



19 August 2021

**ASX Limited  
Market Announcement**

**Think Childcare Group (ASX Code: TNK)  
Explanatory Booklet registered with ASIC**

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Think Childcare Group (ASX:TNK) ("**Think Group**") is pleased to confirm that the Australian Securities and Investments Commission ("**ASIC**") has today registered the Explanatory Booklet for:

- two inter-conditional schemes of arrangement between Think Childcare Limited ("**TNK**") and its shareholders and Think Childcare Development Limited ("**TND**") and its shareholders ("**TNK Scheme**", "**TND Scheme**" and together, the "**Schemes**") under which Busy Bees Australia Group proposes to acquire 77.85% of the shares on issue in TNK and 77.85% of the shares on issue in TND; and
- resolutions at a combined general meeting of TNK and TND ("**General Meeting**") seeking approval for certain transactions involving Mathew Edwards (Think Group's Chief Executive Officer and Managing Director) ("**MGE Acquisition**"), the unstapling of TNK shares and TND shares, and amendments to the constitution of TNK necessary for Busy Bees to be able to acquire TNK shares under the TNK Scheme.

A copy of the Explanatory Booklet containing information about the Schemes, the MGE Acquisition, the independent expert's report and the notices convening each meeting of Think Group securityholders to consider and vote on the Schemes ("**Scheme Meetings**") and the General Meeting accompanies this announcement.

**Despatch of Explanatory Booklet**

The Explanatory Booklet will be available for viewing and downloading at <https://www.thinkchildcare.com.au/investors>.

The Explanatory Booklet will be sent to all Think Group Securityholders on or before 30 August 2021.



Think Group Securityholders who have elected to receive communications electronically will receive an email which contains instructions about how to view or download a copy of the Explanatory Booklet and how to lodge their Proxy Form for the Scheme Meetings and the General Meeting.

Think Group Securityholders who have not elected to receive communications electronically will be sent a letter containing details on how to access a copy of the Explanatory Booklet online together with a Proxy Form for the Scheme Meetings and the General Meeting.

Think Group Securityholders who wish to receive a printed copy of the Explanatory Booklet may request one by calling the Securityholder Information Line on 1300 145 425 (within Australia) or +61 3 9415 4829 (outside Australia) Monday to Friday between 8.30am and 5.30pm (Melbourne time).

### **Independent expert's report**

The Explanatory Booklet includes an independent expert's report prepared by Grant Thornton Corporate Finance Pty Ltd ("**Grant Thornton**"). Grant Thornton has concluded that, in the absence of a superior proposal, the Schemes are fair and reasonable and therefore in the best interest of Independent Securityholders<sup>1</sup>, that the MGE Acquisition is not fair but reasonable to Independent Securityholders and that the Proposed Transaction overall is in the best interest of Independent Securityholders.

Grant Thornton's conclusion should be read in context with the full independent expert's report and the Explanatory Booklet.

### **Independent Directors' recommendation and voting intention**

Think Group's Independent Directors<sup>2</sup> unanimously recommend voting in favour of the Schemes and the General Meeting Resolutions, in the absence of a superior proposal and subject to Grant Thornton continuing to conclude that the Schemes are fair and reasonable and therefore in the best interest of Independent Securityholders, that the MGE Acquisition is not fair but reasonable to Independent Securityholders and that the Proposed Transaction overall is in the best interest of Independent Securityholders. Subject to that same qualification, each Independent Director intends to vote all Think Group Securities held or controlled by them in favour of the Schemes and the General Meeting Resolutions.

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<sup>1</sup> Being all Think Group Securityholders other than Mathew Edwards and his controlled entities.

<sup>2</sup> Being all Think Group directors other than Mathew Edwards.



### **Mathew Edwards' recommendation**

Mathew Edwards will abstain from making a recommendation on the Schemes and the General Meeting Resolutions, given his material personal interest in the MGE Acquisition, his agreement to sell his shares in TNK to Busy Bees (conditional on the Schemes being implemented) and the commercially integrated nature of the Schemes and the MGE Acquisition.

*END*

### **For further information, please contact:**

#### **Mark Kerr**

Chairman, Think Childcare Limited and Think Childcare Development Limited  
Chairman of the Independent Board Committee  
T +61 2 9712-7444  
E [ir@thinkchildcare.com.au](mailto:ir@thinkchildcare.com.au)

*This announcement was authorised for release by the Board of Think Childcare Limited and the Board of Think Childcare Development Limited*



#### **Think Childcare Group**

Think Childcare Limited ABN 81 600 793 388  
Think Childcare Development Limited ABN 55 635 178 166  
Suite 3, 1 Park Avenue, Drummoyne NSW 2047  
p +61 2 9712-7444 | [www.thinkchildcare.com.au](http://www.thinkchildcare.com.au)

## Explanatory Booklet

Think Childcare Limited ACN 600 793 388

Think Childcare Development Limited ACN 635 178 166

(collectively Think Group)



Nido Early School, Aveley, WA

For schemes of arrangement between each of Think Childcare Limited (**TNK**) and its shareholders and Think Childcare Development Limited (**TND**) and its shareholders, in relation to the proposed acquisition of your TNK Shares and TND Shares by Busy Bees Australia Group

**AND** For resolutions at a combined general meeting of TNK and TND seeking approval for certain transactions involving Mathew Edwards (Think Group's Chief Executive Officer and Managing Director) (**MGE Acquisition**), the unstapling of TNK Shares and TND Shares, and amendments to the constitution of TNK necessary for Busy Bees to be able to acquire TNK Shares under the TNK Scheme.

The notices for each Meeting are included in this Explanatory Booklet. A proxy form for all of the Meetings accompanies this Explanatory Booklet. Each Meeting will be conducted as a virtual (online only) meeting on 29 September 2021. Full details of how to participate in the virtual (online only) Meetings are set out in this Explanatory Booklet.

# VOTE IN FAVOUR

**YOUR VOTE IS IMPORTANT IN DETERMINING WHETHER THE SCHEMES AND THE MGE ACQUISITION PROCEED. YOUR INDEPENDENT DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE SCHEMES AND THE GENERAL MEETING RESOLUTIONS, IN THE ABSENCE OF A SUPERIOR PROPOSAL AND SUBJECT TO THE INDEPENDENT EXPERT CONTINUING TO CONCLUDE THAT THE SCHEMES ARE IN THE BEST INTEREST OF INDEPENDENT SECURITYHOLDERS, THE MGE ACQUISITION IS NOT FAIR BUT REASONABLE TO INDEPENDENT SECURITYHOLDERS AND THAT THE PROPOSED TRANSACTION OVERALL IS IN THE BEST INTEREST OF INDEPENDENT SECURITYHOLDERS.**

**THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR URGENT ATTENTION.**

If you are in any doubt as to how to deal with this Explanatory Booklet, please consult your legal, financial, taxation or other professional adviser immediately. If after reading this Explanatory Booklet you have any questions about the Schemes or the General Meeting Resolutions, please contact the Securityholder Information Line on 1300 145 425 (within Australia) or +61 3 9415 4829 (outside Australia) Monday to Friday between 8.30am and 5.30pm (Melbourne time).

If you have recently sold all of your Think Group Securities, please disregard this and all enclosed documents.





Nido Early School, Ellenbrook, WA



# Overview of this Explanatory Booklet

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## What is this Explanatory Booklet for?

This Explanatory Booklet has been sent to you to help you understand the terms of two inter-conditional schemes of arrangement between Think Childcare Limited and its shareholders (**TNK Scheme**) and Think Childcare Development Limited and its shareholders (**TND Scheme**) which, if they proceed to be implemented, would result in Busy Bees acquiring all of your TNK Shares and FEL Child Care Developments Pty Ltd (a subsidiary of Busy Bees) (**FEL Dev**) acquiring all of your TND Shares (each a **Scheme** and together the **Schemes**, as the context requires).

The Schemes can only proceed if both Schemes are approved by the requisite majorities of Independent Securityholders and by the Court, so this Explanatory Booklet includes information relevant to your decision as an Independent Securityholder whether to approve the Schemes.

This Explanatory Booklet also contains information to help you understand:

- the MGE Acquisition Approval Resolutions to approve certain transactions involving Mathew Edwards, Think Group's Chief Executive Officer and Managing Director, which are to occur following the implementation of the Schemes (including the acquisition by Mathew Edwards' controlled entities of the development arm of the Think Group business, including TND) and to approve the unstapling of TNK Shares and TND Shares; and
- the Appointor Structure Approval Resolutions to approve amendments to the constitution of TNK necessary for Busy Bees to be able to acquire TNK Shares under the TNK Scheme,

(together, the **General Meeting Resolutions**).

Among the other conditions to which the Schemes are subject, the Schemes are also subject to the General Meeting Resolutions being passed at the General Meeting.

## Why should you vote?

As an Independent Securityholder, you have a say in whether or not the Schemes and the MGE Acquisition proceeds. The Schemes and the MGE Acquisition cannot proceed unless (among other things):

- the Schemes are approved by the requisite majorities of Independent Securityholders at the Scheme Meetings; and
- the General Meeting Resolutions are passed at the General Meeting by Think Group Securityholders.

This is your opportunity to play a role in deciding the future of your investment in Think Group.

## What you should do next?

As a Think Group Securityholder, you have a number of decisions to make in relation to the Schemes and the MGE Acquisition. The key decisions for you to make are outlined in the steps below.

The Independent Directors unanimously recommend that you vote in favour of the Schemes and the General Meeting Resolutions, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interest of Independent Securityholders, the MGE Acquisition is not fair but reasonable to Independent Securityholders and that the Proposed Transaction overall is in the best interest of Independent Securityholders.

## Step 1: Read this Explanatory Booklet

You should carefully read this Explanatory Booklet in its entirety before making a decision on whether and how to vote on the Schemes and the General Meeting Resolutions.

If after reading this Explanatory Booklet you have any questions about the Schemes or the General Meeting Resolutions, please contact the Securityholder Information Line on 1300 145 425 (within Australia) or +61 3 9415 4829 (outside Australia) Monday to Friday between 8.30am and 5.30pm (Melbourne time).

If you are in any doubt as to how to deal with this Explanatory Booklet, please consult your legal, financial, taxation or other professional adviser immediately.

## Step 2: Vote on the Schemes and the General Meeting Resolutions

### (a) Your vote is important

For the Schemes to proceed, it is necessary that the requisite majorities of Independent Securityholders vote in favour of each Scheme Resolution and each General Meeting Resolution (as applicable). **Important:** you should vote on **ALL OF** the TNK Scheme Resolution, the TND Scheme Resolution and the General Meeting Resolutions (as applicable) at each of the Meetings. Please refer to Sections 4.1 to 4.4 inclusive for further information.

### (b) Who is entitled to vote?

If you are registered as a Think Group Securityholder by the Securities Registry at the Voting Entitlement Time (7.00pm (Melbourne time) on Monday, 27 September 2021), you will be entitled to vote at the Meetings, subject to certain voting exclusions that will apply to the MGE Entities.

### (c) How to vote?

**For full information on how to vote on the Schemes, please refer to Section 4.**

Given current uncertainty, the real prospect of ongoing snap Statewide lockdowns and border closures brought on with little or no notice and to minimise health risks created by the COVID-19 pandemic generally, the Meetings will be conducted as virtual (online only) meetings with online facilities using the Lumi AGM platform that allows for remote participation.

### **Are the Schemes and the MGE Acquisition in the best interest of Independent Securityholders?**

✓ The Independent Expert has concluded that, in the absence of a Superior Proposal, the Schemes are **FAIR AND REASONABLE** and therefore in the **BEST INTEREST** of Independent Securityholders, that the MGE Acquisition is **NOT FAIR BUT REASONABLE** to Independent Securityholders and that the Proposed Transaction overall is in the **BEST INTEREST** of Independent Securityholders.

The Independent Expert's Report is included in Appendix 1 to this Explanatory Booklet.

### **What do the Think Group Independent Directors recommend?**

✓ Your Independent Directors **UNANIMOUSLY RECOMMEND** that you vote **IN FAVOUR OF** the Schemes and the General Meeting Resolutions, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interest of Independent Securityholders, the MGE Acquisition is not fair but reasonable to Independent Securityholders and that the Proposed Transaction overall is in the best interest of Independent Securityholders.

✓ Your Independent Directors intend to vote all Think Group Securities they hold or control **IN FAVOUR OF** the Schemes and the General Meeting Resolutions, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interest of Independent Securityholders, the MGE Acquisition is not fair but reasonable to Independent Securityholders and that the Proposed Transaction overall is in the best interest of Independent Securityholders.

### **What does Mathew Edwards, Think Group's Chief Executive Officer and Managing Director, recommend?**

Mathew Edwards abstains from making a recommendation on the Schemes and the General Meeting Resolutions, given his material personal interest in the MGE Acquisition, his agreement to sell his shares in TNK to Busy Bees (conditional on the Schemes being Implemented) and the commercially integrated nature of the Schemes and the MGE Acquisition.

### **What if you have questions in relation to the Schemes or the MGE Acquisition?**

If you have questions in relation to the Schemes or the MGE Acquisition, you should refer to the Frequently Asked Questions in Section 3 or contact the Securityholder Information Line on 1300 145 425 within Australia or +61 3 9415 4829 if outside Australia Monday to Friday between 8.30am and 5.30pm (Melbourne time). Alternatively, you may consult your legal, financial, taxation or other professional adviser.



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# Important Dates and Times

All references to time in this Explanatory Booklet are references to the time in Melbourne, Australia unless otherwise stated.

Event	Date (and time)
Announcement of declaration of the Interim Dividend	18 August 2021
First Court Hearing at which the Court made orders convening the Scheme Meetings	Wednesday, 18 August 2021
Time and date for determining entitlements to the Interim Dividend ( <b>Interim Dividend Record Date</b> )	25 August 2021
Payment date for Interim Dividend	2 September 2021
Announcement of Permitted Dividend (if declared)*	Mid-September and prior to Monday, 27 September 2021
Last time and date by which the proxy form for the Meetings must be received by the Securities Registry (whether by mail, by fax or by online lodgement) ( <b>Proxy Cut Off Date</b> )	11.00am on Monday, 27 September 2021
Time and date for determining eligibility to vote at the Meetings ( <b>Voting Entitlement Time</b> )	7.00pm on Monday, 27 September 2021
TNK Scheme Meeting to be conducted as a virtual (online only) meeting to vote on the TNK Scheme Resolution	11.00am on Wednesday, 29 September 2021
TND Scheme Meeting to be conducted as a virtual (online only) meeting to vote on the TND Scheme Resolution	11.30am on Wednesday, 29 September 2021 or at the conclusion or adjournment of the TNK Scheme Meeting (whichever time is later)
General Meeting of Think Group Securityholders to be conducted as a combined meeting of TNK and TND shareholders and as a virtual (online only) meeting to vote on the MGE Acquisition Approval Resolutions and, for TNK Shareholders only, the Appointor Structure Approval Resolutions	12.00 noon on Wednesday, 29 September 2021 or at the conclusion or adjournment of the TND Scheme Meeting (whichever time is later)

The remainder of this timetable assumes that the Scheme Resolutions and the General Meeting Resolutions are passed by Think Group Securityholders. All dates and times in the remainder of this timetable are indicative only and, among other things, are subject to all necessary approvals from the Court and Government Agencies. Any changes to the remainder of this timetable (which may include an earlier or later date for the Second Court Hearing) will be announced through ASX and notified on Think Group's website at [www.thinkchildcare.com.au](http://www.thinkchildcare.com.au)



Second Court Hearing to obtain orders approving the Schemes	Wednesday, 6 October 2021
Lodgment by Think Group with ASIC of the Court orders approving the Schemes ( <b>Effective Date</b> )	Thursday, 7 October 2021
Suspension of trading in Think Group Securities on ASX	Close of trading on Thursday, 7 October 2021
Time and date for determining entitlements to any Permitted Dividend (if declared)* ( <b>Permitted Dividend Record Date</b> )	7.00pm on Monday, 11 October 2021
Time and date for determining entitlements to the Scheme Consideration ( <b>Scheme Record Date</b> )	7.00pm on Thursday, 14 October 2021
Implementation Date	Thursday, 21 October 2021
Payment date for Permitted Dividend (if declared)*	Implementation Date
Completion of the MGE Share Acquisition Agreement	Implementation Date
Completion of the MGE Acquisition	Implementation Date

\* The Permitted Dividend has not yet been declared by the Think Group Boards and remains at the absolute discretion of the Think Group Boards. Any decision whether or not to declare the Permitted Dividend will be made by the Think Group Boards and will be communicated to Think Group Securityholders by way of an ASX announcement prior to the Proxy Cut Off Date.

# Important Notices

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## General

You should read the whole of this Explanatory Booklet before making a decision on how to vote on the resolutions to be considered at the respective Meetings. The notices convening the Meetings are contained in the Appendices to this Explanatory Booklet. A Proxy Form for all of the Meetings accompanies this Explanatory Booklet.

## Defined terms

Capitalised terms in this Explanatory Booklet are defined either in the Glossary in Section 13 or where the relevant term is first used.

## Purposes of this Explanatory Booklet

The purposes of this Explanatory Booklet are to:

- explain the terms and effect of the Schemes, the MGE Acquisition and the General Meeting Resolutions to Think Group Securityholders;
- explain the manner in which the Schemes and the MGE Acquisition will be considered and, if approved, implemented;
- state any material interests of the Directors, whether as directors, members or creditors of Think Group or otherwise, and the effect on those interests of the Schemes as far as that effect is different from the effect on the similar interests of other persons;
- provide the information as is prescribed by the Corporations Act and the Corporations Regulations or as is otherwise material to the decision of Independent Securityholders whether or not to vote in favour of the Schemes; and
- provide the information as is prescribed by the Corporations Act, the Corporations Regulations and the Listing Rules or as is otherwise material to the decision of Think Group Securityholders whether or not to vote in favour of the other General Meeting Resolutions.

This Explanatory Booklet (excluding the Appendices) constitutes the explanatory statement for the Schemes as required by section 412(1) of the Corporations Act and the explanatory statement and information for the General Meeting Resolutions as required by each of Division 2 of Part 2D.2 of the Corporations Act (Termination Payments) and Chapter 2E of the Corporations Act and Listing Rule 10.5 (each, **Related Party Transactions**).

## No financial product advice

The information contained in this Explanatory Booklet is not financial product or investment advice. This Explanatory Booklet has been prepared without taking into account your investment objectives, financial situation, taxation position or other particular needs. Before deciding how to vote or act, Think Group Securityholders and others should consider the appropriateness of the information having regard to their own investment objectives, financial situation, taxation position and other particular needs and seek legal, taxation and financial advice appropriate to their jurisdiction and circumstances. Think Group is not licensed to provide financial product advice in respect of Think Group Securities or any other financial products.

To the extent (if at all) any part of this Explanatory Booklet includes financial product advice given by Busy Bees, the advice has been prepared without taking into account anyone's (whether a recipient of the Explanatory Booklet or otherwise), objectives, financial situation or needs. Accordingly, before acting on any such advice, you should consider the appropriateness of the advice having regard to your objectives, financial situation and needs.

### **Responsibility for information**

The Think Group Information contained in this Explanatory Booklet has been prepared by and is the responsibility of Think Group. Busy Bees has not independently verified any of the Think Group Information and does not make any representation or warranty (express or implied) as to, and does not assume any responsibility for, the accuracy, relevance or completeness of, the Think Group Information.

Grant Thornton has prepared the Independent Expert's Report in relation to the Schemes and the MGE Acquisition in Appendix 1 to this Explanatory Booklet and takes responsibility for that report.

The Busy Bees Information contained in this Explanatory Booklet has been prepared by and is the responsibility of Busy Bees. Think Group has not independently verified any of the Busy Bees Information and does not make any representation or warranty (express or implied) as to, and do not assume any responsibility for, the accuracy, relevance or completeness of, the Busy Bees Information.

### **Independent Securityholders outside Australia**

This Explanatory Booklet has been prepared having regard to Australian disclosure requirements. These requirements may be different from those in other jurisdictions. Accordingly, the release, publication or distribution of this Explanatory Booklet in jurisdictions other than Australia may be restricted by law or regulation in those other jurisdictions and persons outside Australia who come into possession of this Explanatory Booklet should seek advice on and observe any applicable restrictions. This Explanatory Booklet and the Schemes do not in any way constitute an offer to buy securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Independent Securityholders resident outside Australia for taxation purposes should also seek specific taxation advice in relation to the Australian and overseas taxation implications of their participation in the Schemes.

### **ASIC and ASX**

A draft of this Explanatory Booklet was provided to ASIC for the purpose of sections 218 and 411(2) of the Corporations Act and a copy of this Explanatory Booklet has been registered by ASIC for the purpose of section 412(6) of the Corporations Act.

ASIC has examined a copy of this Explanatory Booklet. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Schemes. If ASIC provides that statement, it will be produced to the Court at the time of the Court hearing to approve the Schemes.

Neither ASIC nor any of its officers takes any responsibility for the contents of this Explanatory Booklet.

A draft of this Explanatory Booklet has also been provided to ASX for its review in accordance with the Listing Rules. Neither ASX nor any of its officers takes any responsibility for the contents of this Explanatory Booklet.



## **IMPORTANT NOTICE ASSOCIATED WITH COURT ORDERS UNDER SECTION 411(1) OF THE CORPORATIONS ACT**

A copy of this Explanatory Booklet was submitted to the Court to obtain orders of the Court under section 411(1) of the Corporations Act directing Think Group to convene the Scheme Meetings. Those orders were obtained at the First Court Hearing on 18 August 2021.

The fact that under section 411(1) of the Corporations Act the Court has ordered that a separate meeting of Independent Securityholders be convened by Think Group to consider and vote on the Schemes and has directed that this Explanatory Booklet accompany the Notices of Scheme Meeting does not mean that the Court:

- (a) has formed any view as to the merits of the Schemes or how Independent Securityholders should vote on the Schemes (on this matter Independent Securityholders must reach their own decision);
- (b) has prepared, or is responsible for, the content of this Explanatory Booklet; or
- (c) has approved or will approve the terms of the Schemes.

## **NOTICE REGARDING SECOND COURT HEARING AND IF ANY THINK GROUP SECURITYHOLDER WISHES TO OPPOSE THE RELEVANT SCHEME**

The date of the Second Court Hearing to approve the Schemes is scheduled for 6 October 2021.

The hearing will be at 9.00am (Melbourne time) in the Federal Court of Australia (Victoria registry).

An Independent Securityholder has the right to appear and be heard at the Second Court Hearing and may oppose the approval of the Schemes at the Second Court Hearing. It is possible that the Second Court Hearing will be held either virtually (online only) or by telephone conference. Details on how to attend the Second Court Hearing will be released by Think Group to ASX if the Schemes have been approved by Independent Securityholders at the Scheme Meetings and the General Meeting Resolutions have been passed at the General Meeting. Independent Securityholders should note that the protocols for attendance at the Second Court Hearing may change at short notice in light of developments relating to the COVID-19 global pandemic. Any such change will be announced by Think Group to ASX.

If you wish to oppose approval of the Schemes by the Court at the Second Court Hearing you must file with the Court, and serve on Think Group, a notice of appearance in the prescribed form, together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on Think Group at its address for service at least one day before the Second Court Date.

The address for service is: c/o MinterEllison, Level 20, Collins Arch, 447 Collins Street, Melbourne VIC 3000, Attention: Bart Oude-Vrielink. The notice of appearance and affidavit must also be sent by email to [bart.oude-vrielink@minterellison.com](mailto:bart.oude-vrielink@minterellison.com).

## Forward looking statements

Certain statements in this Explanatory Booklet are about future matters, including forward looking statements. These forward looking statements and information, including statements and information relating to Think Group and the transactions contemplated by the Implementation Agreement, are not based solely on historical facts, but rather reflect the current expectations of:

- (a) Think Group, in relation to the Think Group Information; or
- (b) Busy Bees, in relation to the Busy Bees Information,

concerning future results, events or other matters. These forward looking statements may sometimes be identified by the use of forward looking words or phrases such as *if, when, believe, aim, will, expect, anticipate, intend, foresee, likely, should, could, plan, may, estimate, budget, forecast, envisage, target, potential* or other similar words or phrases. Similarly, statements that describe Think Group's or the Busy Bees' objectives, plans, goals or expectations, estimates of future costs, and expenditure are or may be forward looking statements.

The statements contained in this Explanatory Booklet about the impact that the Schemes may have on the results of Think Group's performance, the expected advantages and potential disadvantages of the Schemes are also forward looking statements.

These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results of Think Group to be materially different from future results, performance or achievements expressed or implied by such statements. These statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which Think Group will operate in the future, including anticipated costs and ability to achieve goals. Therefore, forward looking statements and information should be construed in light of those limitations and undue reliance should not be placed on them.

None of Think Group, Busy Bees, their respective related entities, their respective directors, nor any other person gives any representation, assurance or guarantee that the occurrence of the results or events expressed or implied in any forward looking statements and information in this Explanatory Booklet will actually occur.

The forward looking statements and information in this Explanatory Booklet reflect views held only at the date of this Explanatory Booklet.

Subject to any continuing obligations under law, Think Group, Busy Bees, their respective related entities, and their respective directors disclaim any obligation or undertaking to disseminate after the date of this Explanatory Booklet any updates or revisions to any forward looking statements and information to reflect any change in expectations in relation to them or any change in the events, conditions or circumstances on which they are based.

## Rounding of numerical information

Any discrepancies between totals in tables and sums of components contained in this Explanatory Booklet and between those figures and figures referred to in other parts of this Explanatory Booklet may be due to rounding. Except as otherwise stated, all rounded numbers have been rounded either to one decimal place or to the nearest whole number.

## Privacy and personal information

Think Group, Busy Bees and the Securities Registry will need to collect personal information to conduct the Meetings and to implement the Schemes. This information may include the name, contact details and security holding of Think Group Securityholders, and the name of persons appointed by Think Group Securityholders to act as proxy, attorney, or in the case of an Think Group Securityholder who is a corporation, corporate representative at any of the Meetings.

The primary purpose of collecting this personal information is to assist Think Group in the conduct of the Meetings and to enable the Schemes to be approved by Independent Securityholders and the Court to be implemented by Think Group in the manner described in this Explanatory Booklet. Without this information, Think Group may be impeded in its ability to carry out these purposes to full effect. The collection of certain personal information is authorised by the Corporations Act.

Personal information may be disclosed to the Securities Registry, print and mail service providers, authorised securities brokers and to related entities of Think Group and the parties to the Implementation Agreement.

Think Group Securityholders have certain rights to access their personal information that has been collected. Think Group Securityholders should contact Think Group's company secretary in the first instance if they wish to request access to their personal information.

Think Group Securityholders who appoint a named person to act as their proxy, attorney, or in the case of a Think Group Securityholder who is a corporation, a corporate representative the Meetings should ensure that they inform that person of the matters outlined above.

## No internet site is part of this Explanatory Booklet

Think Group and Busy Bees each maintain internet sites at <https://www.thinkchildcare.com.au> and <https://www.busybees.edu.au/> respectively. Any references in this Explanatory Booklet to these or other internet sites are for information purposes only and do not form part of this Explanatory Booklet.

## Entitlement to inspect Securities Register

All persons are entitled to inspect and obtain a copy of Think Group's Securities Register under section 173 of the Corporations Act. If you are a Think Group Securityholder this register will contain personal information about you.

## References to time

All references to time in the Explanatory Booklet are to the legal time in Melbourne, Victoria unless otherwise stated.

## Date of Explanatory Booklet

This Explanatory Booklet is dated 19 August 2021.



# Letter from the Chairman

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Dear Think Group Securityholder,

I am pleased to provide you with this Explanatory Booklet, which outlines details you will need to consider in relation to a transaction which, if it proceeds will result in:

- Busy Bees acquiring Think Childcare Limited (**TNK**); and
- the 'MGE Acquisition' occurring, under which, among other things, entities controlled by Mathew Edwards, Think Group's Chief Executive Officer and Managing Director, would acquire:
  - the development arm of the Think Group business including Think Childcare Development Limited (**TND**) and certain other assets of TNK comprising the 'Think Rump', including intellectual property rights in relation to the Nido brand; and
  - management rights, initially in relation to 35 TNK early childcare education and care centres.

I encourage you to read this Explanatory Booklet carefully and to participate in this significant transaction for Think Group by voting in favour of the Schemes and MGE Acquisition.

## Background

The business operated by TNK was originally established by Mathew Edwards, Think Group's Chief Executive Officer and Managing Director, in 2012 to provide fair value childcare with benefits of corporate ownership in the rapid growth and consolidation phase of the childcare sector in Australia. TNK was listed on the ASX in October 2014. On listing, TNK owned and operated 30 early childhood education and care centres (each, **Centre**) in Australia and this has since increased to 73 Centres and 2 development greenfield sites (as at 30 June 2021).

In 2019, TND was established to operate as an 'in-house' development/incubator of Centres that would reduce TNK's reliance on third party incubators and to provide a pipeline to TNK of purpose-built Centres. The shares in TNK and TND were stapled to form the listed stapled entity now known as Think Group, representing a first instance of a listed stapled entity structure operating in the child care sector. As at 30 June 2021, TND had a pipeline of 36 Centres, comprising 16 purpose-built Nido Centres at various stages of trade-up and a pipeline of 20 centres comprising 15 purpose-built Nido Centres at various stages of development and 5 sites suitable for future developments.

As you would be aware, during the past 9 months, Think Group has received several successive proposals to acquire Think Group.

On 16 November 2020, Think Group announced that it had received a non-binding indicative proposal from Alceon Group Pty Ltd (**Alceon**) to acquire Think Group for \$1.35 per Think Group Security. An Independent Committee of Think Group Boards of Directors (**IBC**) had been established to assess an earlier Alceon proposal for \$1.03 per Think Group Security received in July 2020.

On 23 November 2020, Think Group announced the receipt of a competing initial, non-binding indicative proposal from Busy Bees to acquire Think Group for \$1.75 per Think Group Security. Revised non-binding indicative proposals were received from both Alceon for \$1.75 per Think Group Security (matching the initial Busy Bees proposal on 23 November 2020) (as announced on 24 December 2020) and Busy Bees for \$2.10 per Think Group Security (as announced on 20 January 2021).

## Proposed Transaction

On 6 April 2021, Think Group announced that it had received a further revised conditional, non-binding indicative proposal from Busy Bees to acquire Think Group for \$3.20 per Think Group Security and that the IBC had determined to grant a short period of exclusivity to Busy Bees for the purposes of it finalising its due diligence and to further negotiate transaction documents in order to determine if a binding proposal could be presented to Independent Securityholders. The further revised proposal from Busy Bees indicated that Busy Bees was open to a transaction structure which involved Mathew Edwards acquiring the development business of the Think Childcare Group for a nominal sum and on terms agreed between Busy Bees and Mathew Edwards.

Think Group agreed to further extend the exclusivity period on two occasions (14 May 2021 and 31 May 2021) to conclude the negotiation of binding transaction documents and for ASIC joint bid relief to be obtained.

On 16 June 2021, following careful consideration of the further revised Busy Bees proposal by the IBC, Think Group entered into an Implementation Agreement with Busy Bees under which it is proposed that Busy Bees would acquire 77.85% of the issued capital of TNK and its subsidiary, FEL Dev, would acquire 77.85% of the issued capital of TND by way of two inter-conditional schemes of arrangement.

Concurrently with the Schemes, Busy Bees will acquire 22.15% of the TNK Shares from Mathew Edwards and his Controlled entities under the MGE Share Acquisition Agreement, which was entered into on the same day as the Implementation Agreement, for the same consideration that Independent Securityholders will receive for their TNK Shares under the Schemes.

Mathew Edwards and his Controlled entities have agreed to acquire the development business of the Think Childcare Group and management rights in respect of 35 Nido Centres (**MGE Acquisition**).

As part of the MGE Acquisition, the 77.85% of the TND Shares acquired by FEL Dev under the TND Scheme will, on the Implementation Date, be transferred to Mathew Edwards for nominal consideration.

If the Schemes are approved and implemented, the MGE Share Acquisition Agreement completes and the MGE Agreements complete, Busy Bees will own 100% of the TNK Shares, Mathew Edwards and his Controlled entities will own 100% of the development arm of the Think Group business, including the TND Shares and Think Group will be delisted from ASX shortly after the Implementation Date.

The Scheme Consideration under the Schemes totals \$3.20 per Stapled Security less the amount of any Permitted Dividend declared and paid by Think Group after the date of the Implementation Agreement.

Under the terms of the Implementation Agreement, Think Group is permitted to declare and pay two sets of dividends, namely:

- a fully franked cash interim dividend of up to \$0.08 per Think Group Security (**Interim Dividend**), which will not operate to reduce the Scheme Consideration (this was announced by Think Group on 18 August 2021); and
- a fully franked cash dividend of up to \$0.24 per Think Group Security (**Permitted Dividend**), which will operate to reduce the Scheme Consideration by the amount of the Permitted Dividend.

If you are a Think Group Securityholder on 25 August 2021, being the Interim Dividend Record Date, you will receive the Interim Dividend of \$0.08 per Think Group Security, with payment of the Interim Dividend to be made on 2 September 2021.

If the Schemes are approved and implemented, Scheme Securityholders who hold their Think Group Securities on both the Scheme Record Date and the Permitted Dividend Record Date will receive \$3.20 per Stapled Security comprising the following components:

- the consideration to be provided by Busy Bees to each Scheme Securityholder for the transfer to Busy Bees of each Think Group Security as at the Scheme Record Date, being not less than \$2.96 per Think Group Security (being the amount of \$3.20 per Stapled Security (less the amount of any Permitted Dividend) (**Scheme Consideration**); and
- a fully franked special dividend of up to \$0.24 per Think Group Security held on the Permitted Dividend Record Date (**Permitted Dividend**),

the aggregate of which is referred to as the **Total Cash Payment**.

The Think Group Boards' decision to declare the Interim Dividend and the Permitted Dividend will be subject to the requirements of the Corporations Act, the availability of retained earnings and franking credits and, in relation to the Permitted Dividend only, the ATO's views on the Permitted Dividend being a fully franked dividend.

The Interim Dividend is not conditional on the Schemes and, if declared, will be paid irrespective of whether the Schemes proceed or not, whereas the Permitted Dividend will only be paid if the Think Group Boards so determine and if the Schemes proceed.

The Total Cash Payment of \$3.20 per Think Group Security payable to Scheme Securityholders represents a significant premium of:

- a 52% premium to Busy Bees' previous non-binding revised indicative proposal of \$2.10 per Think Group Security (announced on 20 January 2021);
- an 83% premium to Alceon's previous revised non-binding and indicative proposal of \$1.75 per Think Group Security (announced on 24 December 2020) and Busy Bees' previous non-binding initial indicative proposal of \$1.75 per Think Group Security (announced on 23 November 2020);
- a 156% premium to the closing price of Think Group Securities of \$1.25 per Think Group Security on 13 November 2020, being the last trading date prior to the announcement of the indicative proposal from Alceon to acquire 100% of Think Group on 16 November 2020;
- a 176% premium to the 10 trading day VWAP<sup>1</sup>; and
- a 192% premium to the one month VWAP<sup>1</sup>.

In addition, the potential value in franking credits attached to the Interim Dividend and the Permitted Dividend (if declared) for those Think Group Securityholders who are able to realise the full benefit of franking credits, is up to \$0.137 per Think Group Security (subject to confirmation from the ATO via a class ruling that Think Group has requested in relation to the franking credits attached to the Permitted Dividend).

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<sup>1</sup> VWAP of Think Group Securities based on cumulative trading volume and value up to and including 13 November 2020, being the last trading date prior to the announcement of the indicative proposal from Alceon to acquire 100% of Think Group on 16 November 2020.

## Overview of the MGE Acquisition

As part of the agreed terms for proposing the Schemes, if the Schemes proceed, Mathew Edwards, through his Controlled entities, will acquire TND and certain other assets for nominal consideration pursuant to the terms of separate agreements agreed between TNK, the Busy Bees Australia Group and Mathew Edwards and his Controlled entities:

- the 77.85% of the TND Shares acquired by the Busy Bees Australia Group under the TND Scheme (such that Mathew Edwards and his Controlled entities will own 100% of the issued share capital of TND);
- the Nido Early School Centre located in Franklin, ACT;
- the head office function and specified non-income producing assets of TNK (including the assumption of the head office and related employee costs and associated liabilities of TNK and entities that hold leases for TNK development greenfield sites);
- 100% of the issued share capital of Think Childcare Services Pty Ltd (**TCS**) (being the entity that holds the childcare centre service approvals for the TNK centres that are the subject of the Centre Management Agreement); and
- the Nido brand and all associated intellectual property rights,

(together, the **Think Rump**).

Simultaneously with the sale of the Think Rump, a management contract between Nest Management Pty Ltd (**Nest Management**), an entity Controlled by Mathew Edwards, and Busy Bees Australia Operations Pty Ltd, an entity within the Busy Bees Australia Group, will commence, which provides for a management fee of \$100,000 per Centre under management per annum. At the commencement date of the Centre Management Agreement there will be 35 Centres under management and covered under the Centre Management Agreement.

Mathew Edwards and his Controlled entities will be paying nominal consideration for the Think Rump (\$300 in aggregate)<sup>2</sup> because the acquisition of the Think Rump is accompanied by Mathew Edwards and his Controlled entities assuming of all of the corporate and overhead costs and associated liabilities of the development business of Think Group, apart from TND's existing bank facility of approximately \$13 million (which will be paid out at completion by Busy Bees) and certain accrued entitlements of transferring employees (which will be paid out at completion by TNK). The costs and liabilities include those associated with:

- operating and developing the TND portfolio (which as at 13 August 2021, being the Last Practicable Date, comprises 18 Centres and 18 greenfield sites), including associated capital requirements;
- operating the historically loss-making Nido Franklin Centre;
- the trade up of 2 of TNK development greenfield sites; and
- maintaining the majority of Think Group head office employees and head office assets.

For further details on these costs and liabilities, please refer to sections 5.4 and 8 of the Independent Expert's Report.

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<sup>2</sup> The aggregate nominal consideration comprises the following:

- \$100.00 with respect to the TND Share Transfer Agreement;
- \$100.00 with respect to the Head Office Asset Sale Agreement; and
- \$100.00 with respect to the Nido Franklin Sale Agreement.



Think Group Securityholders will be asked to approve the MGE Acquisition at the General Meeting as the MGE Acquisition, if completed, will constitute:

- the provision of a financial benefit by Think Group to a related party (Mathew Edwards and his Controlled entities) for the purposes of Chapter 2E of the Corporations Act;
- a transaction involving a 'person in a position of influence' (Mathew Edwards and his Controlled entities) for the purposes of Listing Rule 10.1 of the ASX Listing Rules;
- a provision of a benefit in connection with the retirement of a person who has held executive office for the purposes of section 200B of the Corporations Act and Listing Rule 10.19; and
- a provision of a benefit in connection with the transfer of property of the company to a person who has held executive office for the purposes of section 200C of the Corporations Act.

Think Group Securityholders will also be asked to approve the 'unstapling' of the Stapled Securities of Think Group at the General Meeting. Presently a TNK Share and a TND Share are stapled to each other to form a Think Group Security. To facilitate the MGE Acquisition as contemplated by the MGE Agreements, it is necessary for each TNK Share and TND Share to be unstapled from each other. The 'unstapling' will only be effective if the Schemes proceed.

### Overview of the Appointor Structure Approval Resolutions

The structure of the Proposed Transaction with Busy Bees also envisages that TNK Shareholders will be asked to approve amendments to the TNK Constitution required to facilitate the acquisition of TNK Shares by Busy Bees as a result of the shareholding structure of Busy Bees and the regulatory requirements applicable to its controlling shareholder, the Ontario Teachers' Pension Plan Board (**OTPP**).

If approved by TNK Shareholders, the TNK Constitution will be amended to remove all rights attaching to TNK Shares to vote on the appointment, election and/or removal of directors of TNK and to add a provision which provides that an appointor entity designated by OTPP will have the sole authority to appoint and remove all directors of TNK. The appointor entity must be an entity that does not directly own securities in TNK and it is proposed that the appointor will be another wholly owned subsidiary of OTPP.

As with the Unstapling Resolutions, the proposed amendments to the TNK Constitution would be conditional on the Schemes becoming Effective and will take effect on the Implementation Date.

### Independent Director voting recommendation and intentions

**Your Independent Directors unanimously recommend that you vote in favour of the Schemes and the General Meeting Resolutions**, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interest of Independent Securityholders, the MGE Acquisition is not fair but reasonable to Independent Securityholders and that the Proposed Transaction overall is in the best interest of Independent Securityholders.

The Scheme Resolutions and the General Meeting Resolutions are inter-dependent resolutions, meaning that unless each is passed, the Schemes and the MGE Acquisition cannot proceed. This inter-dependency reflects the commercially integrated nature of the overall proposal that Think Group Securityholders are being asked to consider. Specifically, the Schemes and the MGE Acquisition collectively represent a single, integrated proposal for Think Group Securityholders to vote on.

Each of your Independent Directors intends to vote all Think Group Securities held or controlled by them, in favour of the Schemes and the General Meeting Resolutions, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interest of Independent Securityholders, the MGE Acquisition is not fair but reasonable to Independent Securityholders and that the Proposed Transaction overall is in the best interest of Independent Securityholders. As at the date of this Explanatory Booklet, your Independent Directors hold or control in aggregate approximately 4.13% of all Think Group Securities on issue.

In forming their unanimous recommendation, your Independent Directors have carefully considered the conditions, expected advantages, potential disadvantages and risks of the Schemes and the MGE Acquisition, together with the other options open to Think Group. These matters are described in detail in Section 2 but include:

- The Total Cash Payment of \$3.20 per Think Group Security represents an attractive premium to historical trading prices and provides Independent Securityholders with certainty of value.
- No Superior Proposal has emerged as at the date of this Explanatory Booklet, despite Think Group having undertaken an extensive process to maximise securityholder value and evaluated several proposals.
- The ability to participate in any potential upside that may result from maintaining a direct investment in Think Group. However, as with all investments in securities, there can be no guarantee as to Think Group's future performance if it remains an independent ASX listed company.

Your Independent Directors consider that the expected advantages of the Schemes and the MGE Acquisition outweigh the potential disadvantages and risks. For further details, please refer to Section 2.

### **Mathew Edwards' voting recommendation and intentions**

Mathew Edwards, Think Group's CEO and Managing Director, has a relevant interest in approximately 22.15% of Think Group Securities. Mathew Edwards will abstain from making a recommendation on the Scheme Resolutions and the MGE Acquisition Approval Resolutions, given his material personal interest in the MGE Acquisition, his agreement to sell his shares in TNK to Busy Bees (conditional on the Schemes being Implemented) and the commercially integrated nature of the Schemes and the MGE Acquisition.

Mathew Edwards and his Controlled entities will also be excluded from voting on and participating in the Schemes. They will also be excluded from voting on all of the General Meeting Resolutions apart from the Unstapling Resolutions and the Appointor Structure Approval Resolutions, in respect of which Mathew Edwards has agreed with Busy Bees to vote in favour.

Mathew Edwards has also agreed to certain exclusivity arrangements in favour of Busy Bees under an Exclusivity Deed between Mathew Edwards and Busy Bees dated 6 April 2021 (**MGE Exclusivity Deed**) and in the MGE Share Acquisition Agreement. In particular, under the MGE Share Acquisition Agreement, Mathew Edwards has agreed to vote against any competing transaction.

The MGE Share Acquisition Agreement will automatically terminate if the Implementation Agreement is terminated or if the Schemes are not approved by Independent Securityholders or by the Court.

Further details of the exclusivity provisions contained in the MGE Share Acquisition Agreement are set out in Section 10.2. ASIC has granted relief to Busy Bees and FEL Dev under section 655A(1) of the Corporations Act in the form of an exemption from section 606 of the Corporations Act to enable the entry by Busy Bees and the MGE Entities into the MGE Share Acquisition Agreement. For further details of the ASIC relief, please refer to Section 12.11.

### Alceon's voting intention

The Independent Directors have received correspondence from Alceon, being Think Group's second largest shareholder with a relevant interest in 19.07% of Think Group Securities, indicating that Alceon is supportive of the Schemes and that it intends to vote in favour of the Schemes.

### Independent Expert

Your Independent Directors' unanimous recommendation in respect of the Schemes and the General Meeting Resolutions is supported by the conclusion of Grant Thornton, the Independent Expert engaged by the IBC to opine on whether the Schemes are in the best interest of Independent Securityholders and whether the MGE Acquisition is either fair and reasonable or not fair but reasonable to Independent Securityholders. **The Independent Expert has concluded that the Schemes are fair and reasonable and therefore in the best interest of Independent Securityholders, in the absence of a superior proposal and that the MGE Acquisition is not fair but reasonable to Independent Securityholders and that the Proposed Transaction overall is in the best interest of Independent Securityholders, also in the absence of a superior proposal.**

In assessing the reasonableness of the MGE Acquisition, the Independent Expert has stated that it has considered the following<sup>3</sup>:

- *“The MGE Acquisition and the Schemes are interdependent. If the MGE Acquisition is not approved, one of the condition precedent for the Schemes will not be met and the Proposed Transaction will not proceed. The Independent Securityholders will forego the opportunity to receive the Scheme Consideration which is in excess of our assessment of the fair market value of the Group and it includes some special value only available to Busy Bees and a limited number of other purchasers.*
- *Whilst we have concluded that the MGE Acquisition is not fair<sup>4</sup>, there are a number of plausible scenarios where the value of Think Rump is negative or A\$nil. Under these circumstances, the MGE Acquisition would be fair.*
- *Alceon, which is not able to pursue a similar transaction structure given the lack of a large existing childcare business in its portfolio, confirmed that it is supportive of the Schemes and that it intends to vote in favour of the Schemes. The Schemes cannot be implemented without the MGE Acquisition proceeding.*
- *There are significant operational and financial risks in Think Rump business immediately after completion. The business is expected in CY22 (i.e. the first full year of operations) to incur a loss on a pro-forma basis of between A\$(1.8 million) and A\$(5.4 million) (depending on the growth profile adopted) if the corporate costs structure transferred from the Group is not materially altered. Whilst Mathew Edwards may be able to realise the value of the Think Rump business assessed in our valuation assessment, this is by no means without significant risks.”*

The Independent Expert's Report is included in Appendix 1. I encourage you to read it in full before voting on the Schemes.

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<sup>3</sup> See Section 1 of the Independent Expert's Report

<sup>4</sup> For the reasons outlined on page 21 of the Independent Expert's Report

### Virtual (online only) Meetings

Your vote is important and on behalf of the Independent Directors, I encourage you to vote on the Scheme Resolutions and the General Meeting Resolutions.

Given current uncertainty, the real prospect of ongoing snap Statewide lockdowns and border closures brought on with little or no notice and to minimise health risks created by the COVID-19 global pandemic generally, the Meetings at which the Scheme Resolutions and the General Meeting Resolutions will be considered will be conducted as virtual (online only) meetings commencing at 11.00am (Melbourne time) on 29 September 2021 with online facilities using the Lumi AGM platform that allows for remote participation. There will be no physical venue for the Meetings.

There will be four Meetings in total, being the TNK Scheme Meeting, the TND Scheme Meeting and the general meetings of TNK and TND (which general meetings will be conducted as a combined meeting of TNK and TND shareholders (such general meetings, **General Meeting**).

For full details on how to participate in the Meetings, please see Section 4.

### Further information

I encourage you to read this Explanatory Booklet which contains important information in relation to the Schemes, the MGE Acquisition and the General Meeting Resolutions. If you have any questions in relation to the Schemes or the MGE Acquisition, please call the Think Group Securityholder Information Line on 1300 145 425 (within Australia) or +61 3 9415 4829 (outside Australia) Monday to Friday between 8.30am and 5.30pm (Melbourne time) or contact your legal, financial, taxation or other professional adviser.

On behalf of the Independent Directors, I commend the Schemes and the MGE Acquisition to you and would like to take this opportunity once again to thank you for your support of Think Group.

Yours sincerely



**Mark Kerr**

**Chairman, Think Group**



# Key reasons to vote in favour of the Schemes and the General Meeting Resolutions

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**Your Independent Directors unanimously recommend that you vote in favour of the Schemes and the General Meeting Resolutions, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interest of Independent Securityholders, the MGE Acquisition is not fair but reasonable to Independent Securityholders and that the Proposed Transaction overall is in the best interest of Independent Securityholders, for the reasons outlined below. Section 2.4 provides further detail on each of these reasons:**

- ✓ **The Total Cash Payment of \$3.20 per Think Group Security represents an attractive premium to historical trading prices**
- ✓ **The Scheme Consideration provides Independent Securityholders with certainty of value**
- ✓ **The Independent Expert has concluded that the Schemes are fair and reasonable and therefore in the best interest of Independent Securityholders, that the MGE Acquisition is not fair but reasonable to Independent Securityholders and that the Proposed Transaction overall is in the best interest of Independent Securityholders**
- ✓ **No Superior Proposal has emerged as at the date of this Explanatory Booklet**
- ✓ **No transaction costs on the disposal of your Think Group Securities under the Schemes**
- ✓ **If the Schemes do not proceed and no other proposal emerges, then the price of Think Group Securities price may fall below the amount of the Scheme Consideration**

# Potential reasons to vote against the Schemes and the MGE Acquisition

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Set out below are potential reasons to vote against the Schemes and the MGE Acquisition. Section 2.5 provides further detail on each of these reasons:

- ✘ You may disagree with the Independent Directors' recommendation and the Independent Expert's conclusion and believe that the Schemes and the MGE Acquisition are not in your best interest
- ✘ The Schemes carry risks that you may consider unacceptable
- ✘ You may believe that there is potential for a Superior Proposal to be made in the foreseeable future (noting that no Superior Proposal from another party has been received as at the date of this Explanatory Booklet and that it has been approximately 9 months since the announcement of the indicative Alceon proposal on 16 November 2020)
- ✘ If the Schemes proceed, this precludes the possibility of receiving the benefit of any future, potentially more favourable, proposal for your Think Group Securities
- ✘ The taxation implications of the Schemes may not suit your financial position

YOUR INDEPENDENT DIRECTORS **UNANIMOUSLY RECOMMEND** THAT YOU **VOTE IN FAVOUR OF THE SCHEMES AND THE GENERAL MEETING RESOLUTIONS**, IN THE ABSENCE OF A SUPERIOR PROPOSAL AND SUBJECT TO THE INDEPENDENT EXPERT CONTINUING TO CONCLUDE THAT THE SCHEMES ARE IN THE BEST INTEREST OF INDEPENDENT SECURITYHOLDERS, THE MGE ACQUISITION IS NOT FAIR BUT REASONABLE TO THE INDEPENDENT SECURITYHOLDERS AND THAT THE PROPOSED TRANSACTION OVERALL IS IN THE BEST INTEREST OF INDEPENDENT SECURITYHOLDERS

You should read this Explanatory Booklet and the Independent Expert's Report in full before making any decision on the Schemes and the General Meeting Resolutions. In particular, you should refer to Section 2 for guidance on the advantages and disadvantages of the Schemes and the MGE Acquisition. This Explanatory Booklet does not take into account the financial situation, investment objectives and particular needs of any Think Group Securityholder. You should consult your legal, financial, taxation or other professional adviser concerning the impact your decision may have on your own circumstances.

# 1. Overview of the Schemes and the MGE Acquisition

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## 1.1 Background and role of Independent Board Committee

The Think Group Boards have established an Independent Board Committee (**IBC**) comprising, Mr Mark Kerr (Chairman and Non-Executive Independent Director, TNK and TND), Ms Evonne Collier (Non-Executive Independent Director, TNK) and Mr Michael Doble (Non-Executive Independent Director, TND).

The IBC has had primary responsibility for managing Think Group's response to and negotiation of the following proposals:

- an initial non-binding indicative proposal from Alceon to acquire Think Group for \$1.03 per Think Group Security received in July 2020, which was then subsequently followed by revised proposals from Alceon for \$1.25 per Stapled Security and \$1.35 per Stapled Security, the latter of which was announced to ASX on 16 November 2020;
- an initial non-binding indicative proposal from Busy Bees to acquire Think Group for \$1.75 per Think Group Security announced to ASX on 23 November 2020;
- a revised non-binding indicative proposal from Alceon to acquire Think Group for \$1.75 per Think Group Security announced to ASX on 24 December 2020;
- a revised non-binding indicative proposal from Busy Bees to acquire Think Group or all of its assets for \$2.10 per Think Group Security on announced to ASX on 20 January 2021; and
- the current further revised non-binding indicative proposal from Busy Bees to acquire Think Group for \$3.20 per Think Group Security announced to ASX on 6 April 2021.

In assessing and negotiating the terms of the Implementation Agreement, the IBC had regard to the following principal matters.

### (a) Value

The Total Cash Payment of \$3.20 per Think Group Security reflects what the IBC considers to at least be the underlying value of Think Group and also incorporates an appropriate premium for delivering control of Think Group to Busy Bees, therefore realising attractive value for all Think Group Securities in an uncertain operating environment which is impacted by the COVID-19 global pandemic. These valuation matters are considered further in Section 2.

### (b) Execution certainty

The IBC evaluated:

- the nature and scope of the conditions attached to the Schemes having regard to market practice for control transactions;
- the corporate standing, credentials and funding capacity of Busy Bees to complete the Schemes; and
- the MGE Acquisition, including its commercially integrated nature and the practical likelihood that any privatisation transaction under a scheme of arrangement would need to accommodate the requirements of Mathew Edwards in order to succeed, given his 22.15% interest in Think Group Securities,

and concluded that the overall structure and level of execution certainty are appropriate. These matters are considered further in Section 2.

