

A young child wearing a pink hat and a white shirt is sitting on a yellow toy car with a wooden seat. The car is parked on a grassy area in front of a modern building with large glass windows. The car has a rusted appearance on the roof and front. A woman is visible in the background, sitting on the car. The scene is outdoors with a clear sky and some trees in the distance.

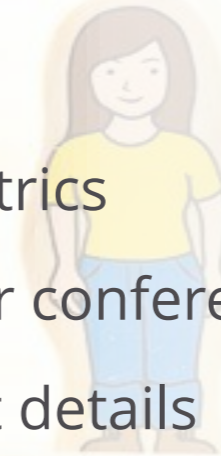
THINK
Childcare Limited

INVESTOR PRESENTATION
ACQUISITION OF ELEVEN (11) TRADING CHILD CARE SERVICES
21 OCTOBER 2019

Nido Craigieburn

CONTENTS

1. Transaction overview and highlights
2. Commercial rationale
3. Acquisition impact analysis
4. House view sector trends
5. Appendix
 - a) Key metrics
 - b) Investor conference call dial-in details
 - c) Contact details



1 TRANSACTION OVERVIEW AND HIGHLIGHTS



TRANSACTION OVERVIEW AND HIGHLIGHTS

Acquisition of 11 trading Services representing EDHOD pipeline out to CY20

- › Purchase price of \$16m or 4 times CY20 EBITDA¹
- › Quality portfolio comprising :
 - eight (8) purpose built Nido Early School nidoearlyschool.com.au;
 - one (1) Service has been transitioned to Nido; and
 - two (2) are near new high-quality Services that require rebranding to transition to Nido
- › Increases TNKs portfolio of Nido Services from 33 to 44 (average age of Services 1.2 years)
- › Demographic demand ratio strong with an average of 3.4 children per licensed place
- › Secures the acquisition of the EDHOD pipeline out to CY20
- › Vendor has waived rights to earn-outs and TNK has waived rights to claw-backs
- › TNK waived rights to the remainder of EDHOD's pipeline to enable the Receivers to continue the sales process
- › TNK supports a sale to a third-party incubator and would seek to negotiate an ongoing management arrangement
- › TNK maintains previously disclosed guidance for CY19¹ and CY20¹

ACQUISITION METRICS

Strong key portfolio metrics

Eleven services acquisition metrics	Value
Purchase price	\$16m
Number of licensed places	1,051
Average fees per day	\$119
Average utilisation (at 13 October 2019)	60%
Rent per licensed place	\$3k per year
Average lease term (including options)	37 years
Age of services (average)	1.2 years
Acquisition price (average)	\$1.5m per service
Locations	VIC, SA, WA, NSW
Demographic demand ratio	3.4 children per licensed place
CY20 EBITDA ¹ (underlying) contribution	\$4m

2 COMMERCIAL RATIONALE



COMMERCIAL RATIONALE

Acquisition of eleven (11) trading child care Services from EDHOD for \$16m

- › EDHOD 11 acquisition comprises of:
 - Five (5) Services forecast to be acquired in Q4 CY19; and
 - Six (6) Services brought forward from Q2 and Q3 CY20
- › Transaction reduces TNKs exposure to a business that was experiencing difficulties, evidenced by the appointment of Receivers
- › Shifts TNKs source of growth from acquisitions to growth in earnings (e.g. average occupancy of EDHOD 11 is circa 60% and forecast to 76% in the 2H 2020)
- › Shareholder value created through the removal of earn-out as Services expected to trade-up in line with Nido portfolio (removal of claw-back which provides Receivers price certainty)
- › 21% increase in the portfolio¹ comprises previously identified acquisitions but timing has been brought slightly forward. Benefits include:
 - Opportunity to improve trade-up through targeted local marketing activity "*short runway to 75%*";
 - No capital investment required;²
 - No integration risk as TNK currently manage these Services; and
 - No additional corporate overheads
- › TNK maintains previously disclosed EBITDA (underlying)³ guidance for CY19 and CY20

