND, which may impact the earnings, cash flows and dividends of TND; and
- a risk that a competing development project receives regulatory approval and is undertaken within close proximity and adversely affects the overall return achieved or achievable for a project;
- a risk that market conditions change during any development;
- a risk that TND is unable to obtain suitable funding for its developments;
- a risk that steps are taken to appoint a receiver, a receiver and manager, a trustee in bankruptcy, a provisional liquidator, a liquidator, an administrator or other like person of the whole or part of the developer or landlord's assets, operations or business.

RISKS SPECIFIC TO TRANSACTION 1 AND TRANSACTION 2

Acquisition of shares in Transaction 1 – Related Body Corporate

There are risks relating to the acquiring of shares with a Related Body Corporate pursuant to Transaction 1.

Due diligence risks

TNK's management team and TND's management team (through the services provided by TNK pursuant to the Management and Administrative Services Deed) have performed certain limited pre-acquisition due diligence on each of the services to be acquired pursuant to Transaction 1 and Transaction 2. There is a risk that the due diligence conducted has not identified issues that would have been material to the decision to acquire the services. A material adverse issue which was not identified prior to completion of any acquisition could have an adverse impact on the financial performance or operations of the relevant businesses and may have a material adverse impact on both TND and the TNK's earnings and financial position.

Further, there is a specific risk that historical financial and operating information provided by the vendors in relation to the services in Transaction 1 and Transaction 2 (including in relation to occupancy) which were not completely verifiable, may not be reliable, and that this could materially impact TND's and TNK's future earnings.

Completion risk

Completion of the acquisition of the child care services are conditional on certain matters (including landlord's consent to change of control with respect to Transaction 1 and Transaction 2, leases, assignment of 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 an acquisition transaction of this nature and TNK anticipates that the conditions will be able to be satisfied in the required timeframes.

There are risks that terms of the premises lease relating to a centre are onerous and that negotiation with third party owners may be protracted.

There is a risk that any condition may not be able to be satisfied or waived and that completion of the acquisitions may be delayed or cancelled if TNK fails to complete. If there is an associated equity raising, TNK will need to consider alternative uses for the proceeds of the equity raising or options for returning capital. Failure to complete the acquisitions may have an adverse impact on TNK's financial performance, financial position and share price.

RISKS SPECIFIC TO TRANSACTION 1 AND TRANSACTION 2

Completion risk (cont.)

The completion of each of new service (including greenfield services) is subject to conditions precedent including regulatory approvals, transfer of employees and, in certain cases, third party landlord consent to change of leaseholder. If any of the acquisitions of services proposed to be acquired are not completed, the composition of the portfolio of Services will change. TND may also be exposed to development risk in acting as incubator and developer of the services in Transaction 1 and Transaction 2.

TND's ability to achieve its objectives depends on the ability of its Directors and management to implement the proposed business plans and to respond efficiently and appropriately to unforeseen circumstances in performing its duties and obligations as incubator and developer of the services.

Despite the considerable experience that the Directors and TNK's management team have in business, management and the child care industry, and despite these services being provided to TND pursuant to a Management and Administrative Services Deed, there is a risk that TND may not be able to successfully execute the proposed business plans, in particular the incubation and development of the services in Transaction 1 and Transaction 2.

Changes in law and government policy

The child care industry in Australia is heavily regulated under the *Education and Care Services National Law* and supporting regulations, which provide a detailed and prescriptive framework for the management and operation of child care businesses in Australia.

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 services 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 National Quality Framework such as educator-to-child ratios and educator 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.

RISKS SPECIFIC TO THINK CHILDCARE

Changes to government assistance

The Commonwealth Government provides substantial assistance to the child care industry, and users of the child care industry, through schemes such as the Child Care Subsidy. 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 child care services) or changes to the eligibility criteria of these schemes will have a significantly adverse impact on the operations of TNK.

Increased or new competition

The market for child care 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 child care service and cost.

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.

General economic condition

Changes in the general economic outlook in Australia may impact the performance of TNK and its businesses. Such changes may include:

- 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);
- increases in expenses (including the cost of goods and services used by TNK);
- increases in unemployment rates; and
- fluctuations in equity markets in Australia.

GENERAL RISKS

General market and share price risks

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 from market indices, and the nature of markets in which TNK operates.

Tax and accounting

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.

Acquisition accounting

In accounting for the acquisitions, TNK has performed a preliminary fair value assessment of all of the assets, liabilities and contingent liabilities of the child care services 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 child care services 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).

Impairment of intangible assets

As a result of Transaction 1 involving a Related Body Corporate, TND will recognise a material value of intangible assets on its balance sheet principally relating to goodwill. If impaired, TND would need to write down the value of the intangible assets, which would result in an expense in the income statement and could have a material adverse impact on TND's earnings and financial position.

GENERAL RISKS

Dividends

There are a range of factors that determine and will determine the payment of dividends on TNK's and TND's shares. These include the profitability of their respective businesses, their cash reserves, future capital requirements and obligations under debt facilities. The Boards of TNK and TND will separately determine any future dividend levels based upon their respective operating results and financial standing at the time. There is no guarantee that any dividend will be paid by TNK and/or TND or guarantee that future dividends will equal or exceed previous payments.

Litigation

Legal proceedings and claims may arise from time to time in the ordinary course of the Stapled Structure's business and may result in high legal costs, adverse monetary judgments and/or damage to the Stapled Structure's reputation which could have an adverse impact on the respective financial positions and financial performance of TNK and TND and the price of the Stapled Shares.

Loss of key personnel

The loss of key executives could cause material disruption to the TNK and TND's activities in the short to medium term. TNK will need to attract and retain qualified staff – failure to do so could have a material adverse impact on TND's and TNK's operations, earnings and financial position.

Other risks

For further information in relation to other risks which might affect TNK, please refer to TNK's 2018 Annual Report.

DISCLAIMER

Important information

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