### **(c) Capacity to preserve competitive tension**

The IBC concluded that the exclusivity arrangements in the Implementation Agreement (which are described further in Section 1.14) are consistent with market practice for a control transaction of this nature, appropriately preserve the capacity for Competing Proposals to emerge and for the Independent Directors to consider and respond to any such Competing Proposals.

### **(d) Consideration of other options**

The IBC considered the options open to Think Group including remaining a listed stapled entity and concluded that the Schemes and the MGE Acquisition deliver a better outcome for all Think Group Securityholders.

### **(e) Other considerations**

The IBC also had regard to the following additional considerations:

- under the Schemes, Independent Securityholders will have the opportunity to realise certain cash value at a significant premium for their Think Group Securities;
- under the Implementation Agreement, Think Group will be permitted to pay the Interim Dividend and the Permitted Dividend; and
- there will be potential value in the franking credits attached to the Interim Dividend and the Permitted Dividend (if declared) for those Independent Securityholders who are able to realise the full benefit of franking credits.<sup>5</sup>

On the basis of the extensive process and considerations outlined above, and with the benefit of external advice, the IBC:

- unanimously concluded that the Schemes and the MGE Acquisition are in the best interest of all Independent Securityholders, in the absence of a Superior Proposal, and subject to an Independent Expert concluding that the Schemes are in the best interest of Independent Securityholders and the MGE Acquisition is either fair and reasonable or not fair but reasonable to Independent Securityholders; and
- recommended to the Think Group Boards that Think Group enter into the Implementation Agreement so that the Schemes can be submitted to Independent Securityholders and the MGE Acquisition can be submitted to eligible Think Group Securityholders for their consideration.

## **1.2 The Schemes at a glance**

On 17 June 2021, Think Group announced that it had entered into the Implementation Agreement with Busy Bees under which it is proposed that Busy Bees would acquire 77.85% of the issued capital of TNK and FEL Dev (a subsidiary of Busy Bees) would acquire 77.85% of the issued capital of TND by way of two inter-conditional schemes of arrangement.

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<sup>5</sup> Whether a Think Group Securityholder (who receives the Permitted Dividend) will be able to realise the full benefit of the franking credits will also depend (among other things) on any class ruling issued by the ATO in respect of the Permitted Dividend and the circumstances of the Think Group Securityholder. When assessing the benefit of franking credits attached to any Permitted Dividend, Think Group Securityholders should also seek independent professional taxation advice as to whether or not receipt of any Permitted Dividend and any associated entitlement to a tax offset in respect of such franking credits will be of benefit to them based on their own individual circumstances.



For the Schemes to proceed, the Scheme Resolutions must be passed by:

- a majority in number (more than 50%) of eligible Independent Securityholders present and voting at the relevant Scheme Meeting (personally or by proxy, attorney, or in the case of an Independent Securityholder or proxy who is a corporation, by corporate representative) (**Headcount Test**); and
- at least 75% of the total number of votes which are cast at the relevant Scheme Meeting by eligible Independent Securityholders (personally or by proxy, attorney, or in the case of an Independent Securityholder or proxy who is a corporation, by corporate representative).

Mathew Edwards and his Controlled entities will be excluded from voting on or participating in the Schemes.

Concurrently with the implementation of the Schemes, Busy Bees will acquire 22.15% of the TNK Shares from Mathew Edwards and his Controlled entities under the MGE Share Acquisition Agreement for the same consideration that Independent Securityholders will receive for their TNK Shares and TND Shares under the Schemes.

As part of the MGE Acquisition, the 77.85% of the TND Shares acquired by FEL Dev under the TND Scheme will, on the Implementation Date, be transferred to Mathew Edwards for nominal consideration.

ASIC has granted relief to Busy Bees and FEL Dev under section 655A(1) of the Corporations Act in the form of an exemption from section 606 of the Corporations Act to enable the entry by Busy Bees and the MGE Entities into the MGE Share Acquisition Agreement. For further details of the ASIC relief, please refer to Section 12.11. If the Schemes are approved and implemented, the MGE Share Acquisition Agreement completes and the MGE Agreements complete, Busy Bees will own 100% of the TNK Shares and Mathew Edwards and his Controlled entities will own 100% of the development arm of the Think Group business, including 100% of the TND Shares and Think Group would be delisted from ASX shortly after the Implementation Date.

If the Schemes are not approved and the MGE Acquisition is not completed:

- Scheme Securityholders will not receive the Scheme Consideration;
- Think Group Securityholders will not receive the Permitted Dividend; and
- Think Group Securityholders will retain their Think Group Securities.

In these circumstances, Think Group will, in the absence of another proposal, continue to operate as a stand-alone entity listed on the ASX and Think Group Securityholders will retain their Think Group Securities and continue to be exposed to risks and opportunities associated with their investment in Think Group.

### 1.3 The MGE Acquisition at a glance

As part of the agreed terms for proposing the Schemes, if the Schemes proceed, Mathew Edwards, through his Controlled entities, Nest Education Development Pty Ltd (**Nest Education**) and Nest Property Services East Coast Pty Ltd (**Nest Property**), will acquire the development arm of the Think Group business, including TND and certain other assets for nominal consideration. Pursuant to the terms of separate agreements agreed between TNK, the Busy Bees Australia Group and Mathew Edwards' Controlled entities, Mathew Edwards' Controlled entities will acquire:

- the 77.85% of the TND Shares acquired by the Busy Bees Group under the TND Scheme (such that Mathew Edwards and his Controlled entities will own 100% of the issued share capital of TND);

- the Nido Franklin business and assets;
- the head office function and specified non-income producing assets of TNK (including the assumption of the head office and related employee costs and associated liabilities of TNK and entities that hold leases for TNK development greenfield sites);
- 100% of the issued share capital of TCS (being the entity that holds the childcare centre service approvals for the TNK centres that are the subject of the Centre Management Agreement); and
- the Nido brand and all associated intellectual property rights,

(together, the **Think Rump**).

The acquisition of the Think Rump includes the assumption by Mathew Edwards and his Controlled entities of all of the corporate and overhead costs and associated liabilities of the development business of Think Group, apart from TND's existing bank facility of approximately \$13 million (which will be paid out at completion by Busy Bees) and certain accrued entitlements of transferring employees (which will be paid out at completion by TNK).

Simultaneously with the sale of the Think Rump, a management contract between Nest Management, an entity Controlled by Mathew Edwards, and Busy Bees Australia Operations Pty Ltd, an entity within the Busy Bees Australia Group, will commence, which provides for a management fee of \$100,000 per Centre under management per annum. At the commencement date of the Centre Management Agreement there will be 35 Centres under management and covered by the Agreement.

## 1.4 Scheme Consideration

If the Schemes proceed, all holders of Think Group Securities as at the Scheme Record Date (currently proposed to be 7.00pm on 14 October 2021) will transfer all of their TNK Scheme Shares to Busy Bees and all of their TND Scheme Shares to FEL Dev on the Implementation Date (currently proposed to be 21 October 2021), in exchange for payment of the Scheme Consideration by Busy Bees.

The Scheme Consideration to be paid by Busy Bees is \$3.1999 for each TNK Share you hold on the Scheme Record Date, less the amount of any Permitted Dividend that may be declared and paid by Think Group on or before the date the Schemes are implemented and \$0.0001 per TND Share, to be paid by FEL Dev, for each TND Share you hold on the Scheme Record Date.

## 1.5 Interim Dividend and Permitted Dividend

On 18 August 2021, at the same time as the release of Think Group's financial results for the half-year ended 30 June 2021, Think Group announced the declaration of the Interim Dividend of \$0.08 per Think Group Security.

If you hold Think Group Securities on the Interim Dividend Record Date, you will be eligible to receive the Interim Dividend and for each Think Group Security that you hold on that date. The Interim Dividend will not reduce the Scheme Consideration.

The Think Group Boards have also announced an intention to declare a fully franked Permitted Dividend of up to \$0.24 if the Schemes become Effective.

If the Permitted Dividend is declared, the Permitted Dividend will operate to reduce the Scheme Consideration by the amount of the Permitted Dividend.

The Permitted Dividend has not yet been declared by the Think Group Boards and remains at the absolute discretion of the Think Group Boards. The decision whether or not to declare the Permitted Dividend will be made by the Think Group Boards and will be communicated to Think Group Securityholders by way of an ASX announcement prior to the Meetings.

On 9 August 2021, Busy Bees and TNK entered into a facility deed (**Facility Deed**) under which Busy Bees agreed to make available to TNK an unsecured, interest free and subordinated loan of the amount required by TNK to pay the Permitted Dividend in full. TNK can only access the loan under the Facility Deed if the Schemes become Effective. The Facility Deed has been negotiated on arm's length terms. For more information on the Facility Deed, please refer to Section 6.4.

If the Permitted Dividend is declared and the Schemes are implemented, you will receive \$3.20 (**Total Cash Payment**) for each of your Think Group Securities provided that you hold all of those shares on both:

- the Permitted Dividend Record Date (currently proposed to be 7.00pm (Melbourne time) on 11 October 2021; and
- the Scheme Record Date (currently proposed to be 7.00pm (Melbourne time) on 14 October 2021.

The Total Cash Payment is currently expected to comprise:

- cash consideration paid by Busy Bees under the Schemes of not less than \$2.96 for each Think Group Security you hold on the Scheme Record Date, being the amount of \$3.20 less the amount of any Permitted Dividend (**Scheme Consideration**); and
- a fully franked special dividend of up to \$0.24 for each Think Group Security you hold on the Permitted Dividend Record Date (**Permitted Dividend**).

Please note that if the Permitted Dividend is declared and the Schemes are implemented, you will only receive the Total Cash Payment for each of your Think Group Securities provided that you hold all of those securities on the Permitted Dividend Record Date and the Scheme Record Date. If you sell your Think Group Securities so that you cease to be a registered Think Group Securityholder prior to the Scheme Record Date or the Permitted Dividend Record Date you will not receive the Scheme Consideration or the Permitted Dividend.

If the Permitted Dividend is not declared and the Schemes are implemented, then you will not receive any Permitted Dividend. In that scenario, you will still receive the Total Cash Payment of \$3.20 for each of your Think Group Securities that you hold on the Scheme Record Date.

The table below illustrates the consistent financial outcomes for Think Group Securityholders Shareholders across the two above principal alternative scenarios:

Scenario	What you will receive	Amount received
1. Think Group pays a Permitted Dividend of \$0.24 and an Interim Dividend of \$0.08	<ul style="list-style-type: none"> <li>\$2.96 cash from Busy Bees for every Think Group Security you hold on the Scheme Record Date</li> </ul> <p><i>plus</i></p> <ul style="list-style-type: none"> <li>\$0.24 from Think Group for every Think Group Security you hold on the Permitted Dividend Record Date</li> </ul> <p><i>plus</i></p> <ul style="list-style-type: none"> <li>\$0.08 from Think Group for every Think Group Security you hold on the Interim Dividend Record Date</li> </ul>	<p><b>\$3.28</b></p> <p>(\$2.96 + \$0.24 + \$0.08)</p>
2. Think Group pays an Interim Dividend of \$0.08 and no Permitted Dividend	<ul style="list-style-type: none"> <li>\$3.20 cash from Busy Bees for every Think Group Security you hold on the Scheme Record Date</li> </ul> <p><i>plus</i></p> <ul style="list-style-type: none"> <li>\$0.08 from Think Group for every Think Group Security you hold on the Interim Dividend Record Date</li> </ul>	<p><b>\$3.28</b></p> <p>(\$3.20 + \$0.08)</p>

If Think Group pays the Permitted Dividend (if declared), those Think Group Securityholders who are entitled to the franking credits attached to both the Interim Dividend and the Permitted Dividend may be entitled to an Australian tax offset of up to a maximum of \$0.137 of additional value per Think Group Security (subject to confirmation from the ATO via a class ruling that Think Group has requested in relation to the franking credits attached to the Permitted Dividend).

Think Group has requested the ATO to issue a class ruling to confirm the key taxation implications of the TNK Scheme for Think Group Securityholders, including the availability of franking credits attaching to the Permitted Dividend (if declared) (**Class Ruling**). The ATO has not issued the Class Ruling as at the date of this Explanatory Booklet. Think Group will make an announcement when the Class Ruling is published either on ASX or, if Think Group is no longer listed at that time, on its website. The Class Ruling will also be available on the ATO website at [www.ato.gov.au](http://www.ato.gov.au).



Whether you will be entitled to the franking credits attached to any Interim Dividend and any Permitted Dividend (if declared) will depend on your own specific circumstances. In assessing the value and impact to them of any Interim Dividend and any Permitted Dividend (if declared), Think Group Securityholders should seek professional taxation advice based on their own individual circumstances. In particular, Think Group Securityholders should note that, depending on the timing of and price at which they acquired their Think Group Securities, there may be differences in the tax consequences for them. Refer to Section 8 'Taxation Implications for Independent Securityholders' for further details.

Due to the different record dates that apply to the Interim Dividend, the Permitted Dividend (if declared) and the Schemes respectively, only those persons registered as Think Group Securityholders on the Interim Dividend Record Date, the Permitted Dividend Record Date and (in relation to Independent Securityholders only) the Scheme Record Date will be entitled to receive the Interim Dividend and Permitted Dividend and participate in the Schemes.

In particular:

- if you buy (additional) Think Group Securities so that you are not registered as the holder of those Think Group Securities until after the Interim Dividend Record Date, those Think Group Securities will not carry for your benefit any right to the Interim Dividend. Similarly, if you buy (additional) Think Group Securities so that you are not registered as the holder of those Think Group Securities until after the Permitted Dividend Record Date, those Think Group Securities will not carry for your benefit any right to the Permitted Dividend (if declared); and
- conversely, if you sell your Think Group Securities through an off-market transfer so that you only cease to be registered as the holder of those Think Group Securities after the Permitted Dividend Record Date but before the Scheme Record Date, you will receive the Permitted Dividend (if declared) but not the Scheme Consideration.

Independent Securityholders should take careful note of the key dates applying to the Interim Dividend, the Permitted Dividend (if declared) and the Schemes as set out in the section entitled 'Important dates' at the beginning of this Explanatory Booklet. Any acquisitions or disposals of Think Group Securities before or during these key dates will affect your entitlement to receive the Interim Dividend, the Permitted Dividend (if declared) and participate in the Schemes.

## 1.6 The Appointor Structure Approval Resolutions at a glance

The structure of the Proposed Transaction with Busy Bees also envisages that TNK Shareholders will be asked to approve amendments to the TNK Constitution required to facilitate the acquisition of TNK Shares by Busy Bees as a result of the shareholding structure of Busy Bees and the regulatory requirements applicable to its controlling shareholder, the Ontario Teachers' Pension Plan Board (**OTPP**). The above resolution will be put to TNK Shareholders for consideration at the General Meeting and is referred to as the Appointor Structure Approval Resolutions in this Explanatory Booklet.

If approved by TNK Shareholders, the TNK Constitution would be amended to remove all rights attaching to TNK Shares to vote on the appointment, election and/or removal of directors of TNK and to add a provision which provides that an appointor entity designated by OTPP will have the sole authority to appoint and remove all directors of TNK. The appointor entity must be an entity that does not directly own securities in TNK and it is proposed that the appointor will be another wholly owned subsidiary of OTPP (being, Global Appointer Corp.).

The TNK Scheme provides that:

- each TNK Scheme Shareholder by force of the TNK Scheme agrees to any variation or cancellation of its rights as a TNK Shareholder as a result of the Appointor Structure Approval Resolutions taking effect;
- each TNK Scheme Shareholder, without the need for any further act, irrevocably appoints TNK and all of its directors, officers and secretaries, jointly and severally, as that TNK Scheme Shareholder's attorney and agent for the purpose of executing a written consent to any variation or cancellation of its rights as a TNK Shareholder as a result of the Appointor Structure Approval Resolutions taking effect; and
- TNK must, no later than 2 Business Days prior to the Implementation Date, deliver to Busy Bees the written consent satisfying the requirements of section 246E of the Corporations Act, of all members of TNK to the variation or cancellation of its rights as a TNK shareholder as a result of the Appointor Structure Approval Resolutions taking effect on the Implementation Date in accordance with the terms of the Appointor Structure Approval Resolutions.

As with the Unstapling Resolutions, the proposed amendments to the TNK Constitution will be conditional on the Schemes becoming Effective and will take effect on the Implementation Date. TNK Shareholders should take note of the above provisions in the context that if the Schemes become Effective, they will be deemed to have approved any such variation or cancellation of their rights as a TNK Shareholder as a result of the Appointor Structure Approval Resolutions taking effect.

## 1.7 Independent Directors' recommendation and intentions

The table below sets out the Independent Directors' views on key matters:

Voting recommendation	Your Independent Directors <b>unanimously</b> recommend that Independent Securityholders <b>vote in favour</b> of the Schemes as well as the General Meeting Resolutions, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interest of Independent Securityholders, the MGE Acquisition is not fair but reasonable to Independent Securityholders and that the Proposed Transaction overall is in the best interest of Independent Securityholders.
Personal voting intention	Subject to that same qualification, each Independent Director intends to vote all Think Group Securities held or controlled by them in favour of the Schemes as well as the General Meeting Resolutions.  As at the date of this Explanatory Booklet, your Independent Directors hold or control in aggregate approximately 4.13% of all Think Group Securities on issue.
Basis for voting recommendation	Your Independent Directors' voting recommendation is based predominantly on their view of the adequacy of the Scheme Consideration of \$3.20 per Stapled Security (less the amount of any Permitted Dividend).  More generally, in forming their unanimous voting recommendation, your Independent Directors have carefully considered the conditions, expected advantages, potential disadvantages and risks of the Schemes and the alternatives open to Think Group. These matters are described in more detail in Section 2 and in the Independent Expert's Report in Appendix 1. Your Independent Directors consider that the expected advantages of the Schemes outweigh the potential disadvantages and risks and represent the best option open to Think Group, in the absence of a Superior Proposal.

## 1.8 Mathew Edwards' recommendation and intentions

No voting recommendation on the Schemes and the MGE Acquisition	<p>Mathew Edwards, Think Group's CEO and Managing Director, has a relevant interest in approximately 22.15% of Think Group Securities. Mathew Edwards will abstain from making a recommendation on the Scheme Resolutions and the General Meeting Resolutions, given his material personal interest in the MGE Acquisition, his agreement to sell his shares in TNK to Busy Bees (conditional on the Schemes being Implemented) and the commercially integrated nature of the Schemes and the MGE Acquisition.</p> <p>Mathew Edwards and his Controlled entities will also be excluded from voting on and participating in the Schemes. Mathew Edwards and his Controlled entities will also be excluded from voting on the General Meeting Resolutions apart from the Unstapling Resolutions and the Appointor Structure Approval Resolutions, in respect of which he has agreed with Busy Bees to vote in favour.</p>
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## 1.9 Independent Expert's conclusion

The IBC has engaged the Independent Expert, Grant Thornton, to prepare a report expressing an opinion on whether the Schemes are fair and reasonable and in the best interest of Independent Securityholders and whether the MGE Acquisition is either fair and reasonable or not fair but reasonable to Independent Securityholders.

**The Independent Expert has concluded that the Schemes are fair and reasonable and therefore are in the best interest of Independent Securityholders, that the MGE Acquisition is not fair but reasonable to Independent Securityholders and that the Proposed Transaction overall is in the best interest of Independent Securityholders, in the absence of a superior proposal.**

The Independent Expert's Report is included in Appendix 1. You should read that report as part of your assessment of the Schemes. Section 2 contains a summary of the key conclusions of the Independent Expert in relation to the Schemes.

## 1.10 Taxation implications

Where the Schemes proceed, Independent Securityholders will transfer their Think Group Securities to the Busy Bees Australia Group in exchange for the Scheme Consideration. They may also be entitled to a fully franked Interim Dividend or Permitted Dividend (or both).

A general outline of the taxation implications for Australian resident Think Group Securityholders under the Schemes is provided in Section 8. The information in that Section is general in nature and should not be relied on by Think Group Securityholders as taxation advice. Think Group Securityholders should obtain their own professional advice on the taxation implications relevant to them arising from the Schemes in their own individual circumstances. In particular, Think Group Securityholders should note that, depending on the timing of and price at which they acquired their Think Group Securities, there may be differences in the taxation consequences for them.

## 1.11 Current status and next steps

For the Schemes to proceed, the Scheme Resolutions must be approved by the requisite majorities of Independent Securityholders at the Scheme Meetings and approved by the Court. In addition, the General Meeting Resolutions must also be approved by Think Group Securityholders at the General Meeting. There are also other Conditions that need to be satisfied or waived before the Schemes proceed. The key remaining Conditions are summarised in Section 2.6(a). The Conditions are set out in full in clause 3.1 of the Implementation Agreement.

As at the date of this Explanatory Booklet, neither Busy Bees, FEL Dev, Think Group nor any of the Independent Directors is aware of any circumstances that would cause any of the Conditions to the Schemes not to be satisfied or which could result in termination of the Implementation Agreement.

If all of the Conditions to the Schemes are satisfied or waived (as applicable), the Schemes will constitute a binding arrangement between Think Group and all holders of Think Group Securities (except for the MGE Entities) as at the Scheme Record Date (currently proposed to be 14 October 2021) (referred to in the Schemes and in this Explanatory Booklet as **Scheme Securityholders**) to undertake the steps required to give effect to the Schemes.

If all of the Conditions to the Schemes are satisfied or waived (as applicable), Scheme Securityholders will be bound by the Schemes whether or not they:

- participate in the Scheme Meetings;
- vote at the Scheme Meetings; or
- vote against the Scheme at the Scheme Meetings.

## 1.12 Implementation

If all necessary approvals and other Conditions for the Schemes are satisfied or waived (as applicable), it is proposed that the Schemes will be implemented on the Implementation Date (currently proposed to be 21 October 2021). The Schemes will apply to and bind all Scheme Securityholders. Importantly, no transfer of Scheme Securities under the Schemes will occur unless:

- on the Business Day prior to the Implementation Date (currently proposed to be 21 October 2021) Busy Bees has deposited an amount equal to the aggregate TNK Scheme Consideration payable in connection with the TNK Scheme and FEL Dev has deposited an amount equal to the aggregate TND Scheme Consideration payable in connection with the TND Scheme in cleared funds into Trust Accounts operated by Think Group as trustee for the benefit of the TNK Scheme Shareholders and the TND Scheme Shareholders respectively; and
- on the Implementation Date (currently proposed to be 21 October 2021), and subject to Busy Bees and FEL Dev having deposited the TNK Scheme Consideration and TND Scheme Consideration respectively into the Trust Accounts and the Appointor Structure Approval Resolutions taking effect, Think Group has paid or procured the payment of the Scheme Consideration to each Scheme Securityholder by mailed cheque or funds transfer to the bank account nominated by the Scheme Securityholder (subject to receipt of an appropriate authority from the relevant Scheme Securityholders).

Only once these steps have occurred will the Scheme Securities be transferred to Busy Bees.

In addition, Busy Bees and FEL Dev have each executed Deeds Poll in favour of the TNK Scheme Shareholders and the TND Scheme Shareholders respectively, under which, subject to the respective Schemes becoming Effective, Busy Bees and FEL Dev undertake to provide the Scheme Consideration in accordance with those Schemes. A copy of the TNK Deed Poll and the TND Deed Poll is contained in Appendix 2 and Appendix 3 respectively to this Explanatory Booklet.

Having regard to the above matters, the Independent Directors consider that Scheme Securityholders are not exposed to any risk under the Schemes that any transfer of ownership of their Shares will occur without the Scheme Consideration first having been provided to them.

Section 9 describes in further detail the procedural aspects of the Schemes and Section 11 describes how the Schemes will be implemented.

### 1.13 Warranties provided by Independent Securityholders

The Schemes provide that Scheme Securityholders are taken to have warranted to Think Group that:

- all their Think Group Securities (including any rights and entitlements attaching to those shares) transferred to Busy Bees and FEL Dev under the Schemes will, at the time of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any *security interests* within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions of transfer of any kind and that they have full power and capacity to sell and transfer their Think Group Securities (together with any rights attaching to those shares) to Busy Bees and FEL Dev under the Schemes; and
- they have no existing right to be issued any Think Group Securities, options exercisable into Think Group Securities, Think Group convertible notes or any other Think Group securities.

You should ensure that these warranties can be given by you prior to, and remain correct as at, the Implementation Date.

### 1.14 Exclusivity arrangements, competing proposals and break fee arrangements

#### (a) Exclusivity arrangements

Under the Implementation Agreement, Think Group has agreed to certain exclusivity arrangements in favour of Busy Bees. Please refer to Section 2.6(d) for further information on these exclusivity arrangements, and to clause 16 of the Implementation Agreement for the complete terms of these arrangements.

Mathew Edwards has also agreed to certain exclusivity arrangements in favour of Busy Bees under an Exclusivity Deed between Mathew Edwards and Busy Bees dated 6 April 2021 (**MGE Exclusivity Deed**) and in the MGE Share Acquisition Agreement. Both the MGE Exclusivity Deed and MGE Share Acquisition Agreement contain 'No Talk' and 'No Shop' obligations which will bind Mathew Edwards similar to those in the Implementation Agreement except that they are not subject to fiduciary exceptions. In addition, under the MGE Share Acquisition Agreement, Mathew Edwards has agreed to vote against any competing transaction, notify Busy Bees of an approach in respect of a competing transaction and agreed to a standstill which precludes him from acquiring a relevant interest in Think Group Securities, selling, transferring, creating a Security Interest over or ceasing to have a relevant interest in Think Group Securities or entering into any agreement in respect of voting rights attaching to Think Group Securities he holds or vote in favour of any competing transaction. Further details of the exclusivity provisions contained in the MGE Share Acquisition Agreement are set out in Section 10.2.



## **(b) Competing proposals**

Your Independent Directors' recommendation of the Schemes is qualified as applying in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interest of Independent Securityholder, the MGE Acquisition is not fair but reasonable to Independent Securityholders and that the Proposed Transaction overall is in the best interest of Independent Securityholders. As at the date of this Explanatory Booklet, no Superior Proposal has been received and your Independent Directors are not aware of any approach that may result in a Superior Proposal emerging. As part of the exclusivity arrangements described in Section 2.6(d), Think Group has agreed not to solicit, invite or encourage any Competing Proposal. However, these restrictions do not prevent Think Group from considering an unsolicited Competing Proposal. Busy Bees has the right (but not the obligation) to match any unsolicited Superior Proposal.

If a Competing Proposal for Think Group emerges prior to the Meetings, your Independent Directors will carefully consider the proposal to determine whether it is a Superior Proposal and will inform you of any material developments which may affect your Independent Directors' view that the Schemes are presently the most favourable proposal for all your Think Group Securities.

Please see Section 2.6(d) for further discussion about the implications of any Competing Proposal that may emerge.

## **(c) Break fee arrangements**

Under the Implementation Agreement:

- Think Group has agreed in certain circumstances to pay Busy Bees a break fee of \$1.95 million (inclusive of GST) (**Think Group Break Fee**); and
- Busy Bees has agreed in certain circumstances to pay Think Group a break fee of \$1.95 million (inclusive of GST) (**Busy Bees Break Fee**).

Please refer to Section 2.6(e) for further information on these break fee arrangements and to clauses 14 and 15 of the Implementation Agreement for the complete terms of these arrangements.

## 2. Relevant considerations for Think Group Securityholders

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### 2.1 Introduction

The purpose of this Section is to identify significant issues for Think Group Securityholders to consider in relation to the Schemes and the MGE Acquisition.

Before deciding how to vote at the Meetings, Think Group Securityholders should carefully consider the factors discussed below as well as the other information contained in this Explanatory Booklet.

Your Independent Directors recommend that you consult your legal, financial, taxation or other professional adviser concerning the impact your decision may have on your individual circumstances.

### 2.2 Independent Directors' recommendation and intentions

As noted in Section 1.1, an IBC has been formed and its role included negotiating the terms of the Schemes with Busy Bees. The Independent Directors of Think Group as at the date of this Explanatory Booklet are:

- Mr Mark Kerr (Chairman and Non-Executive Independent Director, TNK and TND)
- Mr Joe Dicks (Non-Executive Independent Director, TNK and TND)
- Ms Evonne Collier (Non-Executive Independent Director, TNK)
- Mr Michael Doble (Non-Executive Independent Director, TND)
- Mr Nick Anagnostou (Non-Executive Independent Director, TND)
- Mr James Spenceley (Non-Executive Independent Director, TNK).

Mr Mark Kerr, Ms Evonne Collier and Mr Michael Doble are the members of the IBC. Mr Mark Kerr is the chair of the IBC.

Profiles of each member of the Think Group Boards can be found in Think Group's 2020 Annual Report which is available on ASX's website or Think Group 's website.

The interests of the Directors in the Schemes are disclosed in Section 12.

For the reasons set out in Section 2.4, your Independent Directors unanimously believe that:

- the expected benefits of the Schemes and the MGE Acquisition outweigh the potential disadvantages and risks; and
- the Schemes and the General Meeting Resolutions are in the best interest of Independent Securityholders, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interest of Independent Securityholders, the MGE Acquisition is not fair but reasonable to Independent Securityholders and that the Proposed Transaction overall is in the best interest of Independent Securityholders.

Accordingly, your Independent Directors unanimously recommend that Independent Securityholders vote in favour of the Schemes and the General Meeting Resolutions, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interest of Independent Securityholders, the MGE Acquisition is not fair but reasonable to Independent Securityholders and that the Proposed Transaction overall is in the best interest of Independent Securityholders.

Subject to that same qualification, each Independent Director intends to vote all Think Group Securities they hold or control in favour of the Schemes and the General Meeting Resolutions. As at the date of this Explanatory Booklet, your Independent Directors hold or control in aggregate approximately 4.13% of all Think Group Securities on issue.

No Superior Proposal from another party has been received as at the date of this Explanatory Booklet.

You are not obliged to accept the Independent Directors' recommendation. Some of the reasons why you may decide to vote against the Schemes are set out in Section 2.5.

You should note that if you decide to vote against the Schemes, the Schemes will nevertheless proceed if it is approved by the requisite majority of Independent Securityholders, approved by the Court and if the other Conditions are satisfied or waived (see Sections 2.7(b) and 9).

## 2.3 Mathew Edwards' recommendation and intentions

Mathew Edwards, Think Group's Chief Executive Officer and Managing Director, has a relevant interest in approximately 22.15% of Think Group Securities. Mathew Edwards has a material personal interest in the outcome of the Schemes given the commercially integrated nature of the Schemes, his agreement to sell his shares in TNK to Busy Bees (conditional on the Schemes being Implemented) and the MGE Acquisition. Accordingly, Mathew Edwards does not desire to make and does not consider himself justified in making a voting recommendation in relation to the Schemes and the General Meeting Resolutions.

Mathew Edwards and his Controlled entities will also be excluded from voting on and participating in the Schemes and from voting on all of the General Meeting Resolutions apart from the Unstapling Resolutions and the Appointor Structure Approval Resolutions, in respect of which he has agreed with Busy Bees to vote in favour.

## 2.4 Key reasons for Independent Directors' recommendation

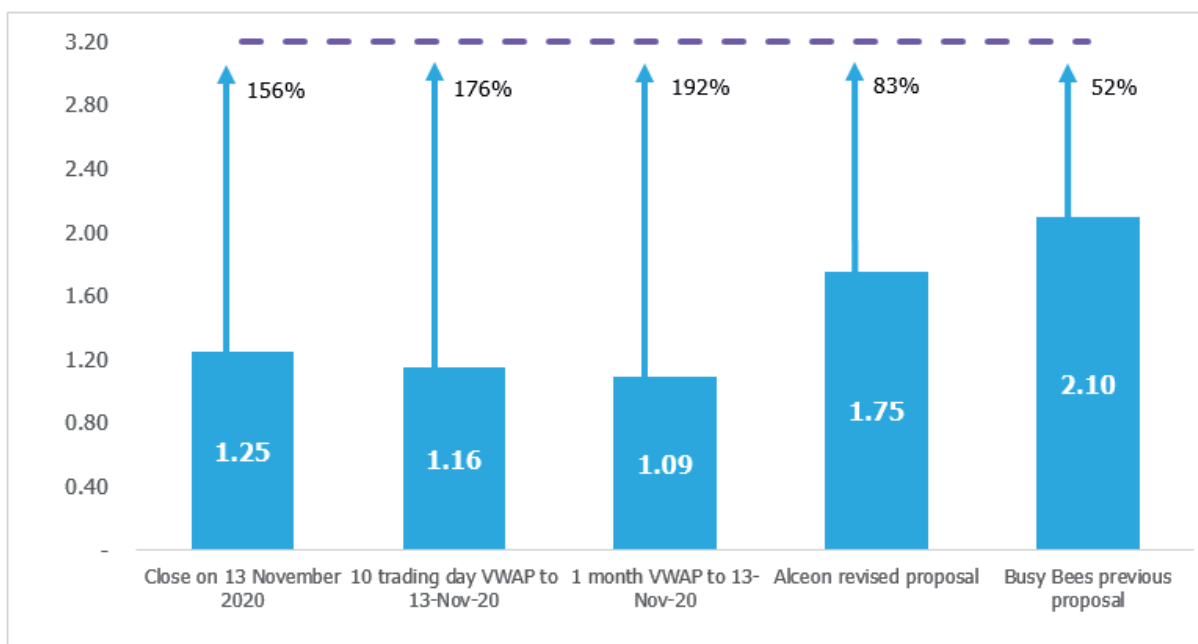
### (a) The Total Cash Payment of \$3.20 per Think Group Security represents an attractive premium to historical trading prices

The Total Cash Payment of \$3.20 per Think Group Security represents:

- a 52% premium to Busy Bees' previous non-binding revised indicative proposal of \$2.10 per Think Group Security (announced on 20 January 2021);
- an 83% premium to Alceon's previous non-binding revised indicative proposal of \$1.75 per Think Group Security (announced on 24 December 2020) and Busy Bees' previous non-binding initial indicative proposal of \$1.75 per Think Group Security (announced on 23 November 2020);
- a 156% premium to the closing price of Think Group Securities of \$1.25 per Think Group Security on 13 November 2020, being the last trading date prior to the announcement of the indicative proposal from Alceon to acquire 100% of Think Group on 16 November 2020;
- a 176% premium to the 10 trading day VWAP<sup>6</sup>; and
- a 192% premium to the one month VWAP<sup>6</sup>.

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<sup>6</sup> VWAP of Think Group Securities based on cumulative trading volume and value up to and including 13 November 2020, being the last trading date prior to the announcement of the indicative proposal from Alceon to acquire 100% of Think Group on 16 November 2020.



Source: Factset

The Independent Directors were also cognisant of the fact that for the Proposed Transaction to proceed, the MGE Acquisition would also need to proceed given Mathew Edwards' 22.15% interest in Think Group Securities and the practical likelihood that any privatisation transaction under a scheme of arrangement would need to accommodate his requirements in order to succeed.

In addition, in evaluating the MGE Acquisition and the nominal consideration payable by the MGE Entities for the acquisition of TND and certain other assets, the Independent Directors also considered a number of factors including, but not limited to the following:

- the comparatively higher level of Scheme Consideration payable to Think Group Securityholders under the Schemes (being the increase from \$2.10 per Stapled Security under the revised Busy Bees Proposal announced on 20 January 2021 to \$3.20 per Stapled Security (less the amount of any Permitted Dividend) under the Further Revised Busy Bees Proposal);
- the inherent risks associated with the development of the TND pipeline including:
  - the risk that the pipeline may not reach levels of utilisation experienced historically by TNK;
  - the potential delay to service openings due to regulatory and commercial risks;
  - the potential for competition from other childcare operators and developments within the catchment area of the respective TND pipeline services; and / or
  - the risk that the TND pipeline assets that are yet to receive development approval will not be developed at all or that satisfactory terms will not be agreed with landlords to facilitate the development of all the pipeline services;
- the capital required to manage the TND portfolio during trade-up;
- the historically loss-making position of Nido Franklin; and
- the future employment of the present employees of Think Group.

Mathew Edwards and his Controlled entities will be paying nominal consideration for the Think Rump (\$300 in aggregate) because the acquisition of the Think Rump includes the assumption by Mathew and his Controlled entities of all of the corporate and overhead costs and associated liabilities of the development business of Think Group, apart from TND's existing bank facility of approximately \$13 million (which will be paid out at completion by Busy Bees) and certain accrued entitlements of transferring employees (which will be paid out at completion by TNK). The costs and liabilities include those associated with:

- operating and developing the TND portfolio (which at the Last Practicable Date, comprises 18 Centres and 18 greenfield sites), including associated capital requirements;
- operating the historically loss-making Nido Franklin Centre;
- the trade up of 2 of TNK development greenfield sites; and
- maintaining the majority of Think Group head office employees and head office assets.

For further details on these costs and liabilities, please refer to sections 5.4 and 8 of the Independent Expert's Report.

**(b) The Scheme Consideration provides Independent Securityholders with certainty of value**

If the Schemes are implemented, the Total Cash Payment of \$3.20 per Think Group Security provides attractive value and certainty of cash to Independent Securityholders.

Specifically, if all Conditions and approvals for the Schemes are satisfied or waived, as applicable, Independent Securityholders on the Permitted Dividend Record Date and the Scheme Record Date will receive \$3.20 per Think Group Security which is expected to be paid on or about 21 October 2021 (being the Implementation Date).

In addition to the Total Cash Payment of \$3.20 per Think Group Security, if you are a Think Group Securityholder on the Interim Dividend Record Date, you will also receive the Interim Dividend of up to \$0.08 per Think Group Security, with no corresponding reduction to the Total Cash Payment of \$3.20.

If you are a Think Group Securityholder on the Permitted Dividend Record Date, subject to the Think Group Boards resolving to declare and pay the Permitted Dividend, you will receive the Permitted Dividend of up to \$0.24 per Think Group Security, with a corresponding reduction to the Scheme Consideration so you will receive the Total Cash Payment of \$3.20.

Both the Interim Dividend and the Permitted Dividend are expected to be fully franked, subject to Think Group receiving a class ruling from the Australian Taxation Office regarding the treatment of the Permitted Dividend.

The potential value in franking credits attached to both the Interim Dividend and any Permitted Dividend for those Think Group Securityholders who are able to realise the full benefit of franking credits, is up to \$0.137 per Think Group Security.

In contrast, if the Schemes do not proceed, the amount which Independent Securityholders will be able to realise for their Think Group Securities (in terms of price) and from their Think Group Securities (by way of future dividends) will necessarily be uncertain. Among other things, this will be subject to the performance of Think Group's business from time to time, general economic conditions and movements in the share market. The Schemes (if implemented) removes this uncertainty for Independent Securityholders.



- (c) **The Independent Expert has concluded that the Schemes are fair and reasonable and therefore in the best interest of Independent Securityholders, that the MGE Acquisition is not fair but reasonable to Independent Securityholders and that the Proposed Transaction overall is in the best interest of Independent Securityholders**

Think Group has appointed Grant Thornton to prepare an Independent Expert's Report, including an opinion as to whether the Schemes are in the best interest of Independent Securityholders and whether the MGE Acquisition is fair and reasonable or not fair but reasonable to Independent Securityholders.

The Independent Expert has stated the following:<sup>7</sup>

### **Fairness Assessment of the Schemes**

*"In forming our opinion in relation to the Schemes, Grant Thornton Corporate Finance has had regard to the Proposed Transaction as a whole as the Schemes and the MGE Acquisition are interdependent transactions and all of them need to proceed for the Proposed Transaction to be implemented.*

*Grant Thornton Corporate Finance has compared the fair market value of the Group before the Proposed Transaction on a control basis with the Scheme Consideration<sup>13</sup>. The following table summarises our fairness assessment.*

Fairness assessment	Section Reference	Low	High
A\$ per share			
Fair market value of Think Group Shares before the Proposed Transaction	7	2.82	3.12
Scheme Consideration	1	3.20	3.20
<b>Premium/(discount)</b>		<b>0.38</b>	<b>0.08</b>
<b>Premium/(discount) (%)</b>		<b>13.3%</b>	<b>2.5%</b>
<b>FAIRNESS ASSESSMENT</b>		<b>FAIR</b>	

Source: GTCF analysis

*Based on the above, Grant Thornton Corporate Finance has concluded that the Schemes are **FAIR** to the Independent Securityholders.*

### **Reasonableness Assessment**

*Under RG 111, the Scheme is reasonable if it is fair. Based on the qualitative factors identified above, it is our opinion that the Schemes are **REASONABLE**.*

### **Overall conclusion on the Schemes**

*After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Schemes are **IN THE BEST INTEREST** of the Independent Securityholders in the absence of a superior alternative proposal emerging.*

### **Fairness Assessment of the MGE Acquisition**

*We have concluded that the value of the Think Rump business lies somewhere between A\$nil and A\$8.5 million, however due to the above uncertainties is not feasible to narrow down this range.*

<sup>7</sup> Extracted from pages 5 to 21 of the Executive Summary of the Independent Expert's Report.

Whilst the nominal consideration payable by MGE Entities lies right at the bottom of our selected value range, we have concluded that the MGE Acquisition is **NOT FAIR** as in our opinion there is optionality value in the portfolio which is not able to be captured in our valuation assessment which should always allow to the MGE Entities to recover something greater than A\$nil from Think Rump due to the following:

- There is an opportunity for a more expedited and severe corporate costs reduction than factored into our valuation assessment to right-size the business and maximise profit if the financial performance is not consistent with Management's expectations in particular under the negative value cases under Scenario 1.
- Think Group will receive the Management Fee of c. A\$3.5 million per annum for the first three years of operations which will assist greatly in reducing the burden of the corporate costs until the business achieves the required scale to support its cost structure or in the case Management opts for a more severe and immediate reduction of the corporate costs transferred by the Group.
- As at 30 June 2021, the business had 16 trading centres with an average occupancy level of c. 56.9%<sup>33</sup>. This average occupancy level is not far away from the 75% threshold occupancy for mature centres. At that point in time, the MGE Entities will have a viable and profitable alternative to sell the portfolio at multiple on or around 4.0x EBITDA before corporate costs and crystallise a significant return even after redundancies and realisation expenses.
- The portfolio also includes several centres in construction or in advanced development as at 30 June 2021. Considering the level of due diligence that the Group undertakes before committing to an AFL and the level of experience and know-how of the sector of Mathew Edwards and his team, significant value could be realised from this portfolio of centres once construction is completed and the centres start trading over the next 18 months.

### **Reasonableness Assessment of the MGE Acquisition**

RG111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite being not fair, there are sufficient reasons for the Independent Securityholders to vote in favour of the MGE Acquisition in the absence of any superior proposal.

We have concluded that the MGE Acquisition is **REASONABLE** to the Independent Securityholders.

In assessing the reasonableness of the MGE Acquisition, we have considered the following.

- The MGE Acquisition and the Schemes are interdependent. If the MGE Acquisition is not approved, one of the conditions precedent for the Schemes will not be met and the Proposed Transaction will not proceed. The Independent Securityholder will forego the opportunity to receive the Scheme Consideration which is in excess of our assessment of the fair market value of the Group and it includes some special value only available to Busy Bees and a limited number of other purchasers.

- *Whilst we have concluded that the MGE Acquisition is not fair for the reasons outlined above, there are a number of plausible scenarios where the value of Think Rump is negative or A\$nil. Under these circumstances, the MGE Acquisition would be fair.*
- *Alceon, which is not able to pursue a similar transaction structure given the lack of a large existing childcare business in its portfolio, confirmed that it is supportive of the Schemes and that it intends to vote in favour of the Schemes. The Schemes cannot be implemented without the MGE Acquisition proceeding.*
- *There are significant operational and financial risks in Think Rump business immediately after completion. The business is expected in CY22 (i.e. the first full year of operations) to incur a loss on a pro-forma basis of between A\$(1.8 million) and A\$(5.4 million)<sup>39</sup> (depending on the growth profile adopted) if the corporate costs structure transferred from the Group is not materially altered. Whilst Mathew Edwards may be able to realise the value of the Think Rump business assessed in our valuation assessment, this is by no means without significant risks.*

### **Overall conclusion on the MGE Acquisition**

*After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the MGE Acquisition is **NOT FAIR BUT REASONABLE** to the Independent Securityholders and that the Proposed Transaction overall is in the **BEST INTEREST** of the Independent Securityholders in the absence of a superior alternative proposal emerging."*

The reasons why the Independent Expert reached these conclusions are set out in the Independent Expert's Report, a copy of which is included in Appendix 1. The Independent Directors encourage you to read this report in its entirety.

#### **(d) No Superior Proposal has emerged as at the date of this Explanatory Booklet, despite Think Group having undertaken an extensive process to maximise securityholder value and evaluated several proposals**

Since Think Group's announcement of the revised Busy Bees proposal on 6 April 2021 and since the subsequent announcement on 17 June 2021 that Think Group had entered into an Implementation Agreement with Busy Bees, no Superior Proposal has emerged and the Board are not aware of, and have not received, any Superior Proposal. In particular, it has been approximately 9 months since the announcement of the Alceon proposal on 16 November 2020.

Although there remains the possibility that a third party may make a Superior Proposal prior to the Scheme Meetings, the Independent Directors note that the likelihood of an alternative proposal emerging is naturally constrained by the facts that:

- Mathew Edwards, with his Controlled entities, Think Group's largest securityholder with a relevant interest in 22.15% of Think Group Securities, has agreed to vote against any competing transaction under the MGE Share Acquisition Agreement; and
- Alceon, as Think Group's second largest shareholder with a relevant interest in 19.07% of Think Group Securities, has provided to the IBC the Alceon Intention Statement, indicating that it is supportive of the Schemes and that it intends to vote in favour of the Schemes.

Therefore, any alternative proposal (were one to emerge) could practically only succeed with the support from Alceon and in circumstances where Mathew Edwards is released from his undertaking in the MGE Share Acquisition Agreement to vote against any competing transaction. In this regard, Independent Securityholders should note that the MGE Share Acquisition Agreement will automatically terminate if the Implementation Agreement is terminated, which would be the likely outcome if the Independent Directors recommend a Superior Proposal from a third party.

The Independent Directors will notify Think Group Securityholders if a Superior Proposal is received before the Scheme Meetings.

**(e) No transaction costs on the disposal of your Think Group Securities under the Schemes**

The Schemes provide an opportunity for you to sell all your Think Group Securities at once with no associated brokerage costs, which may otherwise be incurred if you sought to sell all of your Think Group Securities on-market.

**(f) If the Schemes do not proceed and no other proposal emerges, then the price of Think Group Securities may fall below the amount of the Scheme Consideration**

The closing price of Think Group Securities on the ASX on 13 November 2020, being the last trading day before Think Group announced it had received an indicative proposal from the Alceon Group, was \$1.25 per Stapled Security. The price of Think Group Securities has risen substantially following the announcement of the Alceon proposal on 16 November 2020 and the subsequent proposals, up to a high of \$3.27 per Stapled Security on 13 August 2021.

Your Independent Directors believe there is a risk that the price of Think Group Securities may fall materially, at least in the short term, if the Schemes are not implemented and no Superior Proposal emerges, in light of prevailing economic conditions and the ongoing risk that the COVID-19 global pandemic presents.

The Independent Expert has stated that:<sup>8</sup>

***Share price in the absence of the Scheme***

*In the absence of the Scheme or an alternative transaction, all other things being equal, it is likely that the trading prices will reduce significantly at least in the short-term. We note that the Scheme Consideration offered by Busy Bees effectively value the business above our assessment of fair market value.*

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<sup>8</sup> Extracted from page 16 of the Executive Summary of the Independent Expert's Report.

## 2.5 Potential disadvantages of the Schemes

There are some potential reasons to vote against the Schemes that Think Group Securityholders should consider in deciding how they should vote at the Scheme Meetings.

**(a) You may disagree with the Independent Directors' recommendation and the Independent Expert's conclusion and believe that the Schemes or the MGE Acquisition are not in your best interest**

Despite the unanimous recommendation of the Independent Directors to vote in favour of the Schemes and the conclusion of the Independent Expert that the Schemes are fair and reasonable and therefore in the best interest of Independent Securityholders, that the MGE Acquisition is not fair but reasonable to Independent Securityholders and that the Proposed Transaction overall is in the best interest of Independent Securityholders, you may believe that the Schemes and the MGE Acquisition are not in your best interest.

**(b) The Schemes carry risks that you may consider unacceptable**

In considering the Schemes, you should be aware that there are a number of risk factors, both general and specific associated with the Schemes, which you may consider unacceptable.

You should read the general outline of the risk factors for Think Group Securityholders in relation to the Schemes in Section 7.

**(c) You may believe that there is potential for a Superior Proposal to be received in the foreseeable future. If the Schemes proceed, this precludes the possibility of receiving the benefit of any potential Superior Proposal for your Think Group Securities (noting that no Superior Proposal from another party has been received as at the date of this Explanatory Booklet)**

You may consider that a Superior Proposal could emerge in the future. As at the date of this Explanatory Booklet, your Independent Directors are not aware of, and have not received, any Superior Proposal.

**(d) You will lose the ability to participate in any potential upside that may result from maintaining your investment in Think Group**

If the Schemes proceed, you will cease to be a securityholder of Think Group as an independent ASX listed group. In these circumstances, you will lose the ability to participate in any potential upside that may result from maintaining your direct investment in Think Group. However, as with all investments in securities, there can be no guarantee as to Think Group's future performance if it remains an independent ASX listed entity.

**(e) The taxation implications of the Schemes may not suit your financial position**

If the Schemes proceed, it will potentially result in Australian taxation consequences (including Australian income tax consequences) for Think Group Securityholders, which may arise earlier than may otherwise be the case.

You should read the general outline of the taxation implications for Think Group Securityholders in relation to the Schemes in Section 8. Think Group Securityholders should seek their own professional advice regarding the taxation implications relevant to them.

You should also note that even if the Schemes do not proceed, Australian taxation consequences (including Australian income tax consequences) may arise at any future time that you sell or otherwise dispose of your Think Group Securities.



## 2.6 Other relevant considerations

### (a) The Schemes are subject to conditions

In addition to the need to obtain Shareholder approval and Court approval, the Schemes are each subject to other Conditions. The Conditions are summarised below. They are set out in full in the Implementation Agreement.

All Conditions need to be satisfied (or alternatively waived, in the case of certain Conditions that are capable of being waived) in order for the Schemes to proceed.

#### *Conditions applicable to the Schemes*

- **ASIC, ASX, FIRB, ACCC and other Governmental Agency** consents, waivers, release or approvals as are necessary or desirable – these need to be obtained and remain in place as at the morning of the Second Court Date. Busy Bees has received FIRB approval and ACCC clearance in connection with the Schemes.
- **No change of Independent Directors voting recommendation** – no Independent Director changes, qualifies or withdraws their Recommendation or their Voting Intention other than a withdrawal of Recommendation permitted by clause 6.2 of the implementation Agreement.
- **No Think Group Prescribed Occurrences between 16 June 2021 and the morning of the Second Court Date** – the prescribed occurrence events mainly relate to changes to Think Group's capital structure, payment of dividends other than the Interim Dividend and the Permitted Dividend, asset disposal and insolvency type events. These prescribed occurrence events are subject to exclusions including for matters required to be done under the Implementation Agreement, the TNK Scheme, the TND Scheme, the MGE Share Acquisition Agreement or any of the MGE Agreements or done with Busy Bees Australia Group's prior approval.
- **No Busy Bees Prescribed Occurrences between 16 June 2021 and the morning of the Second Court Date** – these prescribed occurrences are confined to no insolvency event occurring in relation to Busy Bees.
- **Think Group Warranties** – the warranties provided by Think Group under the Implementation Agreement remain true and correct in all material respects as at the morning of the Second Court Date. Think Group provides various warranties relating to its good standing, authority to enter into and perform its obligations under the Implementation Agreement, compliance in all material respects with applicable laws, the preparation of this Explanatory Booklet and its compliance with applicable legal requirements, its capital structure, compliance in all material respects with its continuous disclosure obligations, the accuracy of the Due Diligence Materials and its solvency. The Think Group Warranties are qualified by matters fairly disclosed in the Due Diligence Materials and by matters ascertainable from public searches.
- **Busy Bees Warranties** – the warranties provided by Busy Bees under the Implementation Agreement remain true and correct in all material respects as at the morning of the Second Court Date. Busy Bees provides various warranties relating to its good standing, authority to enter into and perform its obligations under the Implementation Agreement, compliance in all material respects with applicable laws, the accuracy of the information it has contributed to this Explanatory Booklet and its capacity to fund the payment of the Scheme Consideration under the Schemes.