EDHOD UPDATE

Acquisition reduces reliance on third party incubator for CY20

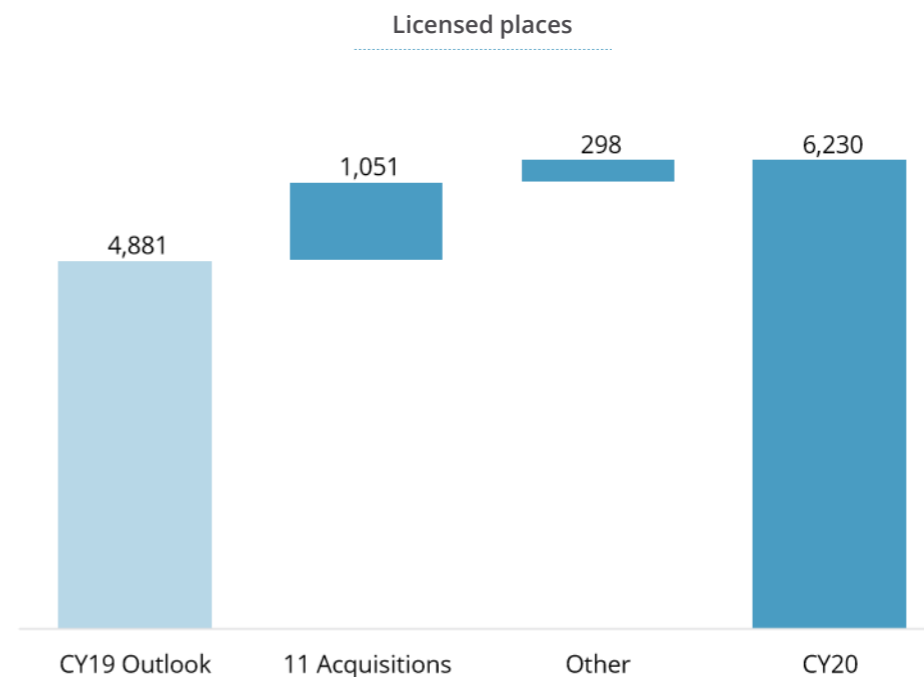
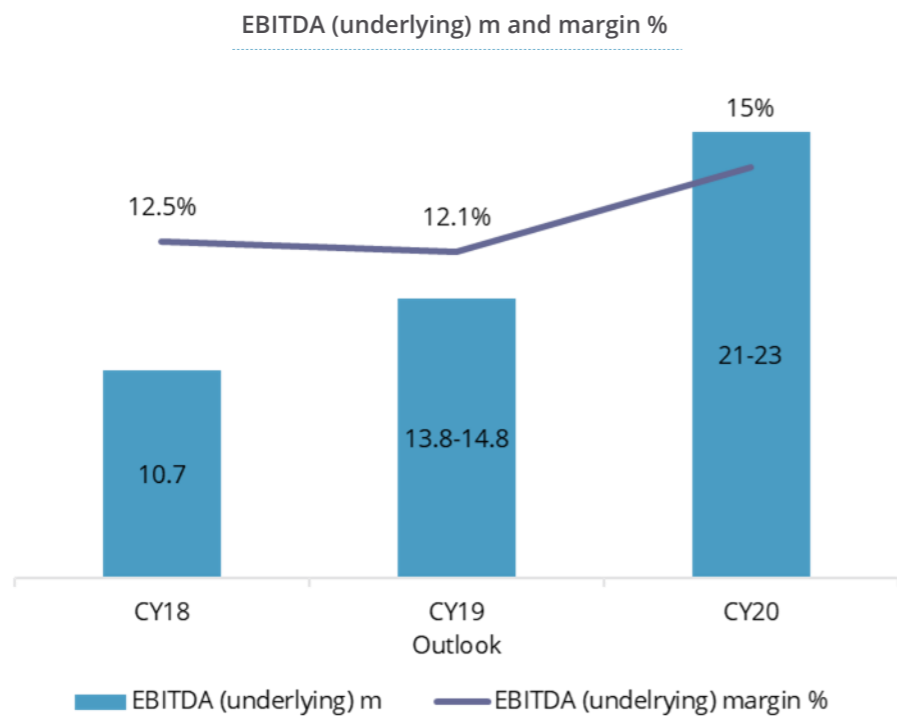
- › Receivers actively promoting sale of the EDHOD pipeline which comprises:
 - Seven (7) brownfield Early Learning & Kinder Services of which TNK has waived all rights;
 - Four (4) Nido purpose-built Services expected to open Dec / Jan and which TNK will manage until the earlier of sale to third party incubator or 31 March 2020; and
 - Pipeline of circa twenty-four (24) Services at various stages of development approval
- › EDHOD fees and expenses are paid up
- › TNK waived rights to the remainder of EDHOD's pipeline to enable the Receivers to continue the sales process
- › TNK supports a sale to a third-party incubator and would seek to negotiate an ongoing management arrangement
- › Receivers may engage TNK to manage portfolio post 31 March 2020 should third party sale not eventuate

