



11 June 2020

ASX Limited
Market Announcement

Think Childcare Group (ASX Code: TNK)
COVID-19 Trading Update

Think Childcare Limited (ASX: TNK) (TNK) provides this update in relation to the Federal Government's recent announcement on the Early Childhood Education and Care Relief Package (Child Care Relief Package or CRP) and Transition Arrangements.

Effective paid occupancy based on w/e 5 June = 80% (calculation page 2)

Early into the COVID-19 pandemic we moved to reduce our employment costs to ensure we remained profitable through the crisis. Over the past 6 weeks we have had most of our team return back to our Services and have grown our workforce by a further 5% in order to meet the growing demand for our child care services.

With the easing of lockdown restrictions we have seen a return to school, and this has been the main catalyst in driving attendances. We have 60% of our Services in Victoria and it is the last state to have all students back at school 5 days a week.

State	Number of Services	Attendance	Occupancy
WA	11	79%	88%
SA and QLD	8	73%	80%
NSW and ACT	9	58%	69%
VIC	42	60%	70%
Group	70	64%	74%

Transition back to Child Care Subsidy (CCS)

On the 8 June 2020, the Federal Government announced that the Child Care Relief Package will cease on 12 July 2020 and transition arrangements back to CCS by October 2020.

Summary of Transition Arrangements

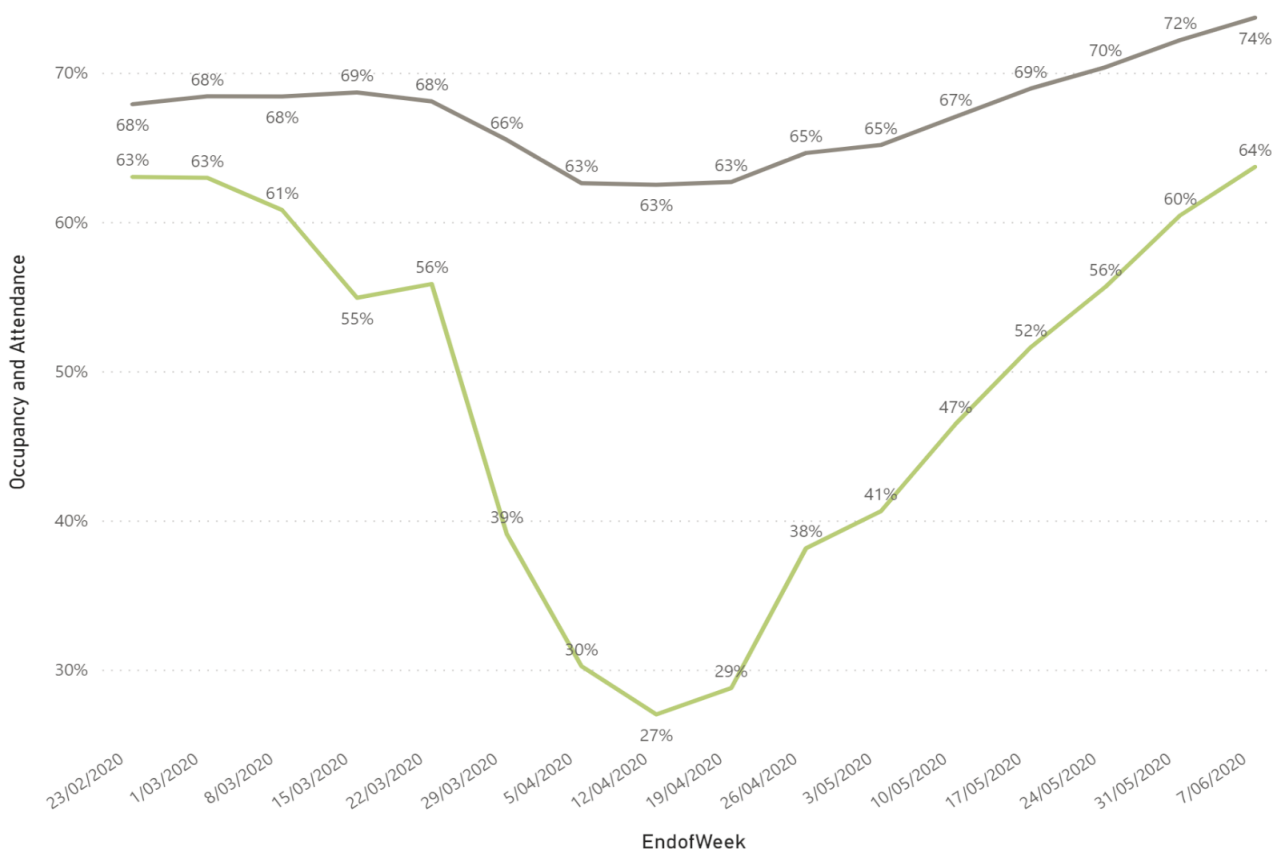
- Child Care Relief Package ends on 12 July 2020.
- Transition payment of 25% of average of last two weeks' revenue in February paid from 13 July to 27 September 2020.

- Jobkeeper for childcare operators ends on 19 July 2020 (one week crossover).
- Families subject to certain conditions, can receive an increase in subsidised care hours per week up to 50 hours until 4 October 2020.

Impact on TNK during Transition Arrangement Period

Summary of the expected impact on occupancy for TNK

Pre-COVID-19 occupancy:	68% with 63% attendance
25% transition payment:	17% (25% of the Pre-COVID-19 occupancy of 68%)
Current occupancy:	74% with 64% attendance
Projected decline in occupancy:	11% (because CRP will cease, 15% drop in usage)
Effective occupancy w/e 5 June:	80% paid occupancy (74% - 11% + 17% transition payment)



We expect our base occupancy will increase over the coming weeks and continue to increase in-line with the economy opening further and the seasonal movements the sector experiences.

Families enrolling now are doing so with the full knowledge that care will cease to be free on 12 July 2020 and we expect they will remain enrolled post free care ceasing. The transition payment provides us with a safety net for our revenue whilst our costs of labour will be aligned to our attendance. It gives us and the sector sufficient time to prepare for the new 'normal' in October 2020.



Looking forward

Whilst there remains uncertainty on the broader economy and the transition fully back to an environment where child care is not free and Jobkeeper ceases for the broader economy, we expect the need for child care to remain substantially intact.

Child care parent paid out of pocket fees under the Child Care Subsidy System (CCS) are means tested and therefore flex based on the family's income. With up to 85% of average fees being subsidised, it means that families in the vast majority of TNK's Services could pay as little as \$18 per day. CCS is paid directly to TNK a week in arrears by the Federal Government. Previously TNK received 62% of its income in the form of the CCS and it is expected this percentage will increase in the current environment.

The alternate care delivered by grandparents, family and friends in the current COVID-19 environment has become less available due to the potential health risks, which we expect is resulting in an increase in usage of child care. We expect this to remain the case in the foreseeable future.

The critical nature of child care in the economy's recovery was demonstrated by it being the only sector which had its revenue paid and guaranteed by the Government and up to 75% of its employment costs paid under Jobkeeper.

Its importance is even further elevated with the change in the care needs of families and the growing demand for care as workplaces resume some normality and children return to school. The Government to this end has provided the sector with a transition back to CCS and more normalised trading conditions.

We look forward to providing the market with further updates as the fog of COVID-19 clears further.

END

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This announcement was authorised for release by the Board of directors, Think Childcare Limited