- **Securityholder approvals of the Scheme Resolutions and the General Meeting Resolutions**
  - this Condition, in respect of the Scheme Resolutions, is required by law and cannot be waived (at least a simple majority of eligible Independent Securityholders, by number present and voting at the meeting, representing at least 75% of the votes cast); and
  - in respect of the General Meeting Resolutions:
    - the resolutions of Think Group Securityholders to approve the transactions under the MGE Agreements (at least a simple majority (more than 50%) of the votes cast by eligible Think Group Securityholders present and voting at the General Meeting);
    - the Unstapling Resolutions (at least a special majority (75% or more) of the votes cast by Think Group Securityholders present and voting at the General Meeting); and
    - the Appointor Structure Approval Resolutions (at least a special majority (75% or more) of the votes cast by TNK Shareholders present and voting at the General Meeting).
- **Court approval of the Schemes** – this Condition is required by law and cannot be waived.
- **No Material Adverse Change in relation to Think Group between 16 June 2021 and the morning of the Second Court Date** – a Material Adverse Change is defined by reference to specific, objectively ascertainable events and embodies a number of market standard and specifically negotiated exclusions. For further details, please refer to the definition of Material Adverse Change in the Implementation Agreement.
- **Restraints** – no legal or regulatory restraint is in place that prevents or delays the Proposed Transaction contemplated by the Schemes.
- **Performance Rights** – subject to the Court making an order directing Think Group to convene the Scheme Meetings, Think Group must ensure that all Performance Rights have been exercised, and the ensuing Think Group Securities issued to Performance Rights Holders, prior to the Scheme Record Date – this is market practice for schemes and ensures that no Performance Rights are on issue after the Scheme Record Date.
- **Third Party consents** – no consent, approval or waiver of rights by parties other than Think Group under any Material Contracts are required as at the Delivery Time on the Second Court Date.
- **Execution of MGE Agreements** – each of the MGE Agreements and the MGE Share Acquisition Agreement are executed by the parties to those agreements and have not been terminated or amended by the Delivery Time on the Second Court Date.
- **Restructure** – the completion by the Delivery Time on the Second Court Date of an internal restructure of service approvals and subsidiary companies within Think Group in preparation for the acquisition of the Think Rump by Mathew Edwards' Controlled entities.

Your Independent Directors have reviewed the Conditions of the Schemes and do not consider them to be unduly onerous or inconsistent with market practice for a transaction of this nature. As at the date of this Explanatory Booklet, your Independent Directors are not aware of any matter that would result in a breach or non-fulfilment of any of the Conditions of the Schemes.

## **(b) The Schemes deliver an 'all or nothing' outcome**

If all of the Scheme Conditions are satisfied or waived (as applicable):

- it will bind all persons registered as Think Group Securityholders (other than the MGE Entities) as at the Scheme Record Date for the Schemes (being Scheme Securityholders), including those who were not present at the Scheme Meetings, those who did not vote on the Schemes and those who voted against the Schemes, meaning that all persons who are Scheme Securityholders in respect of the Schemes will relinquish ownership of their Think Group Securities and will be entitled to receive the Scheme Consideration under the Schemes; and
- TNK will become wholly owned by Busy Bees and subject to completion of the MGE Acquisition, TND will become wholly owned by Mathew Edwards and his Controlled entities, and Think Group will be delisted from ASX.

Conversely if all of the Scheme Conditions are not satisfied or waived (as applicable), the status quo will be preserved, meaning that:

- Independent Securityholders (and the MGE Entities) will retain all of their Think Group Securities;
- the existing Think Group Boards will continue to operate Think Group's business;
- the expected advantages of the Schemes, as outlined in Section 2.4, will not be realised and equally some of the potential disadvantages, as outlined in Section 2.5, will no longer be relevant; and
- Independent Securityholders will retain their current investment in Think Group Securities and in doing so will continue to retain the benefits of that investment and continue to be exposed to the risks associated with that investment. Those risks include ones that are specific to Think Group's business (see Section 7.2).

## **(c) Transaction costs**

### *Independent Securityholders*

If the Schemes proceed, Independent Securityholders will not be required to pay any brokerage charges on the disposal of their Think Group Securities under the Schemes.

### *Think Group*

As at the date of this Explanatory Booklet, Think Group has incurred (or expects to incur) costs of approximately \$2.045 million (excluding GST) in developing the Schemes and the MGE Acquisition to the point that they are capable of being submitted to Independent Securityholders as a formal proposal for their consideration. These costs include negotiations with Busy Bees, the retention of advisers, engagement of the Independent Expert and preparation of this Explanatory Booklet.

If the Schemes do not proceed and no Superior Proposal is implemented, Think Group's results for the full year ending 31 December 2021 will be negatively impacted by the transaction costs incurred in proposing the Schemes. Those transaction costs may also impact the capacity of Think Group to pay a dividend or the amount of any dividend in FY2022 and potentially in subsequent financial years.

#### **(d) Exclusivity arrangements**

The following is a summary of the exclusivity arrangements agreed to in the Implementation Agreement. The full terms of these exclusivity arrangements are set out in the Implementation Agreement.

##### ***Existing discussions***

As at the date of the Implementation Agreement, Think Group represented and warranted to Busy Bees that:

- none of the Think Group Parties were party to any agreement or arrangement or participating in any discussion or negotiation with third parties that could reasonably be expected to lead to a Competing Proposal;
- due diligence access granted to third parties had been terminated; and
- any third party who had in the 24 months prior to the date of the Implementation Agreement been provided with non-public information on Think Group for the purpose of such third party developing a Competing Proposal has been asked to return or destroy that non-public information.

##### ***No shop***

During the Exclusivity Period, Think Group must not and must ensure that its Related Bodies Corporate and any of the Authorised Persons of Think Group or any of its Related Bodies Corporate do not, except with the prior written consent of Busy Bees, directly or indirectly solicit, invite or initiate any Competing Proposal or any enquiries, negotiations or discussions with any person (other than of the Busy Bees Parties) in relation to, or that may reasonably be expected to lead to, a Competing Proposal or communicate any intention to do any of those things.

##### ***No talk***

During the Exclusivity Period, Think Group must not and must ensure that none of its Related Bodies Corporate nor any of their Authorised Persons (whether directly or indirectly):

- negotiate, accept or enter into, approve or recommend or enter into or participate in negotiations or discussions with, or enter into any agreement, arrangement or understanding with any person (other than any of the Busy Bees Parties); or
- communicate any intention to do any of these things,

in relation to, or that may reasonably be expected to lead to, an actual or potential Competing Proposal, even if the Competing Proposal was not solicited, invited, encouraged or initiated by Think Group or any of its Related Bodies Corporate or any of their Authorised Persons, or even if that person has publicly announced the Competing Proposal.

##### ***No due diligence***

Except with the prior written consent of Busy Bees, Think Group must not, and must ensure that its Related Bodies Corporate and their respective Authorised Persons do not, directly or indirectly:

- solicit, invite, initiate, or encourage, or facilitate or permit, any person (other than Busy Bees) to undertake due diligence investigations in respect of Think Group, its Related Bodies Corporate or any of its businesses and operations, in connection with such person formulating, developing or finalising a Competing Proposal; or
- make available to any person (other than Busy Bees) or permit any such person to receive any non-public information relating to Think Group, its Related Bodies Corporate any of its businesses and operations, in connection with such person formulating, developing or finalising a Competing Proposal.

### **Notice of Competing Proposal**

During the Exclusivity Period, Think Group must promptly (and in any event, within 48 hours) notify Busy Bees in writing of the receipt of any proposal made by any person to Think Group, any of its Related Bodies Corporate or any of their respective Authorised Persons, that is or could reasonably be expected to lead to a Competing Proposal or an approach by a person in relation to engaging in activities that would if implemented constitute a breach of the 'no shop', 'no talk' or 'no due diligence' restrictions.

### **Exceptions to exclusivity provisions**

The *No Talk* and *No due diligence* provisions do not apply if the Think Group Boards determine, where there is a written bona fide Competing Proposal, that:

- after taking advice from its financial advisers, the Competing Proposal is a Superior Proposal or the steps which the Independent Directors propose to take may reasonably be expected to lead to a Competing Proposal which is a Superior Proposal; and
- after receiving written legal advice, that failing to respond to that Competing Proposal may constitute a breach of the fiduciary or statutory duties of any member of the Think Group Boards to Think Group.

### **Matching right**

Under the Implementation Agreement, if Think Group receives a Competing Proposal and as a result any Independent Director proposes to:

- change, withdraw or modify his or her Recommendation or Voting Intention; or
- recommend, endorse or support the Competing Proposal or approve or recommend entry into any agreement, commitment or arrangement to implement the Competing Proposal (other than an Acceptable Confidentiality Agreement),

Think Group must ensure that no Independent Director does so unless:

- the Competing Proposal is bona fide, in writing and constitutes a Superior Proposal;
- until each of the following has occurred:
  - Think Group has provided Busy Bees with written notice of the Independent Director's intention, including details of the grounds on which the Independent Director proposes to take such action and whether the Independent Directors have determined the Competing Proposal is a Superior Proposal;
  - Think Group has provided Busy Bees with written notice of the material terms and conditions of the Competing Proposal, including the identity of any person making the Competing Proposal (subject to limited exceptions), the price, conditions, proposed timing and any break fee of the proposal; and
  - Think Group has given Busy Bees at least five Business Days after the provision of all of the material terms and conditions of the Competing Proposal (as described above) to provide a written proposal that is equivalent or superior to the Competing Proposal. If Busy Bees' counterproposal is not considered to be equivalent or superior as a whole compared with the Competing Proposal, Think Group must provide Busy Bees a further period of five business days to amend its counterproposal; and
- Busy Bees has not within this period announced or provided to Think Group a counterproposal, or amended counterproposal, that the IBC, acting in good faith determines would provide an equivalent or superior outcome to Independent Securityholders as a whole compared with the Competing Proposal.



## (e) Break fee arrangements

Under the Implementation Agreement:

- Think Group has agreed in certain circumstances to pay Busy Bees a break fee of \$1.95 million (inclusive of GST) (**Think Group Break Fee**); and
- Busy Bees has agreed in certain circumstances to pay Think Group a break fee of \$1.95 million (inclusive of GST) (**Busy Bees Break Fee**).

These break fee arrangements are summarised below.

### *Think Group Break Fee*

A break fee of \$1.95 million (including GST) is payable by Think Group to Busy Bees in any of the following circumstances:

- (**Competing Proposal succeeds**) between signing of the Implementation Agreement and the End Date, a Competing Proposal is made or publicly announced (or a Competing proposal made or announced prior to the Implementation Agreement is varied) by Think Group and within 9 months from that announcement (or variation), either the Competing Proposal is implemented or completed or the proponent of the Competing Proposal acquires at least 50% of Think Group;
- (**Change of recommendation**) any Independent Director fails to provide, adversely changes or withdraws their Recommendation or Voting Intention, makes a public statement indicating that they no longer recommend or intends to vote in favour of the Schemes, the MGE Acquisition Approval Resolutions or the Appointor Structure Approval Resolutions, any Think Group Director recommends, endorses or supports a Competing Proposal or any member of the Think Consolidated Group accepts or enters into an agreement, arrangement or understanding to give effect or implement a Competing Proposal or acts in a manner which materially inconsistent with obtaining approval for the Schemes and implementing the Proposed Transactions, except where that act is because of:
  - an Independent Director subsequently determining (after obtaining written advice from independent senior counsel) that they have a material personal interest in the Proposed Transaction and should abstain from making a voting recommendation;
  - a *negative* independent expert's opinion is received on the Schemes and the MGE Acquisition (other than where the reason for that opinion is a Competing Proposal); or
  - in circumstances where Think Group is entitled to terminate the Implementation Agreement for a material unremedied breach by Busy Bees or a material breach of a Busy Bees Warranty or breach of a warranty in relation to the provision of the Scheme Consideration;
- (**Material unremedied breach**) Busy Bees terminates the Implementation Agreement due to a material unremedied breach of the agreement by Think Group or a material unremedied breach by Think Group of a warranty it gives;
- (**Other breach**) Busy Bees terminates the Implementation Agreement for an unremedied breach by Think Group of its 'conduct of business' restrictions or obligations in relation to exclusivity;
- (**failure of Conditions**) the Conditions set out in clauses 3.1(c) (No Think Group Prescribed Occurrences), 3.1(k) (Performance Rights) or 3.1(n) (Restructure) have not been satisfied prior to the End Date; or
- (**breach of MGE Agreements**) a Think Consolidated Group member is in breach of an MGE Agreement which results in the MGE Agreement being terminated.

If the Think Group Break Fee is paid, the liability of Think Group under the Implementation Agreement is limited to the Think Group Break Fee, meaning that the payment of the Think Group Break Fee would operate as Busy Bees' sole and exclusive remedy.

The Think Group Break Fee is not payable:

- if Busy Bees terminates the Implementation Agreement due to a Condition not being satisfied (apart from the 3.1(c) (No Think Group Prescribed Occurrences), 3.1(k) (Performance Rights) or 3.1(n) (Restructure) Conditions);
- merely because Independent Securityholders do not approve the Schemes or any of the MGE Acquisition Approval Resolutions or the Appointor Structure Approval Resolutions are not passed;
- if a Competing Proposal is simply received or announced – in this event the Think Group Break Fee only becomes payable if the Independent Directors elect to change their recommendation (i.e. publicly supporting the Competing Proposal) or the proponent of the Competing Proposal acquires at least 50% of Think Group within 9 months; or
- Busy Bees is in material breach of its obligations or certain representations and warranties under the Implementation Agreement and the breach remains unremedied.

The Think Group Break Fee is not payable if Think Group becomes entitled to the Busy Bees Break Fee (see below).

### **Busy Bees Break Fee**

A reverse break fee of \$1.95 million (including GST) is payable by Busy Bees to Think Group in any of the following circumstances:

- **(Failure to provide Scheme Consideration)** the Schemes become Effective but Busy Bees fails to provide the Scheme Consideration; or
- **(Other material unremedied breaches)** Think Group terminates the Implementation Agreement due to a material unremedied breach of the Implementation Agreement by Busy Bees or of a warranty by Busy Bees.

## **2.7 General Meeting Resolutions**

### **(a) MGE Acquisition**

As part of the agreed terms for proposing the Schemes, if the Schemes proceed, Mathew Edwards, through his Controlled entities, Nest Education and Nest Property, will acquire TND and certain other assets for nominal consideration, pursuant to separate agreements agreed between TNK, the Busy Bees Australia Group and the MGE Entities:

- the 77.85% of the TND Shares acquired by the Busy Bees Australia Group under the TND Scheme (such that Mathew Edwards and his Controlled entities will own 100% of the issued share capital of TND);
- the Nido Franklin business and assets;
- the head office function and specified non-income producing assets of TNK (including the assumption of the head office and related employee costs and associated liabilities of TNK and entities that hold leases for TNK development greenfield sites);
- 100% of the issued share capital of Think Childcare Services Pty Ltd (being the entity that holds the childcare centre service approvals for the TNK centres that are the subject of the Centre Management Agreement; and
- the Nido brand and all associated intellectual property rights,

(together, the **Think Rump**).

The Think Rump comprises:

- the development pipeline of proposed child care centre development assets (currently by TND and its Subsidiaries);
- the Nido brand and associated intellectual property (which is to be used for those centres to be developed by TND and those TNK centres to be managed by the MGE Entities under the Centre Management Agreement);
- the loss making Nido Franklin; and
- the head office assets (including the head office lease) and employees required for the development of the TND pipeline centres and for the performance of the management services under the Centre Management Agreement.

The transactions that constitute the sale of the Think Rump are documented under the MGE Agreements, details of which are set out in Section 10.3, and are conditional among other things on the Schemes becoming Effective.

The acquisition of the Think Rump includes the assumption by Mathew Edwards and his Controlled entities of all of the corporate and overhead costs and associated liabilities of the development business of Think Group, apart from TND's existing bank facility of approximately \$13 million (which will be paid out at completion by Busy Bees) and certain accrued entitlements of transferring employees (which will be paid out at completion by TNK).

Simultaneously with the sale of the Think Rump, a management contract between Nest Management, an entity Controlled by Mathew Edwards, and Busy Bees Australia Operations Pty Ltd, an entity within the Busy Bees Australia Group, will commence, which provides for a management fee of \$100,000 per Centre under management per annum. At the commencement date of the Centre Management Agreement there will be 35 Centres under management and covered by the Centre Management Agreement.

The sale of the Think Rump and entry into the Centre Management Agreement (collectively, the MGE Acquisition) will take effect promptly after implementation of the Schemes and completion of the MGE Share Acquisition.

#### **(b) Approval of MGE Acquisition at the General Meeting**

Think Group Securityholders will be asked to approve the MGE Acquisition at the General Meeting, which will be conducted as a combined meeting of TNK and TND shareholders.

Your Independent Directors consider that the MGE Acquisition will constitute:

- the provision of a financial benefit by Think Group to a related party (Mathew Edwards) for the purposes of Chapter 2E of the Corporations Act;
- a transaction involving a 'person in a position of influence' (Mathew Edwards) for the purposes of Listing Rule 10 of the ASX Listing Rules;
- the provision of a benefit in connection with the retirement of a person who has held executive office for the purposes of section 200B of the Corporations Act and Listing Rule 10.19 of the ASX Listing Rules; and
- the provision of a benefit in connection with the transfer of property of the company to a person who has held executive office for the purposes of section 200C of the Corporations Act.

### *Financial benefits given to Mathew Edwards*

Chapter 2E of the Corporations Act provides that for a public company to give a financial benefit to a related party, the public company must either obtain member approval (and give the benefit within 15 months of member approval) or the giving of the benefit must fall within an exception in sections 210 to 216 of the Corporations Act.

Section 210 of the Corporations Act allows a public company to provide a financial benefit to a related party without member approval if the financial benefit is given on terms that:

- would be reasonable in the circumstances if the public company and the related party were dealing at arm's length; or
- are less favourable to the related party than the terms referred to in the preceding bullet point.

Although Mathew Edwards through his Controlled entities will pay nominal consideration for the Think Rump under the MGE Acquisition, the MGE Acquisition is to be separately approved by Think Group Securityholders under Chapter 2E (section 208(1)) of the Corporations Act.

### *Approval of the disposal of a substantial asset*

Listing Rule 10.1 of the ASX Listing Rules provides that for a listed company to acquire a substantial asset from or dispose of a substantial asset to a 'person in a position of influence', the public company must obtain member approval for the acquisition or disposal or rely on one of the prescribed exceptions in Listing Rule 10.3. Unlike Chapter 2E of the Corporations Act, which regulates all forms of financial benefits provided by a public company to its related parties, Listing Rule 10.1 only applies to an acquisition or disposal of a substantial asset and applies to a broader range of 'related parties', referred to as any person in a position to influence whether the listed company acquires a substantial asset from them or disposes a substantial to them.

Although the consideration payable by Mathew Edwards through his Controlled entities for the Think Rump under the MGE Acquisition is nominal, the value of the assets being acquired by Mathew and his Controlled Entities or the amount or value of the consideration they provide is unclear and the Independent Directors are not able to form an opinion if it represents more or less than 5% of the equity interests of Think Group, as set out in its accounts for the financial year ending 31 December 2020 and therefore constitutes the disposal of a substantial asset by Think Group. Therefore, the MGE Acquisition may constitute the disposal of a substantial asset by Think Group to a related party. As Mathew is a director of Think Group he is a related party for the purposes of Listing Rule 10.1. As such, the MGE Acquisition requires the approval of Think Group Securityholders under Listing Rule 10.1.

As the Chief Executive Officer and Managing Director of Think Group, Mathew Edwards has a material personal interest in the MGE Acquisition. The voting exclusion referred to in Section 2.7(i) will apply to him as well as to the other MGE Entities. None of the Independent Directors have a personal interest in the MGE Acquisition.

### *Approval of retirement benefits*

Under section 200B of the Corporations Act, Think Group is prohibited from giving certain benefits to Think Group Directors, including the Chief Executive Office and Managing Director Mathew Edwards, in connection with their ceasing to hold a managerial or executive office with Think Group unless an exemption applies or the benefit is approved by Think Group Securityholder under section 200E of the Corporations Act.

Under the Corporations Act, "benefits" are widely defined and may include amounts that would otherwise be payable under the employment agreement or other arrangements of Think Group key management personal but which are paid at the same time, or in conjunction with, the termination of employment. If member approval is provided, the prohibition under the Corporations Act will not apply, and in this sense the relevant approved benefit will be a benefit excluded by the Corporations Act in relation to the calculation of any benefits for the purpose of the Corporations Act.

Listing Rule 10.19 provides that Think Group must ensure that no officer of Think Group will be, or may be, entitled to termination benefits if the value of those benefits and the termination benefits that are or may become payable exceed 5% of the equity interests of Think Group as set out in its accounts for the financial year end 31 December 2020.

Under the ASX Listing Rules, "termination benefits" refers to any payments, property and advantages that are receivable on termination of employment, engagement or office, except those from any superannuation or provident fund and those required by law to be made. It is possible that the acquisition by Mathew Edwards for the Think Rump under the MGE Acquisition for nominal consideration could be construed as such a "termination benefit" and as such, Think Group is seeking securityholder approval under section 200E of the Corporations Act and Listing Rule 10.19.

#### *Benefits on transfer of undertaking which may be payable to Mathew Edwards*

Under section 200C of the Corporations Act, no person may give a benefit to a person who is or was a director of Think Group in connection with the transfer of any part of the undertaking or property of Think Group unless the giving of the benefit is approved by Think Group Securityholders.

It is possible that the acquisition by Mathew Edwards for the Think Rump under the MGE Acquisition for nominal consideration could be construed as such a "benefit" and as such, Think Group is seeking securityholder approval under section 200E of the Corporations Act.

Your Independent Directors have convened the General Meeting in order to obtain Think Group Securityholders approval for of the potential benefits that Mathew Edwards may receive under the MGE Acquisition. Information regarding the convening and holding of the General Meeting is set out at Section 4.1 of this Explanatory Booklet and the Notice of General Meeting is included as Appendix 8 to this Explanatory Booklet.

#### **(c) Approval of the Appointor Structure Approval Resolutions**

Due to the shareholding structure of Busy Bees and the regulatory requirements applicable to its controlling shareholder, OTPP, amendments to the TNK Constitution are required to facilitate the acquisition of TNK Shares by Busy Bees. These amendments include the removal of all rights attaching to TNK Shares to vote on the appointment, election and/or removal of directors of TNK and to add a provision which provides that an appointor entity designated by OTPP will have the sole authority to appoint and remove all directors of TNK. The appointor entity must be an entity that does not directly own securities in TNK and it is proposed that the appointor will be another wholly owned subsidiary of OTPP (being, Global Appointer Corp.).

The proposed amendments to the TNK Constitution would be conditional on the Schemes becoming Effective and will take effect on the Implementation Date.

Your Independent Directors have convened the General Meeting in order to obtain TNK Shareholders approval under section 136(2) of the Corporations Act for the amendments to the TNK Constitution. Information regarding the convening and holding of the General Meeting is set out at Section 4.1 of this Explanatory Booklet and the Notice of General Meeting is included as Appendix 8 to this Explanatory Booklet.



#### **(d) Approval of Unstapling at the General Meeting**

As part of the MGE Acquisition, it is proposed to 'unstaple' the Stapled Securities of Think Group. Presently a TNK Share and a TND Share are stapled to each other to form a Think Group Security – to facilitate the MGE Acquisition as contemplated by the MGE Agreements and the MGE Share Acquisition, it is necessary each TNK Share and TND Share to be unstapled from each other.

In order to effect the unstapling, member approval must be obtained from:

- TNK Shareholders under clause 39 of the TNK Constitution; and
- TND Shareholders under clause 40 of the TND Constitution.

Your Independent Directors have convened the General Meeting in order to obtain Think Group Securityholders approval for the Unstapling which forms part of the MGE Acquisition. The proposed Unstapling would be conditional on the Schemes becoming Effective and will take effect on the Implementation Date. Information regarding the convening and holding of the General Meeting is set out at Section 4.1 of this Explanatory Booklet and the Notice of General Meeting is included as Appendix 8 to this Explanatory Booklet.

#### **(e) Inter-dependency of General Meeting Resolutions with Scheme Resolutions**

The General Meeting have been convened to consider and vote on the General Meeting Resolutions to determine whether the MGE Acquisition proceeds. The General Meeting Resolutions include the MGE Acquisition Approval Resolutions, the Unstapling Resolutions and the Appointor Structure Approval Resolutions. The approval of the MGE Acquisition Approval Resolutions, the Unstapling Resolutions and the Appointor Structure Approval Resolutions (i.e. the MGE Acquisition) are conditions for the Schemes to proceed. Similarly, the approval of the Schemes (and them becoming Effective) is a condition for the MGE Acquisition to proceed. The Scheme Resolutions and the General Meeting Resolutions are inter-dependent resolutions, meaning that unless all are approved, the Schemes and the MGE Acquisition cannot proceed.

This inter-dependency reflects the integrated nature of the overall proposal that Independent Securityholders are being asked to consider and vote on. Specifically, the Schemes and the MGE Acquisition collectively represent a single, integrated proposal for Independent Securityholders to vote on.

#### **(f) Independent Directors' recommendation**

The Think Group Independent Directors unanimously recommend that you vote in favour of the General Meeting Resolutions, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interest of Independent Securityholders, the MGE Acquisition is not fair but reasonable to Independent Securityholders and that the Proposed Transaction overall is in the best interest of Independent Securityholders.

Mathew Edwards will abstain from making a recommendation on the General Meeting Resolutions, given his material personal interest in the MGE Acquisition, his agreement to sell his shares in TNK to Busy Bees (conditional on the Schemes being Implemented) and the commercially integrated nature of the Schemes and the MGE Acquisition.

#### **(g) Eligibility to vote at the General Meeting**

Subject to the voting exclusion noted in Section 2.7(i), each person who is registered on the Securities Registry as a Think Group Securityholder as at the Voting Entitlement Time of 7.00pm (Melbourne time) on Monday, 27 September 2021 is entitled to attend and vote at the General Meeting, either online, by proxy or attorney or, in the case of a corporate Think Group Securityholder or proxy, by a representative.

Section 4 of this Explanatory Booklet sets out the instructions for how to vote at the General Meeting. A personalised Proxy Form for all of the Meetings accompanies this Explanatory Booklet.

#### **(h) Approval threshold**

The General Meeting Resolutions require the following approvals:

- (i) the resolutions of Think Group Securityholders to approve the MGE Acquisition Approval Resolutions for the purposes of sections 200B and 200C and Chapter 2E of the Corporations Act and of Listing Rules 10.1 and 10.19 require a simple majority (more than 50%) of the votes cast by Think Group Securityholders present and voting at the General Meeting, whether in person, by proxy or attorney or, in the case of a corporate Think Group Securityholder or proxy, by a representative;
- (ii) the Unstapling Resolutions require a special majority (75% or more) of the votes cast by Think Group Securityholders present and voting at the General Meeting, whether in person, by proxy or attorney or, in the case of a corporate Think Group Securityholder or proxy, by a representative; and
- (iii) the Appointor Structure Approval Resolutions require a special majority (75% or more) of the votes cast by TNK Shareholders present and voting at the General Meeting, whether in person, by proxy or attorney or, in the case of a corporate TNK Shareholder or proxy, by a representative.

#### **(i) Voting exclusions**

Mathew Edwards, Think Group's Chief Executive Officer and Managing Director, has a relevant interest in approximately 22.15% of Think Group Securities. Mathew Edwards has a material personal interest in the outcome of the Schemes given the commercially integrated nature of the Schemes and the MGE Acquisition. Accordingly, Mathew Edwards and his Controlled entities will be excluded from voting on all of the General Meeting Resolutions apart from the Unstapling Resolutions and the Appointor Structure Approval Resolutions, in respect of which he has agreed with Busy Bees to vote in favour.

In particular, in accordance with:

- (i) section 224(1) of the Corporations Act, the MGE Entities will not cast a vote (whether in favour or against) on the MGE Acquisition Approval Resolutions;
- (ii) section 200E(2A) of the Corporations Act, the MGE Entities will not cast a vote (whether in favour or against) on the MGE Acquisition Approval Resolutions; and
- (iii) Listing Rule 14.11.1, the MGE Entities will not cast a vote in favour of the MGE Acquisition Approval Resolutions but may cast a vote against the MGE Acquisition Approval Resolutions. However, under the MGE Share Acquisition Agreement, the MGE Entities are required to vote in favour of all relevant resolutions on which they are permitted to vote.

#### **(j) Disclosure requirements under the Corporations Act and Listing Rules**

This Explanatory Booklet forms the explanatory statement regarding the MGE Acquisition and contains the information that is required to be provided to Think Group Securityholders under Part 2D.2 and Chapter 2E of the Corporations Act and Listing Rule 10. Section 200E(2) provides that certain information must accompany the notices of general meeting for the purpose of obtaining member approval in connection with sections 200B and 200C of the Corporations Act, and section 219 of the Corporations Act stipulates that certain matters must be addressed in the explanatory statement for the purpose of obtaining member approval in connection with Chapter 2E of the Corporations Act. Listing Rule 10.5 sets out the matters to be addressed in the notice of meeting for the purpose of obtaining member approval in connection with Listing Rules 10.1 and 10.19. Below is a table that identifies the matters which must be addressed, and the relevant location within the Explanatory Booklet at which those matters are addressed.

Section / Listing Rule	Requirement	Where addressed in this Explanatory Booklet
219(1)(a) Corporations Act Listing Rules 10.5.1 and 10.5.2	The related parties to whom the proposed resolution would permit financial benefits to be given	Mathew Edwards is the Chief Executive Officer and Managing Director of Think Group and together, with the other MGE Entities, is a Think Group Securityholder: see further Section 2.7(i)
Section 200E(2) of the Corporations Act	The amount or money value of the proposed benefit, or if they cannot be ascertained, the manner in which such amount of value is calculated and any matter, event or circumstance that will, or is likely to, affect the calculation of that amount or valuation.	Section 2.7(b) and Section 8 of the Independent Expert's Report
Section 219(1)(b) Corporations Act Listing Rules 10.5.3 and 10.5.4	The nature of the financial benefits (including, to the extent they are applicable, details of the asset being disposed of and the consideration for the disposal)	Section 2.7(b)
219(1)(c) Corporations Act	In relation to each director of Think Group: <ul style="list-style-type: none"> <li>• if the director wanted to make a recommendation to members about the proposed resolution—the recommendation and his or her reasons for it; or</li> <li>• if not—why not; or</li> <li>• if the director was not available to consider the proposed resolution—why not</li> </ul>	Section 2.7(f)
219(1)(d) Corporations Act	in relation to each such director: <ul style="list-style-type: none"> <li>• whether the director had an interest in the outcome of the proposed resolution; and</li> <li>• if so—what it was</li> </ul>	Sections 2.7(f), 12.4 and 12.5
219(1)(e) Corporations Act	all other information that: <ul style="list-style-type: none"> <li>• is reasonably required by members in order to decide whether or not it is in the company's interests to pass the proposed resolution; and</li> <li>• is known to the company or to any of its directors.</li> </ul>	Sections 2.7, 12.4 and 12.5 Appendix 8 Remainder of this Explanatory Booklet
Listing Rule 10.5.7	Timetable for completing the disposal	The section entitled 'Important Dates and Times'
Listing Rule 10.5.8	Summary of other material terms of the agreement for the disposal	Section 2.7
Listing Rule 10.5.9	Voting exclusion statement	Section 2.7(g), Appendix 8
Listing Rules 10.5.10 and 10.6	Independent expert's report	Appendix 1

## 2.8 What are your options?

The following principal options are available to Independent Securityholders. Your Independent Directors encourage you to consider your personal risk profile, portfolio strategy, tax position and financial circumstances and seek professional advice before making any decision in relation to your Think Group Securities.

<p><b>Vote in favour of the Schemes and the General Meeting Resolutions</b></p>	<p><b>This is the course of action unanimously recommended by your Independent Directors, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interest of Independent Securityholders, the MGE Acquisition is not fair but reasonable to Independent Securityholders and that the Proposed Transaction overall is in the best interest of Independent Securityholders.</b></p> <p>To follow your Independent Directors' unanimous recommendation, you should vote in favour of the Scheme Resolutions at the Scheme Meetings and the General Meeting Resolutions at the General Meeting. For the Schemes to proceed, it is necessary that the Schemes are approved in the requisite majorities of Independent Securityholders and the General Meeting Resolutions are passed by Think Group Securityholders.</p> <p>For a summary of how to vote on the Schemes and the General Meeting Resolutions, please refer to Section 4.</p>
<p><b>Vote against the Schemes and the General Meeting Resolutions</b></p>	<p>If, despite your Independent Directors' unanimous recommendation and the conclusion of the Independent Expert, you do not support the Schemes or the MGE Acquisition, you may vote against the Scheme Resolutions at the TNK Scheme Meeting and at the TND Scheme Meeting and against the General Meeting Resolutions at the General Meeting.</p> <p>However, if all of the Scheme Conditions are satisfied or waived (as applicable), including the passing of the General Meeting Resolutions, the Schemes will bind all Independent Securityholders on the Scheme Record Date, including those who were not present at the Scheme Meetings, those who voted against the Scheme Resolutions and those who did not vote.</p>
<p><b>Vote in favour of the one Scheme but against the other Scheme</b></p>	<p>Two Schemes are required because the TNK Shares and the TND Shares are stapled together under the Stapling Deed and the constitutions of TNK and TND. The Schemes can only proceed if they are both approved by the requisite majority of Independent Securityholders, all of the conditions of the Schemes are satisfied and if they are subsequently approved by the Court.</p> <p>Although it is open to Independent Securityholders to vote in favour of one Scheme but against the other Scheme, your Independent Directors' unanimously recommend that Independent Securityholders who support the Schemes vote in favour of both Schemes.</p>

<p><b>Seek to sell some or all your Think Group Securities</b></p>	<p>The existence of the Schemes does not preclude you from selling some or all of your Think Group Securities on market for cash, if you wish, provided you do so before close of trading in Think Group Securities on ASX on the Effective Date (currently proposed to be 7 October 2021). You will not be able to sell your Think Group Securities on-market after the Effective Date, as this will be the last day of trading in Think Group Securities on ASX before trading in Think Group Securities on ASX is suspended.</p> <p>You may however seek to sell your Think Group Securities off-market after the Effective Date but before the Scheme Record Date (currently proposed to be 14 October 2021).</p> <p>If you are considering selling your Think Group Securities, you should have regard to the prevailing trading prices of Think Group Securities and compare those to the Scheme Consideration under the Schemes. You may ascertain current trading prices of Think Group Securities through ASX's website (<a href="http://www.asx.com.au">www.asx.com.au</a>) or by contacting your stockbroker.</p> <p>Independent Securityholders who sell some or all of their Think Group Securities:</p> <ul style="list-style-type: none"> <li>• will receive payment for the sale of their Think Group Securities sooner than they would receive their Scheme Consideration;</li> <li>• will not be able to receive the Interim Dividend or the Permitted Dividend, if they sell their Think Group Securities so that they cease to be Securityholders prior to the Interim Dividend Record Date;</li> <li>• will not be able to receive the Permitted Dividend, if they sell their Think Group Securities so that they cease to be Securityholders after the Interim Dividend Record Date but before the Permitted Dividend Record Date;</li> <li>• may incur a brokerage charge if the Think Group Securities are sold on-market;</li> <li>• will not be able to receive the Scheme Consideration or be entitled to the benefits of any Superior Proposal, if one emerges (but only for those Think Group Securities they have sold, if they have chosen to sell some but not all of their Think Group Securities); and</li> <li>• may be liable for CGT on the disposal of their Think Group Securities (as may also be the case for Scheme Securityholders, as to which see Section 8).</li> </ul>
<p><b>Do nothing</b></p>	<p>Eligible Independent Securityholders who do not vote at the Scheme Meetings will:</p> <ul style="list-style-type: none"> <li>• if the Schemes are implemented – have their Think Group Securities compulsorily transferred to Busy Bees by operation of the Schemes, and, if they are registered as Securityholders on the Scheme Record Date, be entitled to receive the Total Cash Payment under the Schemes; and</li> <li>• if the Schemes are not implemented – retain their Think Group Securities.</li> </ul>



### 3. Frequently asked questions

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Set out below are summary answers to some frequently asked questions about the Proposed Transaction. This information is a summary only and is not intended to address all relevant issues for Think Group Securityholders. This Section 3 should be read subject to, and in conjunction with, the remainder of this Explanatory Booklet.

#### A. GENERAL

Question	Answer	Further information
<b>What are Think Group Securityholders being asked to consider?</b>	<p>Independent Securityholders are being asked to consider and vote on two concurrent schemes of arrangement being the TNK Scheme for the acquisition by Busy Bees of TNK Scheme Shares and the TND Scheme, for the acquisition by FEL Dev (a Busy Bees subsidiary) of TND Scheme Shares.</p> <p>A separate Scheme Meeting has been convened to vote on each Scheme.</p> <p>The TNK Scheme and the TND Scheme are being submitted to Independent Securityholders as concurrent proposed transactions, and on the basis that the TND Scheme will only proceed if the TNK Scheme, and vice versa, are approved by the requisite majorities of Independent Securityholders and by the Court.</p> <p>Think Group Securityholders are also being asked to consider and vote on certain transactions involving Mathew Edwards, the Chief Executive Officer and Managing Director of Think Group and his Controlled entities and Busy Bees, amendments to the constitution of TNK necessary for Busy Bees to be able to acquire TNK Shares under the TNK Scheme (due to the shareholding structure of Busy Bees and the regulatory requirements applicable to its controlling shareholder OTPP) and the unstapling of TNK Shares and TND Shares, which are to occur on the Implementation Date. The Scheme Resolutions and the General Meeting Resolutions are inter-dependent resolutions, meaning that unless each are approved, the Schemes (and the MGE Acquisition) cannot proceed. This inter-dependency reflects the commercially integrated nature of the overall proposal that Think Group Securityholders are being asked to consider. Specifically, the Schemes and the MGE Acquisition collectively represent a single, integrated proposal for Think Group Securityholders to vote on.</p>	Sections 1 and 2

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Question	Answer	Further information
<b>What are the Schemes and what is the MGE Acquisition?</b>	<p>The Schemes are a proposal under which Independent Securityholders will transfer all of their TNK Shares to Busy Bees and all of their TND Shares to FEL Dev in exchange for the Total Cash Payment.</p> <p>Concurrently with implementation of the Schemes, Busy Bees will acquire 22.15% of the TNK Shares from Mathew Edwards and his Controlled entities under the MGE Share Acquisition Agreement for the same consideration that Independent Securityholders will receive for their TNK Shares under the TNK Scheme.</p> <p>If the Schemes proceed and the MGE Share Acquisition Agreement completes, Busy Bees will own 100% of the TNK Shares and FEL Dev (a Busy Bees subsidiary) will own 77.85% of the TND Shares and Think Group will be delisted from ASX shortly after the Implementation Date.</p> <p>As part of the MGE Acquisition, the 77.85% of the TND Shares acquired by FEL Dev under the TND Scheme will, following the implementation of the Schemes, be transferred to Nest Education, an entity Controlled by Mathew Edwards, for nominal consideration. Mathew Edwards and his Controlled entities will then own the development arm of the Think Group business, including 100% of TND.</p>	Sections 1, 2, 9 and 10.
<b>What is a members' scheme of arrangement?</b>	<p>A members' scheme of arrangement is a procedure under the Corporations Act that can be used to (among other things) enable one company to acquire or merge with another company.</p> <p>Two Schemes are required in the case of Think Group because the TNK Shares and the TND Shares are stapled together under the Stapling Deed and the constitutions of TNK and TND.</p> <p>The Schemes can only proceed if they are both approved by the requisite majorities of Independent Securityholders and if they are subsequently approved by the Court.</p>	Sections 1, 2, and 9 and the Schemes are included at Appendix 4 and Appendix 5 respectively
<b>What is the role and function of the Independent Board Committee (IBC)?</b>	<p>The IBC comprises Mark Kerr, Evonne Collier and Michael Doble (each of whom is an Independent Non-Executive Director).</p> <p>The Independent Board Committee will, if applicable, consider any Competing Proposal, subject to the exclusivity restrictions applicable to Think Group in relation to alternative proposals (see Section 1.14 for details).</p>	Sections 1.1 and 2.6

Question	Answer	Further information
<p><b>What are the key conditions that need to be satisfied before the Schemes can proceed?</b></p>	<p>The key remaining conditions that must be satisfied or waived (as applicable) for the Schemes to proceed are:</p> <ul style="list-style-type: none"> <li>• no change in the current voting recommendation of the Independent Directors;</li> <li>• no Think Group Prescribed Occurrence occurs;</li> <li>• no Busy Bees Prescribed Occurrence occurs;</li> <li>• the representations and warranties given by Think Group remain true and correct in all material respects;</li> <li>• the representations and warranties given by Busy Bees remain true and correct in all material respects;</li> <li>• passing of the Scheme Resolutions by the requisite majorities of Independent Securityholders at the Scheme Meetings (at least a simple majority of eligible Independent Securityholders by number present and voting at each Scheme Meeting, representing at least 75% of the votes cast);</li> <li>• passing of the General Meeting Resolutions at the General Meeting;</li> <li>• approval of the Schemes by the Court at the Second Court Hearing;</li> <li>• no Material Adverse Change occurs in relation to Think Group;</li> <li>• no court or Government Agency in Australia restrains or prohibits implementation of the Schemes;</li> <li>• Think Group complies with its obligations in respect of the Performance Rights;</li> <li>• all consents, approvals or waivers of rights under any Material Contracts are obtained;</li> <li>• each of the MGE Agreements and the MGE Share Acquisition Agreement is not terminated or amended without the consent of Think Group and Busy Bees; and</li> <li>• the completion of an internal restructure of service approvals and subsidiary companies within Think Group in preparation for the acquisition of the Think Rump by Mathew Edwards' Controlled entities.</li> </ul> <p>Think Group will make a statement at the commencement of the Meetings regarding the status of these conditions.</p>	<p>Section 2.6(a)</p>

Question	Answer	Further information
<p><b>Are there any other circumstances that may result in the Schemes not proceeding?</b></p>	<p>Think Group and Busy Bees have entered into an Implementation Agreement which provides a contractual framework for proposing and implementing the Schemes.</p> <p>The Implementation Agreement sets out circumstances where that agreement may be terminated, in which case the Schemes will not proceed. In summary:</p> <p><b>(Mutual termination rights)</b> Busy Bees and Think Group each have a mutual right to terminate the Implementation Agreement in the following circumstances:</p> <ul style="list-style-type: none"> <li>• if there is material breach of the Implementation Agreement by the other that is not remedied within 10 Business Days</li> <li>• if the Court refuses to make an order that the Scheme Meetings be convened;</li> <li>• if a condition is not capable of being fulfilled; or</li> <li>• if the Schemes do not become Effective before the End Date.</li> </ul> <p><b>(Think Group termination rights)</b> Think Group is also entitled to terminate the Implementation Agreement if a majority of the Independent Directors changes or withdraws their Recommendation or Voting Intention in relation to the Schemes.</p> <p><b>(Busy Bees termination rights)</b> Busy Bees is also entitled to terminate the Implementation Agreement if any Independent Director:</p> <ul style="list-style-type: none"> <li>• fails to provide their Recommendation or Voting Intention;</li> <li>• withdraws, adversely changes, modifies or qualifies their Recommendation or Voting Intention;</li> <li>• makes a public statement indicating that they no longer recommend the Schemes, the MGE Acquisition Approval Resolution or the Appointor Structure Approval Resolutions, or no longer intends to vote in favour of the Schemes, the MGE Acquisition Approval Resolutions or the Appointor Structure Approval Resolutions;</li> <li>• any Think Group Director recommends, endorses or supports a Competing Proposal or any member of the Think Consolidated Group accepts or enters into any agreement, arrangement or understanding to give effect to or implement a Competing Proposal or acts in a manner which is materially inconsistent with obtaining approval for the Schemes and implementing the Proposed Transaction;</li> </ul>	<p>Section 9.4 and Implementation Agreement, clause 13</p>

Question	Answer	Further information
	<ul style="list-style-type: none"> <li>• Think Group breaches its conduct of business obligations in clause 8.1 of the Implementation Agreement and the breach is not remedied within 10 Business Days; or</li> <li>• Think Group breaches its obligations with respect to exclusivity in clause 16 of the Implementation Agreement.</li> </ul>	
<p><b>If the Schemes proceed, what will be the effect?</b></p>	<p>Busy Bees will acquire TNK and Think Group will be de-listed from ASX. Scheme Securityholders will on the Implementation Date (currently expected to be 21 October 2021) receive the Scheme Consideration applicable to them under the terms of the Schemes.</p> <p>Under the MGE Acquisition, the 77.85% of the TND Shares acquired by FEL Dev under the TND Scheme will, following the implementation of the Schemes, be transferred to Nest Education, an entity Controlled by Mathew Edwards, for nominal consideration. Mathew Edwards and his Controlled entities will then own the development arm of the Think Group business, including 100% of TND.</p>	<p>Sections 1, 2, and 9</p>
<p><b>What happens if the Schemes do not proceed?</b></p>	<p>If the Schemes are not approved by Independent Securityholders or if the Schemes are not approved by the Court:</p> <ul style="list-style-type: none"> <li>• Busy Bees will not acquire control of Think Group;</li> <li>• you will not receive the Scheme Consideration under the Schemes;</li> <li>• the MGE Share Acquisition and the MGE Acquisition will not proceed;</li> <li>• no Permitted Dividend will be declared and paid;</li> <li>• Think Group will remain listed on ASX;</li> <li>• you will retain your current investment in Think Group Securities and in doing so will continue to retain the benefits of an investment in Think Group Securities and continue to be exposed to the risks presently associated with this investment. These include general risks of holding the Securities and risks that are specific to Think Group and its businesses as described in Section 7.2;</li> <li>• the advantages of the Schemes, as outlined in Section 2.4, will not be realised;</li> <li>• equally, the disadvantages of the Schemes identified in Section 2.5 will no longer be relevant;</li> <li>• Think Group will have incurred substantial costs and expended management time and resources for a proposed change of control transaction that does not proceed; and</li> <li>• your Independent Directors believe there is a risk that the price of Think Group Securities may fall materially, at least in the short term, if the Schemes are not implemented and no Superior Proposal emerges, in light of prevailing economic conditions and the ongoing risk that the COVID-19 global pandemic presents.</li> </ul>	<p>Sections 1 and 2</p>



Question	Answer	Further information
<b>Are there any risks I should be aware of?</b>	<p>Yes. There are risks associated with the status quo being preserved if the Schemes do not proceed including continuing exposure to the risks associated with an investment in Think Group Securities.</p> <p>There are also risk factors which may prevent the Schemes from proceeding.</p>	Section 7
<b>What are my options?</b>	<p>As a Think Group Securityholder, your principal options are as follows:</p> <ul style="list-style-type: none"> <li>• vote in favour of the Schemes and the General Meeting Resolutions;</li> <li>• vote against the Schemes and the General Meeting Resolutions;</li> <li>• vote inconsistently in favour and against any combination of the Schemes and the General Meeting Resolutions</li> <li>• seek to sell some or all your Think Group Securities on or before the Effective Date; or</li> <li>• do nothing.</li> </ul>	Section 2.8
<b>Can I sell my Think Group Securities now?</b>	<p>Yes. Independent Securityholders may seek to sell all or some of their Think Group Securities on ASX at the prevailing market price at any time before the close of trading on ASX on the Effective Date (which is currently expected to be 7 October 2021). You will not be able to sell your Think Group Securities on market after the Effective Date, as this will be the last day of trading in Think Group Securities on ASX before trading in Think Group Securities on ASX is suspended.</p> <p>You may however seek to sell your Think Group Securities off-market after the Effective Date but before the Scheme Record Date (currently proposed to be 14 October 2021).</p> <p>If you sell your Think Group Securities before the Scheme Record Date you:</p> <ul style="list-style-type: none"> <li>• will receive the proceeds from the sale of your Think Group Securities sooner than you would receive payment under the Schemes (noting that your sale proceeds may vary from the Scheme Consideration);</li> <li>• will not be able to receive the Interim Dividend or the Permitted Dividend, if you sell your Think Group Securities so that you cease to be a Securityholder prior to the Interim Dividend Record Date;</li> <li>• will not be able to receive the Permitted Dividend, if you sell your Think Group Securities so that you cease to be a Stapled Securityholder after the Interim Dividend Record Date but before the Permitted Dividend Record Date;</li> <li>• may incur a brokerage charge if you sell your Think Group Securities on market;</li> </ul>	Sections 1 and 9

Question	Answer	Further information
	<ul style="list-style-type: none"> <li>• will not be entitled to any Scheme Consideration and, if you sell your Think Group Securities before the Interim Dividend Record Date or before the Permitted Dividend Record Date, you will also not be entitled to any Interim Dividend or Permitted Dividend; and</li> <li>• will not be able to participate in the Schemes or a Superior Proposal, if one emerges.</li> </ul> <p>In addition:</p> <ul style="list-style-type: none"> <li>• if you buy (additional) Think Group Securities and you are not registered as the holder of those Securities until after the Interim Dividend Record Date, those Think Group Securities will not carry for your benefit any right to the Interim Dividend. Similarly, if you buy (additional) Think Group Securities and you are not registered as the holder of those Securities until after the Permitted Dividend Record Date, those Think Group Securities will not carry for your benefit any right to the Permitted Dividend; and</li> <li>• conversely, if you sell your Think Group Securities through an off-market transfer so that you cease to be the registered holder of those Securities after the Permitted Dividend Record Date but before the Scheme Record Date, you will receive the Permitted Dividend but not the Scheme Consideration.</li> </ul>	
<p><b>Will I be giving any warranties in respect of my Think Group Securities?</b></p>	<p>Yes. Under the Schemes, each Scheme Securityholder will be taken to have warranted to Think Group, in its own right and for the benefit of Busy Bees, that all of their Think Group Securities (including any rights and entitlements attaching to their Think Group Securities) which are transferred to Busy Bees under the Schemes will, at the time of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, that they have full power and capacity to transfer their Think Group Securities under the Schemes together with any rights attaching to the Scheme Securities and that they have no existing right to be issued any Think Group Securities, options exercisable into Think Group Securities, Think Group convertible notes or any other Think Group securities. You should ensure that these warranties can be given by you prior to, and remain correct as at, the Implementation Date.</p>	<p>Appendix 4 and TNK Scheme (clause 8.4), Appendix 5 and TND Scheme (clause 9.4)</p>
<p><b>I also hold Performance Rights. How will these be dealt with?</b></p>	<p>If the Schemes are approved by Independent Securityholders, the Think Board will permit the exercise of all TNK Performance Rights to allow the holders of TNK Performance Rights to receive the transfer of Think Group Securities in respect of those Performance Rights and for those new Think Group Securities to participate in the Schemes.</p>	<p>Section 9.6</p>

## B. BUSY BEES

Question	Answer	Further Information
<b>Who are Busy Bees and FEL Dev?</b>	<p>Busy Bees Group is a UK-headquartered, global early childhood education and care provider that has been operating for over 38 years and, as at the date of this Explanatory Booklet, operates more than 660 centres in nine countries across four continents.</p> <p>FEL Child Care Developments Pty Ltd (<b>FEL Dev</b>) is an Australian proprietary company that is a wholly-owned subsidiary of Busy Bees.</p>	Section 6.2
<b>How are Busy Bees and FEL Dev funding the Scheme Consideration under the Schemes?</b>	<p>Busy Bees is funding the Scheme Consideration under the TNK Scheme through a combination of an external term loan facility in favour of a member of the Busy Bees Group, combined with an intra-group funding commitment, and a funding commitment from OTPP (the controlling shareholder of the Busy Bees Group) and Esta (a major shareholder of the Busy Bees Group).</p> <p>FEL Dev has sufficient existing uncommitted cash resources to pay the TND Scheme Consideration.</p>	Section 6.4
<b>What are Busy Bees' intentions for Think Group if the Schemes Proceed?</b>	<p>If the Schemes are implemented and the MGE Acquisition and MGE Share Acquisition are completed:</p> <ul style="list-style-type: none"> <li>• Busy Bees will become the holder of all TNK Shares and TNK will become a wholly-owned subsidiary of Busy Bees; and</li> <li>• entities Controlled by Mathew Edwards, the current Managing Director of Think Group, will become the holder of all the TND Shares.</li> </ul> <p>Accordingly, in respect of TNK (only) if the Proposed Transaction is completed except for the changes and intentions set out in Section 6 and elsewhere in this Explanatory Booklet, it is Busy Bees' intention to (based on the information presently known to it):</p> <ul style="list-style-type: none"> <li>• continue the business of TNK;</li> <li>• not to make any major changes to the business of TNK;</li> <li>• not to redeploy any of TNK's fixed assets (other than under the MGE Acquisition, which is set out in detail in Section 10); and</li> </ul> <p>to continue the employment of the present employees of TNK, other than those changes referred to in Section 6.5(f).</p>	Section 6.5

## C. SCHEME CONSIDERATION

Question	Answer	Further Information
<b>What will I receive if the Schemes are implemented?</b>	<p>If the Schemes are approved and implemented, Scheme Securityholders at the relevant record dates will receive the Total Cash Payment of \$3.20 per Stapled Security comprising the following components:</p> <ul style="list-style-type: none"><li>• the Scheme Consideration of not less than \$2.96 per Stapled Security (being \$3.20 per Stapled Security less the amount of any Permitted Dividend);<sup>9</sup> and</li><li>• a Permitted Dividend of up to \$0.24 per Stapled Security.</li></ul>	Sections 1, 2 and 9.
<b>When and how will I receive my Scheme Consideration?</b>	<p>If the Schemes are implemented, the Scheme Consideration will be paid to all Scheme Securityholders on the Implementation Date (currently proposed to be 21 October 2021).</p> <p>If you have validly registered your bank account details with the Securities Registry (by the Scheme Record Date), you will have your Scheme Consideration credited directly to your bank account. Otherwise, you will have your Scheme Consideration sent by cheque to your address shown on the Securities Register.</p>	Sections 1, 9, Appendix 4 and Appendix 5
<b>What are the Australian taxation implications of the Schemes?</b>	<p>If the Schemes are implemented, there will be tax consequences for you which may include tax being payable on any gain on disposal of Think Group Securities. For taxation purposes, the Scheme Consideration may be taken to include any Permitted Dividend received.</p> <p>For further detail regarding general Australian taxation consequences of the Schemes for certain Independent Securityholders, please see Section 8. The taxation treatment may vary depending on the nature and characteristics of each Independent Securityholder and their specific circumstances. Accordingly, you should seek your own professional taxation advice in relation to your particular circumstances.</p>	Section 8

<sup>9</sup> With the split in the Scheme Consideration being \$2.9599 for each TNK Share and \$0.0001 for each TND Share.