3 ACQUISITION IMPACT ANALYSIS



IMPACT ANALYSIS ACQUISITION OF 11 SERVICES

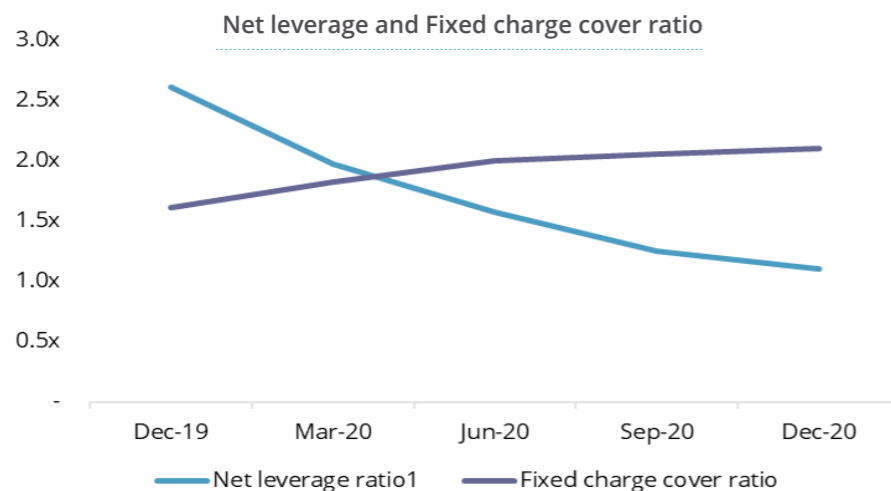
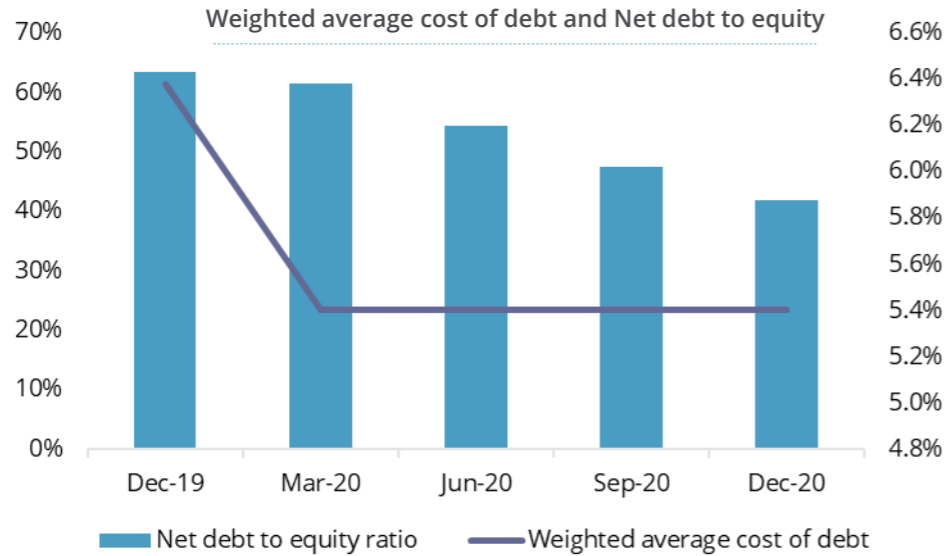
21% increase in owned licensed places



