

CHAIRMAN'S AND MANAGING DIRECTOR'S LETTER

The boards and executive leadership team are proud to present the Think Childcare Group Annual Report for 2019

We are pleased to report that Think Childcare Group has outperformed our market guidance as published on 27 May 2019 and has achieved earnings before income tax, amortisation and depreciation EBITDA (underlying) of \$14.2 million, a 33% increase on prior comparison period (pcp).

On a like-for-like basis and excluding the impact of the stapling proposal, Think Childcare Limited (Operator) has achieved \$14.8 million against a guidance range of \$13.8 and \$14.8 million.

The underlying net profit after tax was \$4.5 million. On a like-for-like basis NPAT (underlying) was \$5.8 million, representing a 16% increase on pcp.



Mark Kerr
Chairman

Mathew Edwards
Managing Director

THE YEAR

Key highlights for the year include:

- Licence places grew by 35% to 6,080 and we:
 - Acquired 15 Nido Services representing 30% growth in licence places and a \$22.4 million investment; and
 - Opened 15 new Services (4 for TNK/TND and 11 for incubator partners)
- Completed a \$5.0 million capital investment program including new child care Services, to improve the quality of Service offerings resulting in 64% of our Services being premium branded Nido;
- Raised \$18.1 million in equity to fund our acquisitions and capital investment program;
- Implemented a stapled group structure (TNK Operator, TND Developer) to underpin our future growth.

OUTPERFORMANCE IN THE FACE OF SIGNIFICANT CHALLENGES

2019 was a watershed year for Think Childcare Group; more supply came to market, completed an extensive capital works program, transitioned our Services to Nido, our biggest incubator went into receivership, recruited a further 800 new Educators, completed a significant capital raise, executed on our strategic plan to internalise a significant component of our growth through the launch of our stapled security structure.

It is a testament to the team and their resilience in the face of significant challenges. It is also a credit to our bankers, lawyers, accountants, external service providers, our boards and our security holders.

We continued to enhance our operations platform, building capacity and employing a quality, highly motivated professional team to facilitate growth and to maximise Service performance.

This includes the appointment of our Chief Operating Officer.

Our commitment to developing a sustainable platform to support profitable growth was articulated in our 2018 Annual Report and Investor Presentation as Project Elevate. Key 2019 achievements included the launch of a new service delivery model, collaborative technologies and an integrated risk and compliance framework.

AN ENHANCED QUALITY PORTFOLIO

At the time of listing, Think Childcare Limited operated child care Services across 30 sites, predominately located in Victoria. The Services traded under the brand of Early Learning & Kinder (ELK).

Today with our portfolio of 72 owned early education Services, with 64% of the Services trading as Nido (Nee-doh, means nest in Italian), we have a national footprint as follows:

- 58% located in Victoria;
- 17% in Western Australia; and
- balance of 25% located in South Australia; Queensland, New South Wales and Australian Capital Territory.

CAPITAL MANAGEMENT

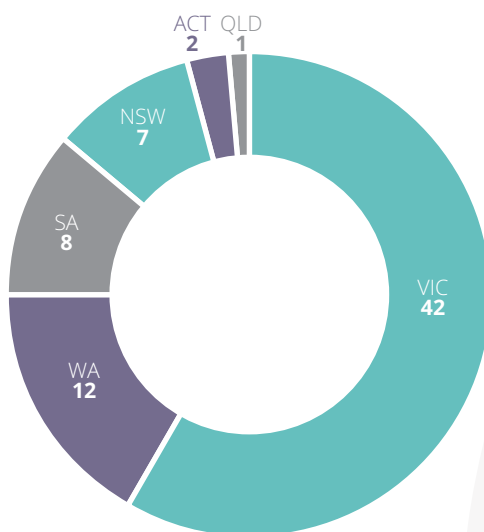
The Board took a long-term view to support future growth and, off the back of a strong acquisition pipeline, we raised \$18.1 million in equity by issuing 11,479,114 million shares on 29 March 2019, at \$1.58 per share.