Question	Answer	Further Information
	Note that for an Independent Securityholder that is known or reasonably believed to be a foreign resident, Busy Bees may be required to withhold 12.5% from the Scheme Consideration payable in respect of their Think Group Securities for capital gains tax purposes. This withholding requirement should not apply if Busy Bees receives from the relevant Independent Securityholder a valid vendor declaration that: (a) the Independent Securityholder is an Australian tax resident, or (b) the relevant Think Group Securities are <u>not</u> indirect Australian real property interests. Please see Section 8 for details on the foreign resident capital gains withholding regime and actions required of you if you are considered likely to be a "relevant foreign resident".	
<b>Will I have to pay brokerage fees or stamp duty?</b>	No, you will not have to pay brokerage or stamp duty on the transfer of your Think Group Securities under the Schemes.  If you dispose of your Think Group Securities before the Scheme Record Date, brokerage fees may be payable.	Section 8

#### D. QUESTIONS ABOUT THE INTERIM DIVIDEND AND PERMITTED DIVIDEND

Question	Answer	Further Information
<b>What is the Interim Dividend?</b>	On 18 August 2021, at the same time as the release of Think Group's financial results for the half-year ended 30 June 2021, Think Group announced the declaration of the Interim Dividend of \$0.08 per Think Group Security.  If you hold Think Group Securities on the Interim Dividend Record Date, you will be eligible to receive the Interim Dividend and for each Think Group Security that you hold on that date.  The Interim Dividend will not form part of the Total Cash Payment to be received by Think Group Securityholders if the Schemes become Effective.  In addition, the Interim Dividend will not operate to reduce the Scheme Consideration.	Section 1.5
<b>Am I eligible to receive the Interim Dividend?</b>	You will be eligible to receive the Interim Dividend for each Think Group Security that you hold on 25 August 2021, being the Interim Dividend Record Date.	Section 1.5
<b>When will I receive the Interim Dividend?</b>	The Interim Dividend will be paid to Think Group Securityholders on 2 September 2021.  The Interim Dividend is not conditional on the Schemes becoming Effective.	Section 1.5



Question	Answer	Further Information
<b>Will the Interim Dividend be franked?</b>	The Interim Dividend is fully franked.	Sections 1.10 and 8
<b>Will I get the benefit of the franking credits attached to the Interim Dividend?</b>	<p>Think Group Securityholders who hold Think Group Securities on the Interim Dividend Record Date will receive franking credits of \$0.034 per Think Group Security. The implications of receiving these franking credits will depend upon the tax profile of the recipient Think Group Securityholder. If you are an Australian resident for tax purposes and satisfy the qualified person rules, you may be able to access franking credits attached to the Interim Dividend. In some instances, the franking credits received may be refundable to you. If you are not an Australian resident for tax purposes, you should not be able to access franking credits attached to the Interim Dividend, but the Interim Dividend should not be subject to Australian tax.</p> <p>Further information is provided at Section 8. The comments in Section 8 are general in nature and should not be relied upon as advice for your affairs. It is recommended that you consult your financial, legal, taxation or other professional adviser with respect to the potential tax consequences of receiving the Interim Dividend.</p>	Sections 1.10 and 8
<b>What is the Permitted Dividend?</b>	<p>The Think Group Boards have announced an intention to declare and pay a fully franked Permitted Dividend of up to \$0.24 per Think Group Security if the Schemes become Effective.</p> <p>The Permitted Dividend has not yet been declared by the Think Group Boards and remains at the absolute discretion of the Think Group Boards. The decision whether or not to declare the Permitted Dividend will be made by the Think Group Boards and will be communicated to Think Group Securityholders by way of an ASX announcement prior to the Meetings.</p> <p>If the Permitted Dividend is declared by the Think Group Boards, it will form part of the Total Cash Payment to be received by Think Group Securityholders if the Schemes become Effective. If the Permitted Dividend is not declared by the Think Board or if the Permitted Dividend is declared but is less than \$0.24 but the Schemes nevertheless becomes Effective, the Total Cash Payment will remain unchanged at \$3.20 per Think Group Security.</p>	Section 1.5
<b>Am I eligible to receive the Permitted Dividend?</b>	If the Permitted Dividend is declared, the Schemes become Effective, and you hold Think Group Securities on the Permitted Dividend Record Date, you will be eligible to receive the Permitted Dividend for each Think Group Security that you hold on that date.	Section 1.5

Question	Answer	Further Information
<b>When will I receive the Permitted Dividend?</b>	<p>If the Schemes become Effective and the Permitted Dividend is declared, the Permitted Dividend will be paid to Think Group Securityholders on the Implementation Date.</p> <p>The Permitted Dividend (if declared) will be conditional on the Schemes becoming Effective.</p> <p>If the Schemes do not become Effective, the Permitted Dividend will not be paid to Think Group Securityholders.</p>	Section 1.5
<b>What is the Class Ruling?</b>	<p>TNK has requested the ATO to issue a Class Ruling to confirm the key taxation implications of the TNK Scheme for Think Group Securityholders, including the availability of franking credits attaching to the Permitted Dividend and whether the Permitted Dividend forms part of the capital proceeds under the TNK Scheme. The ATO has not issued the Class Ruling as at the date of this Explanatory Booklet. Think Group will make an announcement when the Class Ruling is published either by an announcement on ASX or, if Think Group is no longer listed at that time, on its website. The Class Ruling will also be available on the ATO website at <a href="http://www.ato.gov.au">www.ato.gov.au</a>.</p> <p>The expected taxation implications for Think Group Securityholders are summarised in Section 8 of this Explanatory Booklet.</p>	Sections 1.10 and 8
<b>Will the Permitted Dividend be franked?</b>	<p>Think Group intends that the Permitted Dividend (if declared) will be fully franked.</p>	Sections 1.10 and 8
<b>Will I get the benefit of the franking credits attached to the Permitted Dividend?</b>	<p>If the Permitted Dividend is declared, Think Group Securityholders who hold Think Group Securities on the Permitted Dividend Record Date may receive franking credits of up to \$0.103 per Think Group Security (the amount of franking credits will depend on the amount of the Permitted Dividend), subject to confirmation by the ATO in a Class Ruling that the franking credits would be available to Think Group Securityholders, generally. The implications of receiving these franking credits will depend upon the tax profile of the recipient Think Group Securityholder. If you are an Australian resident for tax purposes and satisfy the qualified person rules, you may be able to access franking credits attached to the Permitted Dividend. In some instances, the franking credits received may be refundable to you. If you are not an Australian resident for tax purposes, you should not be able to access franking credits attached to the Permitted Dividend, but the Permitted Dividend should not be subject to Australian tax.</p> <p>Further information is provided at Section 8. The comments in Section 8 are general in nature and should not be relied upon as advice for your affairs. It is recommended that you consult your financial, legal, taxation or other professional adviser with respect to the potential tax consequences of receiving the Permitted Dividend.</p>	Sections 1.10 and 8

## E. QUESTIONS ABOUT THE TOTAL CASH PAYMENT

Question	Answer	Further Information
<b>Will I receive the Total Cash Payment?</b>	<p>If the Permitted Dividend is declared and paid, you will only receive the Total Cash Payment for Think Group Securities for which you are the registered holder of as at the:</p> <ul style="list-style-type: none"><li>• Permitted Dividend Record Date; and</li><li>• the Scheme Record Date.</li></ul> <p>For example, if you sell your Think Group Securities through an off-market transfer after the Permitted Dividend Record Date but before the Scheme Record Date:</p> <ul style="list-style-type: none"><li>• you (the 'seller') will receive the Permitted Dividend (if declared) and may be entitled to the franking credits attached to the Permitted Dividend, and will also receive any consideration for the sale but will not receive the Scheme Consideration; and</li><li>• the 'buyer' will receive the Scheme Consideration, but will not receive the Permitted Dividend and any franking credits attached to the Permitted Dividend,</li></ul> <p>which for both parties may not be the same amount in aggregate as the Total Cash Payment.</p> <p>The converse would apply in relation to any Think Group Securities you acquire through an off market transfer after the Permitted Dividend Record Date.</p>	Sections 1, 2 and 9.

## F. QUESTIONS ABOUT THE MGE SHARE ACQUISITION AGREEMENT AND THE MGE ACQUISITION

Question	Answer	Further Information
<b>What is the MGE Share Acquisition Agreement?</b>	<p>The MGE Share Acquisition Agreement is an agreement between Busy Bees and the MGE Entities and regulates the acquisition by Busy Bees of 22.15% of TNK from the MGE Entities for the same consideration attributable to the TNK Shares under the TNK Scheme conditional on the Schemes being Implemented (such that Busy Bees will own 100% of the issued share capital of TNK if the Schemes are Implemented).</p>	Section 10.2
<b>What is the MGE Acquisition?</b>	<p>As part of the agreed terms for proposing the Schemes, if the Schemes proceed, Mathew Edwards, through his Controlled entities, Nest Education and Nest Property, will acquire TND and certain other assets pursuant to the terms of the MGE Agreements:</p> <ul style="list-style-type: none"><li>• the 77.85% of the TND Shares acquired by the Busy Bees Australia Group under the TND Scheme (such that Mathew Edwards and his Controlled entities will own 100% of the issued share capital of TND);</li><li>• the Nido Franklin business and assets;</li></ul>	Sections 2.7 and 10

Question	Answer	Further Information
	<ul style="list-style-type: none"> <li>• the head office function and specified non-income producing assets of TNK (including the assumption of the head office and related employee costs and associated liabilities of TNK and entities that hold leases for TNK development greenfield sites);</li> <li>• 100% of the issued share capital of TCS (being the entity that holds the childcare centre service approvals for the TNK centres that are the subject of the Centre Management Agreement; and</li> <li>• the Nido brand and all associated intellectual property rights,</li> </ul> <p>(together, the <b>Think Rump</b>).</p> <p>The Think Rump comprises:</p> <ul style="list-style-type: none"> <li>• the development pipeline of proposed child care centre development assets (currently by TND and its Subsidiaries);</li> <li>• the Nido brand and associated intellectual property (which is to be used for those centres to be developed by TND and those TNK centres to be managed by the MGE Entities under the Centre Management Agreement;</li> <li>• the loss making Nido Franklin; and</li> <li>• the head office assets (including the head office lease) and employees required for the development of the TND pipeline centres and for the performance of the management services under the Centre Management Agreement.</li> </ul> <p>The acquisition of the Think Rump includes the assumption by Mathew Edwards and his Controlled entities of all of the corporate and overhead costs and associated liabilities of the development business of Think Group, apart from TND's existing bank facility of approximately \$13 million (which will be paid out at completion by Busy Bees) and certain accrued entitlements of transferring employees (which will be paid out at completion by TNK).</p> <p>The transactions that constitute the sale of the Think Rump are documented under the MGE Agreements, details of which are set out in Section 10.3, and are conditional among other things on the Schemes becoming Effective.</p>	

Question	Answer	Further Information
	<p>Simultaneously with the sale of the Think Rump, a management contract between Nest Management, an entity Controlled by Mathew Edwards, and Busy Bees Australia Operations Pty Ltd, an entity within the Busy Bees Australia Group, will commence, which provides for a management fee of \$100,000 per Centre under management per annum. At the commencement date of the Centre Management Agreement there will be 35 Centres under management and covered by the Centre Management Agreement.</p> <p>The sale of the Think Rump and commencement of the Centre Management Agreement (collectively, the MGE Acquisition) will take effect promptly after implementation of the Schemes and completion of the MGE Share Acquisition.</p>	
<p><b>Why is Mathew Edwards only paying a nominal consideration to acquire TND following the implementation of the Schemes?</b></p>	<p>Mathew Edwards and his Controlled entities will be paying nominal consideration for the Think Rump (\$300 in aggregate) because the acquisition of the Think Rump includes the assumption by Mathew Edwards and his Controlled entities of all of the corporate and overhead costs and associated liabilities of the development business of Think Group, with the exception of TND's existing bank facility of approximately \$13 million (which will be paid out at completion by Busy Bees) and certain accrued entitlements of transferring employees (which will be paid out at completion by TNK).</p> <p>The costs and liabilities include those associated with:</p> <ul style="list-style-type: none"> <li>• operating and developing the TND portfolio (which at the Last Practicable Date, comprises of 18 Centres and 18 greenfield sites), including associated capital requirements;</li> <li>• operating the historically loss-making Nido Franklin Centre;</li> <li>• the trade up of 2 of TNK development greenfield sites; and</li> <li>• maintaining the majority of Think Group head office employees and head office assets.</li> </ul> <p>For further details on these costs and liabilities, please refer to sections 5.4 and 8 of the Independent Expert's Report.</p>	<p>Section 2.4(a)</p>

## G. QUESTIONS ABOUT THE RESOLUTIONS AT THE GENERAL MEETING

Question	Answer	Further Information
<b>What are the MGE Acquisition Approval Resolutions?</b>	<p>The MGE Acquisition will be subject to Think Group Securityholder approval at the General Meeting, for the purposes of sections 200B and 200C and Chapter 2E of the Corporations Act and Listing Rules 10.1 and 10.19.</p> <p>The MGE Acquisition Approval Resolutions consist of the following resolutions that Think Group Securityholders will be asked to approve:</p> <p>(a) transactions under the MGE Agreements for the purposes of sections 200B and 200C and Chapter 2E of the Corporations Act and of Listing Rules 10.1 and 10.19; and</p> <p>(b) Unstapling Resolutions.</p>	Section 2.7
<b>What are the Unstapling Resolutions?</b>	<p>As part of the MGE Acquisition, it is proposed to 'unstaple' the Stapled Securities of Think Group. Presently a TNK Share and a TND Share are stapled to each other to form a Think Group Security – to facilitate the MGE Acquisition as contemplated by the MGE Agreements and the MGE Share Acquisition, it is necessary each TNK Share and TND Share to be unstapled from each other.</p> <p>In order to effect the unstapling, member approval must be obtained from:</p> <ul style="list-style-type: none"> <li>• TNK Shareholders under clause 39 of the TNK Constitution; and</li> <li>• TND Shareholders under clause 40 of the TND Constitution.</li> </ul>	Section 2.7(d)
<b>What are the Appointor Structure Approval Resolutions?</b>	<p>Due to the shareholding structure of Busy Bees and the regulatory requirements applicable to its controlling shareholder OTPP, amendments to the TNK Constitution are required to facilitate the acquisition of TNK Shares by Busy Bees.</p> <p>These amendments include the removal of all rights attaching to TNK Shares to vote on the appointment, election and/or removal of directors of TNK and to add a provision which provides that an appointor entity designated by OTPP will have the sole authority to appoint and remove all directors of TNK. The appointor entity must be an entity that does not directly own securities in TNK and it is proposed that the appointor will be another wholly owned subsidiary of OTPP (being, Global Appointer Corp.).</p> <p>TNK Shareholders will be asked to approve the proposed amendments to the TNK Constitution for the purpose of section 136(2) of the Corporations Act, which would be conditional on the Schemes becoming Effective and will take effect on the Implementation Date.</p>	Section 2.7(c)



## H. INDEPENDENT DIRECTORS' RECOMMENDATIONS AND INTENTIONS

Question	Answer	Further Information
<b>Who are the Independent Directors?</b>	<p>The Independent Directors of Think Group as at the date of this Explanatory Booklet are</p> <ul style="list-style-type: none"> <li>• Mr Mark Kerr (Chairman and Non- Independent Executive Director, TNK and TND)</li> <li>• Mr Joe Dicks (Non-Executive Independent Director, TNK and TND)</li> <li>• Ms Evonne Collier (Non-Executive Independent Director, TNK)</li> <li>• Mr Michael Doble (Non-Executive Independent Director, TND)</li> <li>• Mr Nick Anagnostou (Non-Executive Independent Director, TND)</li> <li>• Mr James Spenceley (Non-Executive Independent Director, TNK).</li> </ul> <p>Mr Mark Kerr, Ms Evonne Collier and Mr Michael Doble are the members of the IBC. Mr Mark Kerr is the chair of the IBC.</p>	Sections 1 and 2
<b>What do the Independent Directors recommend?</b>	<p>Your Independent Directors unanimously recommend that you vote in favour of the Schemes and the General Meeting Resolutions, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interest of Independent Securityholders, the MGE Acquisition is not fair but reasonable to Independent Securityholders and that the Proposed Transaction overall is in the best interest of Independent Securityholders.</p>	Sections 1 and 2
<b>How are the Independent Directors going to vote?</b>	<p>Each Independent Director intends to vote all Think Group Securities they hold or control in favour of the Schemes and the General Meeting Resolutions, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interest of Independent Securityholders, the MGE Acquisition is not fair but reasonable to Independent Securityholders and that the Proposed Transaction overall is in the best interest of Independent Securityholders. As at the date of this Explanatory Booklet, your Independent Directors hold or control in aggregate approximately 4.13% of all Think Group Securities on issue.</p>	Sections 1 and 2

Question	Answer	Further Information
<p><b>What are the prospects of receiving a Superior Proposal?</b></p>	<p>Think Group announced on 17 June 2021 that it had entered into a definitive Implementation Agreement with Busy Bees in relation to the Schemes. The announcement of Think Group's entry into the Implementation Agreement followed the announcements of a number of proposals, including the:</p> <ul style="list-style-type: none"> <li>• initial non-binding indicative proposal from Alceon to acquire Think Group for \$1.03 per Think Group Security received in July 2020, which was then subsequently followed by revised proposals from Alceon for \$1.25 per Stapled Security and \$1.35 per Stapled Security, the latter of which was announced to ASX on 16 November 2020;</li> <li>• initial non-binding indicative proposal from Busy Bees to acquire Think Group for \$1.75 per Think Group Security announced to ASX on 23 November 2020;</li> <li>• revised non-binding indicative proposal from Alceon to acquire Think Group for \$1.75 per Think Group Security announced to ASX on 24 December 2020;</li> <li>• revised non-binding indicative proposal from Busy Bees to acquire Think Group or all of its assets for \$2.10 per Think Group announced to ASX on 20 January 2021; and</li> <li>• current further revised non-binding indicative proposal from Busy Bees to acquire Think Group for \$3.20 per Think Group Security announced to ASX on 6 April 2021.</li> </ul> <p>No Superior Proposal has emerged as at the date of this Explanatory Booklet, noting that a potential control transaction for Think Group has been publicly foreshadowed. Under the Implementation Agreement, Think Group is bound by certain exclusivity obligations, including in relation to Competing Proposals. None of those exclusivity obligations preclude Think Group from responding to any unsolicited Competing Proposal that may emerge.</p>	<p>Sections 1 and 2</p>
<p><b>What happens if a Competing Proposal for Think Group emerges?</b></p>	<p>If an unsolicited Competing Proposal for Think Group is received before the Meetings, your Independent Directors will carefully consider it to determine whether it is a Superior Proposal and will inform you of any material developments which may affect your Independent Directors' view that the Schemes are presently the most favourable proposal for all of your Think Group Securities.</p> <p>Busy Bees has a right to match any unsolicited Superior Proposal if one is received by Think Group. Any change of your Independent Directors' current recommendation in response to a Competing Proposal may result in Think Group being obliged to pay a break fee of \$1.95 million (inclusive of GST) to Busy Bees.</p>	<p>Sections 1 and 2</p>

Question	Answer	Further Information
<b>What is the opinion of the Independent Expert?</b>	<p>The Independent Expert has concluded that the Schemes are fair and reasonable and therefore in the best interest of Independent Securityholders, in the absence of a Superior Proposal. The Independent Expert has also concluded that the MGE Acquisition is not fair but reasonable to Independent Securityholders and that the Proposed Transaction overall is in the best interest of Independent Securityholders, in the absence of a Superior Proposal.</p> <p>The Independent Expert has assessed the fair market value of Think Group on a control basis between \$2.82 and \$3.12 per Think Group Security.</p>	Appendix 1

## I. MATHEW EDWARDS' RECOMMENDATIONS AND INTENTIONS

Question	Answer	Further Information
<b>Who is Mathew Edwards?</b>	Mathew Edwards is Think Group's Chief Executive Officer and Managing Director. Mathew has a relevant interest in approximately 22.15% of Think Group Securities.	Section 2.3
<b>Is Mathew Edwards making any voting recommendation?</b>	<p>Mathew Edwards will abstain from making a recommendation on the Scheme Resolutions and the General Meeting Resolutions, given his material personal interest in the MGE Acquisition, agreement to sell his shares in TNK to Busy Bees and the commercially integrated nature of the Schemes and the MGE Acquisition.</p> <p>Mathew Edwards and his Controlled entities will also be excluded from voting on and participating in the Schemes. Mathew Edwards and his Controlled entities will also be excluded from voting on all of the General Meeting Resolutions apart from the Unstapling Resolutions and the Appointor Structure Approval Resolutions, in respect of which he has agreed with Busy Bees to vote in favour.</p>	Section 2.3

## J. VOTING

Question	Answer	Further Information
<b>What am I being asked to vote on?</b>	<p>As a Think Group Securityholder, you are being asked to:</p> <ul style="list-style-type: none"> <li>• vote at the TNK Scheme Meeting on whether the TNK Scheme should proceed; and</li> <li>• vote at the TND Scheme Meeting on whether the TND Scheme should proceed; and</li> <li>• vote at the General Meeting on whether the MGE Acquisition, the Unstapling Resolutions and, for TNK Shareholders only, the Appointor Structure Approval Resolutions should be approved,</li> </ul> <p>noting that the Schemes and the MGE Acquisition are cross-conditional on each other being approved, as well as the General Meeting Resolutions being approved.</p>	Section 4

Question	Answer	Further Information
<b>When and where will the Meetings be held?</b>	<p>Each of the TNK Scheme Meeting, TND Scheme Meeting and General Meeting will be conducted as virtual (online only) Meetings. There will be no physical meeting.</p> <p>You may attend the virtual TNK Scheme Meeting to be held at 11.00am (Melbourne time) on 29 September 2021 by logging in online at <a href="https://web.lumiagm.com">https://web.lumiagm.com</a> and using the following Meeting ID: 326-746-944.</p> <p>You may attend the virtual TND Scheme Meeting to be held at 11.30am (Melbourne time) on 29 September 2021 by logging in online at <a href="https://web.lumiagm.com">https://web.lumiagm.com</a> and using the following Meeting ID: 326-746-944.</p> <p>You may attend the virtual General Meeting to be held at 12.00 noon (Melbourne time) on 29 September 2021 by logging in online at <a href="https://web.lumiagm.com">https://web.lumiagm.com</a> and using the following Meeting ID: 326-746-944.</p>	Section 4
<b>Can I physically attend the Meetings in person?</b>	<p>No. Given current uncertainty, the real prospect of ongoing snap Statewide lockdowns and border closures brought on with little or no notice and to minimise health risks created by the COVID-19 pandemic generally, there will be no physical venue for the Meetings.</p>	Section 4
<b>What voting majority is required to approve the Scheme Resolutions?</b>	<p>For the Schemes to proceed, the Scheme Resolutions must be passed by:</p> <ul style="list-style-type: none"> <li>• a majority in number (more than 50%) of eligible Independent Securityholders present and voting at the relevant Scheme Meeting (personally or by proxy, attorney, or in the case of an Independent Securityholder or proxy who is a corporation, by corporate representative) (<b>Headcount Test</b>); and</li> <li>• at least 75% of the total number of votes which are cast at the relevant Scheme Meeting by eligible Independent Securityholders (personally or by proxy, attorney, or in the case of an Independent Securityholder or proxy who is a corporation, by corporate representative).</li> </ul> <p>The Schemes must also be approved by the Court before they can become Effective. The Court has a statutory discretion to disregard the Headcount Test for the purpose of the Scheme Meetings. Due to the unforeseen extraordinary circumstances posed by the ongoing COVID-19 global pandemic, Think Group reserves the right to apply to the Court at the Second Court Hearing to approve the Schemes even if the Headcount Test is not satisfied.</p>	Section 4.1

Question	Answer	Further Information
<b>What voting majority is required to approve the General Meeting Resolutions?</b>	<p>For the Schemes to proceed, in addition to the Scheme Resolutions being passed by the requisite majorities of Independent Securityholders, the General Meeting Resolutions must be passed by:</p> <p><b>MGE Agreements</b></p> <ul style="list-style-type: none"> <li>for the purposes of sections 200B and 200C and Chapter 2E of the Corporations Act and Listing Rules 10.1 and 10.19, a simple majority (more than 50%) of the votes cast by Think Group Securityholders present and voting at the General Meeting, whether in person, by proxy or attorney or, in the case of a corporate Think Group Securityholder or proxy, by a representative.</li> </ul> <p><b>Unstapling Resolutions</b></p> <ul style="list-style-type: none"> <li>a special resolution requiring a special majority (75% or more) of the votes cast by Think Group Securityholders present and voting at the General Meeting, whether in person, by proxy or attorney or, in the case of a corporate Think Group Securityholder or proxy, by a representative.</li> </ul> <p><b>Appointor Structure Approval Resolutions</b></p> <ul style="list-style-type: none"> <li>a special resolution requiring a special majority (75% or more) of the votes cast by TNK Shareholders present and voting at the General Meeting, whether in person, by proxy or attorney or, in the case of a corporate TNK Shareholder or proxy, by a representative.</li> </ul>	Section 2.7(h)
<b>Am I entitled to vote?</b>	<p>If you are registered as an Independent Securityholder on the Securities Register at 7.00pm on Monday, 27 September 2021, you will be entitled to attend and vote at the Meetings.</p>	Section 4
<b>Are there any voting exclusions for the Meetings?</b>	<p>Mathew Edwards and his Controlled entities will not vote on or participate in the Schemes.</p> <p>In relation to the General Meeting, Mathew Edwards and his Controlled entities will be excluded from voting on all of the General Meeting Resolutions other than the Unstapling Resolutions and the Appointor Structure Approval Resolutions, in respect of which he has agreed with Busy Bees to vote in favour.</p> <p>In particular, in accordance with:</p> <ul style="list-style-type: none"> <li>section 224(1) of the Corporations Act, the MGE Entities will not cast a vote (whether in favour or against) on the MGE Acquisition Approval Resolutions;</li> <li>section 200E(2A) of the Corporations Act, the MGE Entities will not cast a vote (whether in favour or against) on the MGE Acquisition Approval Resolutions; and</li> </ul>	Section 4

Question	Answer	Further Information
	<ul style="list-style-type: none"> <li>ASX Listing Rule 14.11.1, the MGE Entities will not cast a vote in favour of the MGE Acquisition Approval Resolutions but may cast a vote against the MGE Acquisition Approval Resolutions. However, under the MGE Share Acquisition Agreement, the MGE Entities are required to vote in favour of all relevant resolutions on which they are permitted to vote.</li> </ul>	
<b>Is voting compulsory?</b>	<p>No, voting is not compulsory (with the exception of the MGE Entities that are required to vote in favour of all relevant resolutions on which they are permitted to vote). However, the Schemes can only proceed if the Scheme Resolutions are passed by the requisite majorities of Independent Shareholders and the General Meeting Resolutions are passed by the required majorities of eligible Think Group Securityholders. Therefore, voting is important and the Independent Directors strongly encourage you to vote.</p> <p>If the Schemes are implemented, you will be bound by the Schemes whether or not you were present at the Scheme Meetings, whether or not you voted and whether or not you voted in favour of the Scheme Resolutions or against the Scheme Resolutions.</p>	Sections 4 and 9
<b>How do I vote if I'm unable to attend the Meetings or if I don't wish to do so?</b>	<p>If you are unable to attend the Meetings including by logging in online or if you do not wish to do so, you may vote by completing and lodging the Proxy Form for the Meetings. The Proxy Form can be lodged by mail or by fax. Alternatively, you may choose to appoint a proxy for the Meetings online.</p> <p>You can also vote by appointing a corporate representative (if you are a corporate shareholder) or an attorney.</p>	Section 4
<b>When will the results of the Meetings be known?</b>	<p>The results of the Meetings will be available during the Meetings and will be announced online and to ASX after the conclusion of the Meetings.</p> <p>Even if the Scheme Resolutions are passed at the Scheme Meetings and the General Meeting Resolutions are passed at the General Meeting, the Schemes will only proceed if Court approval of the Schemes is obtained and all of the other conditions to the Schemes are satisfied or, if applicable, waived.</p>	Section 4
<b>What should I do if I wish to support the Schemes?</b>	<p>If you support the Schemes you should attend the Meetings by logging in online personally or by proxy and vote in favour of all of the Scheme Resolutions and all of the General Meeting Resolutions.</p> <p>Alternatively, you may lodge proxy votes in favour of the Scheme Resolutions, the MGE Acquisition Approval Resolutions and the Appointor Structure Approval Resolutions.</p>	Section 4



Question	Answer	Further Information
<b>What should I do if I wish to oppose the Schemes?</b>	<p>If you do not support the Schemes:</p> <ul style="list-style-type: none"> <li>• you should attend all Meetings, either by logging in online personally or by proxy, and vote against the Scheme Resolutions and the General Meeting Resolutions; and/or</li> <li>• if Securityholders pass the Scheme Resolutions at the Scheme Meetings, you may wish to oppose the approval of the Schemes, by filing and serving a notice of opposition and any other supporting documents on Think Group by at least one day before the Second Court Date and attending the Second Court Hearing.</li> </ul>	Sections 4.4 and 11.3
<b>Can I be bound by the Schemes if I do not vote or if I vote against its approval?</b>	<p>Yes. If the Schemes become Effective and you hold any Think Group Securities on the Scheme Record Date (currently expected to be 14 October 2021), you will be bound by the Schemes, even if you were not present at the Meetings, you did not vote or you voted against the Schemes.</p>	Sections 11.5 and 11.6
<b>What are my options?</b>	<p>As an Independent Securityholder, you have the option of voting on the Schemes and the MGE Acquisition, selling your securities prior to the Scheme Record Date and/or not voting on the Schemes and the MGE Acquisition.</p>	Section 2.8
<b>What do I do if I have incorrectly logged in as a guest instead of a Think Group Securityholder or a proxy holder?</b>	<p>Guests attending a Meeting will not be able to ask questions or vote.</p> <p>Think Securityholders are encouraged to follow the instructions to ensure that you log in to the Lumi platform correctly and are able to participate at each Meeting.</p> <p>For any technical difficulties, please contact the Securities Registry by telephone. Emails sent to the Securities Registry may not be read until after the Meetings.</p>	Section 4

## K. OTHER QUESTIONS

Question	Answer	Further Information
<b>Do I have to sign anything in relation to the Schemes?</b>	<p>If you wish to appoint a proxy to vote on your behalf, you are required to sign and return to the Securities Registry your Proxy Form for each Scheme Meeting by the date specified in the Important Dates and Times section at page 6 of this Explanatory Booklet.</p> <p>If the Schemes are implemented, Think Group will automatically have authority to:</p> <ul style="list-style-type: none"> <li>• sign a master share transfer document on behalf of all Scheme Securityholders in favour of Busy Bees and FEL Dev; and</li> <li>• execute a written consent to any variation or cancellation of all rights of TNK Shareholders as are necessary for the Appointor Structure Approval Resolutions to take effect.</li> </ul>	Sections 4 and 9
<b>What will happen if the Schemes are approved by the Court?</b>	<p>If the Court makes orders approving the Schemes under section 411(4)(b) of the Corporations Act, Think Group will lodge with ASIC an office copy of the orders. It is expected that this will occur on the Business Day immediately following the Second Court Hearing. The Schemes will then become Effective and it will proceed to be implemented.</p> <p>Think Group Securities are expected to cease trading on the ASX from the close of trading on the Effective Date (currently expected to be 7 October 2021).</p>	Section 9
<b>What happens on the Implementation Date?</b>	<p>On the Implementation Date (currently expected to be 21 October 2021), the Schemes will be implemented and you will be sent your Total Cash Payment, following which Busy Bees will acquire all of the Scheme Securities.</p> <p>Completion of the MGE Share Acquisition Agreement and MGE Acquisition will also occur on the Implementation Date, which will ultimately result in Busy Bees owning 100% of the TNK Shares and Mathew Edwards and his Controlled entities owning the Think Rump, including 100% of the TND Shares.</p> <p>It is intended that Think Group will be delisted shortly after the Implementation Date.</p> <p>You are not required to do anything in relation these implementation matters.</p>	Sections 9 and 11
<b>What if I have further questions?</b>	<p>If you have any further questions about the Proposed Transaction, please contact the Securityholder Information Line on 1300 145 425 (within Australia) or +61 3 9415 4829 (Outside Australia) between 8:30am – 5:30pm.</p> <p>For information about your individual circumstances, please consult your financial, legal, taxation or other professional adviser.</p>	NA

## 4. How to vote

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### 4.1 Meetings

The notices convening each of the Meetings are contained in Appendix 6 to Appendix 8 to this Explanatory Booklet. A personalised Proxy Form for all of the Meetings accompanies this Explanatory Booklet.

The Meetings will be conducted as virtual (online only) meetings on Wednesday, 29 September 2021 and commencing with the TNK Scheme Meeting at 11.00am, via the Lumi AGM platform that allows for remote participation.

There will be four Meetings in total, being the TNK Scheme Meeting, the TND Scheme Meeting and the general meetings of TNK and TND (which will be conducted as a combined meeting of TNK and TND shareholders (such combined meeting, **General Meeting**)).

You can attend the Meetings by logging in online using the following login details:

- TNK Scheme Meeting - <https://web.lumiagm.com/326746944>.
- TND Scheme Meeting - <https://web.lumiagm.com/326746944>.
- General Meeting - <https://web.lumiagm.com/326746944>.

Please refer to Section 4.3 below for further details on how to attend the Meetings.

For the Schemes to be approved by Independent Securityholders, votes in favour of the Schemes must be received from:

- a majority in number (more than 50%) of Independent Securityholders present and voting at each of the TNK Scheme Meeting and TND Scheme Meeting (personally or by proxy, attorney, or in the case of an Independent Securityholder or proxy who is a corporation, by corporate representative) (**Headcount Test**); and
- at least 75% of the total number of votes which are cast at each of the TNK Scheme Meeting and the TND Scheme Meeting by Independent Securityholders (personally or by proxy, attorney, or in the case of an Independent Securityholder or proxy who is a corporation, by corporate representative).

The Court has a statutory discretion to disregard the Headcount Test for the purpose of the TNK Scheme Meeting and the TND Scheme Meeting. Due to the extraordinary circumstances posed by the COVID-19 global pandemic, Think Group reserves the right to apply to the Court at the Second Court Hearing to approve the Schemes even if the Headcount Test is not satisfied.

The purpose and effect of the Schemes are as summarised in Section 1 and are more particularly described in Section 9.

### 4.2 Your vote is important

Your Independent Directors urge all Independent Securityholders to vote on the Scheme Resolutions at the Scheme Meetings and the General Meeting Resolutions at the General Meeting. The Schemes affect your Shareholding and your votes at the Meetings are important in determining whether the Schemes and the MGE Acquisition proceed.

Your Independent Directors encourage all Independent Securityholders to vote in favour of the Schemes and the General Meeting Resolutions either by personally participating in the Meetings to be held on 29 September 2021, with the:

- TNK Scheme Meeting commencing at 11.00am on that date;
- the TND Scheme Meeting to be held at 11.30am (Melbourne time) on that same date or as soon as reasonably practicable after the TNK Scheme Meeting has concluded or been adjourned (whichever time is later); and
- the General Meeting to be held at 12.00 noon (Melbourne time) on that same date or as soon as reasonably practicable after the TND Scheme Meeting has concluded or been adjourned (whichever time is later).

or by appointing a proxy, an attorney or, in the case of an Independent Securityholder or proxy who is a corporation, a corporate representative to participate in the Meetings and vote on your behalf.

You may appoint a proxy to vote on your behalf by either:

- completing and returning the Proxy Form which accompanies this Explanatory Booklet; or
- appointing a proxy online via [www.investorvote.com.au](http://www.investorvote.com.au) by following the instructions on that website.

For your proxy appointment to be effective:

- your Proxy Form must be received by the Securities Registry (whether by mail, by fax, or by lodging your proxy online) by 11.00am on Monday, 27 September 2021; or
- if you choose to appoint a proxy online – this appointment must be done by 11.00am on Monday, 27 September 2021.

Further information on your voting alternatives is provided in Section 2.8.

### 4.3 Guide to participating in the Meetings

In planning the Meetings, Think Group has prioritised the health and wellbeing of Securityholders, clients and employees. Given the current uncertainty, the real prospect of ongoing snap Statewide lockdowns and border closures brought on with little or no notice and to minimise health risks created by the COVID-19 global pandemic generally, there will be no physical venue for the Meetings and the Meetings will be virtual (online only).

Securityholders and proxy holders attending the Meetings online will be given reasonable opportunity to participate in the Meetings equivalent to the opportunity Securityholders and proxy holders would have had if there was a physical venue for the Meetings.

To attend and participate in the Meetings, please follow the steps below.

#### Step 1 - Getting started

To attend and participate in the Meetings, you will need to access the Lumi AGM platform by going to the website <https://web.lumiagm.com>. Lumi may be accessed by using the latest versions of Chrome, Safari, Edge and Firefox on a PC, tablet or smartphone device. Please ensure your browser is compatible. You can check your current internet browser by going to the website: [whatismybrowser.com](http://whatismybrowser.com).

## Step 2 – Join the Meetings

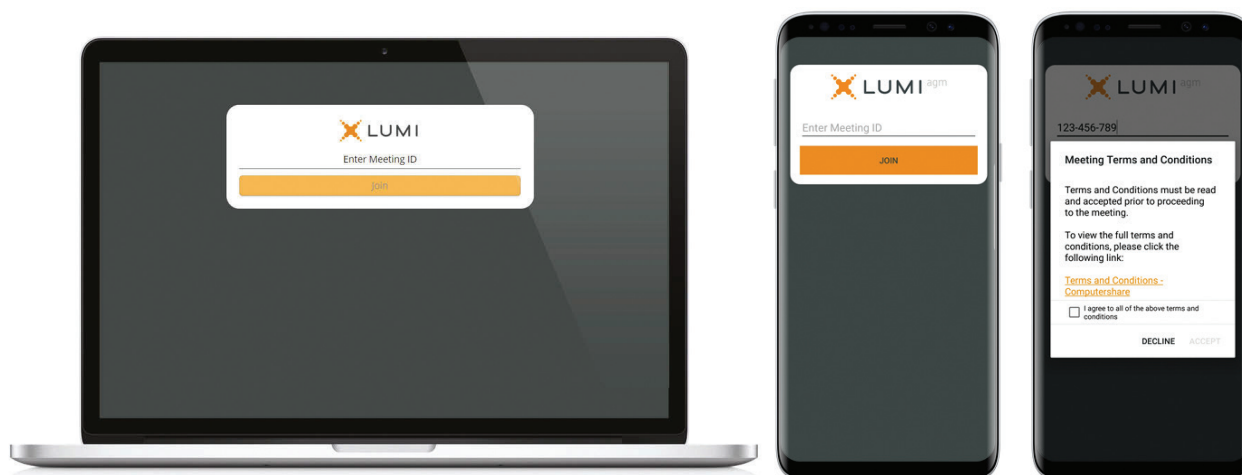
### Login to Lumi AGM

To log in to the portal, you will need the following information:

<b>TNK Scheme Meeting ID</b>	<b>326-746-944</b>
<b>TND Scheme Meeting ID</b>	<b>326-746-944</b>
<b>General Meeting ID</b>	<b>326-746-944</b>
<b>Australian Residents</b>	<b>Username:</b> (personalised SRN or HIN number on your Proxy Form) and <b>Password:</b> (postcode of your registered address)
<b>Overseas Residents</b>	<b>Username:</b> (personalised SRN or HIN number on your Proxy Form) and <b>Password:</b> three character country code (e.g., New Zealand - NZL)  A full list of country codes can be found at the end of this Section 4.3.
<b>Appointed Proxy</b>	To receive your Username and Password, please contact Computershare Investor Services on + 61 3 9415 4024 during the online registration period which will be open 1 hour before the start of the meeting.

You will need to log in to the Meetings by going to <https://web.lumiagm.com> on your PC, tablet or smartphone device, and entering the Meeting ID from the table above. If you attempt to log into the Lumi AGM before the commencement of the TNK Scheme Meeting, being the first Meeting of the day, a dialogue box will appear.

To proceed to the Meetings, you will need to read and accept the terms and conditions.



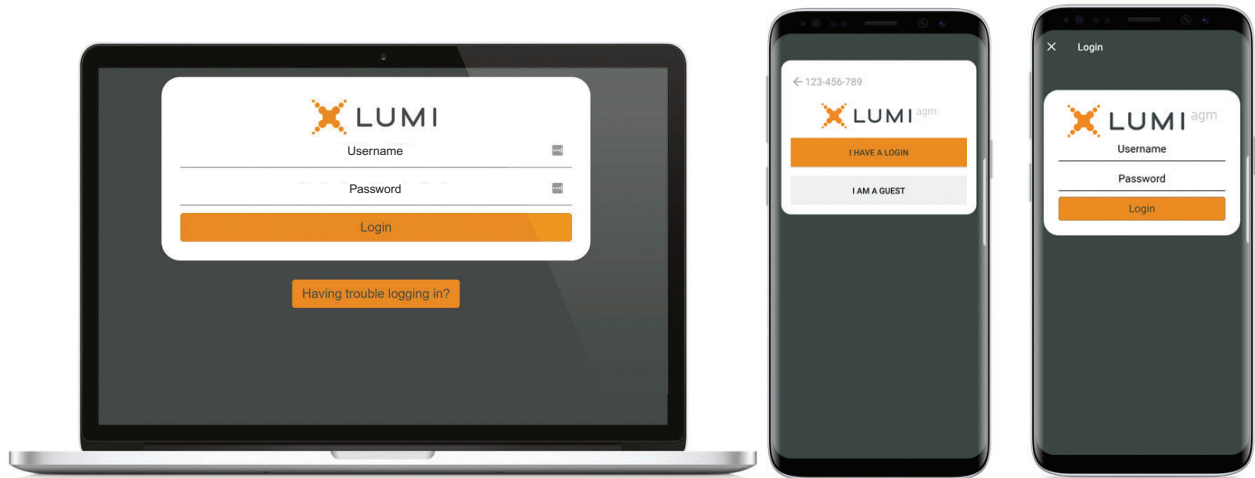
### Register

Registration for attendance at each Meeting will be open 1 hour before the start of the first Meeting.

If you are a Think Group Securityholder, select 'I have a login' and enter your username (which will be your personalised SRN or HIN number on your Proxy Form) and password (being your postcode or country code) and select join.

If you are a proxy holder you will need to enter the unique username and password provided by Computershare and select login.

If you are accessing a Meeting as a guest, select 'I am a guest' and enter your name and email details and select join. Guests attending a Meeting will not be able to ask questions or vote.



### Home page and documents

Once you have registered for a Meeting, you will be taken to the home page, which displays your name, the Meeting documents and information on the Meeting.

The following icons will be displayed:



The broadcast bar allows you to view and listen to the Meeting



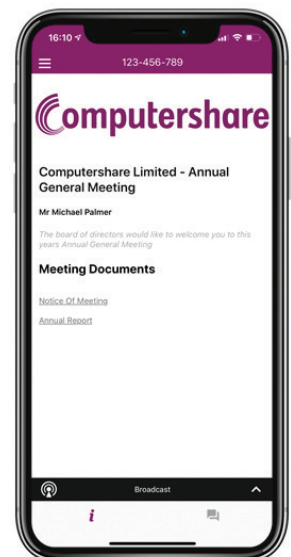
Home page icon, displays meeting information



Questions icon, used to ask questions



Voting icon, used to vote. Only visible when the chairman opens the poll



If you have joined a Meeting as a visitor, you will not be able to access the 'Questions' or 'Voting' icons.

If you would like to refer to the Explanatory Booklet at any stage during the Meetings, you can do so by displaying the home page and then clicking the 'Explanatory Booklet' link.



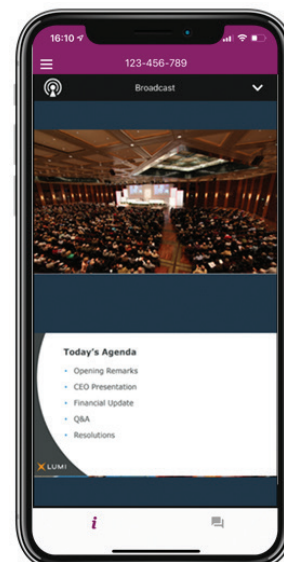
## Step 3 – Watching and participating in a Meeting

### Viewing the broadcast of a Meeting

To watch a Meeting, you must tap on the broadcast arrow on the 'Broadcast bar' on your screen. Depending on the speed of your internet, the video and/or the presentation slides accompanying the Meeting will appear after approximately 30 seconds. If prompted you may have to click the play button in the window to initiate the broadcast.

Attendees can toggle the up and down arrow on the 'Broadcast bar' to view another screen.

We recommend that once you have logged in, you keep your browser or the app open for the duration of the meeting. If you close your browser you will be asked to repeat the login process.



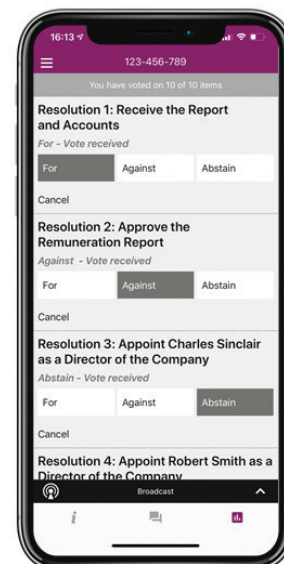
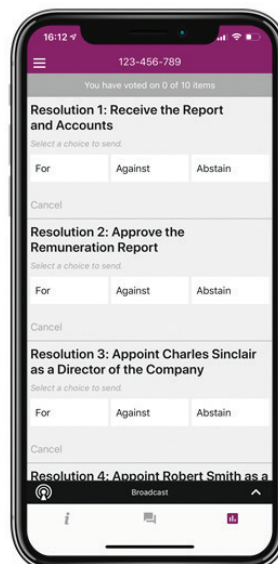
### To vote at a Meeting

When the Chair declares the poll open the voting icon will appear on your screen and the relevant Resolution will be displayed.

To cast a vote:

- select the voting option corresponding with the way you wish to vote on the relevant Resolution;
- once the voting option has been selected, the vote you selected will be highlighted;
- if you change your mind and wish to change your vote, you can simply select the new vote or cancel your vote at any time before the Chair closes the poll.

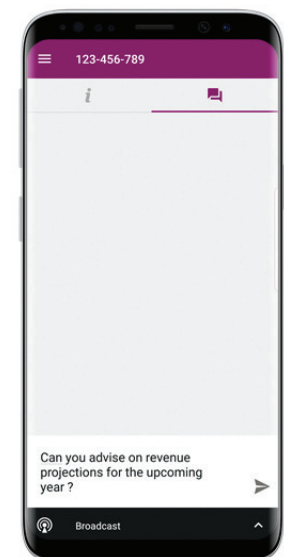
The number of items you have voted on or yet to vote on will be displayed at the top of your screen.



### To ask questions

Questions may be submitted by selecting the Questions icon and typing your question in the chat box which appears at the bottom of your screen. When you have finished typing your question, select the send icon (➤) to submit the question. You will receive confirmation that your question or comment has been received.

The Chair will give all Securityholders a reasonable opportunity to ask questions and comment and will endeavour to answer questions at the Meetings.



## Country Codes

Set out below are the list of country codes for overseas Securityholders to enter into the password field when logging in to join the Meetings.