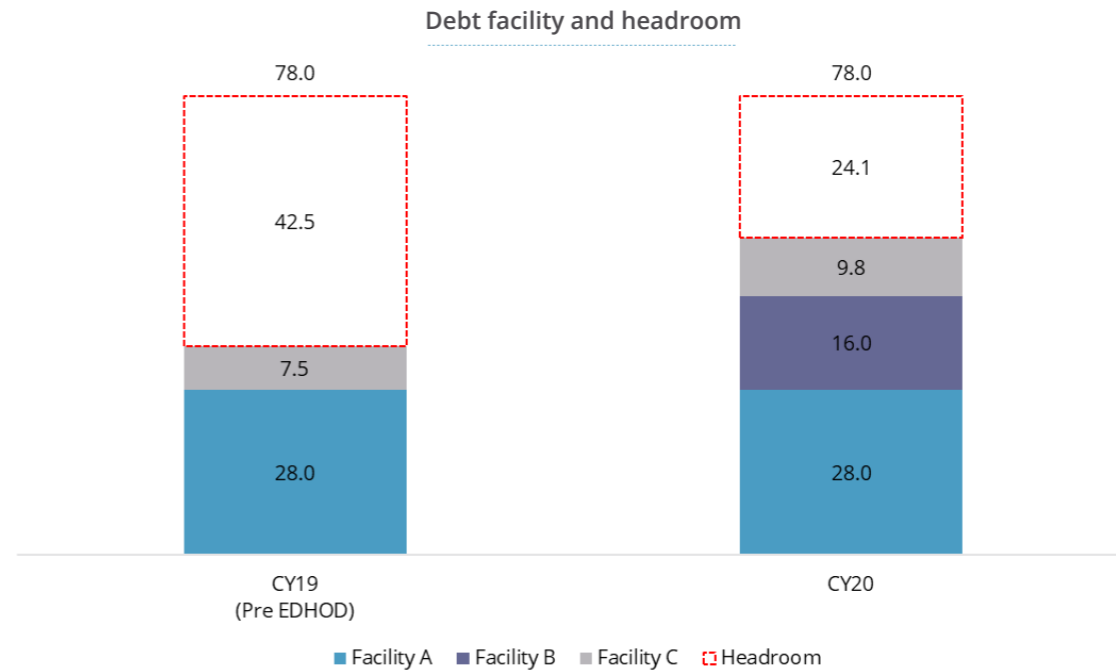
- › Acquisition of eleven (11) Services represents 21% increase in owned licensed places
- › EDHOD Services expected to mature in CY20¹ and contribute \$4m to EBITDA (underlying)
- › Margin improvement of 2.9 percentage points expected as the Services trade-up (CY19 impacted negatively by TNK greenfield trade-up)

CAPITAL MANAGEMENT

Debt facility headroom of \$24m post acquisition



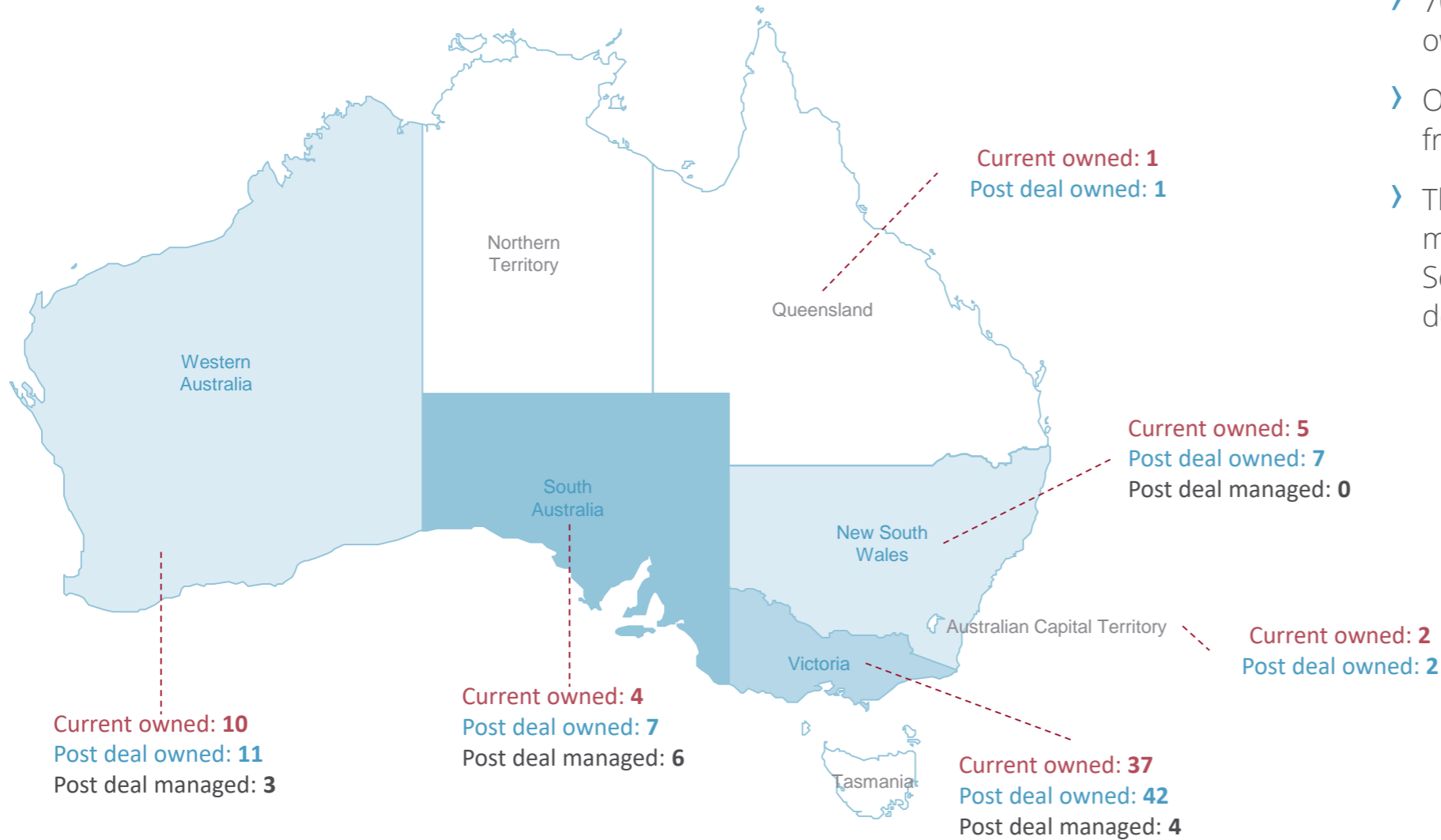
- Weighted average cost of debt to improve from 6.4% in CY19 to 5.4% in CY20² due to reduction of interest rate and higher utilisation reducing line fees
- Facility C is drawn as rental guarantees and is contingent in nature