This capital raise substantially funded \$22.4 million in acquisitions and \$5.0 million in capital improvements and enabled us to maintain a strong balance sheet by virtue of:

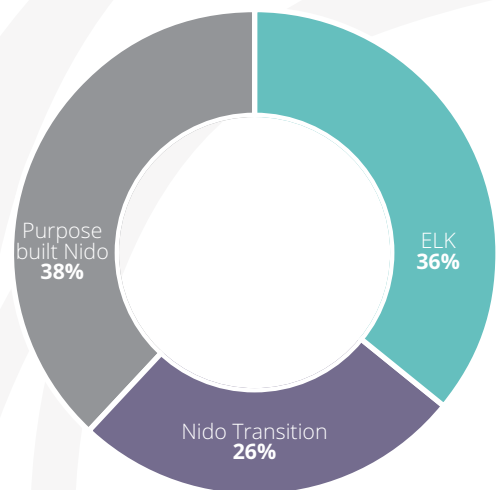
- Strong closing cash of \$11.7 million;
- Healthy facility headroom of \$24.5 million (3.5 years remaining term to June 2023); and
- Banking covenants of 2.0 times net leverage ratio and 1.9 times fixed cover ratio, well below the facility obligations.

The outcome of our capital management strategy is dilution to EPS to 3.47 cents in 2019 compared with 10.45 cents in 2018.

Think Childcare Group
geographic diversification



Think Childcare Group
Nido transition



CHAIRMAN'S AND MANAGING DIRECTOR'S LETTER CONTINUED

DIVIDENDS

Think Childcare Limited has the pleasure of determining a fully franked final dividend of 5 cents per stapled security. Think Childcare Limited paid an interim dividend of 2 cents on 20 September 2019. The 2019 full year dividend is 7 cents, an 8% increase on pcp.

The Board recommends your consideration of the Dividend Reinvestment Plan (DRP). Security holders that elect to take securities instead of cash under the DRP will receive their securities at a discount of 5% to the weighted average market price for the 10 business days from (and including) 27 February 2020 to 11 March 2020.

REMUNERATION REVIEW

The Board has undertaken the improvement of our disclosure in relation to Key Management Personnel remuneration and review of the existing remuneration framework within the Group. As highlighted in our 2018 Remuneration Report, the Human Resources and Remuneration Committee and the Board engaged PwC and Crichton Associates to advise on the remuneration policy and framework for the Group with effect from 1 January 2020.

OUTLOOK

The total number of Services owned has grown by 31% from 55 to 72 plus a pipeline of 18 Services expected to be delivered over the next 30 months.

We are continuing our transition to Nido Early School, the sector leading early education provider with all capex expected to be completed by the end of June.



Mathew Edwards Managing Director
26 February 2020 | Sydney

DEMAND AND SUPPLY

Demographics are determined at a localised trade area of 2-3 kilometres and our outlook for the Think Childcare Group in the short to medium term remains positive. This is the result of our disciplined site selection criteria and our management capability.

“We believe the rebranding to Nido as well as Service level initiatives should minimise the impact of the new supply.”

Canaccord Genuity Group inc
Supply Update December Q19, 12 February 2020

Having increased the Group's portfolio from 30 services at the time of the initial public offer to 72 plus a pipeline of 18, we remain confident in our ability to grow and thereby create significant security holder value. With 64% of Services trading as Nido we expect to see growth into 2020 and further into 2021 as we complete our transition and Nido grows its quality brand recognition.

“...we prefer stocks that profit from creating assets, rather than the ones recognised as pure asset owners...”

Simon Chan and Lauren Berry, Analysts
Open For Inspection – Identifying The Best Investments

Finally, on behalf of the Boards and management we would like to thank you for your support and our Educators and employees for their commitment and contribution to Think Childcare's success.



Mark Kerr Chairman
26 February 2020 | Melbourne