**COUNTRY CODES** Select your country code from the list below and enter it into the 'Postcode or Country Code' field.

<b>ABW</b> ARUBA	<b>DEU</b> GERMANY	<b>KHM</b> CAMBODIA	<b>PRK</b> KOREA DEM PEOPLES	<b>TJK</b> TAJIKISTAN
<b>AFG</b> AFGHANISTAN	<b>DJI</b> DJIBOUTI	<b>KIR</b> KIRIBATI	REPUBLIC OF	<b>TKL</b> TOKELAU
<b>AGO</b> ANGOLA	<b>DMA</b> DOMINICA	<b>KNA</b> ST KITTS AND NEVIS	<b>PRT</b> PORTUGAL	<b>TKM</b> TURKMENISTAN
<b>AIA</b> ANGUILLA	<b>DNK</b> DENMARK	<b>KOR</b> KOREA REPUBLIC OF	<b>PRY</b> PARAGUAY	<b>TLS</b> EAST TIMOR
<b>ALA</b> ALAND ISLANDS	<b>DOM</b> DOMINICAN REPUBLIC	<b>KWT</b> KUWAIT	<b>PSE</b> PALESTINIAN TERRITORY	DEMOCRATIC REP OF
<b>ALB</b> ALBANIA	<b>DZA</b> ALGERIA	<b>LAO</b> LAO PDR	OCCUPIED	<b>TMP</b> EAST TIMOR
<b>AND</b> ANDORRA	<b>ECU</b> ECUADOR	<b>LBN</b> LEBANON	<b>PYF</b> FRENCH POLYNESIA	<b>TON</b> TONGA
<b>ANT</b> NETHERLANDS ANTILLES	<b>EGY</b> EGYPT	<b>LBR</b> LIBERIA	<b>QAT</b> QATARPL NEPAL	<b>TTO</b> TRINIDAD & TOBAGO
<b>ARE</b> UNITED ARAB EMIRATES	<b>ERI</b> ERITREA	<b>LBY</b> LIBYAN ARAB	<b>NRU</b> NAURU	<b>TKM</b> TURKMENISTAN
<b>ARG</b> ARGENTINA	<b>ESH</b> WESTERN SAHARA	JAMAHIRIYA	<b>NZL</b> NEW ZEALAND	<b>TLS</b> EAST TIMOR
<b>ARM</b> ARMENIA	<b>ESP</b> SPAIN	<b>LCA</b> ST LUCIA	<b>OMN</b> OMAN	DEMOCRATIC REP OF
<b>ASM</b> AMERICAN SAMOA	<b>EST</b> ESTONIA	<b>LIE</b> LIECHTENSTEIN	<b>PAK</b> PAKISTAN	<b>TMP</b> EAST TIMOR
<b>ATA</b> ANTARCTICA	<b>ETH</b> ETHIOPIA	<b>LKA</b> SRI LANKA	<b>PAN</b> PANAMA	<b>TON</b> TONGA
<b>ATF</b> FRENCH SOUTHERN	<b>FIN</b> FINLAND	<b>LSO</b> LESOTHO	<b>PCN</b> PITCAIRN ISLANDS	<b>TTO</b> TRINIDAD & TOBAGO
TERRITORIES	<b>FJI</b> FIJI	<b>LTU</b> LITHUANIA	<b>PER</b> PERU	<b>TZA</b> TANZANIA UNITED
<b>ATG</b> ANTIGUA AND BARBUDA	<b>FLK</b> FALKLAND ISLANDS	<b>LUX</b> LUXEMBOURG	<b>PHL</b> PHILIPPINES	REPUBLIC OF
<b>AUS</b> AUSTRALIA	(MALVINAS)	<b>LVA</b> LATVIA	<b>PLW</b> PALAU	<b>UGA</b> UGANDA
<b>AUT</b> AUSTRIA	<b>FRA</b> FRANCE	<b>MAC</b> MACAO	<b>PNG</b> PAPUA NEW GUINEA	<b>UKR</b> UKRAINE
<b>AZE</b> AZERBAIJAN	<b>FRO</b> FAROE ISLANDS	<b>MAF</b> ST MARTIN	<b>POL</b> POLAND	<b>UMI</b> UNITED STATES MINOR
<b>BDI</b> BURUNDI	<b>FSM</b> MICRONESIA	<b>MAR</b> MOROCCO	<b>PRI</b> PUERTO RICO	OUTLYING
<b>BEL</b> BELGIUM	<b>GAB</b> GABON	<b>MCO</b> MONACO	<b>PRK</b> KOREA DEM PEOPLES	<b>URY</b> URUGUAY
<b>BEN</b> BENIN	<b>GBR</b> UNITED KINGDOM	<b>MDA</b> MOLDOVA REPUBLIC OF	REPUBLIC OF	<b>USA</b> UNITED STATES OF
<b>BFA</b> BURKINA FASO	<b>GEO</b> GEORGIA	<b>MDG</b> MADAGASCAR	<b>PRT</b> PORTUGAL	AMERICA
<b>BGD</b> BANGLADESH	<b>GGY</b> GUERNSEY	<b>MDV</b> MALDIVES	<b>PRY</b> PARAGUAY	<b>UZB</b> UZBEKISTAN
<b>BGR</b> BULGARIA	<b>GHA</b> GHANA	<b>MEX</b> MEXICO	<b>PSE</b> PALESTINIAN TERRITORY	<b>VAT</b> HOLY SEE (VATICAN CITY
<b>BHR</b> BAHRAIN	<b>GIB</b> GIBRALTAR	<b>MHL</b> MARSHALL ISLANDS	OCCUPIED	STATE)
<b>BHS</b> BAHAMAS	<b>GIN</b> GUINEA	<b>MKD</b> MACEDONIA FORMER	<b>PYF</b> FRENCH POLYNESIA	<b>VCT</b> ST VINCENT & THE
<b>BIH</b> BOSNIA & HERZEGOVINA	<b>GLP</b> GUADELOUPE	YUGOSLAV REP	<b>QAT</b> QATAR	GRENADINES
<b>BLM</b> ST BARTHELEMY	<b>GMB</b> GAMBIA	<b>MLI</b> MALI	<b>REU</b> REUNION	<b>VEN</b> VENEZUELA
<b>BLR</b> BELARUS	<b>GNB</b> GUINEA-BISSAU	<b>MLT</b> MALTA	<b>ROU</b> ROMANIA	<b>VGB</b> BRITISH VIRGIN ISLANDS
<b>BLZ</b> BELIZE	<b>GNQ</b> EQUATORIAL GUINEA	<b>MMR</b> MYANMAR	<b>RUS</b> RUSSIAN FEDERATION	<b>VIR</b> US VIRGIN ISLANDS
<b>BMU</b> BERMUDA	<b>GRC</b> GREECE	<b>MNE</b> MONTENEGRO	<b>RWA</b> RWANDA	<b>VNM</b> VIETNAM
<b>BOL</b> BOLIVIA	<b>GRD</b> GRENADA	<b>MNG</b> MONGOLIA	<b>SAU</b> SAUDI ARABIA KINGDOM	<b>VUT</b> VANUATU
<b>BRA</b> BRAZIL	<b>GRL</b> GREENLAND	<b>MNP</b> NORTHERN MARIANA	OF	<b>WLF</b> WALLIS AND FUTUNA
<b>BRB</b> BARBADOS	<b>GTM</b> GUATEMALA	ISLANDS	<b>SCG</b> SERBIA AND	<b>WSM</b> SAMOA
<b>BRN</b> BRUNEI DARUSSALAM	<b>GUF</b> FRENCH GUIANA	<b>MOZ</b> MOZAMBIQUE	MONTENEGRO	<b>YEM</b> YEMEN
<b>BTN</b> BHUTAN	<b>GUM</b> GUAM	<b>MRT</b> MAURITANIA	<b>SDN</b> SUDAN	<b>YMD</b> YEMEN
<b>BUR</b> BURMA	<b>GUY</b> GUYANA	<b>MSR</b> MONTSERRAT	<b>SEN</b> SENEGAL	DEMOCRATIC
<b>BVT</b> BOUVET ISLAND	<b>HKG</b> HONG KONG	<b>MTQ</b> MARTINIQUE	<b>SGP</b> SINGAPORE	<b>YUG</b> YUGOSLAVIA SOCIALIST
<b>BWA</b> BOTSWANA	<b>HMD</b> HEARD AND MCDONALD	<b>MUS</b> MAURITIUS	<b>SGS</b> STH GEORGIA & STH	FED REP
<b>BLR</b> BELARUS	ISLANDS	<b>MWI</b> MALAWI	SANDWICH ISL	<b>ZAF</b> SOUTH AFRICA
<b>CAF</b> CENTRAL AFRICAN	<b>HND</b> HONDURAS	<b>MYS</b> MALAYSIA	<b>SHN</b> ST HELENA	<b>ZAR</b> ZAIRE
REPUBLIC	<b>HRV</b> CROATIA	<b>MYT</b> MAYOTTE	<b>SJM</b> SVALBARD & JAN MAYEN	<b>ZMB</b> ZAMBIA
<b>CAN</b> CANADA	<b>HTI</b> HAITI	<b>NAM</b> NAMIBIA	<b>SLB</b> SOLOMON ISLANDS	<b>ZWE</b> ZIMBABWE
<b>CCK</b> COCOS (KEELING)	<b>HUN</b> HUNGARY	<b>NCL</b> NEW CALEDONIA	<b>SLE</b> SIERRA LEONE	
ISLANDS	<b>IDN</b> INDONESIA	<b>NER</b> NIGER	<b>SLV</b> EL SALVADOR	
<b>CHE</b> SWITZERLAND	<b>IMN</b> ISLE OF MAN	<b>NFK</b> NORFOLK ISLAND	<b>SMR</b> SAN MARINO	
<b>CHL</b> CHILE	<b>IND</b> INDIA	<b>NGA</b> NIGERIA	<b>SOM</b> SOMALIA	
<b>CHN</b> CHINA	<b>IOT</b> BRITISH INDIAN OCEAN	<b>NIC</b> NICARAGUA	<b>SPM</b> ST PIERRE AND	
<b>CIV</b> COTE D'IVOIRE	TERRITORY	<b>NIU</b> NIUE	MIQUELON	
<b>CMR</b> CAMEROON	<b>IRL</b> IRELAND	<b>NLD</b> NETHERLANDS	<b>SRB</b> SERBIA	
<b>COD</b> CONGO DEMOCRATIC	<b>IRN</b> IRAN ISLAMIC	<b>NOR</b> NORWAY	<b>STP</b> SAO TOME AND	
REPUBLIC OF	REPUBLIC OF	<b>PL</b> NEPAL	PRINCIPE	
<b>COG</b> CONGO PEOPLES	<b>IRQ</b> IRAQ	<b>NRU</b> NAURU	<b>SUR</b> SURINAME	
REPUBLIC OF	<b>ISL</b> ICELAND	<b>NZL</b> NEW ZEALAND	<b>SVK</b> SLOVAKIA	
<b>COK</b> COOK ISLANDS COL	<b>ISM</b> BRITISH ISLES	<b>OMN</b> OMAN	<b>SVN</b> SLOVENIA	
COLOMBIA	<b>ISR</b> ISRAEL	<b>PAK</b> PAKISTAN	<b>SWE</b> SWEDEN	
<b>COM</b> COMOROS	<b>ITA</b> ITALY	<b>PAN</b> PANAMA	<b>SWZ</b> SWAZILAND	
<b>CPV</b> CAPE VERDE	<b>JAM</b> JAMAICA	<b>PCN</b> PITCAIRN ISLANDS	<b>SYC</b> SEYCHELLES	
<b>CRI</b> COSTA RICA	<b>JEY</b> JERSEY	<b>PER</b> PERU	<b>SYR</b> SYRIAN ARAB REPUBLIC	
<b>CUB</b> CUBA	<b>JOR</b> JORDAN	<b>PHL</b> PHILIPPINES	<b>TCA</b> TURKS AND CAICOS	
<b>CXR</b> CHRISTMAS ISLAND	<b>JPN</b> JAPAN	<b>PLW</b> PALAU	ISLANDS	
<b>CYM</b> CAYMAN ISLANDS	<b>KAZ</b> KAZAKHSTAN	<b>PNG</b> PAPUA NEW GUINEA	<b>TCD</b> CHAD	
<b>CYP</b> CYPRUS	<b>KEN</b> KENYA	<b>POL</b> POLAND	<b>TGO</b> TOGO	
<b>CZE</b> CZECH REPUBLIC	<b>KGZ</b> KYRGYZSTAN	<b>PRI</b> PUERTO RICO	<b>THA</b> THAILAND	

## 4.4 How to vote

### (a) Voting entitlement

If you are registered as an Independent Securityholder on the Securities Register at the Voting Entitlement Time (7.00pm on Monday, 27 September 2021), you will be entitled to vote at the Meetings.

Mathew Edwards and his Controlled entities will be excluded from participating in the Schemes and from voting on all of the General Meeting Resolutions apart from the Unstapling Resolutions and the Appointor Structure Approval Resolutions, in respect of which he has agreed with Busy Bees to vote in favour. All voting at the Meetings will be conducted by poll.

### (b) Voting in person

Independent Securityholders wishing to vote in person or their attorneys or, in the case of an Independent Securityholder or proxy which is a corporation, corporate representatives, are encouraged to participate in the Meetings by logging in online at <https://web.lumiagm.com/326-746-944>.

Independent Securityholders, their attorneys or in the case of Independent Securityholders or proxies which are corporations, corporate representatives, who plan to participate in the Meetings should log in online 15 minutes prior to the time designated for the commencement of the first Meeting being the TNK Scheme Meeting, if possible, to register.

Following the conclusion or adjournment of each Meeting (apart from the last Meeting being the General Meeting), Independent Securityholders, their attorneys or in the case of Independent Securityholders or proxies which are corporations, corporate representatives, who plan to participate in the next Meeting should continue to remain logged in online and will not be required to re-register for the next Meeting.

### (c) Voting by attorney

If an Independent Securityholder executes or proposes to execute any document, or do any act, by or through an attorney which is relevant to that Think Group Securityholder's shareholding in Think Group, that Independent Securityholder must deliver the instrument appointing the attorney to the Securities Registry for notation.

Independent Securityholders wishing to vote by attorney at the Meetings must, if they have not already presented an appropriate power of attorney to Think Group for notation, deliver to the Securities Registry (at the address or facsimile number provided in Section 4.4(d)) the original instrument appointing the attorney or a certified copy of it prior to the Meetings.

Any power of attorney granted by an Independent Securityholder will, as between Think Group and that Think Group Securityholder, continue in force and may be acted on, unless express notice in writing of its revocation or the death of the relevant Independent Securityholder is lodged with Think Group.

#### *Voting by corporate representative*

To vote at the Meetings, an Independent Securityholder or proxy which is a corporation may appoint an individual to act as its representative.

To vote by corporate representative at the Meetings, an Independent Securityholder or proxy which is a corporation should obtain a *Certificate of Appointment of Corporate Representative* from the Securities Registry, complete and sign the form in accordance with the instructions on it. The completed appointment form should be lodged with the Securities Registry prior to the Meetings.

The appointment of a representative may set out restrictions on the representative's powers.

The original form of appointment of a representative, a certified copy of the appointment, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed.

The chairman of the meeting may permit a person claiming to be a representative to exercise the body's powers even if they have not produced a certificate or other satisfactory evidence of their appointment.

#### **(d) Voting by proxy**

Independent Securityholders wishing to appoint a proxy to vote on their behalf at the Meetings must either complete and sign or validly authenticate the personalised Proxy Form for the Meetings, which accompanies this Explanatory Booklet. Alternatively, Independent Securityholders may lodge their proxies for the Meetings online. A person appointed as a proxy may be an individual or a body corporate.

Your completed Proxy Form for the Meetings (and an original or certified copy of any power of attorney under which it is signed, unless already provided) must be delivered to the Securities Registry by 11.00am on Monday, 27 September 2021 in any of the following ways:

**By post** in the enclosed reply paid envelope (or the self-addressed envelope, for Independent Securityholders whose registered address is outside Australia) provided to the Securities Registry:

Computershare Investor Services Pty Limited  
GPO Box 242  
Melbourne VIC 3001  
Australia

**By fax** to the Securities Registry on 1800 783 447 within Australia or +61 3 9473 2555 outside Australia.

Alternatively, you may choose to appoint a proxy online as follows:

**Online** if you wish to appoint your proxy online, you should do so by visiting [www.investorvote.com.au](http://www.investorvote.com.au) and by following the instructions on that website. Online appointments of proxies for each Meeting must be done by 11.00am on Monday, 27 September 2021.

Proxies will need to enter the unique username and password provided by Computershare and select login.

Your appointment of a proxy does not preclude you from attending the Meetings personally. The appointment of your proxy is not suspended merely by attending the Scheme Meetings, but if you vote on a resolution, the proxy is not entitled to vote, and must not vote, as your proxy on that resolution. However, if you appoint a proxy and you then attend the General Meeting, your proxy's authority to speak and vote for you at the General Meeting will be suspended while you are present at the General Meeting.

#### **Chairman as proxy**

If an Independent Securityholder nominates the chairman of the Meetings as that Think Group Securityholder's proxy, the person acting as chairman of the Meetings must act as proxy under the appointment in respect of any or all items of business to be considered at the Meetings.

If a proxy appointment is signed or validly authenticated by that Independent Securityholder but does not name the proxy or proxies in whose favour it is given, the chairman of the Meetings may at his election act as proxy in respect of any or all items of business to be considered at the Meetings.

A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on the resolution. If an appointment directs the way the proxy is to vote on the resolution:

- if the proxy is the chairman of the Meetings - the proxy must vote on the poll and must vote in the way directed; and
- if the proxy is not the chairman of the Meetings - the proxy need not vote on the poll, but if the proxy does so, the proxy must vote in the way directed. In circumstances where the proxy does not vote on the poll or does not attend the meeting, the chairman of the Meetings will act in place of the nominated proxy and will vote in accordance with any directions on the proxy form.

### **Meetings**

Proxy appointments in favour of or which default to the Chairman of each Meeting, the company secretary or any Think Group Director which do not contain a direction as to how to vote will be voted in support of the Resolution(s) at the relevant Meeting (in the absence of a Superior Proposal from another party prior to the date of the Scheme Meetings).

## **4.5 Further information**

Please refer to the Notice of TNK Scheme Meeting, the Notice of TND Scheme Meeting and the Notice of General Meeting set out in Appendix 6, Appendix 7 and Appendix 8 respectively to this Explanatory Booklet for further information on voting procedures and details of the resolutions to be voted on at the Meetings.

The results of the Scheme Meetings will be available online during each Scheme Meeting and the results of all Meetings will be announced to ASX shortly after the conclusion of the last Meeting.

## 5. Profile of Think Group

### 5.1 Background

Think Group is an Australian stapled entity comprising TNK and TND with its head office in Sydney, Australia. TNK Group's business was originally established by Mathew Edwards in 2012. TNK itself has been listed on the ASX since 2014. In 2019, TNK Shares were stapled to TND Shares to form the listed stapled entity now known as Think Group.

Think Group was established to provide fair value childcare with benefits of corporate ownership in the rapid growth and consolidation phase of the childcare sector in Australia.

As at the Last Practicable Date, Think Group had a market capitalisation of approximately \$201.3 million (based on a closing price of \$3.27 per Think Group Security).

For the calendar year ended 31 December 2020, Think Group reported total revenue and other income of \$139.9 million (\$115.5 million in CY2019) and underlying EBITDA of \$26.8 million (\$14.2 million in CY2019).

### 5.2 Corporate History

2009	Learning and Education Australia Pty Ltd ( <b>LEA</b> ) which was part owned by Mathew Edwards, acquires 12 Centres from ABC Learning out of receivership
2014	Core values developed with educators nationally Further 15 Centres acquired when TNK took control of Baker Street Childcare Education Pty Limited ( <b>Baker Street</b> ) TNK listed on the ASX
2015	First Centre in South Australia acquired Changed Centre names from 'Early Learning Centre' to 'Early Learning & Kinder'
2016	First Early Learning & Kinder greenfield Centre opens First Centre opening in Australian Capital Territory
2017	The Nido Early School brand and group of Centres acquired Establishment of the People and Culture team at TNK
2018	First Nido Early School greenfield Centre opens Early Learning & Kinder websites merge into one central website First Centre opening in Queensland Acquired 5 Centres from third-party incubator partners
2019	Acquired 4 Nido Early School Centres from 2 third-party incubator partners Acquired 11 Centres from EDHOD group (receiver and manager appointed) Implemented the staple structure whereby TNK Shares were stapled to TND Shares to enable Think Group to reduce reliance on third-party incubators, and optimise the funding structure
2020	Secured independent funding of \$11.5m for TND Acquired 6 purpose built Nido trading Centres and one pipeline Centre from an incubator partner Acquired 2 Nido Centres from an incubator partner
2021	Think Group proudly employs over 2,000 people in Australia across both the TNK and TND business Think Group enters into a binding Implementation Agreement with Busy Bees



## 5.3 Overview of operations

Think Group operates through a Stapled structure by which TNK and TND form the basis of the Group. Both TNK and TND are further described below, including their relative financial contributions for CY2020.

### (a) Think Childcare Limited

TNK's primary business activity is the operation and management of long day childcare centres for children between the ages of six weeks and six years old, and primarily operates Nido branded Centres, that is an Australian premium branded service.

As at 30 June 2021, TNK and its subsidiaries operated 73 Centres around Australia and 2 development greenfield sites. The 73 Centres comprise:

- 14 in Western Australia;
- 8 in South Australia;
- 1 in Queensland;
- 7 in New South Wales;
- 2 in Australian Capital Territory; and
- 41 in Victoria.

Despite the impact of the COVID-19 global pandemic, Centres made a positive contribution to the year-on-year earnings uplift, primarily driven by a strong rebound in occupancy levels with 43% of enrolments by December 2020 represented by new children. This uplift in occupancy levels was primarily driven by proactive marketing campaigns to increase enrolments during the free childcare period introduced in response to the COVID-19 global pandemic. Whilst many childcare operators were not accepting new enrolments, TNK took the opportunity to increase enrolments without knowing the duration of free childcare period and JobKeeper.

During CY2020, TNK acquired four new purpose-built childcare centres in November 2020, two from third-party incubators and two from TND.

CY2020 was the first full year of operation of TNK under a Stapled Security structure. The operating result for CY2020 set out in section 5.8 below, namely an of EBITDA (underlying) of \$30.1 million reflects the successful management of childcare centres and the split out of development costs associated with the trading up of Centres, now captured within TND.

### (b) Think Childcare Development Limited

TND's primary business activity is the sourcing of a high-quality Centre pipeline and the undertaking of new Centre development and trade-up of new and existing Centres. The expectation is that the Centres will trade-up and be sold to TNK upon achieving pre-agreed terms.

TND opened four purpose-built Nido Centres during CY2020. It also acquired seven Nido Centres including six Centres in trade-up and one under construction from a third-party. TND is the largest developer of purpose-built Centres to meet the Nido brand requirements. The Centres in trade-up achieved a peak occupancy of 60% by 31 December 2020.

As at 30 June 2021, TND had a pipeline of 36 Centres, comprising 16 purpose-built Nido Centres at various stages of trade-up and a pipeline of 20 centres comprising 15 purpose-built Nido Centres at various stages of development and 5 sites suitable for future developments. The 15 purpose-built Nido Centres are geographically diversified with 6 in Victoria, 5 in Western Australia, and 4 in South Australia.

CY2020 was TND's first full year of operation. The operating result of \$0.9 million EBITDA (underlying) reflects the successful trade-up of 12 purpose-built Nido Centres including the profit on sale of two Centres to TNK for \$2.9 million. This outcome demonstrates the securityholder value created by TND (which would otherwise be captured by third-party incubators).

## 5.4 Think Group's strategy

Think Group's growth strategy is anchored in the relationship between TNK and TND. TNK's growth strategy has been primarily to work with TND and third-party incubators, who develop and trade-up Centres in addition to TND's purpose-built greenfield Centres, which are subsequently sold to TNK on pre-agreed terms once minimum occupancy levels are achieved.

Think Group's strategic objective is to be the sector leader in the innovation of early childhood education through the development of a national curriculum which is benchmarked against global standards.

This strategy is supported by the transition to the Nido brand, having access to a pipeline of Centres and a national footprint in key suburban markets within Australia.

## 5.5 Think Group Boards and senior management team

### (a) Think Group Boards

As at the date of this Explanatory Booklet, the Think Group Boards comprise:

Name	Current Position
<b>Mark Kerr</b>	Chairman and Non-Executive Independent Director, Think Group
<b>Mathew Edwards</b>	Managing Director and Chief Executive Officer, TNK Executive Director, TND
<b>Joe Dicks</b>	Non-Executive Independent Director, Think Group
<b>Evonne Collier</b>	Non-Executive Independent Director, TNK
<b>Michael Doble</b>	Non-Executive Independent Director, TND
<b>Nick Anagnostou</b>	Non-Executive Independent Director, TND
<b>James Spenceley</b>	Non-Executive Independent Director, TNK

### (b) Think Group senior management

As at the date of this Explanatory Booklet, the senior management team of Think Group comprises:

Name	Current Position
<b>Mathew Edwards</b>	Chief Executive Officer, Managing Director
<b>Amanda Mawer</b>	Director, New Service Start Ups & Capital Works
<b>Nadia Wilson-Ali</b>	Director, Education & Quality
<b>Trinh Bui</b>	Head Legal Counsel, Joint Company Secretary
<b>Georgina Gausson</b>	Chief Operating Officer
<b>Tom Herring</b>	Chief Financial Officer
<b>Tom Mitchell</b>	Chief Technology Officer

## 5.6 Capital structure

As at the Last Practicable Date, Think Group had the following securities on issue:

- 61,557,633 Think Group Securities; and
- 478,638 Performance Rights.

There are no other securities on issue in Think Group.

## 5.7 Substantial holders

As at the Last Practicable Date, Think Group has the following substantial securityholders.

Name	Number of Think Group Securities	Percentage
<b>MGE Entities</b>	13,634,452	22.15%
<b>Busy Bees and FEL Dev<sup>(i)</sup>/OTTP/Temasek Holdings (Private) Limited</b>	13,634,452	22.15%
<b>NKT Investments Pty Ltd/Alceon Group/CSG-CIMB Securities (Singapore) Pte Ltd</b>	11,739,083	19.07%
<b>Australian Super Pty Ltd</b>	5,132,213	8.34%
<b>Microequities Asset Management Pty Ltd</b>	3,513,616	5.71%

**Note:**

(i) For further information in relation to Busy Bees and FEL Dev's interest in Think Group refer to Section 6.6(a).

The holdings listed in this section 5.7 are as disclosed to Think Group by the securityholders in substantial holding notices. Information in regard to substantial holdings arising, changing or ceasing after this time or in respect of which the relevant announcement is not available on ASX's website ([www.asx.com.au](http://www.asx.com.au)) is not included above.

## 5.8 Historical financial information

### (a) Basis of preparation

This Section 5.8 sets out a summary of financial information in relation to Think Group for the purposes of this Explanatory Booklet. The financial information has been extracted from the 2018, 2019 and 2020 Think Group Annual Reports and from Think Group's results for the half year ended 30 June 2021.

The historical financial information of Think Group presented is in an abbreviated form and does not contain all the disclosures, presentation, statements, notes or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act, Australian Accounting Standards and other mandatory professional reporting requirements. Think Group considers that for the purposes of this Explanatory Booklet the historical financial information presented in an abbreviated form is more meaningful to Think Group Securityholders.

Think Group adopted the new Accounting Standard on Leases, AASB 16, from 1 January 2019. Think Group has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings as at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated, and therefore it is presented, as previously reported, under AASB 117 and its related interpretations.

The full financial accounts of Think Group, including all notes to those accounts, can be found in the:

- Think Group Appendix 4E and the 2020 Think Group Annual Report (released to ASX on 24 February 2021);
- Think Group Appendix 4E and the 2019 Think Group Annual Report (released to ASX on 26 February 2021); and
- Think Group Appendix 4E and the 2018 Think Group Annual Report (released to ASX on 27 February 2021).

These documents are available on ASX's website ([www.asx.com.au](http://www.asx.com.au)) and Think Group's website ([www.thinkchildcare.com.au/](http://www.thinkchildcare.com.au/)).

#### (b) Historical consolidated statement of comprehensive income

The following table presents the historical consolidated statement of comprehensive income for the financial years ended 31 December 2018, 2019 and 2020 and for the half-year ended 30 June 2021.

	1H CY21 \$'000	CY2020 \$'000	CY2019 \$'000	CY2018 \$'000
<b>Revenue</b>	84,899	136,358	113,547	83,637
Other income	1,959	3,580	1,997	2,171
<b>Expenses</b>				
Employee benefit	55,153	75,551	72,725	53,927
Occupancy	3,829	6,649	4,992	12,553
Direct expenses of providing services	3,210	4,475	4,412	3,024
Corporate & marketing	2,743	4,155	4,237	2,794
Acquisition and integration	83	1,048	758	503
Other	2,312	3,848	3,194	2,329
Depreciation and amortisation	9,413	16,826	11,522	1,643
Finance costs	9,138	15,258	10,469	2,035
<b>Profit before tax</b>	<b>977</b>	<b>12,128</b>	<b>3,235</b>	<b>7,001</b>
Income tax	654	4,959	1,230	2,051
<b>Profit for the year</b>	<b>323</b>	<b>7,169</b>	<b>2,005</b>	<b>4,950</b>
Other comprehensive income for the year, net of tax	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>323</b>	<b>7,169</b>	<b>2,005</b>	<b>4,950</b>
<b>Profit/(loss) for the year attributable to:</b>				
Members of Think Childcare Limited	2,040	10,005	3,364	4,950
Members of Think Childcare Development Limited	(1,717)	(2,836)	(1,359)	-
<b>Stapled Securityholders of Think Group</b>	<b>323</b>	<b>7,169</b>	<b>2,005</b>	<b>4,950</b>
<b>Total comprehensive income/(loss) attributable to:</b>				
Members of Think Childcare Limited	2,040	10,005	3,364	4,950
Members of Think Childcare Development Limited	(1,717)	(2,836)	(1,359)	-
<b>Stapled Securityholders of Think Group</b>	<b>323</b>	<b>7,169</b>	<b>2,005</b>	<b>4,950</b>

### (c) Historical consolidated statement of financial position

The following table presents the historical consolidated statement of financial position as at 31 December 2018, 2019 and 2020 and for the half-year ended 30 June 2021.

	1H CY21 \$'000	CY2020 \$'000	CY2019 \$'000	CY2018 \$'000
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	11,657	22,863	11,685	3,560
Trade and other receivables	4,630	4,757	5,754	2,991
Current tax asset	426	-	77	-
Other assets	3,915	2,272	1,527	1,303
<b>Total current assets</b>	<b>20,628</b>	<b>29,892</b>	<b>19,043</b>	<b>7,854</b>
<b>Non-current assets</b>				
Property, plant and equipment	241,328	222,214	193,262	10,961
Intangible assets	87,441	87,699	78,103	57,276
Deferred tax assets	6,384	5,760	4,040	1,898
Other assets	-	-	-	26
<b>Total non-current assets</b>	<b>335,153</b>	<b>315,673</b>	<b>275,405</b>	<b>70,161</b>
<b>Total assets</b>	<b>355,781</b>	<b>345,565</b>	<b>294,448</b>	<b>78,015</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	7,435	5,663	6,636	6,913
Borrowings	24,158	21,622	17,687	182
Current tax liabilities	-	2,607	-	386
Employee benefits	9,045	10,146	10,585	3,257
Other liabilities	387	33	141	169
Provisions	1,653	2,397	-	1,069
<b>Total current liabilities</b>	<b>42,678</b>	<b>42,468</b>	<b>35,049</b>	<b>11,976</b>
<b>Non-current liabilities</b>				
Borrowings	259,359	242,162	202,887	26,151
Derivative financial instruments	635	847	744	300
Employee benefits	471	409	593	919
Other liabilities	-	-	-	39
<b>Total non-current liabilities</b>	<b>260,465</b>	<b>243,418</b>	<b>204,224</b>	<b>27,409</b>
<b>Total liabilities</b>	<b>303,143</b>	<b>285,886</b>	<b>239,273</b>	<b>39,385</b>
<b>Net assets</b>	<b>52,638</b>	<b>59,679</b>	<b>55,175</b>	<b>38,630</b>
<b>Equity</b>				
<b>Think Childcare Limited</b>				
Issued capital	73,734	73,039	72,845	53,779
Reserves	(19,852)	(19,120)	(19,109)	(18,971)
Retained earnings	(1,498)	3,789	(3,173)	3,822
Equity attributable to members of Think Childcare Limited	<b>52,384</b>	<b>57,708</b>	<b>50,563</b>	<b>38,630</b>
<b>Think Childcare Development Limited</b>				
Issued capital	6,071	5,993	5,971	-
Reserves	95	173	-	-
Retained earnings	(5,912)	(4,195)	(1,359)	-
Equity attributable to members of Think Childcare Development Limited	254	1,971	4,612	-
<b>Total equity</b>	<b>52,638</b>	<b>59,679</b>	<b>55,175</b>	<b>38,630</b>

#### (d) Historical consolidated statement of cash flows

The following table presents the historical consolidated statement of cash flows for the financial years ended 31 December 2018, 2019 and 2020 and for the half-year ended 30 June 2021.

	1H CY21 \$'000	CY2020 \$'000	CY2019 \$'000	CY2018 \$'000
<b>Cash flows from operating activities</b>				
Receipts from parents and government funding	83,682	92,029	111,197	84,009
Receipts from Early Childhood Education and Care Relief Package	1,449	29,749	-	-
Receipts from JobKeeper	-	16,213	-	-
Payments to suppliers and employees	(66,958)	(96,855)	(85,660)	(72,428)
Government grants	1,959	2,944	1,722	1,652
Interest and other finance cost	(8,300)	(15,155)	(9,164)	(2,035)
Income tax	(4,312)	(3,952)	(3,702)	(2,250)
<b>Net cash from operating activities</b>	<b>7,520</b>	<b>24,973</b>	<b>14,393</b>	<b>8,948</b>
<b>Cash flows from investing activities</b>				
Payments for acquisition of business	-	(9,790)	(24,291)	(15,340)
Payments for property, plant and equipment	(5,522)	(5,407)	(7,213)	(5,996)
Payments for intangibles	-	(61)	(269)	(5)
Receipt/(payments) for security deposits	(1,444)	-	26	(8)
Payments for contingent and deferred consideration	-	-	-	-
<b>Net cash used in investing activities</b>	<b>(6,966)</b>	<b>(15,258)</b>	<b>(31,747)</b>	<b>(21,349)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of shares (net of transaction costs)	-	216	19,066	11,226
Proceeds from capitalisation of Think Childcare Development (net of transaction costs)	-	-	5,971	-
Proceeds from borrowings	-	11,500	16,125	6,912
Repayment of lease liabilities	(4,433)	(7,210)	(5,324)	(64)
Special dividend to capitalise Think Childcare Development	-	-	(6,000)	-
Dividends paid to shareholders of Think Childcare Limited	(7,327)	(3,043)	(4,359)	(2,564)
<b>Net cash (used in)/from financing activities</b>	<b>(11,760)</b>	<b>1,463</b>	<b>25,479</b>	<b>15,510</b>
Net increase in cash and cash equivalents	(11,206)	11,178	8,125	3,109
Cash and cash equivalents at the beginning of the year	22,863	11,685	3,560	451
<b>Cash and cash equivalents at the end of the year</b>	<b>11,657</b>	<b>22,863</b>	<b>11,685</b>	<b>3,560</b>



## 5.9 Material changes in the financial position of Think Group

Other than:

- the accumulation of revenue in the ordinary course of trading; and
- as disclosed in this Explanatory Booklet or as otherwise disclosed to ASX by Think Group,

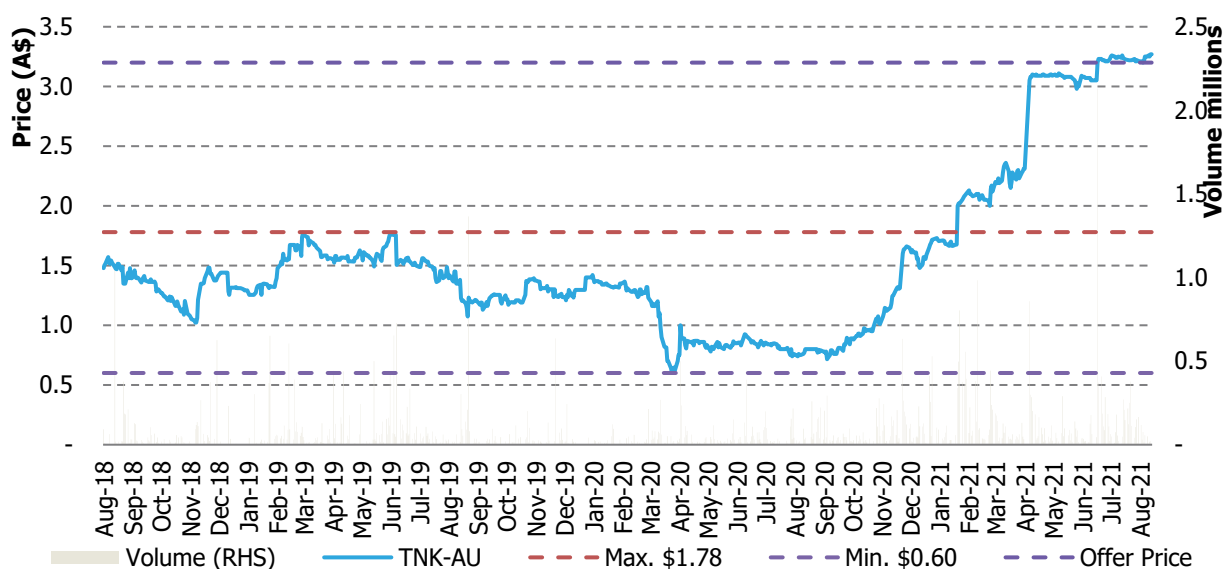
within the knowledge of the Think Group Boards, the financial position of Think Group has not materially changed since 30 June 2021, being the date of Think Group audited financial statements for the half year ended 30 June 2021 (released to ASX on 18 August 2021).

## 5.10 Recent Think Group Securities performance

Think Group's Securities are listed on ASX under the trading symbol 'TNK'.

The closing price of Think Group's Shares on ASX on 13 November 2020 (being the last day before Think Group released the ASX announcement entitled "Indicative proposal from Alceon Group to acquire 100% of TNK") was \$1.25. The closing price for Think Group Securities on ASX on 13 August 2021 (being the Last Practicable Date) was \$3.27.

The chart below shows Think Group's share price performance over the last three years, and outlines the minimum and maximum price of Think Group Securities on ASX prior to and including 13 November 2020, being the undisturbed price prior to the announcement of Alceon's non-binding and indicative proposal on 16 November 2020:



Source: Factset

## 5.11 Outlook

In Think Group's ASX announcement on 17 June 2021 in relation to the entry by Think Group into the Implementation Agreement with Busy Bees, it was noted that, although, Think Group had been trading in line with expectations, in light of the Proposed Transaction, Think Group had paused acquisitions from third parties. As a result, Think Group adjusted its full year guidance to \$23.0 million EBITDA (underlying). At the Last Practicable Date, Think Group maintains the guidance provided to the market in its announcement on 17 June 2021.

## 5.12 Risks

In considering the Schemes, Independent Securityholders should be aware of a number of risks which could materially and adversely affect the future operating and financial performance, and value, of Think Group.

This Section 5.12 outlines some general investment risks relating to an investment in Think Group as well as some specific risks relating to an investment in Think Group. These risks are set out in greater detail in Section 7. These risks currently apply to your investment in Think Group and will continue to apply if the Schemes do not proceed. If the Schemes proceed, in which case you will receive the Total Cash Payment for all of your Think Group Securities, you will cease to be a Think Group Securityholder and will no longer be exposed to the risks set out below. If the Schemes do not proceed, you will continue to hold your Think Group Securities and continue to be exposed to risks associated with that investment (as set out below).

You should carefully consider the risks outlined in this Section 5.12 (and as more fully set out in Section 7), as well as the other information contained in this Explanatory Booklet, before voting on the Schemes. Sections 5.12 and 7 are general in nature only and do not take into account your individual objectives, financial situation, tax position or particular needs.

### **General risks associated with your investment in Think Group**

The market price of Think Group Securities may be influenced by a number of general factors, including:

- (a) changes in investor sentiment and overall performance of the Australian securities market;
- (b) changes in general business, industry cycles and economic conditions including inflation, interest rates, exchange rates, employment, credit markets, consumer confidence and demand, housing prices and turnover and other industry specific factors;
- (c) changes in government fiscal, monetary, taxation, employment and regulatory policies;
- (d) changes in laws and regulations including accounting and financial reporting standards;
- (e) government intervention in export and import markets, including sanction controls and import duties; and
- (f) weather conditions, natural disasters, pandemics generally, terrorism and international conflicts.

## Specific risks associated with your investment in Think Group

There are a number of specific risks associated with your investment in Think Group, including the following:

- (a) risks associated with Think Group's strategy to identify, analyse and invest in new child care Centres and to develop them into an operational level that qualifies the Centres to be purchased from TND by TNK;
- (b) occupancy risks;
- (c) operational risks;
- (d) regulatory risks;
- (e) risks relating to changes to government assistance levels;
- (f) increased or new competition;
- (g) access to qualified staff;
- (h) funding risk;
- (i) dividends;
- (j) tax;
- (k) loss of key personnel;
- (l) general economic conditions;
- (m) accounting standards; and
- (n) litigation risks.

### 5.13 Public information available for inspection

Think Group is a listed disclosing entity for the purpose of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a company listed on ASX, Think Group is subject to the ASX Listing Rules which require (subject to some exceptions) continuous disclosure of any information that Think Group has that a reasonable person would expect to have a material effect on the price or value of Think Group Securities.

ASX maintains files containing publicly disclosed information about all entities listed on ASX. Information disclosed to ASX by Think Group is available on ASX's website at [www.asx.com.au](http://www.asx.com.au).

In addition, Think Group is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Think Group may be obtained from an ASIC office.

Independent Securityholders may obtain a copy of Think Group's 2020 Annual Report (including its audited financial statements for the financial year ended 31 December 2020) and Think Group's audited financial statements for the half year ended 30 June 2021 from ASX's website ([www.asx.com.au](http://www.asx.com.au)), from Think Group's website ([www.thinkchildcare.com.au](http://www.thinkchildcare.com.au)) or Think Group will provide, free of charge, copies of these documents to anyone who requests them prior to the Schemes being approved by the Court.

## 6. Profile of Busy Bees

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### 6.1 Introduction

This Section 6 forms part of the Busy Bees Information and has been prepared by Busy Bees. Busy Bees is solely responsible for the Busy Bees Information (except to the extent that Think Group has provided Busy Bees with information for the purpose of Busy Bees preparing the Busy Bees Information). To the maximum extent permitted by law, none of Think Group, its subsidiaries, directors, officers or advisers assume any responsibility for the accuracy or completeness of the Busy Bees Information.

### 6.2 Overview of Busy Bees Group

#### (a) Overview and ownership of Busy Bees Group

Busy Bees Group is a UK-headquartered, global early childhood education and care provider that has been operating for over 38 years and, as at the date of this Explanatory Booklet, operates more than 660 centres in nine countries across four continents.

The Busy Bees Group, and therefore Busy Bees, is ultimately controlled by OTPP, holding an effective economic interest of approximately 63% in the group.

OTPP is Canada's largest single-profession pension plan with CA\$221.2 billion in net assets. It pays pensions and invests plan assets on behalf of working and retired teachers in the Canadian province of Ontario. OTPP is an independent statutory corporation (established by the Ontarian Teachers' Pension Act) without share capital. Its members comprise current or former elementary and secondary school teachers and pensioners.

Esta Investments Pte. Ltd (**Esta**), is also a major shareholder in the Busy Bees Group, holding an effective economic interest of approximately 24% in the group. Esta is an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited (**Temasek**) which is a global investment company headquartered in Singapore with a Net Portfolio Value of S\$381 billion as at 31 March 2021. Temasek is owned by the government of Singapore.

The Busy Bees global management team own the balance of Busy Bees Group.

#### (b) Overview of Busy Bees

Busy Bees Early Learning Australia Pty Ltd (**Busy Bees**) is an Australian proprietary company that was incorporated in Queensland on 21 February 2014 (as Foundation Early Learning Limited) and was acquired by Busy Bees Group in June 2018.

Busy Bees has since grown to 64 centres as at June 2021 via a combination of multiple acquisitions of groups of operating LDC centres plus the continued opening of greenfield LDC centres. Busy Bees, via its wholly owned subsidiary FEL Child Care Centres 2 Pty Ltd is under contract to acquire a further eleven Little Peoples Place centres across the Perth metropolitan area in WA. Upon completion of this acquisition, Busy Bees will own and operate 75 centres across most jurisdictions in Australia.

It is proposed that Busy Bees will acquire all of the TNK Scheme Shares from TNK Scheme Shareholders under the TNK Scheme (a summary of the TNK Scheme is set out in Section 9) and all of the TNK Shares held by MGE Entities under the MGE Share Acquisition Agreement (a summary of the MGE Share Acquisition Agreement is set out in Section 10.2). The MGE Entities are ultimately owned and controlled by current Think Group Managing Director and Chief Executive Officer, Mathew Edwards.

### (c) Overview of FEL Dev

FEL Child Care Developments Pty Ltd (**FEL Dev**) is an Australian proprietary company that is a wholly-owned subsidiary of Busy Bees. FEL Dev was incorporated in Queensland on 12 June 2017.

It is proposed that FEL Dev will acquire all of the TND Scheme Shares from TND Scheme Shareholders under the TND Scheme (a summary of the TND Scheme is set out in Section 9). Following implementation of the TND Scheme, FEL Dev will on-sell all of the TND Shares held by FEL Dev to Nest Education (a summary of the TND Share Transfer Agreement is set out in Section 10.3(c)). Nest Education is ultimately owned and controlled by current Think Group Managing Director and Chief Executive Officer, Mathew Edwards.

### (d) Busy Bees Group directors

As at the date of this Explanatory Booklet, the members of the board of directors of the ultimate parent company of the Busy Bees Group are:

Name	Current Position	Profile
<b>Robert Walker</b>	Chairman	<p>Robert is currently Deputy Chairman at Camelot Group. He has also held chair positions at large public companies, with recent appointments including Chairman of Travis Perkins, Ei Group, WHSmith, BCA Europe and Williams Lea; and has served on the board of numerous FTSE 100 and FTSE 250 companies.</p> <p>Robert started his career at Procter &amp; Gamble. He then spent more than 20 years at PepsiCo, where he was responsible for the company's businesses in Europe, the Middle East, Africa and Asia, before moving to Severn Trent, holding the position of Group CEO from 2000 to 2005.</p> <p>Robert chairs the board's Remuneration Committee and is a member of the Audit Committee.</p>
<b>Simon Irons</b>	Group Chief Executive Officer	<p>Simon joined Busy Bees Group on a full-time basis in 2000 having previously been involved in the business as an advisor since 1989. He was appointed Group Chief Executive Officer in 2018.</p> <p>Before joining Busy Bees Group, Simon was a partner at Deloitte and CFO for a GE business involved in speciality insurance. Simon, along with the founders of Busy Bees Group, led the transformation of the business from a small group managing around 25 centres to the global group it is today.</p> <p>Simon is a Fellow of the Institute of Chartered Accountants of England and Wales and has three degrees in mathematical subjects.</p>
<b>Jane Holbrook</b>	Independent Non-Executive Director	<p>Jane has spent over 25 years in leadership positions in multi-site and hospitality companies including Whitbread, Soho house and Caprice holdings and Wagamama. Her last executive role was CEO of Wagamama. She is a Patron of the Bede house organisation, a committee member of UK Hospitality and founder of a Charitable Trust focused on social mobility.</p> <p>Jane has an MSc in Coaching and behavioural change and an MBA, and is ACMA qualified.</p> <p>Jane is Chair of the board's Audit Committee and a member of the Remuneration Committee.</p>

Name	Current Position	Profile
<b>Marg Randles</b>	Non-Executive Director	<p>Marg Randles is one of the founding members of Busy Bees Group. Marg was instrumental in founding the first Busy Bees Group nursery in Lichfield, Staffordshire over 30 years ago and, along with the co-founders and the Group CEO, has overseen the growth of the business to the global group it is today. Marg was previously a qualified and experienced teacher of children with multiple complex needs. Marg has strong links with the government departments, Local Authorities and national associations.</p> <p>Marg was awarded an OBE in 2015 November for services to Children and Families.</p>
<b>Jean-Charles Douin</b>	Investor Director/ Non-Executive Director	<p>Jean-Charles leads Ontario Teachers' Private Capital's activities in Europe, the Middle East and Africa. He joined Ontario Teachers' in 2008 and has over 15 years of private equity experience.</p> <p>Jean-Charles has served on a number of boards across Europe and Africa and currently sits on the board of OGF in France. Previously, Jean-Charles worked at CapVest, a pan-European mid-cap private equity fund active in the food, consumer goods and healthcare sectors, and UBS Investment Bank, where he focused on M&amp;A deals in the consumer and retail sectors.</p> <p>Jean-Charles graduated from HEC (École des hautes études commerciales), in Paris and earned an MBA from the University of British Columbia (UBC) in Vancouver.</p> <p>Jean-Charles is a member of the board's Audit Committee and Remuneration Committee.</p>
<b>Abhijeet Gupta</b>	Investor Director/ Non-Executive Director	<p>Abhijeet is a Senior Principal at Ontario Teachers', having joined the organisation in 2011. He has been involved in a number of transactions, including the acquisition of Logoplaste, Shearer's Foods, Synlab, CeramTec, European Camping Group and Techem.</p> <p>Abhijeet previously worked in the investment banking group at Citigroup and BMO Capital Markets.</p> <p>Abhijeet holds a Bachelor of Business Administration (with distinction) from the Schulich School of Business at York University, and is a CFA charterholder.</p> <p>Abhijeet is a member of the board's Audit Committee.</p>
<b>Rob Williams</b>	Co-Investor Director/ Non-Executive Director	<p>Rob is a Managing Director at Temasek, within the Investment Group. He focuses primarily on the industrials, business services and education sectors. Since joining Temasek in 2015 he has been involved in investments, which have included roles as an Advisory Board Director for Tikehau Investment Management and as a Board Observer for Haldor Topsoe. Rob is also a member of charity Teach First's Business Leaders Council.</p> <p>Previously, Rob was with Citi's investment banking team in London. He focused on origination and execution of transactions across the business services, diversified industrials and building products sectors.</p> <p>Rob graduated from the University of Warwick with a Bachelor's of Science, majoring in Economics.</p> <p>Rob is a member of the board's Remuneration Committee.</p>



### (e) Busy Bees Australia Group directors and executive leadership team

As at the date of this Explanatory Booklet, the members of the board of directors of each Busy Bees Australia Group Member (including Busy Bees and FEL Dev) and executive leadership team are:

Name	Current Position	Profile
<b>Robert Anthony Hughes</b>	Director Chief Executive Officer	<p>Robert joined what is now Busy Bees in March 2017 as Chief Executive Officer having previously provided strategy consulting services to the business in 2016.</p> <p>Robert holds a Bachelor of Engineering (Sydney University), a Masters of Business Administration (Deakin University) and a Masters of Applied Finance (Macquarie University).</p> <p>With a professional career spanning nearly 30 years Robert has held various roles in multi-national, listed and private organisations across operational, strategy, business development and general management roles in locations including Australia, US and UK. During this time, Robert has spent nearly 10 years in strategy and management consulting roles for a big four firm as well as boutique firms.</p>
<b>Fiona May Alston</b>	Director Chief Operating Officer	<p>Fiona joined what is now Busy Bees in March 2017 as Chief Operating Officer.</p> <p>Fiona holds a Bachelor of Early Childhood Teaching (Queensland University of Technology) and an Associate Diploma in Childcare (TAFE).</p> <p>With a professional career in the childcare sector spanning more than 25 years, Fiona has worked for both for-profit and not-for-profit organisations, undertaking educator roles within LDC centres as well as management roles including Service Manager of LDC centres, Area Manager of multiple LDC centres and National Operations Manager for a large national childcare provider.</p>
<b>Ann Caulton</b>	Company Secretary Chief Financial Officer	<p>Ann joined what is now Busy Bees in July 2014 as Chief Financial Officer.</p> <p>Ann is an experienced executive with a professional career of more than 30 years' working in and providing advisory services to various industries including childcare.</p> <p>Ann holds a BA Accounting and Computer Science (Heriot Watt University, Edinburgh) and is a member of Chartered Accountants Australia &amp; New Zealand. During her career Ann has worked both in professional services firms as well as listed and private corporations. Ann has fulfilled roles in external audit, planning &amp; analysis, group finance &amp; accounting and most recently CFO and Company Secretary.</p>

## 6.3 Rationale for the Proposed Transaction

Busy Bees Group's acquisition of TNK under the TNK Scheme, together with all associated transactions and steps contemplated by the Implementation Agreement provides a key step towards the ongoing delivery of Busy Bees Groups' international business expansion plans continuing its objective of being a leading global provider of childcare services.

## 6.4 Funding arrangements

This Section sets out how Busy Bees and FEL Dev intend to fund amounts payable in connection with the Schemes.

### (a) Busy Bees funding arrangements

The maximum amount payable by Busy Bees in connection with the TNK Scheme is estimated to be \$253 million comprising:

- *TNK Scheme Consideration:* The maximum amount expected to be required to fund the aggregate TNK Scheme Consideration is approximately \$141.02 million. This amount has been calculated based on TNK's fully diluted share capital of 61,557,633 TNK Shares as at the date of this Explanatory Booklet after deducting the estimated 13,912,723 TNK Shares to be acquired by Busy Bees under the MGE Share Acquisition (described below) and assuming that a Permitted Dividend of \$0.24 per Stapled Security is declared. The TNK Scheme Consideration is \$3.1999 per TNK Scheme Share (less the amount of any Permitted Dividend).
- *Permitted Dividend:* As set out in Section 1.5 of this Explanatory Booklet, if TNK declares a Permitted Dividend, Busy Bees has agreed that it will, if required by TNK, loan to TNK an amount equal to the aggregate cash amount of the Permitted Dividend. The maximum amount expected to be required to fund the loan to TNK to pay the Permitted Dividend is approximately \$14.8 million (assuming a Permitted Dividend of \$0.24 per Stapled Security is declared and based on the fully diluted share capital of Think Group of 61,557,633 Stapled Securities at the date of this Explanatory Booklet).
- *MGE Share Acquisition Agreement:* As set out in Section 10.2 of this Explanatory Booklet, Busy Bees and the MGE Entities have entered into the MGE Share Acquisition Agreement for (among other things) Busy Bees to purchase all of the TNK Shares held by the MGE Entities for \$3.1999 for each TNK Share (less the amount of any Permitted Dividend). The maximum amount expected to be required to fund the acquisition of the TNK Shares under the MGE Share Acquisition Agreement is approximately \$41.18 million (based on Busy Bees acquiring 13,912,723 TNK Shares from the MGE Entities under the MGE Share Acquisition Agreement and assuming that a Permitted Dividend of \$0.24 per Stapled Security is declared).
- *TND Convertible Notes:* As set out in Section 10.2 of this Explanatory Booklet, Busy Bees and an MGE Entity have agreed to subscribe for approximately \$15.0 million in Convertible Notes in TND on the Implementation Date, with approximately \$13.0 million of the subscription funds to be used to repay the Moelis Facility. Based on an estimated amount of \$13.0 million owing under the Moelis Facility on the Implementation Date and the relevant MGE Entity subscribing for approximately \$3.7 million in TND Convertible Notes, the maximum amount estimated to be required by Busy Bees to subscribe for the TND Convertible Notes is \$11.3 million.
- *Refinancing of MBL Facility:* On Implementation Busy Bees intends to refinance the MBL Facility taken out by TNK. The estimated amount required in connection with the refinancing is \$44.65 million.

The cash necessary to fund the total amount payable by Busy Bees in connection with the TNK Scheme and related transactions will be provided to Busy Bees as follows:

- Eagle Bidco Limited (an indirect parent company of Busy Bees) (**Eagle**) will source funds under a term loan facility with BNP Paribas (as sole global coordinator) (**BNPP**). BNPP, together with SMBC Bank International PLC and The Governor and Company of the Bank of Ireland as joint physical bookrunners, arrangers and underwriters, have underwritten and syndicated a facility to be made available to Eagle in an amount of not less than the euro equivalent of \$205 million to fund the Proposed Transaction (**Facility**). As at the date of this Explanatory Booklet the Facility has not been utilised, but is committed and is subject to limited funding conditions which are within the control of Eagle. Eagle can set the AUD:euro exchange rate to determine the euro amount of the Facility by reference to the exchange rate under a foreign exchange swap entered into between Barclays Bank PLC and Eagle in connection with the Proposed Transaction and in that way is protected against the potential for adverse exchange rate movements to reduce the A\$ amount which euros drawn down under the Facility can be converted into.
- Eagle has entered into a funding commitment letter with Busy Bees under which it has committed to provide Busy Bees with the funds to be drawn under the Facility for the purposes of the Proposed Transaction, in particular to enable Busy Bees to acquire TNK Shares under the Proposed Transaction and refinance the existing indebtedness of the Think Group.
- OTPP and Esta have agreed to provide up to a maximum amount of GBP 40,000,000 in aggregate to enable Busy Bees to acquire TNK Shares under the Proposed Transaction, with OTPP committed to provide 71.9% of the funding and Esta committed to provide 28.1% of the funding. The funding obligation is conditional only on Busy Bees becoming required to pay the consideration for the TNK Shares under the Proposed Transaction.

On the basis of the funding arrangements described above, Busy Bees holds the view, and is of the opinion that it has a reasonable basis to hold the view, that it will be able to pay the amounts payable in connection with the Schemes and related transaction costs.

#### **(b) Amounts payable by FEL Dev**

The maximum amount payable by FEL Dev in connection with the TND Scheme is estimated to be approximately \$4,764.49, being the estimated maximum amount required to fund the aggregate TND Scheme Consideration.

The maximum aggregate amount has been calculated based on the TND Scheme Consideration of \$0.0001 for each TND Scheme Share, TND's fully diluted share capital of 61,557,633 TND Shares as at the date of this Explanatory Booklet and after deducting the estimated 13,912,723 TND Shares expected to be held by MGE Entities on the Implementation Date which will not be acquired by FEL Dev under the TND Scheme (see Section 9 of this Explanatory Booklet for further information).

FEL Dev has sufficient existing uncommitted cash resources to pay the TND Scheme Consideration.