1. As defined in Macquarie Bank Limited syndicated facility agreement
 2. CY20 excludes impact of Stapling Proposal. Headroom of \$16.6m including Stapling Proposal (subject to approval)

GEOGRAPHIC LOCATIONS

Consolidation of owned Services

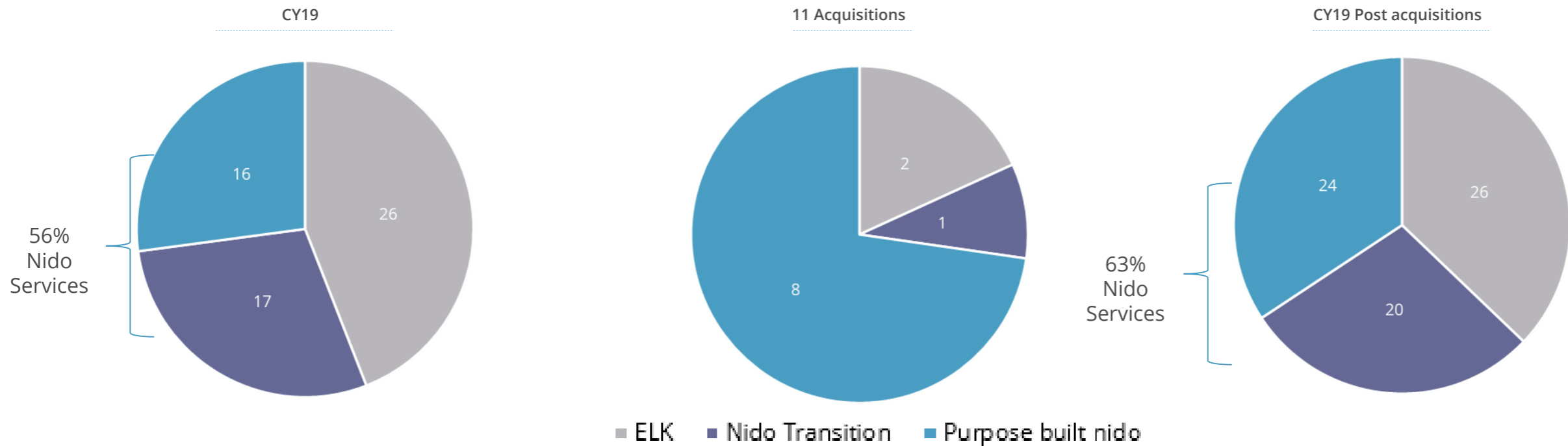


- › 70 Services owned, a 21% increase in owned licensed places
- › Owned v managed Services increase from 71% to 84%
- › Thirteen (13) Services under management, with seven (7) Edhod Services for sale to third parties as they do not meet the Nido value proposition



