



22 August 2019

ASX Limited  
Market Announcement

Think Childcare Limited (ASX Code: TNK)

### Restructure Proposal Update

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On 14 August 2019, TNK announced that it had entered into a Scheme Implementation Deed with Think Childcare Development Limited ACN 635 178 166 (**TND**), an entity that is currently wholly owned by TNK under which it is proposed that TNK and TND will create a stapled structure (**Restructure Proposal**).

The objective of the Restructure Proposal is to enhance and secure TNK's development pipeline by bringing the development and incubation of new leasehold child care services under TND. A redacted copy of the Scheme Implementation Deed was annexed to the announcement dated 14 August 2019.

The Restructure Proposal was supported by two transactions:

- **Transaction 1 (7 services):** a related party transaction with entities associated with Mathew Edwards (the CEO and a shareholder).
- **Transaction 2 (11 services):** relates to a series of proposed individual greenfield transactions with unrelated third parties.

### Removal of related party - variation to the proposed Transaction 1

The Board has received formal communication from Mathew Edwards withdrawing from the related party transaction and instead it is proposed that entities associated with Mathew Edwards will surrender all leases leaving a TND entity to enter into new leases directly with landlords. Under this proposal, TND will still gain the 7 services under **Transaction 1** without the issue of equity or any payments to Mathew Edwards or any of his related entities.



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## A note from the Chief Executive Officer:

*“After extensive feedback, the response from shareholders has been that a related party transaction will not be supported.*

*Acting in the best interest of all shareholders, I believe, by having the Transaction 1 services in TND adds far greater value to TNK/TND than any alternative.*

*Whilst I forgo a potential gain and recovery of any costs, my integrity, that of the Board, the leadership team, and that of the company is far more important than any financial outcome”.*

TNK has now commenced direct discussions with landlords. To date, landlords have been supportive of the change in leasing entities. Once new leases have been entered into with the respective landlords, the revision of **Transaction 1** is expected to result in the elimination of the related party nature of the transaction.

## Restructure Proposal

Feedback from shareholders to date, in the main has been supportive, with shareholders appreciating that the Restructure Proposal provides:

- TNK the potential to expand on its internal development of child care services from circa 4 to 8 per annum, thereby reducing its reliance on third party incubators;
- 18 services in the pipeline to be developed and traded into TNK over the next 36 months, thereby underpinning the TNK growth strategy:

Period	Opened by TND	Acquired by TNK
H2-2019	2	
H1-2020	4	
H2-2020	4	4
H1-2021	5	3
H2-2021	3	5
H1-2022		4
H2-2022		2
<b>Total</b>	<b>18</b>	<b>18</b>

- a separation between child care service operations and greenfield developments, ring-fencing the greenfield development and trade-up risk within TND;
- the potential for TNK to continue to access lower finance costs available to operating entities plus TND expected to become self-funding over-time; and
- the opportunity for the retention of the benefit of development profits within the group.

A series of shareholder question and answer updates will be provided over the coming weeks to further guide shareholders in their understanding of the Restructure Proposal.

This announcement should be read in conjunction with the announcement made by the company on 14 August 2019 and the '*Proposed Restructure – additional information*' presentation accompanying that announcement.

We will actively continue to engage with our shareholders, the Board and management are available to discuss any matters directly with shareholders.

**Mark Kerr**  
Company Chairman

**Jenny Saliba**  
CFO

**Mathew Edwards**  
CEO

*End*