On the basis of the funding arrangements described above, each of Busy Bees and FEL Dev hold the view, and are of the opinion that it has a reasonable basis to hold the view, that FEL Dev will be able to pay the amounts payable in connection with the TND Scheme and related transaction costs.

## 6.5 Intentions if the Schemes are implemented, and the MGE Acquisition and MGE Share Acquisition are completed

### (a) Introduction

Busy Bees' intentions are based on the information concerning Think Group, its business and the general business environment that is known to Busy Bees at the time of preparation of this Explanatory Booklet and are statements of current intention only and, accordingly, may vary as new information becomes available or circumstances change.

If the Schemes are implemented and the MGE Acquisition and MGE Share Acquisition are completed:

- Busy Bees will become the holder of all TNK Shares and TNK will become a wholly-owned subsidiary of Busy Bees; and
- entities Controlled by Mathew Edwards, the current Managing Director of Think Group, will become the holders of all TND Shares and, as a result, TND will become an entity Controlled by Mathew Edwards.

Accordingly, unless otherwise stated, Busy Bees' intentions are limited to its intentions in respect of TNK and its Subsidiaries.

### (b) General intention and operational review

If the Proposed Transaction is completed:

- Nest Management, which is ultimately owned and controlled by Mathew Edwards, the current Managing Director of Think Group, will be appointed by Busy Bees as the manager of 35 TNK childcare centres (a summary of the Centre Management Agreement is set out in Section 10.3(b) of this Explanatory Booklet);
- except for the changes and intentions set out in this Section 6 and elsewhere in this Explanatory Booklet, it is Busy Bees' intention to (based on the information presently known to it):
  - to continue the business of TNK;
  - not to make any major changes to the business of TNK;
  - not to redeploy any of TNK's fixed assets (other than under the MGE Acquisition, which is set out in detail in Section 10); and
  - to continue the employment of the present employees of TNK, other than those changes referred to in Section 6.5(f) below.

### (c) Removal from ASX

If the Schemes are implemented, it is intended that quotation of Think Group Securities on ASX will be terminated and Think Group will be removed from the official list of ASX on a date after the Implementation Date to be determined by Busy Bees.

### (d) Head office

If the Schemes are implemented, it is intended that TNK's head office will be acquired by Nest Management Pty Ltd under the Head Office Asset Sale Agreement.

### **(e) Board composition**

As part of the Proposed Transaction, amendments to the TNK Constitution are proposed to be made to facilitate the acquisition of TNK Shares by Busy Bees. These amendments include the removal of all rights attaching to TNK Shares to vote on the appointment, election and/or removal of directors of TNK and to add a provision which provides that an appointor entity designated by OTPP (Global Appointer Corp.) will have the sole authority to appoint, elect and/or remove all directors of TNK. Further information in relation to the Appointor Structure Approval Resolution is set out in Section 2.7(c).

If the Schemes are approved at the Second Court Hearing and all other conditions are satisfied or waived to implement the Proposed Transaction, Global Appointer Corp. will replace the board members of TNK with Robert Anthony Hughes and Fiona May Alston, and TNK will replace the board member of each TNK subsidiary with Robert Anthony Hughes and Fiona May Alston.

### **(f) Employees**

Other than in respect of some TNK head office employees being transferred to an entity Controlled by Mathew Edwards under the Head Office Asset Sale Agreement (as summarised in Section 10.3(d)) and under the Nido Franklin Sale Agreement (as summarised in Section 10.3(e), and except as set out below, based on the information presently known to it, it is the intention of the Busy Bees to retain all existing employees of TNK (being the centre employees) in their current roles. To give effect to the transfer of:

- those TNK head office employees being transferred to an entity Controlled by Mathew Edwards under the Head Office Asset Sale Agreement, the relevant employees will be offered employment with an entity Controlled by Mathew Edwards on no less favourable terms overall than the terms of the employees' employment with relevant member of the TNK group as at the date of the Head Office Asset Sale Agreement and with their entitlements being carried over and recognised by the entity Controlled by Mathew Edwards. Busy Bees will seek to redeploy those TNK head office employees who are not transferred to the entity Controlled by Mathew Edwards or who do not accept an employment offer with the entity Controlled by Mathew Edwards, within Busy Bees' business or, if this is not possible, may seek to terminate their employment.
- the Nido Franklin Centre employees to a member of the TND group under the Nido Franklin Sale Agreement, those employees will be offered employment with a member of the TND group on no less favourable terms overall than the terms of the employees' employment with relevant member of the TNK group as at the date of the Nido Franklin Sale Agreement and with their entitlements being carried over and recognised by the member of the TND group. If those employees do not accept the employment offer with the member of the TND group, Busy Bees will seek to redeploy them within Busy Bees' business or, if this is not possible, may seek to terminate their employment.

## **6.6 Additional information of Busy Bees**

### **(a) Interests in Think Group Securities**

As at the Last Practicable Date, Busy Bees and FEL Dev:

- had voting power of 22.1491% in Think Group; and
- had a relevant interest in 13,634,452 Stapled Securities.

Busy Bees and FEL Dev acquired their voting power and relevant interest in Stapled Securities through the MGE Share Acquisition Agreement with the MGE Entities. A summary of the MGE Share Acquisition is set out in Section 10.2.

A copy of the MGE Share Acquisition Agreement was released on the ASX Market Announcements Platform as Annexure A to the 'Form 604 – Notice of change of substantial holder' lodged by Busy Bees on 17 June 2020.

**(b) Dealings in Think Group Securities in the previous four months**

Neither Busy Bees, FEL Dev nor any Associate of Busy Bees or FEL Dev has provided, or agreed to provide consideration for Stapled Securities under any purchase or agreement during the four months before the Last Practicable Date, except under the MGE Share Acquisition Agreement with the MGE Entities. A summary of the MGE Share Acquisition is set out in Section 10.2.

Under the MGE Share Acquisition Agreement Busy Bees agreed to purchase 13,634,452 Stapled Securities (representing 22.1491% of the Stapled Securities on issue) at the same consideration per TNK Share as allocated to TNK Scheme Shares under the TNK Scheme conditional, among other things, on the Implementation of the Schemes.

A copy of the MGE Share Acquisition Agreement was released on the ASX Market Announcements Platform as Annexure A to the 'Form 604 – Notice of change of substantial holder' lodged by Busy Bees on 17 June 2020.

**(c) Inducing benefits**

During the period beginning 4 months before the Last Practicable Date, except as set out in this Explanatory Booklet, neither Busy Bees, FEL Dev nor any Associate of Busy Bees or FEL Dev, gave, or offered to give or agreed to give a benefit to another person that is not offered to all Independent Securityholders and was likely to induce the other person, or an associate of the other person, to vote in favour of the Schemes, or dispose of Stapled Securities.

Busy Bees has entered into, or approved the entry into by Think Group Members, the MGE Agreements and MGE Share Acquisition Agreement to give effect to the MGE Acquisition and MGE Share Acquisition with the MGE Entities, who together, hold 22.1491% of the Stapled Securities. See Section 10 for information about these transactions. The MGE Entities will not be entitled to vote their Stapled Securities in favour of the Schemes.

**(d) Other agreements or arrangements**

Except as disclosed in this Explanatory Booklet, neither Busy Bees, FEL Dev nor any Associate of Busy Bees or FEL Dev, will be making any payment or giving any benefit to any current directors, secretary or executive officer of any Think Consolidated Group Member as compensation for, or otherwise in connection with, his or her resignation from their respective officers if the Schemes are implemented.

**(e) No other information**

Except as set out in this Section 6, as far as Busy Bees and FEL Dev are aware, there is no information relating to Busy Bees or FEL Dev or their intentions regarding TNK, TND or the business, assets or operations of TNK or TND and funding of amounts payable in connection with the Schemes, material to the decision of a Stapled Securityholder in relation to the Schemes or in respect of the resolutions of which approval is sought at the General Meeting, being information that is within the knowledge of any director of Busy Bees or FEL Dev at the time of lodgement of this Explanatory Booklet with ASIC, which is not disclosed in this Section 6 or elsewhere in this Explanatory Booklet.



## 7. Risk factors

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### 7.1 Introduction

In considering the Schemes and the MGE Acquisition, you should be aware that there are a number of general and specific risk factors associated with your current investment in Think Group Securities and with the Schemes. This Section 7 outlines:

- specific risk factors that the COVID-19 pandemic pose to the business and operations of Think Group and therefore to the value of your current investment in Think Group Securities (see Section 7.2);
- other (non-COVID-19 pandemic related) general and specific risk factors relating to the business and operations of Think Group and which in turn affect the value of your current investment in Think Group Securities (see Section 7.3);
- risk factors which may prevent the Schemes from becoming Effective or being implemented (see Section 7.4).

The risk factors described in Sections 7.3 and 7.4 should be read as being heightened by the further risk factors associated with the COVID-19 pandemic set out in Section 7.2 for as long as that pandemic lasts. It is currently unclear how or when the COVID-19 pandemic will resolve, and therefore the risk factors set out in Sections 7.3 and 7.4 may continue to be subject to the additional risk factors resulting from the COVID-19 pandemic in the medium term to long term.

The outline of risks in this Section 7 is a summary only and should not be considered exhaustive. This Section 7 does not purport to list every risk that may be associated with an investment in Think Group now or in the future which may prevent the Schemes from becoming Effective or being implemented. The occurrence or consequences of some of the risks described in this Section 7 may be partially or completely outside the control of Think Group, Busy Bees or their respective directors and senior management teams.

These risk factors do not take into account the individual investment objectives, financial situation or positional particular needs of Independent Securityholders. If you do not understand any part of this Explanatory Booklet or are in any doubt as to how to vote in relation to the Schemes, you should seek professional guidance from your stockbroker, solicitor, accountant tax advisor or other independent and qualified professional adviser before deciding how to vote.

You should consider carefully the risk factors discussed in this Section 7, as well as the other information contained in this Explanatory Booklet before voting on the Schemes.

### 7.2 COVID-19 global pandemic

The ongoing COVID-19 global pandemic and associated uncertainty continues to impact the global economy and financial markets, including Australian and international equity markets. There is minimal consensus on the outlook for economic recovery and a return to the levels of economic activity preceding the pandemic, and the social, economic and financial impacts once government support is withdrawn are unknown. As a result, there is increased risk associated with making investment decisions in this environment.

The full nature and extent of the impact of the COVID-19 pandemic on the global economy and financial markets remain unknown, as does any future effect on Think Group's business. The price of Think Group Securities may be adversely affected as a result of this uncertainty and may continue to be affected under the ongoing impact of the COVID-19 pandemic on the global economy and financial markets. In addition, measures taken by any government agency or regulatory body in response to the COVID-19 pandemic are likely to be outside of the control of Think Group. If COVID-19 outbreaks and associated lockdowns and other restrictive interventions continue to occur in Australia (or elsewhere globally), there may be associated impacts for the Australian and global economy, Think Group's business activity, and the market for Think Group Securities.

### 7.3 Risk factors relating to the business and operations of Think Group

This Section outlines some general and specific investment risks relating to your current investment in Think Group, pre-dating and unrelated to the COVID-19 global pandemic. These risk factors will continue to apply to Think Group Securityholders if the Schemes are not implemented.

In considering the Schemes, Independent Securityholders should be aware of these general and specific risks as they could materially and adversely affect the future operating and financial performance, and value, of Think Group.

The future operating performance of Think Group and the value of an investment in Think Group Securities may be affected by risks relating to Think Group's business. Some of these risks are specific to Think Group while others relate to economic conditions and the general industry and markets in which Think Group operates.

Where practicable, Think Group seeks to implement risk mitigation strategies to minimise its exposure to some of the risks outlined below. However, there can be no assurance that such strategies will protect Think Group from these risks. Other risks are beyond Think Group's control and cannot be mitigated. The occurrence of any such risks could adversely affect Think Group's financial position and performance and the value of Think Group Securities. The risks listed below are summaries, do not purport to be exhaustive and are not presented in any order of importance. Further, there is no assurance that the importance of different risks will not change or other risks will not emerge.

You should carefully consider the risks outlined in this Section as well as the other information contained in this Explanatory Booklet before voting on the Schemes.

#### General risks associated with your investment in Think Group

The market price of Think Group Securities may be influenced by a number of general factors, including:

- (a) changes in investor sentiment and overall performance of the Australian securities market;
- (b) changes in general business, industry cycles and economic conditions including inflation, interest rates, exchange rates, employment, credit markets, consumer confidence and demand, housing prices and turnover and other industry specific factors;
- (c) changes in government fiscal, monetary, taxation, employment and regulatory policies;
- (d) changes in laws and regulations including accounting and financial reporting standards;
- (e) government intervention in export and import markets, including sanction controls and import duties; and
- (f) weather conditions, natural disasters, pandemics generally, terrorism and international conflicts.

## Specific risks associated with your investment in Think Group

There are a number of specific risks associated with an investment in Think Group, including the following:

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### **Investment in Centres by TND and trade-up of those Centres to TNK**

Part of Think Group's strategy is to identify, analyse and invest in new child care developments and to develop new Centres to an operational level that qualifies the Centre to be purchased from TND by TNK.

The landlord of any particular new child care development site assumes the risk associated with obtaining development approval and the construction of the new child care development. Think Group is exposed to the following risks:

- a risk that quality sites for a new Centre cannot be identified, and Think Group's growth strategy is hindered;
- a risk that tenant works (that is, works to be undertaken by TND generally associated with the fit-out, upgrade of the outdoor yard and purchase of learning resources) are delayed and/or the costs of tenant works are higher than anticipated;
- a risk that, following completion of the construction of a new Centre and tenant works, the new Centre experiences delays in obtaining the necessary licences and service approval to commence operating as a Centre;
- a risk that, following receipt of the necessary licences to commence operating, a new Centre trades-up slower than anticipated or does not satisfy TNK's eligibility criteria for purchase and remains with TND, which may impact on earnings, cash flows and dividends of TND or requires TND to sell the Centre to a third party which affects TNK's expected pipeline;
- a risk that Think Group is unable to recruit suitable or appropriate staff to carry out the operations of Think Group including at each of the Centres;
- a risk that a competing centre receives regulatory approval and is constructed within close proximity to one of Think Group's Centre and adversely affects the performance and value of Think Group's portfolio of Centres;
- a risk that market conditions change during the development of a new Centre;
- a risk that TND is unable to obtain suitable funding for the development of a new Centre; and
- a risk that steps are taken to appoint a receiver, receiver and manager, a trustee in bankruptcy, a provisional liquidator, a liquidator, an administrator or other like person of the whole or part of TND's business.

Although some of these risks can be mitigated, it is not possible to remove entirely the risks inherent in the trade up of a new child care service.

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<b>Occupancy</b>	<p>There is no assurance that occupancy levels at Centres (whether Centres owned and managed by TNK or Centres developed by TND) will follow historical occupancy trends. Occupancy may fluctuate contrary to TNK's historical experience or estimations, including occupancy being higher, remaining static or being lower than expected. Fluctuating occupancy levels (whether increasing or decreasing) will have a direct impact on the financial performance and earnings of TNK and TND.</p> <p>If a Centre trades-up slower than anticipated or does not satisfy TNK's eligibility criteria for purchase from TND (such as in relation to a minimum occupancy condition), this may impact on earnings and cash flows of, and/or dividends paid by, TND or require TND to sell the Centre to a third party which may be on terms less favourable than anticipated and which will affect TNK's expected pipeline of Centres.</p>
<b>Operational risk</b>	<p>Any deficiencies in the standard of care provided by Think Group may cause the closure of a Centre and/or reduced occupancy levels, which may occur as a result of regulatory action or adverse publicity taken or received in relation to the conduct.</p>
<b>Regulation risk</b>	<p>The child care industry in Australia is heavily regulated under the <i>Education and Care Services National Law</i> and supporting regulations which provide a detailed and prescriptive framework for the management and operation of child care services in Australia.</p> <p>Any change or addition to the laws, regulation or government policy imposed by the Commonwealth, State and Territory or local governments, or changes to their interpretation or enforcement, could have an effect on the operation of and demand for TNK and TND's services and consequently impact on the future revenues, cashflows and profitability of TNK and TND. A regulatory or policy change could include a change to the level of funding and subsidies provided to families by the government or changes that impact the operating costs of running a Centre. These changes may include changes to the operating requirements prescribed under the National Quality Framework, such as educator to child ratios and educator qualification requirements, which may increase operational expenses incurred by TNK and TND. Other government legislation, including changes to the taxation system, may affect future earnings of, and the relative attractiveness of an investment in, Think Group.</p>
<b>Changes to government assistance</b>	<p>The Commonwealth Government provides substantial assistance to the child care industry and users of the child care industry through schemes such as child care subsidies. Child care subsidies are paid directly to the Centres and represent a significant proportion of a Centre owner's revenue (such as TNK and TND). These schemes are subject to review at any time by the Commonwealth Government. Any reduction in the funding level (or the proportion of funding allocated to Centres) or changes to the eligibility criteria of these schemes will have a significant adverse impact on the operations of TNK and TND.</p>
<b>Increased or new competition</b>	<p>The market for child care services in Australia is competitive due to its fragmented nature. TNK and TND will compete with other long day care and outside school hours care providers. Competition is primarily based on the quality of care offered, the location of a Centre and cost.</p> <p>Any increase in competition or deterioration in the competitive position of TNK and TND could have a material adverse impact on TNK and TND's earnings and financial position.</p>

<b>Access to qualified staff</b>	The ongoing successful operation of TNK and TND's Centres will depend on access to appropriately qualified staff. Although TNK currently has adequate staff resources, retaining and attracting qualified staff is an important aspect of its ongoing operations.
<b>Funding risk</b>	Changes in the availability and cost of current and future borrowings may impact Think Group's earnings.
<b>Dividends</b>	There are a range of factors that determine and will determine the payment of dividends by TNK and TND. These factors include the profitability of the respective businesses of TNK and TND, their cash reserves, future capital requirements and debt servicing obligations under debt facilities. Think Group Boards will separately determine any future dividend levels based on their respective operating results and financial standing at the time and otherwise in accordance with their respective dividend policies. There is no guarantee that any dividend will be declared and paid by TNK and/or TND or any guarantee that future dividends will equal or exceed previous payments.
<b>Tax</b>	Changes in tax laws including income tax, capital gains tax, GST or stamp duty legislation, case law, rulings and determinations issued by the Australian Commissioner of Taxation or other practices of tax authorities, or the way they are interpreted, may adversely affect Think Group's financial position or performance.
<b>Loss of key personnel</b>	The loss of key executives or management personnel could cause material disruption to TNK and TND's activities in the short to medium term. TNK will need to attract and retain qualified staff. Failure to do so could have a material adverse impact on TNK's and TND's operations, earnings and financial position.
<b>General economic conditions</b>	Changes in the general economic outlook in Australia may impact the performance of Think Group and its businesses. Such changes may include: <ul style="list-style-type: none"> <li>• contractions in the Australian economy or increases in the rate of inflation resulting from domestic or international conditions (including movements in domestic interest rates and reduced economic activity);</li> <li>• increases in expenses (including the cost of goods and services used by Think Group);</li> <li>• increases in unemployment rates; and</li> <li>• fluctuations in equity markets in Australia.</li> </ul>
<b>Accounting standards</b>	Australian accounting standards are subject to change from time to time which could adversely affect Think Group's reported earnings performance in any given period and its financial position or performance from time to time.
<b>Litigation</b>	Legal proceedings and claims may arise from time to time in the ordinary course of Think Group's business and may result in high legal costs, adverse monetary judgements and/or damage to Think Group's reputation which could have an adverse impact on the respective financial positions and financial performance of TNK and TND and the price of the Think Group Securities.

## 7.4 Risk factors that may prevent the Schemes from becoming Effective or being implemented

This Section sets out the risks that are associated with the Schemes and their ancillary processes proceeding to being implemented.

The Schemes are subject to various Conditions. These Conditions are outlined in Section 2.6(a). As at the date of this Explanatory Booklet, the Independent Directors are not aware of any circumstances which would cause the Conditions to not be satisfied or (if applicable) waived. Despite this, there is a possibility that one or more of the Conditions will not be satisfied or waived and that the Schemes will not proceed.

Think Group and Busy Bees have entered into an Implementation Agreement which provides a contractual framework for proposing and implementing the Schemes. The Implementation Agreement sets out circumstances where that agreement may be terminated, in which case the Schemes will not proceed. These termination rights are set out in Section 9.4.



## 8. Taxation implications for Think Group Securityholders

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### 8.1 Introduction

This Section provides a summary of the general Australian taxation consequences for Think Group Securityholders in relation to the Schemes and the MGE Acquisition and should be considered in conjunction with the rest of this Scheme Booklet.

The information contained in this Section is only a general guide and is not intended to be an authoritative or complete statement of the taxation law applicable to the specific circumstances of each Think Group Securityholder and should not be relied upon by Think Group Securityholders as taxation advice. Think Group Securityholders are strongly advised to seek their own professional advice with respect to the taxation implications of the Schemes and the MGE Acquisition.

### 8.2 Overview

The following is a general summary of the Australian taxation (including CGT, GST and stamp duty) implications for Australian resident and foreign resident Think Group Securityholders, who hold their TNK Shares and TND Shares on capital account, of participating in the Schemes and the MGE Acquisition.

This summary does not apply to Think Group Securityholders who:

- hold their TNK Shares and TND Shares as revenue assets, as trading stock, or are subject to the Taxation of Financial Arrangements provisions in Division 230 of the ITAA 1997;
- are financial institutions, insurance companies, partnerships, taxation exempt organisations, dealers in securities or shareholders who change their taxation residency while holding shares, each of which may be subject to additional taxation rules;
- are foreign funds that are eligible to access concessions under the investment manager regime in Subdivision 842-I of the ITAA 1997;
- are non-residents of Australia and carry on a business at or through a permanent establishment in Australia; or
- hold their TNK Shares and TND Shares under an employee share scheme.

This summary has been prepared on the basis of Australian taxation law and administrative practice as at the date of this Scheme Booklet. References to Australian resident Think Group Securityholders are to Think Group Securityholders who are residents of Australia for Australian income tax purposes and are not tax resident in any other jurisdiction.

### 8.3 Class rulings

TNK has lodged a class ruling application with the ATO seeking confirmation on specific Australian taxation implications for Think Group Securityholders of the TNK Scheme, including the payment of the Permitted Dividend. The TNK Scheme is the focus of the class ruling application because the Permitted Dividend, if declared, will be paid by TNK and will reduce the Scheme Consideration for the TNK Shares by the amount of the Permitted Dividend (whereas no dividend is proposed to be paid by TND as part of the TND Scheme). However, for completeness and although not specific to the TNK Scheme, the class ruling application will also seek confirmation of the Australian tax implications for Think Group Securityholders on the payment of the Interim Dividend.

Specifically, the class ruling application seeks the ATO's confirmation on:

- in respect of the TNK Scheme, the Australian taxation implications of the disposal of all of the TNK Shares by Think Group Securityholders (other than the MGE Entities) for the payment of the Scheme Consideration;
- in respect of the MGE Share Acquisition, the Australian taxation implications of the disposal of all of the TNK Shares by the MGE Entities for a payment equivalent to the Scheme Consideration; and
- in respect of the payment of the Interim Dividend and Permitted Dividend, the availability of any attached franking credits to the Think Group Securityholders.

It is anticipated that the views in the class ruling should be consistent with the summary in this Section, although it is possible that the ATO's views may differ. As part of the ATO's early engagement process, the ATO should notify TNK if it has a material concern with either of the class ruling applications.

The final class rulings is only expected to be issued after implementation of the Schemes. When published, the final class rulings will be available on the ATO's website ([www.ato.gov.au](http://www.ato.gov.au)) and Think Group's website ([www.thinkchildcare.com.au](http://www.thinkchildcare.com.au))

Implementation of the Schemes (including payment of the Permitted Dividend) is not conditional on receipt of the class ruling.

## 8.4 Australian taxation implications of the payment of the Interim Dividend and Permitted Dividend

Australian tax resident Think Group Securityholders who receive the Interim Dividend and / or Permitted Dividend must include the Interim Dividend and / or Permitted Dividend in their assessable income.

It is expected that the Interim Dividend and Permitted Dividend will each be fully franked.

Where a Think Group Securityholder is a 'qualified person' in relation to the Interim Dividend and / or Permitted Dividend received on their TNK Shares and the franking integrity rules do not apply, they must also include the amount of the attached franking credits in their assessable income and will be entitled to a tax offset equal to the amount of the attached franking credits.

A Think Group Securityholder will be a 'qualified person' if they hold their TNK Shares 'at-risk' for a continuous period of not less than 45 days (not including the day of the relevant share's acquisition or disposal) during a prescribed period. The usual holding period is expected to apply for the Interim Dividend, beginning on the day after the TNK Share was acquired and ending on the day before the Scheme Record Date (i.e. 13 October 2021 assuming the Scheme Record Date is 14 October 2021).

Accordingly, Think Group Securityholders will satisfy the requirement to be a 'qualified person' for the Interim Dividend in relation to particular TNK Shares if they acquired those TNK Shares on or before 29 August 2021, and held those shares 'at risk' subsequently for at least 45 clear days.

The usual holding period is modified where the 'related payment rule' applies. The 'related payment rule' applies if a Think Group Securityholder is under an obligation to pass the benefit of the dividend to one or more other persons. It is likely that the Commissioner will consider that the 'related payment rule' applies to the Permitted Dividend (and not the Interim Dividend) as a consequence of the impact of the Permitted Dividend on the amount of the Scheme Consideration.

Where the 'related payment rule' applies, the prescribed period for the Permitted Dividend is the period commencing 45 days before the day on which the TNK Shares become ex the Permitted Dividend (i.e. 28 August 2021, being 45 days before the day after the Permitted Dividend Record Date, assuming the Permitted Dividend Record Date is 11 October 2021) and ending on the day before the Scheme Record Date (i.e. 13 October 2021, assuming the Scheme Record Date is 14 October 2021).

Accordingly, Think Group Securityholders could only satisfy the 'related payment rule' for the Permitted Dividend in relation to particular TNK Shares if they acquired those TNK Shares or TND Shares on or before 29 August 2021.

Think Group Securityholders will be considered to hold their TNK Shares or TND Shares 'at-risk' on a particular day provided that they have more than 30% of the ordinary financial risks of loss and opportunities for gain from owning those shares. This will be a matter for each individual Think Group Securityholder to determine in their own circumstances.

The 'holding period rule' does not apply to Think Group Securityholders that are individuals where their total franking credit tax offset entitlement does not exceed \$5,000 for the year of income in which a dividend is paid. This concession will not, however, apply to the Permitted Dividend on the basis that the Permitted Dividend constitutes a 'related payment'.

The ability of Think Group Securityholders to benefit from the franking credit tax offset will depend on their status and specific circumstances. The following comments are provided on the basis that each Think Group Securityholder is a 'qualified person' in relation to the Interim Dividend and Permitted Dividend and that the Commissioner confirms that the various franking integrity rules do not apply. If either of these requirements are not met then there will be no franking credit tax offset.

It is expected the Class Rulings will confirm (in addition to the other matters outlined above):

- the relevant qualification period for the purposes of Think Group Securityholders satisfying the 'holding period rule' in relation to the Interim Dividend and Permitted Dividend; and
- that the Commissioner will not seek to apply any specific integrity provisions so as to prevent Think Group Securityholders from receiving the benefit of the franking credits.

#### *Australian resident individuals and complying superannuation funds*

Think Group Securityholders who are Australian resident individuals or complying superannuation funds will be entitled to a tax offset equal to the amount of the franking credits attached to the Interim Dividend and Permitted Dividend. Where these Think Group Securityholders have franking credit tax offsets in excess of their total income tax liability they may be entitled to a refund equal to the excess.

#### *Australian resident companies*

Think Group Securityholders that are Australian resident companies will be entitled to a tax offset equal to the amount of the franking credits attached to the Interim Dividend and Permitted Dividend and accordingly, should not pay any additional income tax on the dividends. Where an Australian resident company Think Group Securityholder has an excess of franking credits, they may be able to convert the excess tax offsets into carried forward tax losses.

A franking credit will arise in the franking account of these Think Group Securityholders equal to the amount of the franking credits attached to the Interim Dividend and Permitted Dividend.

### *Australian resident trusts (other than an Attribution managed investment trust (AMIT))*

Where a Think Group Securityholder is an Australian resident trust (other than an AMIT) and Australian resident beneficiaries are presently entitled to trust income of the trust which includes the Interim Dividend and / or Permitted Dividend, the benefit of the franking credits attached to the dividends may also pass through to Australian resident beneficiaries. The income tax treatment of the Interim Dividend and Permitted Dividend and attached franking credits in the hands of those beneficiaries will depend on the tax status of the beneficiaries.

Where the Think Group Securityholder is an Australian resident trust (other than an AMIT) and there are no beneficiaries presently entitled to the trust's income comprising the Interim Dividend and / or Permitted Dividend, the trustee will be liable for any income tax attributable to the dividends and be entitled to a tax offset equal to the attached franking credits.

### *AMITs*

Where TNK Shares and TND Shares are held by an AMIT, the beneficiaries of the AMIT will be attributed the income of the AMIT including the Interim Dividend and Permitted Dividend based on their clearly defined rights in the AMIT. The attached franking credits will flow to the relevant beneficiary in proportion to the attributed Interim Dividend and Permitted Dividend. The income tax treatment of the Interim Dividend and Permitted Dividend and attached franking credits in the hands of those beneficiaries will depend on the tax status of the beneficiaries.

### *Australian resident partnerships*

Where TNK Shares and TND Shares are held by an Australian resident partnership, the Interim Dividend and Permitted Dividend and the benefit of the franking credits attached to the dividends may also pass through to Australian resident partners. The income tax treatment of the Interim Dividend and Permitted Dividend and attached franking credits in the hands of those partners will depend on the tax status of the partners.

## 8.5 Australian taxation implications of the Schemes

### **(a) Disposal of TNK Shares and TND Shares by Australian residents**

Under the Schemes, Think Group Securityholders will dispose of their TNK Shares and TND Shares to Busy Bees Australia Group in exchange for the Scheme Consideration.

#### **Australian CGT**

##### *CGT asset*

For Australian CGT purposes, each of the TNK Shares and the TND Shares will be treated as separate CGT assets, even though they are stapled.

Any unstapling as part of the Schemes will not have any CGT implications.

##### *CGT event*

The disposal of TNK Shares and TND Shares by an Australian resident Independent Securityholder pursuant to the Schemes should constitute a CGT event for Australian income taxation purposes on the Implementation Date.

Under the TNK Scheme, Australian resident TNK Shareholders should:

- make a capital gain if the proceeds from the disposal of their TNK Shares are greater than the cost base of their TNK Shares; or
- make a capital loss if the capital proceeds from the disposal of their TNK Shares are less than the reduced cost base of their TNK Shares.

Under the TND Scheme, Australian resident TND Shareholders should:

- make a capital gain if the proceeds from the disposal of their TND Shares are greater than the cost base of their TND Shares; or
- make a capital loss if the capital proceeds from the disposal of their TND Shares are less than the reduced cost base of their TND Shares.

Australian resident Think Group Securityholders will total up all of the capital gains in the income year (including from the sale of the TNK Shares and TND Shares) and reduce that amount by any capital losses incurred in the income year (including from the sale of the TNK Shares and TND Shares) or any other capital losses from prior income years, subject to satisfaction of the relevant loss recoupment rules. Any remaining capital gain may be discounted (see below) before being included in the Australian resident Think Group Securityholder's assessable income for the year in which the CGT event occurs.

Australian resident Think Group Securityholders who make a capital loss on the disposal of their Think Group Securities can only offset the capital loss against capital gains realised in the same, or subsequent, income years (subject to the relevant satisfaction of the loss recoupment rules). Specific loss recoupment rules apply to companies and trusts and may restrict their ability to utilise any such capital losses in a future period.

### Capital proceeds

The capital proceeds on the disposal of the TNK Shares and the TND Shares should be the Scheme Consideration received by Think Group Securityholders, allocated on a reasonable basis between the TNK Shares and the TND Shares. The Class Ruling should confirm whether the capital proceeds for the disposal of the TNK Shares include the amount of the Permitted Dividend. The amount of the Interim Dividend should not be included in the capital proceeds for the disposal of the TNK Shares.

If the capital proceeds do not include the amount of the Permitted Dividend, the capital proceeds will be the cash amount, being \$3.20, less the amount of the Permitted Dividend (if any) allocated between the TNK Shares and the TND Shares on a reasonable basis.

If in the alternative, the Commissioner considers that the Permitted Dividend forms part of the capital proceeds, the capital proceeds will be equal to \$3.20, allocated between the TNK Shares and the TND Shares on a reasonable basis but note the potential further implications set out below under the heading 'Anti-Overlap' on the treatment of capital gains and capital losses.

### Cost base and reduced cost base

The cost base and reduced cost base of TNK Shares and TND Shares is calculated separately.

The cost base of each TNK Share and each TND Share should generally include the amount paid to acquire the relevant TNK Share or TND Share, plus any non-deductible costs of acquisition, holding and disposal (e.g. brokerage fees and stamp duty). An initial allocation of the acquisition costs should have been made at the time you acquired your Think Group Securities.

The reduced cost base, used to determine a capital loss, is calculated in a similar manner.

### CGT discount

Generally, Australian resident Think Group Securityholders who are individuals, trusts or complying superannuation funds that have held their TNK Shares and TND Shares for at least 12 months at the time of their disposal (being the Implementation Date) should be entitled to the CGT discount in calculating the amount of capital gain on disposal of their TNK Shares and TND Shares.

The CGT discount is applied after available capital losses have been offset to reduce the capital gain.

The applicable CGT discount which should reduce a capital gain arising from the disposal of TNK Shares and TND Shares is as follows:

- 50% for individuals and trusts; and
- 33 $\frac{1}{3}$ % for a complying superannuation fund.

The CGT discount is not available for Australian resident TNK Shares and TND Shareholders who are companies.

### **Anti-overlap**

Where the Permitted Dividend forms part of the capital proceeds, the amount of any capital gain made by a Think Group Securityholder will be reduced by the amount of the Permitted Dividend which has been included in the assessable income of the Think Group Securityholder.

If the amount of the Permitted Dividend exceeds the capital gain, the capital gain is reduced to zero. However, the capital gain made by the Think Group Securityholder will not be reduced by the amount of the franking credit that is included in the Think Group Securityholder's assessable income as a result of the receipt of the Permitted Dividend by the Think Group Securityholder.

If a Think Group Securityholder makes a capital loss in relation to the disposal of either the TNK Shares or the TND Shares and the Permitted Dividend forms part of the capital proceeds in relation to that sale, the Think Group Securityholder's capital loss is calculated based on capital proceeds which include the Permitted Dividend (meaning that the capital loss is reduced by the amount of the Permitted Dividend).

### **(b) Taxation consequences of disposal of TNK Shares and TND Shares by foreign residents**

Think Group Securityholders who are not Australian tax residents and do not hold their Think Group Securities in the course of carrying on business in Australia at or through a permanent establishment are not required to include the Interim Dividend or Permitted Dividend in their assessable income and are not entitled to a franking credit tax offset.

Think Group Securityholders should not be subject to Australian dividend withholding tax to the extent that the Interim Dividend and / or Permitted Dividend are franked.

Any capital gain or loss derived on the disposal of TNK Shares and TND Shares by Think Group Securityholders who are not Australian residents will be disregarded provided that the TNK Shares and the TND Shares are not held by the non-resident in carrying on business in Australia at or through a permanent establishment and provided that neither the TNK Shares nor the TND Shares are *indirect Australian real property interests* for the purposes of the ITAA 1997.

### **Foreign resident capital gains withholding regime**

Generally, foreign resident capital gains withholding at a rate of 12.5% of the capital proceeds applies to a transaction involving the acquisition of an asset that is an indirect Australian real property interest (i.e. the asset is "taxable Australian property") from a "relevant foreign resident".

Under the foreign resident capital gains withholding rules, Busy Bees and FEL Dev (as purchaser of the TNK Shares and TND Shares respectively) are required to assess whether each Think Group Securityholder registered at the Scheme Record Date is a "relevant foreign resident" holding an indirect Australian real property interest.



For the purposes of these rules, a "relevant foreign resident" is any registered Think Group Securityholder, at the time the transaction is entered into, that is:

- known or reasonably believed by Busy Bees to be a foreign resident;
- not reasonably believed by Busy Bees to be an Australian resident, and either has an address outside Australia or has authorised Busy Bees to provide a financial benefit to a place outside Australia; or
- has a connection outside Australia of a kind specified in the regulations.

To assist Busy Bees with its assessment, if Think Group considers or reasonably believes a Think Group Securityholder is or may be a "relevant foreign resident" holding an indirect Australian real property interest after taking into account the factors outlined below, that registered Think Group Securityholder will be provided (with this Explanatory Booklet) a foreign resident capital gains withholding vendor declaration form.

A number of factors will be considered in determining whether a Think Group Securityholder is considered or reasonably believed to be a "relevant foreign resident", including circumstances in which the registered Think Group Securityholder:

- is classified as a non-resident or has a non-Australian domicile in Think Group's Securities Register;
- has a foreign registered address; or
- in the case of a corporate securityholder, is not incorporated in Australia or has a registered name which leads Think Group and Busy Bees to reasonably believe that the corporate Think Group Securityholder is not an Australian incorporated entity.

In addition, all registered Independent Securityholders that hold, on an associate inclusive basis, 5% or more of the issued share capital will also be provided (with this Explanatory Booklet) with a foreign resident capital gains withholding vendor declaration (regardless of the above circumstances).

If, for whatever reason, you think that you are a relevant foreign resident who holds (on an associate inclusive basis) 10% or more of the issued share capital of the Think Group, but do not receive a declaration form with this Scheme Booklet, you should contact the Securityholder Information Line on 1300 145 425 (within Australia) or +61 3 9415 4829 (outside Australia) Monday to Friday between 8.30am and 5.30pm (Melbourne time) to request a declaration form.

If you receive a declaration form, you should read it in full and follow the instructions provided on the form.

In the declaration form, the registered holder of your Think Group Securities may provide Busy Bees with a declaration that:

- the registered holder of your Think Group Securities is an Australian tax resident; or
- the Think Group Securities held by the registered holder are not indirect Australian real property interests.

Unless a signed declaration form regarding your residency, or interest, is provided to Busy Bees by the required time stated on the form, you may be treated as being a "relevant foreign resident" for the purposes of the Schemes.

Where you are treated as being a "relevant foreign resident" for the purposes of the Schemes, Busy Bees may withhold, and remit to the Commissioner of Taxation, an amount equal to 12.5% (or some lesser amount approved by the Commissioner of Taxation) of your Scheme Consideration payable to you in respect of your Think Group Securities.

Think Group Securityholders who have an amount withheld may be entitled to a credit for that amount withheld when they lodge an Australian income tax return.

Think Group Securityholders should seek their own independent tax advice as to the taxation implications of the foreign resident capital gains withholding regime and the making of a foreign resident capital gains withholding vendor declaration.

#### **(c) GST implications**

The transfer of the Think Group Securities by a Think Group Securityholder under the Schemes should not be subject to GST, either as an input taxed financial supply, or an out-of-scope supply (depending on the circumstances of the Think Group Securityholder).

Any dividends received by a Think Group Securityholder should not be subject to GST.

Think Group Securityholders may be charged GST on costs (such as third party brokerage or advisor costs) that relate to their participation in the Schemes. Think Group Securityholders may not be entitled to claim full input tax credits for the GST included in such costs that relate to the transfer of the Think Group Securities.

Think Group Securityholders should obtain independent advice in relation to the impact of GST on their individual circumstances.

#### **(d) Stamp duty implications**

No Australian stamp duty will be payable by a Think Group Securityholder in respect of the transfer of the Think Group Securities under the Schemes.

## **8.6 Australian taxation implications of the MGE Acquisition**

#### **(a) Income tax**

The MGE Acquisition should not give rise to any Australian income tax implications for existing Think Group Securityholders (other than the MGE Entities).

#### **(b) GST**

The MGE Acquisition should not give rise to any GST implications for Independent Securityholders.

#### **(c) Stamp duty**

No Australian stamp duty will be payable by an Independent Securityholder in respect of the MGE Acquisition.

## 9. The Schemes in Further Detail

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### 9.1 Introduction

This Section:

- discusses the purpose and effect of the Schemes;
- provides a summary of the conditions and approvals required for the Schemes to proceed; and
- provides a summary of the rights of Think Group and Busy Bees to withdraw from the Schemes.

If the Conditions for the Schemes are satisfied or waived (as applicable), the manner in which the Schemes will be implemented is described in Section 11.

### 9.2 Elements of the Schemes

#### (a) Purpose

The purpose of the Schemes is to give effect to a proposed arrangement between Think Group and Scheme Securityholders. That arrangement in turn contemplates that Busy Bees and FEL Dev will acquire 77.15% of the shares in each of TNK and TND respectively, being all of the Think Group Securities held by the Scheme Securityholders, in exchange for payment of the Scheme Consideration to the Scheme Securityholders. If the Schemes become Effective and both the MGE Share Acquisition and the MGE Acquisition are completed, TNK will become a wholly-owned and controlled subsidiary of Busy Bees, the Think Rump (including TND) will be owned and controlled by Mathew Edwards and his Controlled entities and Think Group will be delisted from ASX.

The terms of the TNK Scheme and the TND Scheme are set out in Appendix 4 and Appendix 5 to this Explanatory Booklet respectively.

#### (b) Legal effect

If the Schemes become Effective, it will constitute a binding arrangement between Think Group and each Scheme Securityholder under which:

- all TNK Scheme Shares and all TND Scheme Shares held by each Scheme Securityholder (including those who were not present at the Scheme Meetings, those who did not vote on the Schemes and those who voted against them) will be transferred to Busy Bees and FEL Dev respectively, free of any security interest (in accordance with, without limitation, section 32(1) of the *Personal Property Securities Act 2009* (Cth) and Regulation 7.1 of the *Personal Property Securities Act Regulations 2010* (Cth)), without the need for any action on the part of the Scheme Securityholders; and
- each Scheme Securityholder (including those who were not present at the Scheme Meetings, those who did not vote on the Schemes and those who voted against them) will receive the Scheme Consideration, subject to any security interest which attaches to the Scheme Consideration in accordance with section 32(1) of the *Personal Property Securities Act 2009* (Cth), as consideration in full for the transfer of all of their Think Group Securities to Busy Bees.

### **(c) Scheme Meetings**

At the First Court Hearing on 18 August 2021, the Court ordered Think Group to convene a meeting of TNK Shareholders (other than the MGE Entities) and a meeting of TND Shareholders (other than the MGE Entities) to consider and vote on the Schemes.

The resolutions to be considered at the TNK Scheme Meeting and at the TND Scheme Meeting are contained in the Notices of Scheme Meeting in Appendix 6 and Appendix 7 to this Explanatory Booklet respectively.

### **(d) Eligibility to vote at the Scheme Meetings**

Each person who is registered on the Securities Register as an Independent Securityholder as at the Voting Entitlement Time (7.00pm on Monday, 27 September 2021) is entitled to attend and vote at the Scheme Meetings, either in person, by proxy or attorney or, in the case of an Independent Securityholder who is a corporation, by a corporate representative.

Section 4 provides full details of how to vote at the Scheme Meetings. The Proxy Form for all of the Meetings accompanies this Explanatory Booklet.

### **(e) Voting majority required**

The Schemes will only become Effective and be implemented if, in addition to passing of the General Meeting Resolutions by Think Group Securityholders, they are:

- approved by the requisite majority of Independent Securityholders at the Scheme Meetings; and
- approved by the Court at the Second Court Hearing.

Approval of the Schemes by Independent Securityholders requires the resolutions at the Scheme Meetings to be passed by:

- a majority in number (more than 50%) of Independent Securityholders present and voting at each Scheme Meeting (in person or by proxy, attorney, or in the case of an Independent Securityholder who is a corporation, by corporate representative) (**Headcount Test**); and
- at least 75% of the total number of votes which are cast at each Scheme Meeting (in person or by proxy, attorney, or in the case of an Independent Securityholder who is a corporation, by corporate representative).

The Court has the power to approve the Schemes even if the Headcount Test has not been satisfied. For example, the Court may do so if there is evidence that the result of the vote has been unfairly influenced by activities such as share splitting.

### **(f) Your warranties under the Schemes**

The Schemes provide that Independent Securityholders who hold Think Group Securities as at the Scheme Record Date (currently proposed to be 14 October 2021) are taken to have warranted to Think Group that:

- all their Think Group Securities (including any rights and entitlements attaching to those shares) transferred to Busy Bees or FEL Dev (as applicable) under the Schemes will, at the time of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any security interests within the meaning of section 12 of the *Personal Property Securities Act 2009 (Cth)*) and interests of third parties of any kind, whether legal or otherwise, and restrictions of transfer of any kind and that they have full power and capacity to sell and transfer their Think Group Securities (together with any rights attaching to those shares) to Busy Bees or FEL Dev (as applicable) under the Schemes; and

- they have no existing right to be issued any Think Group Securities, options exercisable into Think Group Securities, Think Group convertible notes or any other Think Group securities.

You should ensure that these warranties can be given by you prior to, and remain correct as at, the Implementation Date.

### **(g) Agreement to variation or cancellation of class rights**

The TNK Scheme provides that:

- each TNK Scheme Shareholder by force of the TNK Scheme agrees to any variation or cancellation of its rights as a TNK Shareholder as a result of the Appointor Structure Approval Resolutions taking effect;
- each TNK Scheme Shareholder, without the need for any further act, irrevocably appoints TNK and all of its directors, officers and secretaries, jointly and severally, as that TNK Scheme Shareholder's attorney and agent for the purpose of executing a written consent to any variation or cancellation of its rights as a TNK Shareholder as a result of the Appointor Structure Approval Resolutions taking effect; and
- TNK must, no later than 2 Business Days prior to the Implementation Date, deliver to Busy Bees the written consent satisfying the requirements of section 246E of the Corporations Act, of all members of TNK to the variation or cancellation of its rights as a TNK shareholder as a result of the Appointor Structure Approval Resolutions taking effect on the Implementation Date in accordance with the terms of the Appointor Structure Approval Resolutions.

TNK Shareholders should take note of the above provisions in the context that if the Schemes become Effective, they will be deemed to have approved any such variation or cancellation of their rights as a TNK Shareholder as a result of the Appointor Structure Approval Resolutions taking effect.

### **(h) Deeds Poll**

Busy Bees has executed a Deed Poll in favour of the TNK Scheme Shareholders in which it covenants in favour of TNK Scheme Shareholders to perform the actions attributed to it under the TNK Scheme and to provide the TNK Scheme Consideration in accordance with the TNK Scheme. A copy of the TNK Deed Poll is set out in Appendix 2 to this Explanatory Booklet.

FEL Dev has executed a Deed Poll in favour of the TND Scheme Shareholders in which it covenants in favour of TND Scheme Shareholders to perform the actions attributed to it under the TND Scheme and to provide the TND Scheme Consideration in accordance with the TND Scheme. A copy of the TND Deed Poll is set out in Appendix 3 to this Explanatory Booklet.

## **9.3 Conditions to the Schemes**

Implementation of the Schemes are subject to the Conditions outlined in Section 2.6(a). The Schemes will not proceed unless all of the Conditions to the Schemes are satisfied or waived (as applicable) in accordance with the Implementation Agreement.

## 9.4 Termination rights

Think Group and Busy Bees are entitled to terminate the Implementation Agreement in certain circumstances, as summarised below (and set out in full in clause 13 of the Implementation Agreement):

- (a) **Termination by either Think Group or Busy Bees:** Either Think Group or Busy Bees may terminate the Implementation Agreement (by giving written notice to the other party):
  - (i) non-fulfilment of Conditions: where a Condition that is for the benefit of the party wishing to terminate is not satisfied or waived before the End Date and the Parties are unable to agree in accordance with the Implementation Date to amend the transaction or extend the End Date;
  - (ii) material breach: at any time before the Delivery Time, where the other party is in material breach of the Implementation Agreement (excluding breaching of a party's respective representations and warranties, for which a separate termination right exists) and has not remedied that breach within 10 Business Days after being notified of the breach;
  - (iii) Court refuses to convene Scheme Meetings: if the Court refuses to make orders directing Think Group to convene the Scheme Meetings; or
  - (iv) the Schemes do not become Effective on or before the End Date.
- (b) **Termination by Think Group:** Think Group may, by giving written notice to Busy Bees, terminate the Implementation Agreement at any time before the Delivery Time, if:
  - (i) Independent Directors change of recommendation: a majority of Independent Directors publicly change, withdraw or modify their Recommendation or Voting Intention; or
  - (ii) Busy Bees breach of warranty: Busy Bees is in material breach of a Busy Bees Warranty or is in breach of certain warranties in the Implementation Agreement relating to the availability of funding to pay the Scheme Consideration (set out in clauses 10.1(b)(ix) to 10.1(b)(xi) of the Implementation Agreement) and has not remedied that breach within 10 Business Days after being notified of the breach.
- (c) **Termination by Busy Bees:** Busy Bees may, by giving written notice to Think Group, terminate the Implementation Agreement at any time before the Delivery Time, if:
  - (i) any Independent Director fails to provide their Recommendation or Voting Intention in accordance with the requirements of clause 6.1(a) of the Implementation Agreement, withdraws, adversely changes, modifies or qualifies their Recommendation or Voting Intention or makes a public statement inconsistent with that Recommendation or Voting intention (other than as a result of any circumstances described in clause 6.2 of the Implementation Agreement);
  - (ii) any Think Group Director recommends, endorses or supports a Competing Proposal or any member of the Think Consolidated Group accepts or enters into an agreement, arrangement or understanding to give effect or implement a Competing Proposal or acts in a manner which materially inconsistent with obtaining approval for the Schemes and implementing the Proposed Transactions;



- (iii) Think Group breach of warranty: Think Group is in material breach of a Think Group Warranty or is in breach of certain warranties in the Implementation Agreement relating to the number of Think Group Securities and Performance Rights on issue (set out in clause 10.3(b)(x)) and has not remedied that breach within 10 Business Days after being notified of the breach;
- (iv) any Think Consolidated Group Member acts in a manner which is materially inconsistent with obtaining approval for the Schemes and implementing the Proposed Transaction;
- (v) Think Group breaches clause 8.1 of the Implementation Agreement and, the breach is either incapable of being remedied, or if the breach is capable of remedy, Think Group has failed to remedy that breach within 10 Business Days (or by the Delivery Time, if earlier) of receipt by it of a notice in writing from Busy Bees setting out details of the relevant circumstance and requesting Think Group to remedy the breach; or
- (vi) Think Group breaches its obligations with respect to exclusivity in clause 16 of the Implementation Agreement.

## 9.5 Status of Conditions and termination rights

As at the date of this Explanatory Booklet, your Independent Directors are not aware of any circumstances which would cause any conditions not to be satisfied or any termination right to be enlivened.

## 9.6 Arrangements for Think Group Performance Rights

As at the Last Practicable Date, Think Group has on issue 478,638 Performance Rights issued to two Performance Rights Holders as follows:

- 278,271 Performance Rights issued to Mr Mathew Edwards (Chief Executive Officer and Managing Director of Think Group), who is also a Think Group Securityholder (with a securityholding of 13,634,452 Think Group Securities); and
- 200,367 Performance Rights issued to Ms Georgina Gausson (Chief Operating Officer of Think Group).

The Independent Directors have resolved that all Performance Rights will become exercisable and that all vesting conditions will be deemed to have been satisfied, subject to the Schemes being approved by Independent Securityholders and the Court.

The underlying 478,638 Think Group Securities have already been issued to the trustee of the Think Childcare Employee Share Trust and therefore, subject to the Schemes being approved by Independent Securityholders at the Scheme Meetings and the Schemes becoming Effective, upon exercise of the Performance Rights by the Performance Rights Holders, such number of Think Group Securities to which the holders are entitled will be transferred to them.

Therefore, the Think Group Securities issued to the Performance Rights Holders in accordance with the above arrangements will have the following implications:

- in respect of Mr Mathew Edwards:
  - he will retain the 278,271 TND Shares transferred to him following the exercise of his Performance Rights;
  - the 278,271 TNK Shares transferred to him following the exercise of his Performance Rights will be acquired by Busy Bees under the MGE Share Acquisition Agreement; and
  - he will be entitled to receive the Permitted Dividend provided that, as at Permitted Dividend Record Date, he remains the registered holder of those 278,271 Think Group Securities; and
- in respect of Ms Gausson, the 200,367 Think Group Securities transferred to her following the exercise of her Performance Rights will form part of the Scheme Securities and she will be entitled to receive the Scheme Consideration and any Permitted Dividend, provided that, as at the Scheme Record Date and Permitted Dividend Record Date respectively, she remains the registered holder of those 200,367 Think Group Securities.

The number of Think Group Securities to be transferred to Performance Rights Holders will be 478,638.

If the Schemes do not become Effective, the matters outlined in this Section 9.6 will not occur and Performance Rights Holders will continue to hold their Think Group Performance Rights subject to performance hurdles.

## 10. The MGE Acquisition and MGE Share Acquisition Agreement in Further Detail

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### 10.1 MGE Acquisition

This Section:

- provides a summary of the key terms of the MGE Share Acquisition Agreement; and
- discusses the purpose and effect of the MGE Acquisition and provides a summary of the key terms of the MGE Agreements.

The MGE Entities are ultimately owned and controlled by Mathew Edwards, the current Managing Director of Think Group.