NIDO STRATEGY

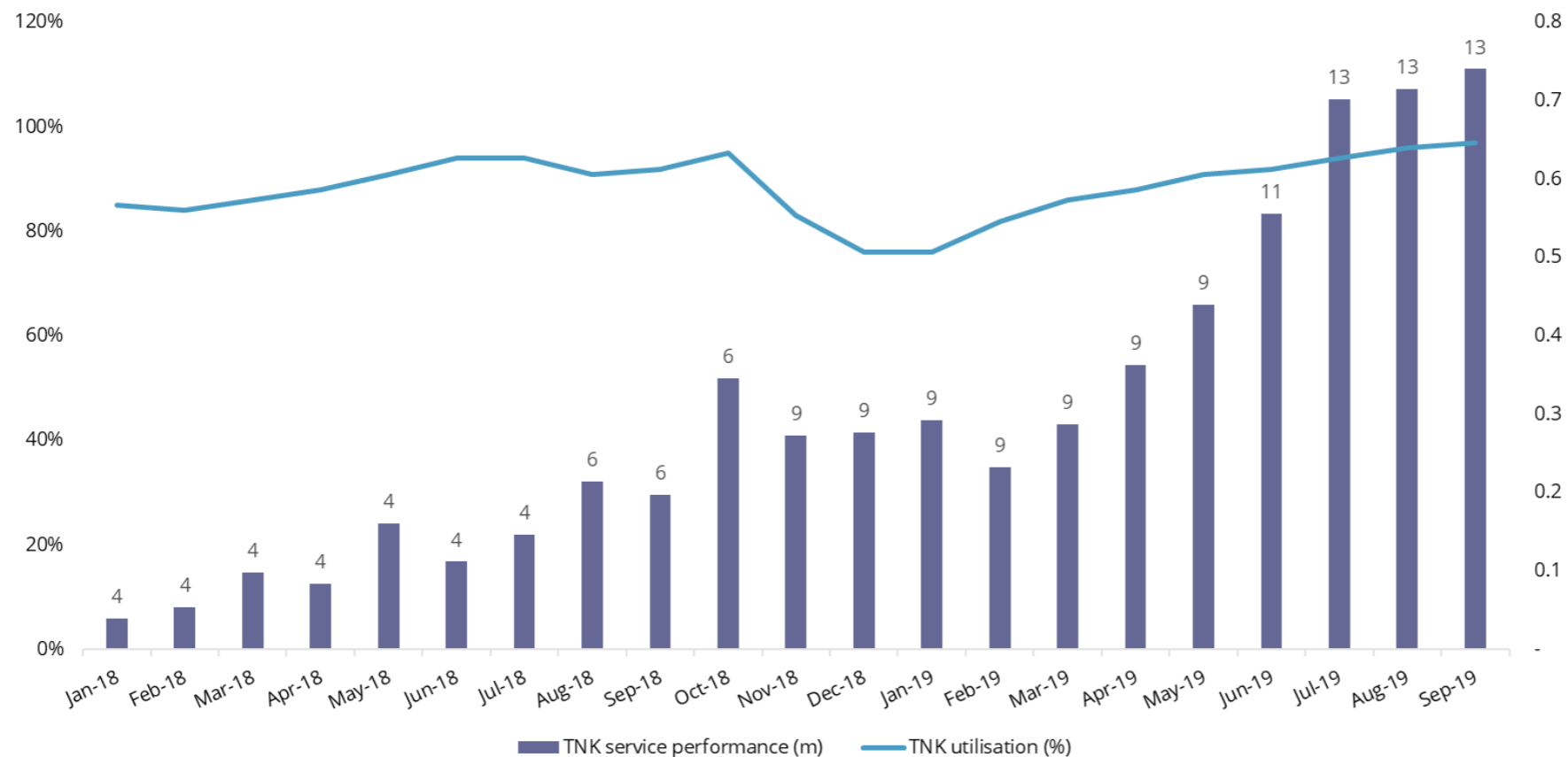
Continued delivery of Nido strategy



- › Purchase of EDHOD eleven (11) Services enables TNK to extend its Nido footprint; mapping to best in sector education, care and state of the art environments
- › Increases TNK's portfolio of Nido Services from 33 to 44 (2 Services that are Early Learning & Kinder at acquisition will be transitioned to Nido post acquisition)

