

29 October 2020

Mayfield Childcare Limited – CY 2020 Earnings Guidance

Mayfield Childcare Limited (ASX:MFD) is pleased to provide the following guidance for the full Calendar Year 2020. In summary:

- Occupancy for the full year to be approximately 67%
- CY 2020 EBIT in the range of \$5.6 - \$5.9 million
- CY 2020 NPAT in the range of \$3.8 - \$3.9 million

COVID-19 and Government Support

The second wave of the COVID-19 pandemic in Victoria resulting in the state-imposed lockdown restrictions, has continued to test the resolve of our communities, our business and the broader State economy.

The welcome Government support initiatives have continued to validate the sector fundamentals and the essential nature of early childhood education.

Transition Payments

With the introduction of Stage 4 Restrictions for 6 weeks in Victoria commencing on 6 August, the Federal Government moved to increase the Transition Payment offered to Providers by 5%, taking it to 30% of pre-COVID-19 fee levels. Families were also provided an additional 30 days or 6 weeks of allowable absences to allow families to hold their childcare place.

Child Care Recovery Package

In light of the ongoing second wave lockdown, the Federal Government on 20 September announced the Child Care Recovery Package providing targeted support for Victorian providers, with effect from 28 September 2020 to 31 January 2021. Following the same methodology as the previously announced Transition Payments, the Recovery Package represents 25% of pre-COVID-19 fee levels and is paid in addition to the normal Child Care Subsidy (CCS) and co-parent payments.

Whilst not a condition of either support initiative, the Government strongly encouraged Providers to offer cost relief to families, by waiving the co-parent payment for those families unable to attend care. This policy was adopted across the Mayfield group.

Operational Performance

In the early stages of the third quarter of CY 2020 the Mayfield business showed clear signs of recovery, with occupancy levels strengthening and attendance rates returning to normal operating levels. However, as Victoria was thrust back into Stage 4 Restrictions, occupancy stagnated and attendance dropped as the imposed limitations on early education services to only provide services to children of Permitted Workers and Vulnerable children, took effect.

The strong occupancy gains typically achieved in the second half have been muted with group occupancy currently circa 66%. At the outset of the Stage 4 Restrictions physical attendance fell to 40%, though it recovered to around 50-55% during September.

With the withdrawal of the Permitted Worker Childcare Permit requirements in late September, attendance levels improved to around 75%, and now with the recent re-opening of schools, attendance levels have recovered to be closer to normal operating levels at around 90%

With the ongoing pandemic and the continuing nature of the Victorian lockdown restrictions, Mayfield has worked tirelessly to ensure the health, safety and wellbeing of the children in our care, and our team of educators, while managing our operational cost base and maximising cash flow.

With the re-instatement of the CCS system on 13 July, second half revenues generated from continuing operations have continued to improve, though shortfalls as a result of reduced occupancy performance have, in part, been offset by the various Government support initiatives.

Cost mitigation strategies aimed at minimising non-essential expenditure implemented in the first half have continued, along with the suspension of non-critical capital projects. Gains generated from negotiations with our landlords to reduce property lease costs have also continued to provide benefit to the business.

Wage costs have been tightly managed across the group, matching low attendance levels, while remaining compliant with the Employment Guarantee conditions prescribed by the Federal Government.

CY 2020 Outlook

Mayfield CEO Dean Clarke commented "While 2020 has proven to be an unprecedented operating environment, the Mayfield business and more importantly our centre management teams and educators have demonstrated extraordinary resilience".

While the easing of restrictions recently announced by the Victorian Government are truly welcomed, given the late timing of the year, it's unlikely that any real recovery in occupancy will be achieved for the remainder of the year.

As such, Mayfield expects occupancy for the full year to be approximately 67%, generating EBIT in the range of \$5.6 to \$5.9 million, and NPAT of \$3.8 - \$3.9 million.

Given the volatile nature of the pandemic and the impact that it has had, and will continue to have, on the Victorian economy, the Board has taken the precautionary decision not to declare or pay a dividend in respect of the CY2020

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