### 10.2 MGE Share Acquisition Agreement

The MGE Share Acquisition Agreement is an agreement between Busy Bees and the MGE Entities and regulates the acquisition by Busy Bees of 22.15% of TNK from the MGE Entities for the same consideration attributable to the TNK Shares under the TNK Scheme (such that, following implementation of the TNK Scheme and completion under the MGE Share Acquisition Agreement, Busy Bees will own 100% of the issued share capital of TNK).

The agreement is conditional, among other matters, on the Schemes being implemented and completion is required to occur on the same day that the Schemes are implemented.

The MGE Share Acquisition Agreement will automatically terminate if the Implementation Agreement is terminated or if the Schemes are not approved by Independent Securityholders or by the Court.

Under the MGE Share Acquisition Agreement, Mathew Edwards and the other MGE Entities have agreed to certain exclusivity arrangements in favour of Busy Bees. The following is a summary of the exclusivity arrangements agreed to by the MGE Entities in the MGE Share Acquisition Agreement. The full terms of these exclusivity arrangements are set out in the MGE Share Acquisition Agreement, a copy of which is attached to the Form 604 – Notice of Change of Substantial Holder filed by Busy Bees on ASX on 17 June 2021.

#### *Existing discussions*

As at the date of the MGE Share Acquisition Agreement, each MGE Entity party to that agreement represented and warranted to Busy Bees that:

- it and each of its Related Persons are not party to any agreement or arrangement with any person for the purposes of facilitating a Competing Proposal; and
- it and each of its Related Persons are not directly or indirectly participating in negotiations or discussions with any person in relation to a Competing Proposal, or that could reasonably be expected to lead to a Competing Proposal.

#### *No shop*

Each MGE Entity must not and must ensure that its Related Persons do not, directly or indirectly solicit, invite or initiate any Competing Proposal or any enquiries, negotiations or discussions with any person in relation to, or that may reasonably be expected to lead to, or any enquiries, discussions or proposal with a view to obtaining an offer in respect of, a Competing Proposal or communicate any intention to do any of those things.

### **No talk**

Each MGE Entity must not and must ensure that its Related Persons do not:

- negotiate, accept or enter into, approve or recommend or enter into or participate in negotiations or discussions with, or enter into any agreement, arrangement or understanding with any person (other than Busy Bees), or communicate any intention to do any of these things, in relation to, or that may reasonably be expected to lead to, an actual or potential Competing Proposal, even if the Competing Proposal was not solicited, invited, encouraged or initiated by an MGE Entity or any of its Related Persons, or even if that person has publicly announced the Competing Proposal; or
- make available to any person (other than Busy Bees) or permit any such person to receive any non-public information relating to Think Group, its Related Bodies Corporate or any of their businesses and operations, with a view to obtaining or which would reasonably be expected to lead to such person formulating, developing, finalising a Competing Proposal, other than where Mathew Edwards, in his capacity as a Think Group Director, engages with any Think Group Securityholder for matters not relating to a Competing Proposal, or makes presentations to, and responds to, enquiries from brokers, portfolio investors, analysts and institutional lenders in the ordinary course in relation to Think Group's business generally.

### **Voting**

Each MGE Entity:

- must ensure that none of the MGE TNK Shares or TND Shares held by that MGE Entity are voted in favour of any Competing Proposal or against the Schemes or the General Meeting Resolutions; and
- will procure that, if the registered holder is provided with the opportunity to vote at the Scheme Meetings or on the Unstapling Resolutions or Appointor Structure Approval Resolutions, all MGE TNK Shares or TND Shares held by that MGE Entity are voted in favour of the Schemes and in favour of the Unstapling Resolutions and the Appointor Structure Approval Resolutions.

### **Notice of approach**

The MGE Entities must within 24 hours notify Busy Bees in writing of the receipt of any proposal made by any person in connection with an actual or potential Competing Proposal, and such notice must set out (to the extent known) the identity of the person making the actual or potential Competing Proposal and all material terms and conditions of the actual or potential Competing Proposal.

### **Standstill**

Each MGE Entity must not, and must procure that each of its Related Persons do not, directly or indirectly, and, do not publicly announce an intention to:

- acquire a relevant interest in Think Group Securities or securities convertible into Think Group Securities, voting power in either TNK or TND, or an economic interest in Think Group Securities or securities convertible into Think Group Securities, or offer or agree to do any of those things (whether conditionally or unconditionally);
- sell, transfer, declare a trust over, create any interest in or Security Interest over, cease having a relevant interest in, grant a relevant interest in, accept a takeover bid in respect of , or otherwise dispose of any Think Group Securities or any shares in an MGE Entity, or offer or agree to do any of those things (whether conditionally or unconditionally); or

- enter into any agreement (whether conditional or unconditional) in respect of the right to vote Think Group Securities it holds or vote in favour of any Competing Proposal, or offer to do so (whether conditionally or unconditionally),

other than pursuant to the Proposed Transaction or as a result of the conversion, exercise or vesting of Performance Rights held by the MGE Entity as at 16 June 2021, unless approved in writing by Busy Bees.

The MGE Share Acquisition Agreement requires both Busy Bees and an MGE Entity to subscribe for convertible notes issued by TND.

The proceeds from the convertible notes subscribed by an MGE Entity will be used by TND to:

- repay the amount of \$2,000,000 owing to TNK; and
- partially repay the amount owing under the Moelis Facility up to an estimated amount of \$1,700,000,

prior to completion under the TND Share Transfer Agreement.

The proceeds from the convertible notes subscribed by Busy Bees will be used by TND to repay the balance owing (including interest) under the Moelis Facility, prior to completion under the TND Share Transfer Agreement. The convertible notes subscribed by Busy Bees will be transferred to Nest Education, an entity Controlled by Mathew Edwards, for nominal consideration under the TND Share Sale Agreement described in Section 10.3(c) below.

The MGE Share Acquisition Agreement provides that, subject to the Appointor Structure Approval Resolutions being passed by TNK shareholders and the Schemes becoming Effective, each MGE Entity:

- provides its written consent to any variation or cancellation of its rights as a shareholder of TNK as a result of the Appointor Structure Approval Resolutions taking effect on the Implementation Date in accordance with the terms of the Appointor Structure Approval Resolutions;
- agrees that it will not apply to the Court (as defined in section 58AA of the Corporations Act) to have any such variation or cancellation set aside under section 246D of the Corporations Act; and
- agrees to, by no later than 2 Business Days before the Implementation Date, sign such further written consent in respect of the variation or cancellation as may be provided by TNK for the purpose of TNK satisfying its obligations under clause 8.6(c) of the TNK Scheme.

## 10.3 MGE Agreements

### (a) Background

As described in section 2.7, the MGE Agreements embody the transactions that constitute the sale of the Think Rump. Further details of the MGE Agreements are set out below, but in effect the agreements regulate matters between, where relevant, TNK, the Busy Bees Australia Group and the MGE Entities to facilitate the acquisition by Mathew Edwards or an entity Controlled by him of the following assets:

- the 77.85% of the TND Shares acquired by FEL Dev under the TND Scheme (such that, following completion, Mathew Edwards and his Controlled entities will own 100% of the issued share capital of TND);
- the Nido Franklin business and assets;

- the head office function and certain specified non-income producing assets of Think Group (including the assumption of the head office and related employee costs and associated liabilities of TNK and entities that hold leases for TNK development greenfield sites);
- 100% of the issued share capital of Think Childcare Services Pty Ltd (being the entity that holds the childcare centre service approvals for the TNK centres that are the subject of the Centre Management Agreement); and
- the Nido brand and all associated intellectual property rights.

In addition, under the MGE Agreements, the full amount owing under the Moelis Facility of approximately \$13 million will be paid out at completion by Busy Bees.

#### **(b) Centre Management Agreement**

The Centre Management Agreement is an agreement between Busy Bees Australia Operations Pty Ltd, a member of the Busy Bees Australia Group, and Nest Management, an entity that is Controlled by Mathew Edwards. Under this agreement, Nest Management is appointed as the manager of 35 TNK childcare centres for a management fee of \$100,000 per centre per annum (subject to a minimum total amount of \$3,000,000) for a period of 3 years.

The agreement commences on the same day that the Schemes are implemented.

#### **(c) TND Share Transfer Agreement**

The TND Share Transfer Agreement is an agreement between FEL Dev, Busy Bees and Nest Education, an entity that is Controlled by Mathew Edwards. This agreement regulates the acquisition by Nest Education of 77.85% of TND from FEL Dev (such that Mathew Edwards and his Controlled entities will own 100% of the issued share capital of TND) and the acquisition by Nest Education of the convertible notes issued by TND from Busy Bees as described in Section 10.2 above for a nominal consideration of \$100 plus the amount of any free cash in TND.

The agreement is conditional on the Schemes being implemented and completion is required to occur on the same day that the Schemes are implemented.

#### **(d) Head Office Asset Sale Agreement**

The Head Office Asset Sale Agreement is an agreement between TNK, LEA and Nest Education, an entity that is Controlled by Mathew Edwards. This agreement regulates the transfer of certain assets relating to the Centre development arm of the Business conducted by TND including the head office and certain specific non-income producing assets to Nest Education for a nominal consideration of \$100.

The deed is conditional on the Schemes being implemented and completion is required to occur on the same day that the Schemes are implemented.

In relation to transferring employees, TNK will pay to each transferring employee all wages, salary, remuneration, allowances, compensation and benefits, and accrued annual leave entitlements due to or accrued by them before the Implementation Date. TNK will also pay to Nest Education an amount equal to 70% of the Accrued Long Service Leave Entitlements assumed by Nest Education.



Mathew Edwards will be a transferring employee under the Head Office Asset Sale Agreement, and will be treated in the same manner as all other transferring employees, except that:

- under the terms of his employment agreement with TNK, subject to the approval of the TNK Board, he will be entitled to receive 100% of his short term incentive payment for FY2021 of \$215,000 from TNK; and
- he has agreed with Busy Bees that he will have a nil amount of accrued annual leave entitlements.

**(e) Nido Franklin Sale Agreement**

The Nido Franklin Sale Agreement is an agreement between LEA and Nest Property, an entity that is Controlled by Mathew Edwards. This agreement regulates the transfer of Nido Franklin to Nest Property for a nominal consideration of \$100.

The Nido Franklin Sale Agreement is conditional on the Schemes being implemented and completion is required to occur on the same day that the Schemes are implemented.

**(f) Intellectual Property Licence Deed (Nido)**

The Intellectual Property Licence Deed (Nido) is a deed between Nest Education, an entity that is Controlled by Mathew Edwards and Busy Bees Australia Operations Pty Ltd, a member of the Busy Bees Australia Group. This deed regulates the grant of a licence of the Nido intellectual property to Busy Bees during the term of the Centre Management Agreement, along with certain other IP to Busy Bees in perpetuity.

**(g) Ancillary Rights Deed**

The Ancillary Rights Deed is a deed between Busy Bees Australia Operations Pty Ltd, a member of the Busy Bees Australia Group, and Nest Management, an entity that is Controlled by Mathew Edwards. This deed regulates the provision between Busy Bees and Mathew Edwards of first rights of refusal for the disposal of certain TND centres and TNK centres that are managed under the Centre Management Agreement during the term of the Centre Management Agreement.

The Ancillary Rights Deed also provides for certain protective covenants between Busy Bees and Mathew Edwards in relation to the operation of Centres within certain restraint areas during the period of 12 months following the termination of the Centre Management Agreement.

## 11. Implementation

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### 11.1 Introduction

If:

- the Scheme Resolutions and the General Meeting Resolutions are passed by Think Group Securityholders at the Meetings; and
- all other Scheme Conditions for the Schemes as described in Section 2.6(a)(other than Court approval of the Schemes) have been satisfied or waived (as applicable),

the further general steps required to implement the Schemes are as described in the remainder of this Section.

The description of these general steps is based on the obligations that Think Group and Busy Bees have under the Implementation Agreement (in relation to the Schemes).

- Busy Bees has executed a Deed Poll in favour of the TNK Scheme Shareholders in which it covenants in favour of TNK Scheme Shareholders to perform the actions attributed to it under the TNK Scheme and to provide the TNK Scheme Consideration in accordance with the TNK Scheme. A copy of the TNK Deed Poll is set out in Appendix 2 to this Explanatory Booklet.
- FEL Dev has executed a Deed Poll in favour of the TND Scheme Shareholders in which it covenants in favour of TND Scheme Shareholders to perform the actions attributed to it under the TND Scheme and to provide the TND Scheme Consideration in accordance with the TND Scheme. A copy of the Deed Poll is set out in Appendix 3 to this Explanatory Booklet.

### 11.2 Apply to Court for approval of the Schemes

At the Second Court Hearing, Think Group will apply to the Court for orders approving the Schemes. It is proposed that the Second Court Date will be on 6 October 2021. Any change to this date will be announced through ASX and will be available on ASX's website, [www.asx.com.au](http://www.asx.com.au).

The Court has a wide, overriding discretion whether or not to approve the Schemes under section 411(4)(b) of the Corporations Act.

If the Schemes are approved by the requisite majorities of Independent Securityholders at the Scheme Meetings, but is not subsequently approved by the Court, the Schemes will not proceed to be implemented.

### 11.3 Opposing the Schemes

The Second Court Date to approve the Schemes is currently scheduled to be 6 October 2021.

The hearing will be at 9.00am (Melbourne time) in the Federal Court of Australia (Victoria registry). In response to the COVID-19 global pandemic and government restrictions on physical gatherings, it is possible that the Second Court Hearing will be held either virtually or by telephone conference. Further details on how to attend the Second Court Hearing will be released on ASX if the Schemes are approved by Independent Securityholders at the Scheme Meetings. Independent Securityholders should note that the protocols for attendance at the Second Court Hearing may change at short notice in light of developments relating to the COVID-19 global pandemic. Any such change will be announced by Think Group to ASX.

If you wish to oppose approval of the Schemes by the Court at the Second Court Hearing you must file with the Court, and serve on Think Group, a notice of appearance in the prescribed form, together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on Think Group at its address for service at least one day before the Second Court Date.

The address for service is: c/o MinterEllison, Level 20, Collins Arch, 447 Collins Street, Melbourne VIC 3000, Attention: Bart Oude-Vrielink. The notice of appearance and affidavit must also be sent by email to [bart.oude-vrielink@minterellison.com](mailto:bart.oude-vrielink@minterellison.com).

## 11.4 Receipt of Court orders

If the Court approves the Schemes:

- Think Group will make an announcement to ASX notifying the market of receipt of Court approval, with that announcement proposed to be made on the day on which the Court approves the Schemes;
- that announcement will specify the Scheme Record Date; and
- as soon as possible and in any event by 5.00pm on the first Business Day after the day on which the Court approves the Schemes, Think Group will lodge an office copy of the Court's orders with ASIC under section 411(10) of the Corporations Act. On that date (currently proposed to be 7 October 2021, the Schemes will become Effective.

If the Schemes become Effective, Think Group will become bound to implement the Schemes in accordance with the terms of the Implementation Agreement, the Schemes and the Deeds Poll. Only those persons who are registered as the holders of Think Group Securities on the Scheme Record Date will be Scheme Securityholders, being the only persons who will be bound by, and have the benefit, of the Schemes. Section 11.5 describes the principles in the Schemes for determining the identity of Scheme Securityholders.

If the Schemes do not become Effective before the End Date, the Schemes will lapse.

## 11.5 Determination of Scheme Securityholders

To establish the identity of the Scheme Securityholders under the Schemes, dealings in Think Group Securities or other alterations to the Securities Register will only be recognised if:

- in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Securities Register as the holder of the relevant Think Group Securities on or before 7.00pm on the day on which the Scheme Record Date occurs; and
- in all other cases, registrable transmission applications or transfers received on or before 5.00pm on the day on which the Scheme Record Date occurs at the place where the Securities Register is kept.

Think Group will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Think Group Securities received after 5.00pm (or 7.00pm in the case of dealings of the type effected using CHESS) on the day on which the Scheme Record Date occurs (or if received prior to that time but not in registrable or actionable form, as appropriate), other than to Busy Bees and FEL Dev and any subsequent transfer by its successors in title under the respective Schemes or by the MGE Entities.

Under the terms of the Schemes, from the Scheme Record Date until registration of Busy Bees and FEL Dev as the holder of the TNK Scheme Shares and the TND Scheme Shares respectively:

- Independent Securityholders may not dispose of, or otherwise deal with, any Scheme Securities or any interest in them after the Scheme Record Date; and
- any disposals or dealings in Scheme Securities after the Scheme Record Date will not be recognised by the Securities Registry.

For the purposes of determining entitlements to the Scheme Consideration under the Schemes, Think Group must maintain the Securities Register in accordance with the provisions set out above until the Scheme Consideration has been delivered to the Scheme Securityholders. The Securities Register in this form will solely determine entitlements to the Scheme Consideration.

All statements of holding for Scheme Securities will cease to have effect from the Scheme Record Date as documents of title in respect of those shares. As from the Scheme Record Date, each entry current at that date on the Securities Register (other than entries in respect of the MGE Entities) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Shares relating to that entry.

As soon as practicable after the Scheme Record Date and in any event within one Business Day after the Scheme Record Date, Think Group will ensure that details of the names, Registered Addresses and holdings of Think Group Securities for each Scheme Securityholders are available to Busy Bees in the form they reasonably require.

## 11.6 Implementation of the Schemes

### (a) Suspension of trading of Think Group Securities

It is expected that suspension of trading on ASX in Think Group Securities will occur from close of trading on the Effective Date. On the current timetable, the Effective Date is proposed to be 7 October 2021.

### (b) Scheme Record Date

Independent Securityholders will be entitled to receive the Scheme Consideration if they are registered as the holders of Think Group Securities on the Scheme Record Date. The Scheme Record Date for the Schemes is currently proposed to be 14 October 2021. In this Explanatory Booklet, Independent Securityholders, and the Think Group Securities that they hold, on the Scheme Record Date (if the Schemes become Effective) are referred to as 'Scheme Securityholders' and 'Scheme Securities', respectively.

### (c) Transfer and registration of Scheme Securities

Under the Schemes, each Scheme Securityholder, without the need for any further act, irrevocably appoints Think Group and each of its directors, officers and secretaries, jointly and severally, as that Scheme Securityholder's attorney and agent for the purpose of executing any document necessary to give effect to the Schemes, including (without limitation) a master transfer of all or part of the Scheme Securities.

On the Implementation Date, the Scheme Securities held by the Scheme Securityholders, together with all rights and entitlements attaching to those securities as at the Implementation Date, will be transferred to Busy Bees and FEL Dev without the need for any further act by any Scheme Securityholder, by Think Group executing and delivering a valid transfer or transfers of the Scheme Securities to Busy Bees and FEL Dev (as applicable) under the Corporations Act.

#### **(d) Provision of Scheme Consideration**

On the Implementation Date, Think Group will, subject to Busy Bees and FEL Dev transferring the TNK Scheme Consideration and the TND Scheme Consideration into the Trust Accounts respectively, either:

- send (or procure the Securities Registry to send) the Scheme Consideration due to each Scheme Securityholder to their Registered Address by cheque in Australian currency drawn out of the Trust Accounts; or
- deposit (or procure the Registry to deposit) the Scheme Consideration due to each Scheme Securityholder by electronic fund transfer to a bank account nominated by the Scheme Securityholder notified to Think Group (or the Registry) by an appropriate authority from the Scheme Securityholders.

In the case of Scheme Securities, any Scheme Consideration payable in respect of those Scheme Securities is payable to the joint holders and any cheque required to be sent under the Schemes will be made payable to the joint holders and sent, at the sole discretion of Think Group, to either the holder whose name appears first in the Securities Register as at the Scheme Record Date or to the joint holders.

Where the calculation of the Scheme Consideration would result in a Scheme Securityholder becoming entitled to a fraction of a cent, that fractional entitlement will be rounded down to the nearest whole cent.

#### **(e) Completion of MGE Acquisition**

As noted in Section 10, the transactions under the MGE Share Acquisition Agreement and the MGE Acquisition will either complete or commence on the same day that the Schemes are implemented.

#### **(f) Delisting of Think Group**

At a time determined by Busy Bees following the implementation of the Schemes, Busy Bees will cause Think Group to apply for the termination of the official quotation of Think Group Securities on ASX and to have itself removed from the official list of ASX. It is expected that this will occur shortly after the Implementation Date.

## 12. Additional Information

### 12.1 Introduction

This Section sets out the statutory information required by section 412(1)(a) of the Corporations Act and Part 3 of Schedule 8 to the Corporations Regulations to be included in this Explanatory Booklet, but only to the extent that this information is not otherwise disclosed in other Sections. This Section also includes additional information that your Independent Directors consider material to a decision on how to vote on the resolutions for the Schemes to be considered at the Scheme Meetings.

In this Section, the terms 'associate', 'marketable securities', 'related body corporate' and 'subsidiary' have the meanings given to them in the Corporations Act. The term 'executive officer' is used to mean 'senior manager' as defined in the Corporations Act, including the company secretary.

### 12.2 Directors' interests and dealings in Think Group Securities

The table below sets out the Think Group Securities held by or on behalf of the Directors.

Name	Position	Think Group Securities held by or on behalf of the Director	Percentage holding
Mark Kerr	Chairman and Non-Executive Independent Director, TNK Chairman and Non-Executive Independent Director, TND	2,509,803	4.08%
Mathew Edwards	Managing Director and Chief Executive Officer, TNK Executive Director, TND	13,634,452 278,271 Performance Rights	22.15% (excluding any Performance Rights)
Joe Dicks	Non-Executive Independent Director, TNK Non-Executive Independent Director, TND	29,630	0.05%
Evonne Collier	Non-Executive Independent Director, TNK	None	Nil
Michael Doble	Non-Executive Independent Director, TND	None	Nil
Nick Anagnostou	Non-Executive Independent Director, TND	None	Nil
James Spenceley	Non-Executive Independent Director, TND	None	Nil

Other than the 278,271 Performance Rights issued to Mathew Edwards on 13 May 2021 as notified in Appendix 3Y dated 17 May 2021, no Think Group Director has acquired or disposed of a relevant interest in any Think Group Securities in the four month period ended on the date immediately prior to the date of this Explanatory Booklet.



As noted in Section 2.2, each Independent Director intends to vote all Think Group Securities they hold or control in favour of the Schemes in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interest of the Independent Securityholder, the MGE Acquisition is not fair but reasonable to Independent Securityholders and that the Proposed Transaction overall is in the best interest of Independent Securityholders. The Independent Directors of Think Group as at the date of this Explanatory Booklet are Mr Mark Kerr, Mr Joe Dicks, Ms Evonne Collier, Mr Michael Doble, Mr Nick Anagnostou and Mr James Spenceley. As at the date of this Explanatory Booklet, the independent Directors collectively hold approximately 4.13% of the Think Group Securities on issue.

### 12.3 Directors' interest and dealings in Busy Bees

No Busy Bees shares are currently held by or on behalf of any Think Group Director.

### 12.4 Directors' interests in any contracts with Busy Bees

Except as disclosed in this Explanatory Booklet in relation to Mathew Edwards (including at Sections 1.3, 2.7(a) and 10), no Think Group Director has any interest in any contract with Busy Bees.

### 12.5 Retirement benefits

#### (a) Non-executive directors

No payment or other benefit is proposed to be made or given in connection with the Schemes to any non-executive Director of Think Group as compensation for loss of, or as consideration for, or in connection with, his or her retirement from office in Think Group or in any related body corporate of Think Group.

#### (b) Executive directors

No payment or other benefit is proposed to be made or given in connection with the Schemes to any executive Director of Think Group, other than Mathew Edwards, further details of which are described below.

As part of the MGE Acquisition, Mathew Edwards, through his Controlled entities, Nest Education Development, and Nest Property, will acquire TND and certain other assets pursuant to the terms of the MGE Agreements. The transactions that comprise the relevant MGE Agreements can be summarised as follows:

- under the TND Share Transfer Agreement, Nest Education will acquire all of the TND Scheme Shares held by FEL Dev at Implementation and the convertible notes issued by TND held by Busy Bees as outlined in Section 10.2;
- under the Head Office Asset Sale Agreement, Nest Education will acquire
  - the head office function and certain specified non-income producing assets of Think Group (including the assumption of the head office and related employee costs and associated liabilities of TNK and entities that hold leases for TNK development greenfield sites);
  - 100% of the issued share capital of Think Childcare Services Pty Ltd (being the entity that holds the childcare centre service approvals for the TNK centres that are the subject of the Centre Management Agreement); and
  - the Nido brand and all associated intellectual property rights;

- under the Nido Franklin Sale Agreement, Nest Property will acquire Nido Franklin; and
- under the Centre Management Agreement, Nest Management will be appointed as a manager for a management fee of \$100,000 per Centre under management per annum. At the commencement date of the Centre Management Agreement there will be 35 Centres under management and covered under the Centre Management Agreement.

In each case, the aggregate consideration paid by Mathew Edwards will be a nominal amount of \$300.

In addition, under the MGE Agreements, the full amount owing under the Moelis Facility of approximately \$13 million will be paid out at completion by Busy Bees and certain accrued entitlements of transferring employees will be paid out at completion by TNK.

Mathew Edwards will be a transferring employee under the Head Office Asset Sale Agreement. Under the terms of his employment agreement with TNK, subject to the approval of the TNK Board, he will be entitled to receive 100% of his short term incentive payment for FY2021 of \$215,000 from TNK. TNK will also pay to Mathew Edwards all wages, salary, remuneration, allowances, compensation and benefits, and accrued annual leave entitlements due to or accrued by him before the Implementation Date. In this regard, Mathew Edwards has agreed with Busy Bees that he will have a nil amount of accrued annual leave entitlements.

TNK will also pay to Nest Education an amount equal to 70% of Mathew Edwards' Accrued Long Service Leave Entitlements assumed by Nest Education.

Under Division 2 of Part 2D.2 of the Corporations Act, the above aspects of the MGE Acquisition could potentially be the provision of retirement benefits and transfers of property that are in both cases connected to Mathew Edwards' retirement from the role of Managing Director and Chief Executive Officer of Think Group.

For the purposes of the disclosure required under section 200E of the Corporations Act, the Independent Expert has valued TND and the assets acquired under the MGE Agreements as between \$nil and \$8.5 million.

## 12.6 Directors' intentions regarding the business, assets and employees of Think Group

If the Schemes are approved and implemented, the existing Think Group Boards will be reconstituted in accordance pursuant to the Appointor Structure Approval Resolutions. Accordingly, it is not possible for your current Think Group Directors to provide a statement of the intentions of the directors of the reconstituted Think Group Boards regarding:

- the continuation of the business of Think Group or how Think Group's existing businesses will be conducted after the Schemes are implemented;
- any major changes to be made to the business of Think Group; or
- the future employment of the present employees of Think Group,

in each case, after the Schemes are implemented.

If the Schemes are approved and implemented, Busy Bees will ultimately control TNK. For more information regarding Busy Bee's intentions if the Schemes are implemented please see Section 6.5.

## 12.7 Directors' interests in agreements connected with or conditional on the Schemes

Except as disclosed in this Explanatory Booklet in relation to Mathew Edwards (including at Sections 1.3, 2.7(a) and 10), no Think Group Director or any of their associates has entered into, or otherwise has any interest in, any contract that is conditional on the Schemes.

## 12.8 Summary of Implementation Agreement

<b>Overview</b>	<p>On 16 June 2021, Think Group and Busy Bees entered into the Implementation Agreement. The Implementation Agreement provides a contractual framework for proposing and implementing the Schemes and related transactions.</p> <p>A summary of the key elements of the Implementation Agreement is set out below. This summary does not cover procedural obligations of the parties with respect to the Schemes.</p>
<b>Conditions</b>	<p>The Implementation Agreement contains Conditions for the Schemes. The Conditions are summarised in Section 2.6(a) and are set out in full in clause 3 of the Implementation Agreement.</p>
<b>Exclusivity</b>	<p>The Implementation Agreement contains certain exclusivity arrangements in favour of Busy Bees. These arrangements are consistent with Australian market practice. They are summarised in Section 2.6(d) and are set out in full in clause 16 of the Implementation Agreement.</p>
<b>Break fees</b>	<p>Under the Implementation Agreement, the parties have agreed to certain break fee arrangements. These arrangements are consistent with Australian market practice. They are summarised in Section 2.6(e) and are set out in full in clauses 14 and 15 of the Implementation Agreement.</p>
<b>Representations and warranties</b>	<p>Under the Implementation Agreement, each of Think Group and Busy Bees has given representations and warranties to the other parties which are customary for an agreement of this kind. These representations and warranties are set out in clause 10.1 (in the case of Busy Bees) and in clause 10.3 (in the case of Think Group) of the Implementation Agreement.</p>
<b>Termination rights</b>	<p>The right of each of Think Group and Busy Bees to terminate the Implementation Agreement are summarised in Section 9.4 and are set out in full in clause 13 of the Implementation Agreement.</p>
<b>Other</b>	<p>The Implementation Agreement contains a number of procedural related obligations and other market standard provisions including conduct of business restrictions that apply to Think Group between the date of signing and the Implementation Date (or the date the Implementation Agreement is validly terminated), access and information rights for Busy Bees during this period, a process for Think Group and Busy Bees engaging with counterparties to contracts entered into by Think Group, mutual releases and director and officer insurance arrangements.</p>

## 12.9 Potential effect of the Schemes on Think Group's material contracts

If the Schemes are implemented, a change of control of Think Group will occur. It is possible that material contracts to which Think Group is a party may be subject to pre-emptive rights, review or termination on a change of control due to the implementation of the Schemes. As at the Last Practicable Date, Think Group is not aware of any counterparty that may wish to review or terminate a material contract or that has indicated an intention to do so if the Schemes are implemented. If any such contracts are terminated following the Implementation of the Schemes, Think Group would lose the benefit of the contract and may be unable to obtain similar terms on entry into replacement contracts (if such replacement contracts are available).

## 12.10 Disclosure of fees and other benefits

### (a) General

No person has paid or agreed to pay any amount, or provided or agreed to provide any benefit to a director or proposed director of Think Group:

- to induce them to become or to qualify as a director of Think Group; or
- for services provided by that person in connection with the formation or promotion of Think Group.

Each of the persons named in this Section as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Explanatory Booklet will be entitled to receive professional fees charged in accordance with their normal basis of charging.

If the Schemes are implemented, Think Group expects to pay an aggregate of approximately \$4.525 million (excluding GST) in transaction costs. These consist of fees and expenses for professional services paid or payable to:

- MinterEllison for acting as legal adviser to Think Group;
- MA Moelis Australia for acting as financial advisers to Think Group;
- Grant Thornton for acting as the Independent Expert; and
- other adviser fees and transactional costs including general administrative fees, Explanatory Booklet design, printing and distribution costs, expenses associated with convening and holding the Meetings, and Securities Registry and other expenses.

None of these transaction costs include amounts to be paid to any director, officer or employee of Think Group.

If the Schemes are not implemented, Think Group expects to pay an aggregate of approximately \$2.045 million (excluding GST) in transaction costs, being costs that have already been incurred as at the date of this Explanatory Booklet or will be incurred even if the Schemes are not implemented.

## (b) Special exertion fees for IBC

As contemplated by clause 78.5 of the TNK constitution and clause 79.5 of the TND constitution, the Think Group Boards have approved special exertion fees totalling \$300,000 inclusive applicable superannuation (in aggregate) for the members of the IBC and Independent Directors, in recognition of their sustained increased workload and time commitment involved in evaluating and responding to various successive change of control proposals. The IBC's work has included considering and responding to the initial, non-binding indicative proposal from Alceon for \$1.03 per Think Group Security and the subsequent revised proposals from Alceon for \$1.25 per Stapled Security and \$1.35 per Stapled Security, the competing initial, non-binding indicative proposal from Busy Bees to acquire Think Group for \$1.75 per Think Group Security, revised non-binding indicative proposals received from both Alceon for \$1.75 per Think Group Security and Busy Bees for \$2.10 per Think Group Security and the further revised non-binding indicative proposal from Busy bees for \$3.20 per Think Group Security.

The IBC's work also includes facilitating Alceon's and Busy Bees' respective due diligence investigations, negotiating and agreeing the exclusivity deed with Busy Bees, negotiating and agreeing the terms of the Schemes, including the terms and conditions of the Implementation Agreement and associated documents; engaging the Independent Expert; overseeing the preparation of this Explanatory Booklet, preparing for the Meetings and, if the Schemes become Effective, overseeing the implementation of the Schemes.

These special exertion fees are not conditional on the Schemes being implemented.

## 12.11 Regulatory relief

On 16 June 2021, ASIC granted relief to Busy Bees and FEL Dev (**Joint Acquirers**) under section 655A(1) of the Corporations Act in the form of an exemption from section 606 of the Corporations Act to enable the Joint Acquirers to acquire a relevant interest in TNK Shares and TND Shares, which arises solely as a result of entry by Busy Bees and the MGE Entities into the MGE Share Acquisition Agreement for the purpose of enabling Busy Bees to pursue the Schemes. Certain conditions were attached to the granting of the ASIC relief. The following is a summary of the material conditions:

- the Joint Acquirers will immediately terminate the MGE Share Acquisition Agreement, and all other relevant agreements entered into by any of the Joint Acquirers that affects a Joint Acquirers' voting power in TNK or TND and relates to the Schemes, if the Schemes do not, or will not, proceed;
- the Joint Acquirers will immediately notify ASIC of, and on request provide ASIC with:
  - any amendments or variation to the MGE Share Acquisition Agreement or Implementation Agreement; and
  - any other relevant agreement entered into by any of the Joint Acquirers that affects a Joint Acquirers' voting power in TNK or TND and relates to the Schemes;
- Busy Bees must use its best endeavours to have TNK and TND engage an independent expert to prepare a report on whether the Schemes are in the best interest of Independent Securityholders;
- the Joint Acquirers must not, and must ensure that each of their associates do not, vote any TNK Shares or TND Shares in which they have a relevant interest at the TNK Scheme Meeting or the TND Scheme Meeting respectively;
- following execution of the MGE Share Acquisition Agreement, Busy Bees will lodge a substantial holding notice in accordance with section 671B of the Corporations Act which attaches a copy of the MGE Share Acquisition Agreement; and

- if any person that is not a Joint Acquirer becomes an associate of a Joint Acquirer (**New Associate**) from 16 June 2021 until the date the relevant Joint Acquirer ceases to have voting power in TNK or TND that is affected by any relevant agreement relating to the Schemes, that Joint Acquirer must take all reasonably steps to ensure that the New Associate does not acquire relevant interests in TNK or TND in reliance on item 9 of the table in section 611 of the Corporations Act that the New Associate would not be able to acquire if that Joint Acquirer and/or its associates' voting power in TNK or TND had, at all relevant times, excluded any voting power arising as a result of, or in connection with, any relevant agreement relating to the Schemes.

Clause 8302(h) of Part 3 of Schedule 8 to the Corporations Regulations requires the Explanatory Statement to set out whether, within the knowledge of the Think Group Directors, the financial position of Think Group has materially changed since the date of the last balance sheet laid before a Think Group annual general meeting or sent to Think Group Securityholders in accordance with section 314 or 317 of the Corporations Act, and if so, full particulars of any change.

ASIC has granted Think Group relief from this requirement on the condition that Think Group:

- sets out in this Explanatory Booklet whether, within the knowledge of the directors of Think Group, the financial position of Think Group has materially changed since the financial report for the half year ended 30 June 2021 – in this respect, please refer to the statement in Section 5.9;
- will provide, free of charge, copies of the documents referred to in the preceding bullet point to anyone who requests them prior to the Schemes being approved by the Court;
- has disclosed in this Explanatory Booklet, and in announcements to the ASX, all material changes to Think Group's financial position occurring after the balance date of Think Group's financial report for the half year ended 30 June 2021; and
- discloses all material changes to Think Group's financial position that occur after the date of this Explanatory Booklet, but prior to the Schemes being approved by the Court, in announcements to ASX.

Listing Rule 6.23.3 prohibits a change to the terms of options which has the effect (among other things) of reducing the exercise price for the options. Although Listing Rule 6.23.3 relates to 'Options', Think Group Performance Rights are substantially analogous to options for the purpose of Listing Rule 6.23. If the Schemes becomes Effective, Think Group intends to accelerate the vesting of Think Group Performance Rights in certain respects to facilitate the participation arrangements described in Section 9.6.

Those amendments may be construed as constituting a change to the terms of the Think Group Performance Rights for the purposes of Listing Rule 6.23.3. For the avoidance of doubt, Think Group has sought and been granted a waiver of these Listing Rules to permit the above amendments, subject to the Schemes becoming Effective.



## 12.12 Consents and disclaimers

The following parties have given and have not, before the time of registration of this Explanatory Booklet by ASIC, withdrawn their written consent to be named in this Explanatory Booklet in the form and context in which they are named:

- MinterEllison as legal adviser to Think Group;
- MA Moelis Australia for acting as financial adviser to Think Group;
- Grant Thornton for acting as the Independent Expert; and
- Computershare as the Securities Registry.

Each of Busy Bees and FEL Dev has given, and has not, before the time of registration of this Explanatory Booklet by ASIC, withdrawn its consent, to the inclusion of the Busy Bees Information in in this Explanatory Booklet.

Alceon has given, and has not, before the time of registration of this Explanatory Booklet by ASIC, withdrawn its consent, to the inclusion of the Alceon Intention Statement as reflected in this Explanatory Booklet.

MinterEllison has given, and has not, before the time of registration of this Explanatory Booklet by ASIC, withdrawn its consent, to the inclusion of Section 8 being the outline of the taxation implications of the Schemes.

Grant Thornton has given, and has not, before the time of registration of this Explanatory Booklet by ASIC, withdrawn its consent, to the inclusion of statements attributed to it in the Chairman's Letter, Sections 1, 2 and 3 of this Explanatory Booklet in the form and context in which they are included and to the inclusion of the Independent Expert's Report set out in Appendix 1 to this Explanatory Booklet.

Each of the above persons:

- has not authorised or caused the issue of this Explanatory Booklet;
- does not make, or purport to make, any statement in this Explanatory Booklet or any statement on which a statement in this Explanatory Booklet is based other than a statement or report included in this Explanatory Booklet with the consent of that party;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Explanatory Booklet, other than as described in this Explanatory Booklet with the consent of that party; and
- except for Busy Bees, does not assume any responsibility for the accuracy, relevance or completeness of Busy Bees Information. The Busy Bees Information has been prepared by, and is the sole responsibility of, Busy Bees.

## 12.13 Independent advice

Independent Securityholders should consult their financial, legal or other professional adviser if they have any queries regarding:

- the Schemes;
- the MGE Acquisition;
- the taxation implications for them if the Schemes are implemented;
- the Independent Directors' recommendations and intentions in relation to the Schemes, as set out in Section 2.2; or
- any other aspects of this Explanatory Booklet.

Independent Securityholders may also contact the Securityholder Information Line on 1300 145 425 (within Australia) or +61 3 9415 4829 (outside Australia) Monday to Friday between 8.30am and 5.30pm (Melbourne time) with any queries they may have on the Schemes.

## 12.14 No unacceptable circumstances

The Think Group Boards believe that the Schemes do not involve any circumstances in relation to the affairs of Think Group that could reasonably be characterised as constituting unacceptable circumstances for the purposes of section 657A of the Corporations Act.

## 12.15 Other material information

Except as set out in this Explanatory Booklet, in the opinion of the Think Group Board, there is no other information material to the making of a voting decision in relation to the Schemes or the MGE Acquisition being information that is within the knowledge of any Think Group Director or of any related company of Think Group, which has not been previously disclosed to Independent Securityholders.

Think Group will issue a supplementary document to this Explanatory Booklet if it becomes aware of any of the following between the date of lodgement of this Explanatory Booklet for registration by ASIC and the Effective Date:

- a material statement in this Explanatory Booklet that is false or misleading in a material respect;
- a material omission from this Explanatory Booklet;
- a significant change affecting a matter included in this Explanatory Booklet; or
- a significant new matter that has arisen and that would have been required to be included in this Explanatory Booklet if it had arisen before the date of lodgement of this Explanatory Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Think Group may circulate and publish any supplementary document by any one or more of the following methods:

- making an announcement to ASX;
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document to Independent Securityholders at their registered address as shown in the Securities Register; and/or
- posting a statement on Think Group's corporate website,

as Think Group in its absolute discretion considers appropriate, subject to any approval that may be required from the Court. In particular, where the matter is not materially adverse to Independent Securityholders such circulation and publication may be only by an announcement to ASX.

## 13. Glossary

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The following terms used in this Explanatory Booklet have the meanings given to them below, unless the context otherwise requires.

**Note:** a number of terms defined in this Section have the meaning given to them in the Implementation Agreement which may be accessed electronically at [https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02385337-3A568963?access\\_token=83ff96335c2d45a094df02a206a39ff4](https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02385337-3A568963?access_token=83ff96335c2d45a094df02a206a39ff4) or received in hard copy free of charge on request made any time before the Scheme Meetings by calling the Securityholder Information Line on 1300 145 425 within Australia or +61 3 9415 4829 if outside Australia Monday to Friday between 8.30am and 5.30pm (Melbourne time).

<b>\$</b>	Australian dollar
<b>ACCC</b>	the Australian Competition and Consumer Commission
<b>Acceptable Confidentiality Agreement</b>	has the meaning given to that term in the Implementation Agreement
<b>Adviser</b>	in relation to an entity:  (a) a financier to the entity in connection with the Proposed Transaction; or  (b) a financial, corporate, legal, accounting, technical or other expert adviser or consultant, who provides advisory or consultancy services in a professional capacity in the ordinary course of its business and has been engaged in that capacity in connection with the Proposed Transaction by the entity
<b>Affiliate</b>	in respect of a person:  (a) a director, officer, member or employee of the person; (b) an Adviser of the person; and (c) a director, officer or employee of an Adviser of the person
<b>Alceon</b>	Alceon Group Pty Ltd ACN 122 365 986
<b>Alceon Intention Statement</b>	the statement of intention given by Alceon to the IBC on or around the date of the Implementation Agreement that it is supportive of the Schemes and that it intends to vote the Think Group Securities it has a relevant interest in in favour of the Schemes
<b>Ancillary Rights Deed</b>	the deed so titled dated 16 June 2021 between Busy Bees Australia Operations Pty Ltd, a member of the Busy Bees Australia Group, and Nest Management, an entity that is Controlled by Mathew Edwards, which will only come into effect if the Schemes are implemented
<b>Appendix</b>	an Appendix to this Explanatory Booklet

<b>Appointor Structure Approval Resolutions</b>	the special resolutions of the TNK Shareholders to approve technical amendments to the TNK Constitution required to facilitate the acquisition of TNK Shares under the TNK Scheme as a result of the shareholding structure of Busy Bees as set out in the notice convening the General Meeting contained in Appendix 8 to this Explanatory Booklet
<b>ASIC</b>	the Australian Securities and Investments Commission
<b>ATO</b>	the Australian Taxation Office
<b>Associate</b>	has the meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of that Act included a reference to this Explanatory Booklet and either company comprising Think Group was the designated body
<b>ASX</b>	ASX Limited (ABN 98 008 624 691) or as the context requires or permits, the financial market known as the Australian Securities Exchange operated by it
<b>ASX Listing Rules</b>	the official listing rules of ASX from time to time as modified by any express written waiver or exemption given by ASX
<b>Authorised Person</b>	has the meaning given to that term in clause 1.1 of the Implementation Agreement
<b>Baker Street</b>	Baker Street Childcare Education Pty Limited ACN 168 941 839.
<b>Business</b>	the business carried on by Think Consolidated Group as at the date of this Explanatory Booklet
<b>Business Day</b>	a day on which banks are open for general banking business in Melbourne, Victoria and Sydney, New South Wales (not being a Saturday, Sunday or public holiday)
<b>Busy Bees</b>	Busy Bees Early Learning Australia Pty Ltd ACN 168 187 979
<b>Busy Bees Break Fee</b>	has the meaning given to that term in clause 15.1(a) of the Implementation Agreement
<b>Busy Bees Australia Group</b>	Busy Bees and its Subsidiaries. A reference to a member of the Busy Bees Australia Group or a Busy Bees Australia Group Member is a reference to any of them
<b>Busy Bees Group</b>	Busy Bees and its Related Bodies Corporate (but excluding, at any time, Think Group and its Subsidiaries to the extent that Think Group and its Subsidiaries are Subsidiaries of Busy Bees at that time). A reference to a member of the Busy Bees Group or a Busy Bees Group Member is a reference to Busy Bees or any such Related Bodies Corporate
<b>Busy Bees Information</b>	such information regarding Busy Bees or the Busy Bees Group that is provided by or on behalf of Busy Bees or any of its Advisers, to Think Group or the Independent Expert for inclusion in this Explanatory Booklet (and that is specifically identified as such by Busy Bees) and, for the avoidance of doubt includes:

- (a) Section 1.6 – The Appointor Structure Approval Resolutions at a glance;
- (b) Section 2.7(c) – Approval of the Appointor Structure Approval Resolutions;
- (c) Section 3 at the following "Frequently Asked Questions":
  - (i) "Part B – Busy Bees";
  - (ii) "Part G - What are the Appointor Structure Approval Resolutions?"; and
- (d) Section 6 being the profile of Busy Bees,

but does not include the Think Group Information and the Independent Expert's Report

<b>Busy Bees Parties</b>	each member of the Busy Bees Group and their respective Related Bodies Corporate, Affiliates and Authorised Persons
<b>Busy Bees Prescribed Occurrence</b>	the occurrence of an Insolvency Event in relation to Busy Bees
<b>Centre</b>	an early childhood education and care centre
<b>Centre Management Agreement</b>	the agreement so titled dated 16 June 2021 between Nest Management, an entity that is Controlled by Mathew Edwards, as manager and Bees Australia Operations Pty Ltd, an entity within the Busy Bees Group, which provides for a management fee of \$100,000 per Centre under management per annum (which at the commencement date of the Centre Management Agreement would be 35 Centres)
<b>CGT</b>	Capital Gains Tax
<b>CHESS</b>	the Clearing House Electronic Subregister System, the system established and operated by ASX Settlement Pty Ltd ABN 49 008 504 532
<b>Competing Proposal</b>	<p>any offer, expression of interest, proposal, agreement, arrangement or transaction, whether existing before, on or after 16 June 2021, which, if entered into or completed, could mean that the Proposed Transaction cannot be completed or that a person (either alone or with any of its Associates) other than Busy Bees or its Affiliates (which for the avoidance of doubt, does not include any MGE Entities) would, other than pursuant to the Proposed Transaction:</p> <ul style="list-style-type: none"> <li>(a) directly or indirectly acquire a Relevant Interest in or Voting Power of, or have a right to acquire a legal, beneficial or economic interest in, or control of, 15% or more of the securities in any member of the Think Consolidated Group;</li> <li>(b) acquire Control of any member of the Think Consolidated Group;</li> </ul>

- (c) directly or indirectly acquire or become the holder of, or otherwise acquire or have a right to acquire a legal, beneficial or economic interest in, or control of, all or substantially all or a material part of the business or assets of any member of the Think Consolidated Group; or
- (d) otherwise directly or indirectly acquire, be stapled with or merge with, Think Group or any other member of the Think Consolidated Group,

whether by way of a takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction, buy back, sale, lease or purchase of shares, other securities or assets, issue of shares or other securities in a member of the Think Consolidated Group, assignment of assets or liabilities, joint venture, dual listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement or other transaction or arrangement

<b>Computershare</b>	Computershare Investor Services Pty Limited of Yarra Falls, 452 Johnston St, Abbotsford VIC 3067
<b>Conditions</b>	the conditions set out in clause 3.1 of the Implementation Agreement in respect of the Schemes, and <b>Condition</b> means any one of them
<b>Constitutions</b>	the constitutions of TNK and of TND and <b>Constitution</b> means either of them, as the context permits or requires
<b>Controlled</b>	means with respect to any person (other than an individual) the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such person whether through the ownership of voting securities, by agreement or otherwise, and for the avoidance of doubt, a general partner is deemed to Control a limited partnership of which it is the general partner and, solely for the purposes of this document, a fund advised or managed directly or indirectly by or forming a stapled entity or group with a person will also be deemed to be Controlled by such person
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth)
<b>Corporations Regulations</b>	the <i>Corporations Regulations 2001</i> (Cth)
<b>Court</b>	the Federal Court of Australia (Victoria registry)
<b>CY2020</b>	calendar year ended 31 December 2020
<b>Deeds Poll</b>	TNK Deed Poll and the TND Deed Poll and <b>Deed Poll</b> means either of them
<b>Delivery Time</b>	8:00am (Melbourne time) on the Second Court Date
<b>Due Diligence Material</b>	has the meaning given to that term in clause 1.1 of the Implementation Agreement
<b>EBITDA</b>	earnings before interest, tax, depreciation and amortisation



<b>Effective</b>	when used in relation to the Schemes, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Schemes
<b>Effective Date</b>	the date on which the Schemes become Effective. The Effective Date is currently expected to be 7 October 2021
<b>End Date</b>	(a) the date that is 6 months after the date of the Implementation Agreement; or (b) such other date and time agreed in writing between Think Group and Busy Bees
<b>Exclusivity Period</b>	the period commencing on the date of the Implementation Agreement and ending on the earliest of the: <ul style="list-style-type: none"> <li>(a) End Date;</li> <li>(b) Effective Date of the Schemes; and</li> <li>(c) date the Implementation Agreement is terminated in accordance with its terms</li> </ul>
<b>Explanatory Booklet</b>	this Explanatory Booklet dated 19 August 2021 in relation to the Schemes and the MGE Acquisition
<b>Facility Deed</b>	the document titled Facility Deed dated 9 August 2021 between Busy Bees and TNK under which Busy Bees agrees to provide an unsecured, interest free and subordinated loan to TNK for the purposes of funding the payment of any Permitted Dividend (if declared)
<b>FEL Dev</b>	FEL Child Care Developments Pty Ltd ACN 619 686 181
<b>FIRB</b>	Foreign Investment Review Board
<b>First Court Date</b>	the Court hearing on 18 August 2021, at which the Court made orders under section 411(1) of the Corporations Act convening the Scheme Meetings
<b>General Meeting</b>	the combined general meetings of TNK and TND shareholders convened to consider and vote on the MGE Acquisition Approval Resolutions and, in relation to TNK shareholders only, the Appointor Structure Approval Resolution and includes any meeting convened following any adjournment or postponement of either or both of those meetings. The notice convening the General Meeting is contained in Appendix 8 to this Explanatory Booklet
<b>General Meeting Resolutions</b>	the: <ul style="list-style-type: none"> <li>(a) MGE Acquisition Approval Resolutions; and</li> <li>(b) Appointor Structure Approval Resolutions</li> </ul>
<b>Governmental Agency</b>	has the meaning given to that term in clause 1.1 of the Implementation Agreement
<b>GST</b>	Goods and Services Tax

<b>Head Office Asset Sale Agreement</b>	the document titled Head Office Asset Sale and Purchase Agreement dated 16 June 2021 for the transfer of certain assets relating to the Centre development arm of the Business conducted by TND including the head office and certain specific non-income producing assets by TNK and LEA to Nest Education, an entity that is Controlled by Mathew Edwards, conditional on the Schemes being implemented and with effect on the Implementation Date promptly after implementation of the Schemes
<b>Headcount Test</b>	the requirement under section 411(4)(a)(ii)(A) of the Corporations Act that the resolution to approve the Schemes at the Scheme Meetings is passed by a majority in number of Independent Securityholders present and voting, either in person or by proxy
<b>Implementation Agreement</b>	the agreement dated 16 June 2021 between TNK, TND and Busy Bees and released to ASX on 17 June 2021 available at <a href="https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02385337-3A568963?access_token=83ff96335c2d45a094df02a206a39ff4">https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02385337-3A568963?access_token=83ff96335c2d45a094df02a206a39ff4</a>
<b>Implementation Date</b>	the later of: <ul style="list-style-type: none"> <li>(a) the fifth Business Day following the Scheme Record Date; and</li> <li>(b) such other Business Day as the relevant parties agree.</li> </ul>
<b>Independent Board Committee or IBC</b>	the committee of the Board of Think Group comprising certain Independent Directors, which was established for the purposes of (among other things) evaluating and overseeing the Schemes, being Mark Kerr, Evonne Collier and Michael Doble
<b>Independent Directors</b>	all of the directors of Think Group except for Mathew Edwards
<b>Independent Expert</b>	Grant Thornton Corporate Finance Pty Ltd
<b>Independent Securityholders</b>	all Think Group Securityholders except for the MGE Entities
<b>Independent Expert's Report</b>	the report from the Independent Expert (a full copy of which is set out in Appendix 1 to this Explanatory Booklet), and any update to such report that the Independent Expert issues
<b>Intellectual Property Licence Deed (Nido)</b>	the deed so titled dated 16 June 2021 between Busy Bees Australia Operations Pty Ltd, a member of the Busy Bees Group, and Nest Education, an entity that is Controlled by Mathew Edwards, which will only come into effect if the Schemes are implemented.
<b>Insolvency Event</b>	has the meaning given to that term in clause 1.1 of the Implementation Agreement
<b>ITAA 1997</b>	<i>Income Tax Assessment Act 1997</i> (Cth)