INCUBATOR ACQUISITION PERFORMANCE

Incubator acquisitions trading at 97% utilisation



- › Last 13 Services acquired since January 2018 through our incubator partners are trading at an average utilisation of 97%
- › These Services make up 22% of the current portfolio with 1,163 licensed places



[HTTPS://NIDOEARLYSCHOOL.COM.AU/](https://nidoearlyschool.com.au/)



Nido Bayswater



Nido Noarlunga Downs



Nido Airport West



Nido Salisbury Downs



Nido Narre Warren



Nido Craigieburn



Nido Seven Hills



Nido Craigieburn

4 HOUSE VIEW SECTOR TRENDS



HOUSE VIEW SECTOR TRENDS

TNK well placed to benefit from sector dynamics

- › Acquisition multiples remain strong for high quality and high occupancy Services (5-8 times) and demand for these Services by overseas entrants and private equity firms make on-market acquisitions highly competitive
- › Acquisitions of 1 or 2 Services from mum and dad operators to a corporate structure involve material integration risk
- › Speculative development of new sites has become more difficult as banks and landlords have tightened lending and security requirements, resulting in the following:
 - Rents are normalising;
 - Tenant covenant has become increasingly important in development feasibility;
 - Large developers are focused on infill areas that provide barriers to entry; and
 - Consequentially, over-supply is abating
- › The market feels more buoyant, enquiries are increasing, the average days a child is in care has grown, those offering quality that are the best positioned to capture this opportunity
- › Large operators are investing heavily into capital improvements in order to elevate their care offering, however repositioning a Service in its 2-5km market is a slow burn relative to a new build that is able to position itself as a leading service provider in its market day-one
- › Child Care Subsidy (CCS) has shifted the demand dial and has absorbed over supply in some markets. The real benefit of CCS is seen in mortgage belt areas and where greater employment opportunities exist. CCS is achieving its objective of promoting workforce participation

5 APPENDIX



KEY METRICS - OPERATIONAL

5% Service margin improvement in CY20

Operational metrics	CY19		Variance CY19 vs CY20
	Outlook	CY20 ¹	
No. of services (Owned) ²	70	73	3
No. of licensed places	5,932	6,230	298
Days of learning	954,420	1,294,231	339,811
Daily average fees	119	128	9
Base wage per child per day	56	58	- 1.5
Service margin	18%	23%	5%
EBITDA (Underlying) margin	12%	15%	3%
Wages as percentage of revenue	60%	57%	3%
Consumables as percentage of revenue	2.8%	2.8%	0%
Corporate overheads as percentage of revenue	8%	8%	0%
Rent as percentage of revenue	12%	10%	1%
Rent per licensed place (annualised)	2,772	2,919	- 147

- › Services expected to mature in CY20 and contribute \$4m to EBITDA (underlying)
- › No impact on EBITDA (underlying) in CY19 for 2 months

INVESTOR CONFERENCE DIAL IN DETAILS

Date: Monday, 21 October 2019 at 11am AEDT

Joining the conference

For participants

- › All participants must pre-register to join this conference using the Participant Registration link below.
- › 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/6259087>

CORPORATE DETAILS

Contacts

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

Early Learning and Kinder Website

earlylearningandkinder.com.au



IMPORTANT INFORMATION & DISCLAIMER

This investor presentation (Presentation) has been prepared by Think Childcare Limited (ABN 81 600 793 388) (TNK or **Company**) and is for personal use only.

This Presentation has been prepared in relation to the Company's acquisition of eleven (11) child care Services from incubator partner, Edhod. The Presentation contains general information in summary form which is current as at 21 October 2019. This Presentation is not a recommendation or advice in relation to 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.

Completion of the acquisition of the eleven (11) child care Services are conditional on certain matters (including the landlords' consent to the assignment of the leases) 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 Service 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.

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.