<b>Interim Dividend</b>	any cash only fully franked dividend, not exceeding \$0.08 per Stapled Security (or such higher amount as Think Group and Busy Bees agree in writing), that may be paid by Think Group in accordance with clause 7.4 of the Implementation Agreement
<b>Interim Dividend Record Date</b>	25 August 2021
<b>Last Practicable Date</b>	13 August 2021, being the last practicable day before finalising the information to which this definition relates
<b>LDC</b>	long day care
<b>LEA</b>	LEA Childcare Services Pty Ltd ACN 601 210 833
<b>Listing Rules</b>	the official listing rules of ASX
<b>Material Adverse Change</b>	has the meaning given to that term in clause 1.1 of the Implementation Agreement
<b>MBL Facility</b>	the Syndicated Facility Agreement between Think Childcare Limited and Macquarie Bank Limited and others, dated 27 June 2018
<b>Meetings</b>	the General Meeting and the Scheme Meetings
<b>MGE</b>	Mathew Graeme Edwards
<b>MGE Acquisition</b>	<p>the proposed acquisition or proposed entry into by entities that are Controlled by Mathew Edwards of:</p> <p>(a) Think Rump; and</p> <p>(b) the Centre Management Agreement,</p> <p>as provided by the MGE Agreements conditional among other things on the implementation of the Schemes.</p>
<b>MGE Acquisition Approval Resolutions</b>	<p>the resolutions of Think Group Securityholders at the General Meeting to approve the:</p> <p>(a) transactions under the MGE Agreements for the purposes of sections 200B and 200C and Chapter 2E of the Corporations Act and of Listing Rules 10.1 and 10.19; and</p> <p>(b) Unstapling Resolutions</p>
<b>MGE Agreements</b>	<p>(a) the Centre Management Agreement;</p> <p>(b) the TND Share Transfer Agreement;</p> <p>(c) the Head Office Asset Sale Agreement;</p> <p>(d) the Ancillary Rights Deed;</p> <p>(e) the Intellectual Property Licence Deed (Nido); and</p> <p>(f) the Nido Franklin Sale Agreement.</p>

<b>MGE Entities</b>	<ul style="list-style-type: none"> <li>(a) Mathew Graeme Edwards;</li> <li>(b) Isamax Pty Ltd ACN 156 123 241 as trustee for the Edwards Family Trust;</li> <li>(c) Seuss Tpywg Pty Ltd ACN 608 961 637 as trustee for EDSUPER; and</li> <li>(d) any other entity that is Controlled by Mathew Graeme Edwards that holds Stapled Securities.</li> </ul>
<b>MGE TNK Shares</b>	TNK Shares held by the MGE Entities or any of them on the Scheme Record Date
<b>MGE Share Acquisition</b>	the proposed acquisition by Busy Bees of the MGE TNK Shares at the same consideration per TNK Share as allocated to TNK Scheme Shares under the TNK Scheme conditional among other things on the implementation of the Schemes
<b>MGE Share Acquisition Agreement</b>	the agreement of that name dated 16 June 2021 for the MGE Share Acquisition, a copy of which is attached to the Form 604 – Notice of Change of Substantial Holder filed by Busy Bees on ASX on 17 June 2021
<b>Moelis Facility</b>	the facility agreement between TND, Eastern Credit Management Pty Ltd and others, dated 1 July 2020
<b>Nest Education</b>	Nest Education Development Pty Ltd ACN 650 975 376
<b>Nest Management</b>	Nest Management Pty Ltd ACN 650 980 886
<b>Nest Property</b>	Nest Property Services East Coast Pty Ltd ACN 650 979 883
<b>Nido Franklin</b>	Nido Early School service located at 2 Mavis Latham Street, Franklin ACT 2913
<b>Nido Franklin Sale Agreement</b>	the document titled Nido Franklin Business Sale and Purchase Agreement dated 16 June 2021 for the transfer of Nido Franklin from LEA to Nest Property, an entity that is Controlled by Mathew Edwards, conditional on the Schemes being implemented and with effect on the Implementation Date and promptly after implementation of the Schemes
<b>OTPP</b>	Ontario Teachers' Pension Plan Board
<b>Performance Right</b>	a right granted under the Performance Rights Plan to acquire by way of issue or transfer a Think Group Security subject to the terms of the Performance Rights Plan and the terms of grant
<b>Performance Rights Holder</b>	a person who holds one or more Performance Rights
<b>Performance Rights Plan</b>	the Think Childcare Group Employee Share Option Plan
<b>Permitted Dividend</b>	any cash only fully franked dividend, not exceeding \$0.24 per Stapled Security (or such higher amount as Think Group and Busy Bees agree in writing), that may be paid by Think Group in accordance with clause 7.4 of the Implementation Agreement

<b>Permitted Dividend Record Date</b>	the record date for any Permitted Dividend, being 7.00pm (Melbourne time) on the second Business Day (or such other Business Day as the parties agree in writing) following the Effective Date
<b>PPSA</b>	the <i>Personal Property Securities Act 2009</i> (Cth)
<b>Proposed Transaction</b>	the proposed acquisition by Busy Bees of control of Think Group under the Schemes, together with all associated transactions and steps contemplated by the Implementation Agreement
<b>Proxy Cut-Off Date</b>	the last day on which proxies must be lodged for the Meetings being (11.00am on Monday, 27 September 2021)
<b>Proxy Form</b>	the Proxy Form for the TNK Scheme Meeting, TND Scheme Meeting and General Meeting accompanying this Explanatory Booklet or, as the context requires, any replacement or substitute Proxy Form provided by or on behalf of Think Group
<b>Recommendation</b>	has the meaning given in clause 6.1(a)(i) of the Implementation Agreement
<b>Registered Address</b>	in relation to a Think Group Securityholder, the address shown in the Think Group Register as at the Record Date
<b>Related Body Corporate</b>	of a person means a related body corporate of that person under section 50 of the Corporations Act and includes any body corporate that would be a related body corporate if section 48(2) of the Corporations Act was omitted
<b>relevant interest</b>	has the meaning given in the Corporations Act
<b>Resolution</b>	each resolution put to Think Group Securityholders at each Meeting
<b>Restructure</b>	<p>the transfer of:</p> <ul style="list-style-type: none"> <li>(a) all service approvals in relation to Nido branded centres that are to be managed by Nest Management post implementation from Baker Street to TCS (a TNK subsidiary that will be acquired by Mathew Edwards as part of the Think Rump);</li> <li>(b) service approvals in relation to Nido branded centres that are not going to be managed by Nest Management post implementation from TCS to Baker Street; and</li> <li>(c) five subsidiaries to TNK so that following the transfer of TCS, these subsidiaries remain with Busy Bees, who will own 100% of TNK,</li> </ul> <p>on terms approved by Busy Bees in writing agreed by Think Group and Busy Bees (each acting reasonably, provided that nominal consideration (if any is required) is paid by the transferee, and no liabilities are incurred by any member of Think Group (other than to pay future renewal fees))</p>
<b>RG 60</b>	Regulatory Guide 60 issued by ASIC
<b>RG 76</b>	Regulatory Guide 76 issued by ASIC
<b>Schemes or Scheme</b>	the TNK Scheme or the TND Scheme, or both, as the context requires or permits

<b>Scheme Consideration</b>	the TND Scheme Consideration or the TNK Scheme Consideration (as applicable), on the basis that the aggregate of the TND Scheme Consideration and the TNK Scheme Consideration will be \$3.20 for each Stapled Security (less the amount of any Permitted Dividend)
<b>Scheme Meetings</b>	either the TNK Scheme Meeting or the TND Scheme Meeting, or both, as the context requires or permits
<b>Scheme Record Date</b>	means 7.00pm on the fifth Business Day (or such other Business Day as Think Group and Busy Bees agree in writing) following the Effective Date. The Scheme Record Date is currently expected to be 14 October 2021
<b>Scheme Resolutions</b>	the resolutions to be considered and (if thought fit) approved by Independent Securityholders at the Scheme Meetings, being the TNK Scheme Resolution and the TND Scheme Resolution.
<b>Scheme Security</b>	a Stapled Security held on the Scheme Record Date other than those held by the MGE Entities
<b>Scheme Securityholder</b>	a person who holds one or more Scheme Securities other than those held by the MGE Entities
<b>Scheme Share</b>	a TNK Scheme Share or a TND Scheme Share, as the context requires or permits.
<b>Scheme Shareholder</b>	a TND Scheme Shareholder or a TNK Scheme Shareholder, as the context requires or permits
<b>Second Court Date</b>	the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Schemes is heard or scheduled to be heard or, if the application is adjourned for any reason, the date on which the adjourned application is heard or scheduled to be heard. This day is currently proposed to be 6 October 2021
<b>Section</b>	a section of this Explanatory Booklet
<b>Securities Register</b>	the register of securityholders of Think Group maintained by or on behalf of Think Group in accordance with section 168(1) of the Corporations Act
<b>Securities Registry</b>	Computershare or any replacement provider of Securities Registry services to Think Group
<b>Share Splitting</b>	the splitting by a holder of Think Group Securities into two or more parcels of Think Group Securities whether or not it results in any change in beneficial ownership of the Think Group Securities
<b>Stapled</b>	has the meaning given in the Constitutions
<b>Stapled Security</b>	one TNK Share Stapled to one TND Share
<b>Stapling Deed</b>	the deed of that name dated 28 October 2019 between TNK and TND
<b>Subsidiary</b>	has the meaning given to that term in section 46 of the Corporations Act



<b>Superior Proposal</b>	has the meaning given to that term in clause 1.1 of the Implementation Agreement
<b>TCS</b>	Think Childcare Services Pty Ltd ACN 160 028 277
<b>Think Consolidated Group</b>	Think Group and each the Related Bodies Corporate of TNK or TND. A reference to a member of the <b>Think Consolidated Group</b> or a <b>Think Consolidated Group Member</b> is a reference to Think Group or any such Related Bodies Corporate.
<b>Think Group</b>	TND and TNK
<b>Think Group Boards</b>	the TNK Board and the TND Board collectively (or any committee of the TNK Board and the TND Board constituted to consider the Proposed Transaction on behalf of Think Group)
<b>Think Group Break Fee</b>	has the meaning given to that term in clause 14.3(a) of the Implementation Agreement
<b>Think Group Director</b>	a director of either TND or TNK as at the date of this Explanatory Booklet
<b>Think Group Information</b>	all information in this Explanatory Booklet other than: <ul style="list-style-type: none"> <li>(a) the Busy Bees Information;</li> <li>(b) Section 8 being the outline of the taxation implications of the Schemes; and</li> <li>(c) the information contained in the Independent Expert's Report</li> </ul>
<b>Think Group Prescribed Occurrence</b>	has the meaning given to that term in clause 1.1 of the Implementation Agreement
<b>Think Group Register</b>	the register of securityholders maintained by Think Group under section 168(1) of the Corporations Act
<b>Think Group Security</b>	a Stapled Security
<b>Think Group Securityholder</b>	a person who is registered in the Think Group Register as a holder of Think Group Securities
<b>Think Group Warranty or Think Group Warranties</b>	the representations and warranties of Think Group set out in clause 11.5 of the Implementation Agreement
<b>Think Rump</b>	the TND Scheme Shares, the Nido brand and all associated intellectual property rights, the Nido Franklin business and assets, together with head office and certain specific non-income producing assets of the Centre development arm of the Business conducted by TND immediately prior to the Implementation Date (including the assumption of the head office and related employee costs and associated liabilities of TNK and entities that hold leases for TNK development greenfield sites)
<b>TND</b>	Think Childcare Development Limited ACN 635 178 166
<b>TND Board</b>	the board of directors for the time being of TND

<b>TND Deed Poll</b>	the deed poll executed by FEL Dev on 17 August 2021 in relation to the TND Scheme in which FEL Dev covenants in favour of the TND Scheme Shareholders to perform the actions attributed to it in accordance with the TND Scheme. A copy of the executed deed poll is reproduced in Appendix 3 to this Explanatory Booklet
<b>TND Group</b>	TND and its Subsidiaries
<b>TND Scheme</b> or <b>TND Scheme of Arrangement</b>	the scheme of arrangement under Part 5.1 of the Corporations Act between TND and the TND Scheme Shareholders substantially in the form set out in Appendix 5, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to in writing by TND and Busy Bees
<b>TND Scheme Consideration</b>	\$0.0001 for each TND Share
<b>TND Scheme Meeting</b>	the meeting of the TND Shareholders (other than the MGE Entities) ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the TND Scheme and includes any meeting convened following any adjournment or postponement of that meeting. The notice convening the TND Scheme Meeting is contained in Appendix 10 to this Explanatory Booklet
<b>TND Scheme Share</b>	a TND Share as at the Scheme Record Date, other than a TND Share then held by an MGE Entity
<b>TND Scheme Shareholder</b>	a person who is registered in the Securities Register as the holder of one or more TND Scheme Shares at the Scheme Record Date
<b>TND Scheme Resolution</b>	the resolution to be put to Independent Securityholders to approve the TND Scheme at the TND Scheme Meeting
<b>TND Share</b>	a fully paid ordinary share issued in the capital of TND
<b>TND Shareholder</b>	a person who is registered in the Securities Register as the holder of one or more TND Shares
<b>TND Share Transfer Agreement</b>	the document titled Share Sale and Purchase Agreement dated 16 June 2021 for the transfer of all of the TND Scheme Shares by FEL Dev to Nest Education, an entity that is Controlled by Mathew Edwards, conditional among other things on the Schemes becoming Effective
<b>TNK</b>	Think Childcare Limited ACN 600 793 388
<b>TNK Board</b>	the board of directors for the time being of TNK
<b>TNK Constitution</b>	the constitution of TNK

<b>TNK Deed Poll</b>	the deed poll executed by Busy Bees on 17 August 2021 in relation to the TNK Scheme in which Busy Bees covenants in favour of the TNK Scheme Shareholders to perform the actions attributed to it in accordance with the TNK Scheme. A copy of the executed deed poll is reproduced in Appendix 2 to this Explanatory Booklet
<b>TNK Group</b>	TNK and its Subsidiaries
<b>TNK Scheme or TNK Scheme of Arrangement</b>	the scheme of arrangement under Part 5.1 of the Corporations Act between TNK and the TNK Scheme Shareholders substantially in the form set out in Appendix 4, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to in writing by TND and Busy Bees
<b>TNK Scheme Meeting</b>	the meeting of TNK Shareholders (other than the MGE Entities) ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the TNK Scheme and includes any meeting convened following any adjournment or postponement of that meeting. The notice convening the TNK Scheme Meeting is contained in Appendix 5 to this Explanatory Booklet
<b>TNK Scheme Consideration</b>	\$3.1999 for each TNK Share less the amount of any Permitted Dividend
<b>TNK Scheme Resolution</b>	the resolution to be put to Independent Securityholders to approve the TNK Scheme at the TNK Scheme Meeting
<b>TNK Scheme Share</b>	a TNK Share as at the Scheme Record Date, other than a TNK Share then held by an MGE Entity
<b>TNK Scheme Shareholder</b>	a person who is registered in the Think Group Register as the holder of one or more TNK Scheme Shares at the Scheme Record Date
<b>TNK Share</b>	a fully paid ordinary share issued in the capital of TNK
<b>TNK Shareholder</b>	a person who is registered in the register of TNK shareholders maintained by TNK under section 168(1) of the Corporations Act as a holder of one or more TNK Shares
<b>Total Cash Payment</b>	cash payments up to \$3.20 per Stapled Security comprising: <ul style="list-style-type: none"> <li>(a) the Scheme Consideration (reduced by the amount of any Permitted Dividend), payable by Busy Bees and FEL Dev; and</li> <li>(b) the Permitted Dividend, payable by Think Group</li> </ul>
<b>Trust Accounts</b>	separate Australian dollar denominated trust accounts operated by Think Group as trustee for the benefit of the TNK Scheme Securityholders (in respect of the TNK Scheme Consideration) and the TND Scheme Securityholders (in respect of the TND Scheme Consideration)

<b>Unstapling Resolutions</b>	the special resolutions of Think Group Securityholders to approve the unstapling of TNK Shares and TND Shares from each other under clause 39 of the Constitution of TNK and clause 40 of the Constitution of TND, respectively, and pursuant to clause 10.1 of the Stapling Deed, conditional on the Schemes becoming Effective and with effect from immediately following payment of the Scheme Consideration to Scheme Shareholders, and as set out in Appendix 8
<b>Voting Entitlement Time</b>	the date for determining voting eligibility at the Meetings, being (7.00pm on Monday, 27 September 2021)
<b>Voting Intention</b>	has the meaning given in clause 6.1(a)(ii) of the Implementation Agreement
<b>Voting Power</b>	has the meaning given in section 610 of the Corporations Act
<b>VWAP</b>	volume weighted average price

# Appendix 1 – Independent Expert's Report

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## Think Childcare Group

Independent Expert's Report and Financial Services Guide

18 August 2021

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The Independent Board Committee  
Think Childcare Group  
Suite 3, 1 Park Avenue  
Drummoyne NSW 2047

18 August 2021

Grant Thornton Corporate Finance Pty Ltd  
ABN 59 003 265 987  
AFSL 247140

Level 17, 383 Kent Street  
Sydney NSW 2000  
PO Locked Bag Q800  
QVB Post Office  
Sydney NSW 1230  
T + 61 2 8297 2400  
F + 61 2 9299 4445  
E [info@gtinsw.com.au](mailto:info@gtinsw.com.au)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

## Introduction

Think Childcare Group (“Think Group”, “the Group” or “the Company”) is one of the leading providers of child care services primarily under the “Nido” brand<sup>1</sup> across Australia. It has a stapled shareholding structure under which the shares in Think Childcare Limited (“TNK”) are stapled to the shares of Think Childcare Development Limited (“TND”) and are collectively listed on ASX (“Stapled Securities” or “Securities”) as one security<sup>2</sup>. As at 30 June 2021, TNK operated 73<sup>3</sup> long day childcare centres across Australia for children between the ages of six weeks and six years old. At the same date, TND, the development arm of the Group, operated 16 centres at various stages of ramp-up<sup>4</sup> and it had a pipeline of 20 centres comprising various sites under construction with signed Agreement For Lease (“AFL”) and other development opportunities. Mathew Edwards, the CEO and Managing Director of the Group, and his controlled entities (“MGE Entities”) hold a 22.15% interest in the Stapled Securities.

Busy Bees Early Learning Australia Pty Ltd (“Busy Bees”) is a wholly-owned subsidiary of the Busy Bees Group (collectively referred to as “Busy Bees Group”). Busy Bees Group is a UK-headquartered, global early childhood education and care provider operating more than 660 centres in nine countries across four continents. Busy Bees Group is ultimately controlled by Ontario Teachers’ Pension Plan Board (“OTPP”), which holds an effective economic interest of approximately 63%. In Australia, Busy Bees currently operates 64 centres in Queensland, Western Australia, Victoria, ACT, and New South Wales<sup>5</sup>.

After having received a number of indicative, conditional and non-binding proposals from Busy Bees and Alceon Group Pty Ltd (“Alceon”) as discussed in details in Section 1, on 16 June 2021, the Group entered into an Implementation Agreement (“IA”) with Busy Bees to implement two interdependent scheme of arrangements (“Schemes”) being the TNK Scheme and the TND Scheme which together with other ancillary agreements (“Ancillary Agreements”) entered into between Busy Bees, certain entities within the Group and Mathew Edwards and his controlled entities, will affect the proposed transaction (“Proposed Transaction”) as outlined below:

- Under the TNK Scheme and the TND Scheme, the Independent Securityholders<sup>6</sup> will sell 77.85% of the Stapled Securities on issue to Busy Bees and FEL Child Care Developments Pty Ltd (“FEL Dev”) (a subsidiary of Busy Bees), respectively, and they will receive total cash consideration of A\$3.20 per Stapled Security less the Permitted Dividend (if any) (“Scheme Consideration”). Busy Bees will also buy via a separate private treaty agreement (“MGE Share Acquisition Agreement”) 22.15% of the TNK

<sup>1</sup> Other services are under Early Learning & Kinder (“ELK”) brand

<sup>2</sup> The stapled structure was announced on 14 August 2019 and it became effective on 13 December 2019 (“Stapled Structure”).

<sup>3</sup> Including a centre which was sold on 9 July 2021.

<sup>4</sup> When the ramp-up centres operated by TND reached 75% occupancy and other conditions are met, they are sold to TNK at 4x EBITDA in an intercompany transaction.

<sup>5</sup> The acquisition of additional 11 centres is expected to complete in early August

<sup>6</sup> All Think Group Securityholders other than MGE Entities.



shares on issue held by the MGE Entities for consideration per TNK share equal to Scheme Consideration payable to TNK shareholders under the TNK Scheme so that Busy Bees will own 100% of the issued capital of TNK and own 71<sup>7</sup> mature childcare services of TNK.

- An entity controlled by Mathew Edwards will acquire for a nominal consideration 77.85% of TND from FEL Dev<sup>8</sup> and other assets and liabilities (“MGE Acquisition”), so that Mathew Edwards and his controlled entities will own 100% of TND and the following business (“Think Rump”):
  - The development business of TND comprising 36 centres, including 16 purpose-built Nido centres at various stages of trade-up and 20 pipeline sites, including 11 construction sites with AFL signed. TND generated A\$10.6 million of revenue and other income, from these services and incurred a loss before corporate costs of A\$0.4 million for the 6 months ended 30 June 2021.
  - The “Nido” brand and associated intellectual properties.
  - The head office functions of the Group which comprises of c. 70 employees<sup>9</sup> for a total annual costs estimated at c.A\$14.5 million. This effectively means that Busy Bees will acquire the mature centres operated by TNK on a pre-head office corporate functions basis.
  - The loss making Nido childcare centre in Franklin, ACT.
  - Other minor assets and liabilities.

The net assets and net tangible assets<sup>10</sup> of the Think Rump immediately after completion is expected to be A\$14.5 million and A\$9.5 million respectively. We understand based on discussions with the managerial personnel and executives of Think Group (“Management”) and a review of the information available, that Think Rump will require an immediate cash injection of A\$10 million most of which will be required for rental bond, prepayments and employees entitlements.

- Post completion of the Proposed Transaction, entities controlled by Mathew Edwards will also provide management services to 35 Nido centres owned by TNK (a wholly owned subsidiary of Busy Bees after completion) for a term not exceeding three years and for an amount not exceeding A\$100,000 per centre per annum (“Management Agreement”).

Under the IA, Think Group is permitted to pay a fully franked interim dividend for the 6 months ended 30 June 2021 of up to 8 cents per Stapled Security (“Interim Dividend”) which will not reduce the Scheme Consideration and it is not conditional on the Schemes proceeding. On 18 August 2021, an interim, fully franked dividend for the half year ended 30 June 2021 of 8.0 cents per Stapled Security was declared by the Directors of the Group.

<sup>7</sup> Excluding the Nido Franklin centre retained by Think Rump and the centre sold on 9 July 2021.

<sup>8</sup> Immediately following implementation of the TND Scheme, FEL Dev will own 77.85% of TND and the MGE Entities the balance.

<sup>9</sup> Including full-time and part-time / contract employees. The number of employees is based on the assumption that the all the employees in head office function will be transferred.

<sup>10</sup> These have been prepared at high level, they have not been audited or reviewed and they do not comply with the accounting standard.



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In addition, under the IA, Think Group is permitted to pay a special fully franked dividend of up to A\$0.24 per Staple Security on or before implementation of the Schemes ("Permitted Dividend<sup>11</sup>"). The Directors of the Group will make a final decision on the Permitted Dividend payment prior to the Scheme Meetings. The Scheme Consideration of A\$3.20 will be reduced by the amount of the Permitted Dividend paid (if any).

The Schemes and the Ancillary Agreements are commercially integrated transactions and are inter-dependent between each other and all of them need to proceed in order for the overall Proposed Transaction to be implemented.

The Schemes are subject to the conditions precedent set out in Section 1 of this Independent Expert's Report ("IER") including approvals by the Independent Securityholders, the Court and the Foreign Investment Review Board ("FIRB").

The IA contains customary exclusivity provisions including no shop and no talk restrictions and a matching counterproposal right for Busy Bees in the event the Directors receive a superior proposal. The SIA also details circumstances under which both the Group and Busy Bees may be required to pay a break fee of A\$1.95 million if the Schemes do not proceed.

The Independent Directors<sup>12</sup> unanimously recommend that Independent Securityholders vote in favour of the Schemes and the other resolutions to implement the Proposed Transaction, in the absence of a superior proposal and subject to an Independent Expert concluding and continuing to conclude that the Schemes are in the best interest of Independent Securityholders and the MGE Acquisition is either fair and reasonable or not fair but reasonable to Independent Securityholders.

The Independent Directors have received correspondence from Alceon, being Think Group's second largest shareholder with a relevant interest in 19.21% of Think Group Securities, indicating that Alceon is supportive of the Schemes and that it intends to vote in favour of the Schemes.

### ***Purpose of the report***

The Directors of the Company have requested Grant Thornton Corporate Finance to prepare an IER stating whether the Schemes are in the best interest of the Independent Securityholders for the purposes of Section 411 of the Corporations Act.

Grant Thornton Corporate Finance has also been requested to form a separate opinion on whether or not the MGE Acquisition is fair and reasonable to the Independent Securityholders in accordance with Chapter 2E of the Corporations Act and ASX Listing Rules 10.1 *Transactions with related parties* ("ASX LR 10.1").

When preparing this IER, Grant Thornton Corporate Finance has had regard to the Australian Securities Investment Commission's ("ASIC") Regulatory Guide 111 *Contents of expert reports* ("RG 111") and Regulatory Guide 112 *Independence of experts* ("RG 112"). The IER also includes other information and disclosures as required by ASIC.

<sup>11</sup> The key taxation implications of the Permitted Dividend, including the availability of franking credits attached to the Permitted Dividend (if declared) is subject to an ATO class ruling.

<sup>12</sup> The Directors of the Group other than Mathew Edwards.  
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### Summary of opinion

**Grant Thornton Corporate Finance has concluded that the Schemes are FAIR AND REASONABLE and hence in the BEST INTERESTS of the Independent Securityholders.**

**Grant Thornton Corporate Finance has concluded that the MGE Acquisition is NOT FAIR BUT REASONABLE to the Independent Securityholders and that the Proposed Transaction overall is in the BEST INTERESTS of the Independent Securityholders.**

### Fairness Assessment of the Schemes

In forming our opinion in relation to the Schemes, Grant Thornton Corporate Finance has had regard to the Proposed Transaction as a whole as the Schemes and the MGE Acquisition are interdependent transactions and all of them need to proceed for the Proposed Transaction to be implemented.

Grant Thornton Corporate Finance has compared the fair market value of the Group before the Proposed Transaction on a control basis with the Scheme Consideration<sup>13</sup>. The following table summarises our fairness assessment.

Fairness assessment A\$ per share	Section Reference	Low	High
Fair market value of Think Group Shares before the Proposed Transaction	7	2.82	3.12
Scheme Consideration	1	3.20	3.20
<b>Premium/(discount)</b>		<b>0.38</b>	<b>0.08</b>
<b>Premium/(discount) (%)</b>		<b>13.3%</b>	<b>2.5%</b>
<b>FAIRNESS ASSESSMENT</b>		<b>FAIR</b>	

Source: GTCF analysis

Based on the above, Grant Thornton Corporate Finance has concluded that the Schemes are **FAIR** to the Independent Securityholders.

The Scheme Consideration is at a slight premium to our assessed range of fair market values of the Group on a control basis. Effectively Busy Bees is purchasing the Group without the burden of the corporate costs of c. A\$14.5 million on an ongoing basis (or c. A\$11.0 net of the A\$3.5 million Management Fees payable to Think Rump for three years) allowing for an immediate realisation of the maximum amount of synergies and cost savings. Usually, the full realisation of synergies is a burdensome and lengthy process for potential purchasers which may last for a number of years with significant upfront costs and underlying risks which are not applicable to Busy Bees.

The same deal structure of the Proposed Transaction may not necessarily be implementable by a pool of potential purchasers. For example, Alceon is unlikely to be able to pursue the same structure given they cannot bolt-on the mature centres of TNK into an existing setup and accordingly they may not be able to pay up to the Scheme Consideration. PE buyers like Alceon have been quite active in the industry with Quadrant PE recently purchasing Affinity Education Group Limited ("Affinity")<sup>14</sup> from Anchorage PE and the latter taking Affinity private in 2015. Whilst our valuation assessment of the Group includes an assessment of the synergies and cost savings available to a pool of potential purchasers (estimated at c. A\$4.5 million

<sup>13</sup> We note that our valuation assessment of the Group is on an ex-dividend basis and accordingly we have relied on the Scheme Consideration of A\$3.20 per Security in our fairness assessment.

<sup>14</sup> Its portfolio included 161 centres spreading across all states and territories except for South Australia and Tasmania, with a daily licenced capacity of 12,682 children. Affinity currently focused on the large middle-income market in Queensland, NSW and Victoria.



per annum in the terminal value), the Scheme Consideration reflects a portion of the special value which is only available to Busy Bees and a limited number of other purchasers and accordingly it is reasonable that it is slightly outside our assessed range of fair market values for the Group.

In addition, the acquisition of TNK has significant strategic value for the Busy Bees Group as Busy Bees' portfolio will comprise of its existing centres plus TNK's mature centres and it will have significant larger geographic footprint in Australia. In addition, TNK mature centres will be integrated into the Busy Bees Group which has global operations with a presence in Ireland, Canada, Singapore, Malaysia, Vietnam and China, the UK and Australia.

Independent Securityholders should be aware that our assessment of the value per Security should not be considered to reflect the price at which the Stapled Securities may trade if the Proposed Transaction is not implemented. The price at which the Stapled Securities will ultimately trade depends on a range of factors, including: the available public market for the Securities, the performance of the TND centres, macro-economic conditions, the impact of COVID-19 and related lockdowns and the regulatory environment.

We have assessed the fair market value of the Group on a control basis adopting the DCF Method as our primary approach, which we have crossed checked having regard to the Quoted Share Price Method and EBITDA Multiple Method as summarised below.

#### *DCF Method*

We have built a financial model projecting the post-tax free cash flows of the Group ("GT Model") based on the internal management forecast up to 31 December 2023 ("Internal Model"), historical and YTD financial performance, consensus estimates and CY21 guidance and industry benchmarks.

In our assessment of the Group based on the DCF Method, we have considered a central case ("Base Case") and sensitised it with an Upside and Downside Case, each of which could reasonably be adopted by market participants. We have outlined a summary of the key assumptions adopted in the three scenarios below.

- A. *Base Case* – We have modelled the future performance of the business having regard in particular to the following key assumptions below:
- *Number of centres* – As at 30 June 2021, Think Group had 88 operational centres<sup>15</sup>. The majority of these were mature services held by TNK (72 centres<sup>16</sup>) plus 16 centres held by TND at various stages of ramp-up. Under the Base Case, we have assumed that over the discrete period to 31 December 2023 ("Discrete Period"), the number of centres will increase to 104 centres to include most of the centres under construction plus those other pipeline centres in more advanced development. In the Upside Case Scenario, we have included additional 5 centres for which AFLs are yet to be negotiated or are under negotiations.
  - *Occupancy* – For the 6 months ended June 2021, the average occupancy across the Group's overall portfolio was 70.5% (73.4% in TNK's mature portfolio and 55.1% in centres owned by TND which are in the ramp-up phase). Based on discussions with Management, we have assumed that the occupancy of the new centres ramps-up within 14-18 months after commencement of

<sup>15</sup> Excluding one centre sold on 9 July 2021.

<sup>16</sup> Excluding the centre recently sold.

operations, depending on the number of places in the centre. We note that this is in line with the historically observed ramp-up duration for the Group, and is also in line with the ramp-up duration of competitors like G8 Education Limited (“G8 Education” or “G8”)¹⁷. The occupancy of the existing centres is expected to gradually increase over the Discrete Period to an average occupancy of 78.7% in FY23, as new centres are developed and existing centres ramp-up and mature.

- *Labour costs:* Labour costs form the largest component of Think Group’s expenses, and comprise mainly of wages paid to skilled educators. During the Discrete Period, labour costs as a proportion of revenue are expected to decline from a historical average of c.60% (excluding CY20) to c.55% of revenue. We understand that this is due to the development of real-time data analytics platforms, which help the Company manage employees’ rosters, leaves and attendance. At the same time, we are conscious that the childcare services industry is facing a challenge in respect of attracting and retaining skilled labour due to increased competition, regulatory environment as well as limited supply of skilled labour from overseas due to COVID-19. In our valuation assessment, we have assumed a near-term reduction in wage costs in line with the Internal Model, however, in the calculation of the terminal value, we have assumed labour costs at 58% of revenue to take into account the aforementioned challenges.
  - *Corporate costs* – These comprise mainly personnel costs incurred at a head office level as well as other administrative, legal, regulatory and professional services costs. Given that our valuation assessment assumes no further developments beyond the existing pipeline as at the Valuation Date, we have adjusted the corporate costs in the outer year of the Discrete Period and in the terminal value to remove the development cost structure estimated at c.A\$2 million¹⁸ per annum. In addition, we have assumed cost synergies available to a pool of potential purchasers of c.A\$2.5 million per annum. These include costs related to ASX listing fees, registry fees, salaries and bonuses for key executives and directors’ fees.
  - *Discount rate* – Assessed between 10.8% and 11.5% (post-tax) based on the WACC¹⁹.
- B. *Downside Case* – Given the current lockdown and restrictions in place in NSW and VIC and the potential impact of COVID-19 on the industry, we have assumed that ramp-up of the new centres is slightly slower compared with the Base Case and the wage cost (on a real basis) is increased by 2% per child per day in CY22 and CY23. We note that this is not dissimilar to the historical wages per child per day increase at a CAGR of 2.4% p.a. from 2016 to 2020. The other assumptions have remained consistent with the Base Case.
- C. *Upside Case* – We have adopted the Base Case assumptions plus the development of all the centres in the pipeline (22 in total centres²⁰), with operations expected to commence in CY22 and ramp-up throughout CY23.

Based on the scenarios mentioned above, our valuation of Think Group is summarised below:

¹⁷ As shown on page 23 of the CY20 investor presentation dated 23 February 2021 lodged by G8 Education.

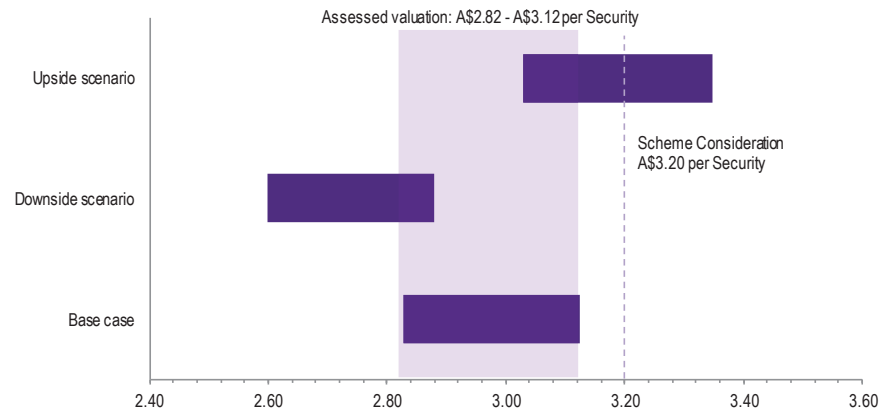
¹⁸ A\$1.9 million in FY22 and A\$2.2 million in FY23

¹⁹ Weighted average cost of capital (“WACC”).

²⁰ Including development opportunities that are expected to come into the pipeline in the short term.

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**Think Group - valuation summary**



Source: GTCF analysis

As set out above, we have assessed the fair market value of Think Group on a control basis between A\$2.82 and A\$3.12 per Security.

It should be noted that the enterprise value of Think Group could vary materially based on changes in certain key assumptions.

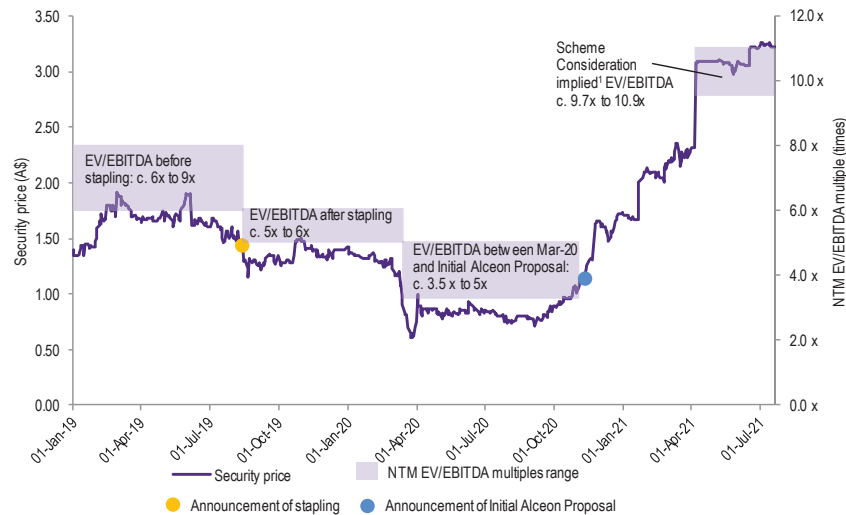
*Quoted Securities Price*

The premium for control implied in the Scheme Consideration is significantly in excess to the average premium paid for successful takeovers in Australia in the range of 20% to 40% (Refer to Appendix E). Whilst we have not adopted the trading prices for the purpose of our valuation assessment for the reasons outlined in section 7.2, we have analysed them to understand if there is any evidence which can assist to justify the magnitude of the premium for control implied in the Proposed Transaction. We have set out in the graph below the trading price and the rolling NTM<sup>21</sup> underlying EBITDA multiple of the Group.

<sup>21</sup> Next Twelve Months ("NTM").  
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**Think Group trading prices and EV/EBITDA multiples**



Note (1): The implied EV/EBITDA multiple is calculated based on the Scheme Consideration of A\$3.20 per security, Group's guidance EBITDA of A\$26 million and the revised guidance EBITDA of c.A\$23 million.  
Source: S&P Global; GTCF analysis

Based on the graph above and the analysis and discussions in section 7.2.2, we draw the following conclusions in relation to the magnitude of the premium for control paid:

- The trading prices and the EBITDA multiple of the Group were adversely affected since the announcement of the stapled structure in August 2019 as it changed the underlying risks of the business from the typical risk-adjusted returns expected to be generated by a mature child care operator. The EBITDA multiple of the Group reduced from a range of 6x to 9x before the announcement of the stapling to between 3.5x and 6x afterwards. The Group was trading at an EBITDA multiple of 4.8x before the First Alceon Proposal which was at a discount of c. 50% compared with the EBITDA multiple of G8 Education<sup>22</sup> (the closest listed peer). The Proposed Transaction effectively unwound the stapling of the Group with Busy Bees acquiring only the mature centres whilst the operations of TND plus the Group corporate costs are transferred to the MGE Entities for a nominal consideration. Had this restructure been announced to the market before the First Alceon Proposal, the trading prices may have re-rated materially, all other things being the same.
- At the end of December 2020, after the First Alceon and Busy Bees Proposals, the Group provided market guidance with CY20 underlying EBITDA expected to grow significantly compared with CY19 notwithstanding the outbreak of COVID-19. Then at the beginning of 2021, the Group announced its CY20 results, wherein underlying EBITDA exceeded guidance and was c. 90% higher than underlying EBITDA for CY19. It is not reasonable to expect that in the absence of a change of control proposal, the trading prices and the EBITDA multiple of the Group were likely to have re-rated to take into account CY20 performance. This potential uplift was not reflected in the trading prices before the First Alceon Proposal.

<sup>22</sup> At the time, G8 was trading at a multiple of 9.8x consensus NTM EBITDA.  
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- The ASX 200 Index has increased by c. 15% between the announcement of the First Alceon Proposal and 27 July 2021. All other things being the same, the trading prices of Group were likely to have followed the upward market trend.
- Competitive nature of the process with five offers received by the Group.
- As discussed earlier, the Scheme Consideration includes an element of special value which is only realisable by Busy Bees and a limited pool of other potential purchasers.

In summary, the magnitude of premium for control included in the Scheme Consideration was, in our opinion, driven by the transaction structure which is different from that considered by the market in the trading prices of the Group before the Further Revised Busy Bees Proposal; the competitive nature of the deal; and the strategic and special value that Busy Bees will be able to extract from the acquisition of TNK.

#### *EBITDA Multiple*

In order to provide a cross check of our valuation conclusions under the DCF methodology, we have considered the EV/EBITDA multiples of comparable listed child care operators and recent transactions involving child care services. We have adopted EBITDA on a pre-AASB 16 basis as this is the main metrics adopted by the Group, listed peers and investments analysts in the valuation assessment of businesses operating in the industry. In our analysis, we have mainly relied on the following:

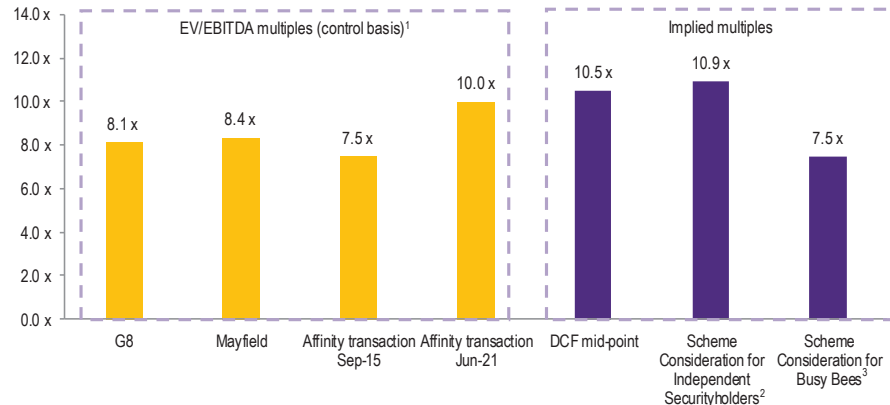
- *Listed peers* – G8 Education and Mayfield Childcare Limited (“Mayfield”). G8 has been highly acquisitive and it has grown to become the largest for-profit provider of education and child care services in Australia with 472 centres and a total combined licensed capacity of more than 39,000 places<sup>23</sup> as at 31 December 2020. Mayfield operates 21 child care centres with 1,777 registered childcare places but its services are only located in and around metropolitan Melbourne.
- *Comparable transactions* – The acquisitions of Affinity in 2015 and 2021 by Anchorage PE and Quadrant PE respectively.

We have set out below a comparison of some of the key EBITDA metrics on a control basis:

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<sup>23</sup> G8 CY20 annual report  
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**EBITDA Multiple comparison**



Note: (1) We have applied 30% control premium to the trading multiples. For Think Group, we present the NTM EV/EBITDA multiple as at 13 November 2020, being the trading day prior to the announcement of Initial Alceon Proposal. For G8, we present the CY22 EV/EBITDA multiple as the payment of the one-off employee remediation program announced on 8 December 2020 estimated between A\$50 million and A\$80 million is expected to impact the overall financial performance of CY21 with EBITDA consensus forecast lower than CY20. For Mayfield, we present the CY20 EV/EBITDA multiple as at 20 July 2021. We have relied on the CY20 multiple instead of CY21 since Mayfield is covered by only 1 broker whose report was released in February 2021. We note that if we use CY21, the corresponding multiple is 7.8x. (2) The implied CY21 multiple is calculated based on the offer price of A\$3.20 and the Think Group's revised CY21 guidance EBITDA of A\$23 million. (3) This is calculated based on the Group's revised CY21 guidance underlying EBITDA of A\$23 million, excluding corporate costs of c. A\$14.5 million which will be transferred to Think Rump and adding back the payment of A\$3.5 million to Think Rump for management fees.  
Sources: S&P Global and GTCF Analysis

The EBITDA multiple implied in the Scheme Consideration is in line with the indicative EBITDA multiple for the 2021 Affinity transaction even if this multiple should be considered with caution as there are limited publicly available information on this transaction. In addition, it is higher than the EBITDA multiple of the listed peers on a control basis and it reflects the competitive nature of the transaction and the deal structure.

We have estimated in the graph above, the Adjusted EBITDA multiple that Busy Bees will effectively paid at 7.5x whereby the underlying EBITDA is increased for the corporate costs transferred to Think Rump. The Adjusted EBITDA multiple better reflects the effective multiple paid by Busy Bees. Whilst the Adjusted EBITDA multiple is in line or slightly lower than the EBITDA multiple on a control basis of the peers, we note that the Adjusted EBITDA multiple reflects the synergies for Busy Bees whilst the multiples of the listed peers are based on the reported/forecast EBITDA (pre-synergies).

The EBITDA multiple implied in the mid-point DCF is within the range of the EBITDA multiples of the listed peers and comparable transactions on a control basis.

**Reasonableness Assessment**

Under RG 111, the Scheme is reasonable if it is fair. Notwithstanding the above, we have summarised below advantages, disadvantages and other factors in relation to the Scheme.



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## Advantages

### *Premium for control*

A premium for control is applicable when the acquisition of control of a company or business would give rise to benefits such as the ability to realise synergies, access technology, access tax benefits and control of the board of Directors of the Company. The Scheme Consideration of A\$3.20 per Security represents a premium of:

- 156.0% to closing share price immediately before the First Alceon Proposal.
- 164.6% to the 1-week VWAP<sup>24</sup>.
- 172.1% to the 2-week VWAP.
- 191.2% to the 1-month VWAP.
- 246.5% to the 3-month VWAP.

Whilst the premium for control is large and materially in excess of the average premium for control paid in Australia for successful takeovers, the Independent Securityholders should consider our discussions in the quoted security price method. The premium for control will not be available to the Independent Securityholders in the absence of the Scheme or a superior proposal, and we are of the opinion that it is unlikely for the trading prices of the Group to increase in line with the Scheme Consideration at least in the short term.

### *Certainty of the cash consideration*

The Independent Securityholders will have the opportunity to receive a certain cash amount at a significant premium to the trading price before the Initial Alceon Proposal and at a premium to the price that the Securities may trade in the absence of the Proposed Transaction or an alternative transaction. If the Proposed Transaction is implemented, Independent Securityholders will no longer be exposed to the ongoing risks associated with holding an investment in the Group which are summarised below in a non-exhaustive manner:

- *TND development pipeline* – As at 30 June 2021, TND operated 16 centres at various stages of trade-up and 20 centres in the pipeline. Once the centres operated by TND achieve 75% occupancy for a period of 3 consecutive months (plus other conditions) they are transferred into the mature portfolio of TNK. Construction period usually takes up to 12 months (including the application for DA) and the ramp-up in the occupancy up to an additional 14 to 18 months. TND is required to spend money on tenant contributions and it is exposed to losses during the trading up of these services and the risk they underperform. Delays in opening services and/or poor performance of services held in TND may delay the sale of services to TNK (as the services will not meet the required hurdles for acquisition by TNK), which will then impact TNK's ability to grow its service numbers and its financial performance. We note that TNK's main incubator partner went into receivership in 2019 as the incubator model comes under pressure following reduced banking appetite and increasing security requirements sought by landlords in the terms and conditions of leases. To highlight this risk, we note that G8 Education

<sup>24</sup> Volume Weighted Average Price.

recognised an impairment of approximately A\$175 million (on a pre-AASB 16 basis)<sup>25</sup> in CY20 as c. a third of the greenfield centres developed over the last four years did not achieve the required occupancy. There are risks that the greenfield developments of the Group may not meet the internal return on investment hurdles or achieve the required occupancy level which may materially affect the future financial performance of the business.

- Current outbreak of COVID-19* – The ongoing risks associated with COVID-19 and the current lockdown in NSW and VIC pose significant risk for the industry and for the economy in general which was growing strongly on the back of the fiscal and financial support package put in place by the Federal and State Governments during 2020. Many businesses have currently re-enacted mandatory work from home arrangements which has a material impact on the Group’s occupancy and physical attendance rates. Significant uncertainty remains on the duration of the lockdown due to the highly contagious nature of the Delta Variant of COVID-19 which is exacerbated by the low level of vaccination around the country (as of July 2021). The current restrictions in place create a risk that centres may be required to be closed if any team members or children get infected. Further, there is uncertainty whether some form of Government support package for the industry will be re-instated. These cast doubts on the ability of the Group to deliver its CY21 underlying EBITDA guidance of A\$23 million, in particular considering that the financial performance of the Group is heavily weighted towards the second half of the year. Further, the current outbreak of COVID-19 and the re-instatement of lockdowns across Australia may cause the unemployment rate to rise, GDP growth to contract and household income to reduce which may have an adverse impact on the industry
- Labour costs* – Staff costs are the largest cost for the childcare industry and they comprise of both skilled teachers and caretakers as well as other administrative and assistive staff. Since the National Quality Framework (“NQF”) standard require higher staff-to-child ratios and a higher level of qualifications, the industry has been experiencing staff shortages and rising staff costs. This upward trend is projected to continue both in absolute terms and as a proportion of revenue over the next five years as a result of tighter regulatory requirements. We note that the industry is expected to experience downward pressure on profitability as the wage increases. Staff retention is a key issue within the industry as long day Cares (“LDC”) compete with schools/ preschools to attract and retain teachers. Schools/ preschools typically offer teachers higher salaries, shorter and more consistent hours, more leave entitlements, a professional status, and relatively easier work conditions. Operators like TNK have had to pay higher salaries to teachers and carers to retain them within the business and prevent disruption. Shortages in the skilled workforce due to the lack of immigration have added to the difficulties in retaining staff. In addition, the exodus of several families from large cities to regional areas in the aftermath of COVID-19 is expected to put further pressure on staff levels.
- Stapled Structure out of favour* – On 14 August 2019, Think Group announced the formation of the stapled structure to accelerate greenfield developments and reduce reliance on third party incubators. The share price decreased by 11% on the day the restructure was announced. The trading prices and the EBITDA multiple of the Group were materially adversely affected since then and investors’ analysts revised downwards their price target for the Group as the stapled structure changed the underlying risks of the business from the typical risk-adjusted returns expected to be generated by a mature child care operator. This created significant disenchantment between the investors and it caused the underperformance of the Stapled Securities and the significant reduction in the EBITDA multiple which decreased from c. 7x before the announcement of the stapled structure to c. 5.5x

<sup>25</sup> Approximately A\$275.2 million on a statutory basis

afterwards. We note that as at 31 December 2020, the Group had c. 24%<sup>26</sup> of the centres in the development pipeline, while its competitor, G8 Education Limited, only had 6.2%<sup>27</sup> (31 greenfield centres and 472 mature centres).

#### *Franking credits attached to the Permitted Dividend*

In accordance with the terms of the IA, the Group may pay a fully-franked Permitted Dividend of up to A\$0.24 per Security. Australian resident shareholders on a lower tax rate can claim an income tax offset and accordingly realise greater value compared with the Scheme Consideration. Those Securityholders are better off on a post-tax basis if the Permitted Dividend is paid compared with the scenario that 100% of the Scheme Consideration is paid as capital gain (nil Permitted Dividend). The following table summarises the after-tax cash amount from the Permitted Dividend that certain Securityholders could realise depending on their tax position.

Special dividend - franking credits benefit	Reference	Australian resident			Corporate
		45%	30%	0%	30%
A\$/ Think Group security		Marginal tax rate	Marginal tax rate	Marginal tax rate	
Special Dividend	[A]	0.24	0.24	0.24	0.24
Franking credits	[B]	0.10	0.10	0.10	0.10
Gross tax able income	[C] = [A] + [B]	0.34	0.34	0.34	0.34
Tax payable	[D] = [C] x MTR <sup>1</sup>	(0.15)	(0.10)	-	(0.10)
Tax credit	[B]	0.10	0.10	0.10	0.10
<b>Net after tax Special Dividend</b>	<b>[A] + [B] + [D]</b>	<b>0.19</b>	<b>0.24</b>	<b>0.34</b>	<b>0.24</b>

Source: GTCF analysis

Notes: (1) Analysis based on a Permitted Dividend of A\$0.24 per Security; (2) Ignoring Medicare levy and other surcharges. (3) MTR = Marginal Tax Rate

#### *No brokerage costs*

Independent Securityholders will be able to realise their investment without incurring any brokerage or stamp duty costs.

#### **Disadvantages**

##### *Shareholders will not be able to participate in the future upside of the Group*

If the Scheme is implemented, Independent Securityholders will forgo the opportunity to participate in the future upside potential of the Group and any uplift in current market conditions. If the Scheme is implemented, Independent Securityholders will forgo the benefits that may arise from the following:

- Value upside from the TND's centres in trade-up and construction if they achieve the expected occupancy and other conditions to be sold to TNK or external acquisitions from third parties. Usually these transactions occur at c. 4x annualised EBITDA for the last three months which is value accretive for the Group considering that it has historically trade at a higher EBITDA multiple.
- Government policies subsidising child care costs for parents is one of the largest determinants for the demand for child care services. The federal government has been providing increasing levels of

<sup>26</sup> Calculated based on 26 centres in TND portfolio out of total 109 centres under the Think Group (26 in TND and 83 in TNK). Source: CY20 investor presentation dated 24 February 2021.

<sup>27</sup> As disclosed in G8's presentation made to the market dated 23 February 2021  
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funding to assist families to access early childhood education and care in the past five years which may even be accelerated under a labour government. Increased Government assistance usually has a positive impact on the child care industry as the increased affordability positively impact the demand for child care services and the centres' occupancy rates. The Child Care Subsidy ("CCS") announced in July 2018 is a means-tested benefit primarily for low and middle income families which decreases with an increase in the combined family income. Middle-income families have derived the greatest benefits from CCS. The government also announced in May 2021 additional subsidies for lower-middle income families, which incentivises families with more than 1 child to take on an additional 1-2 days of work per week. These changes will take effect from July 2022 and they should benefit the industry.

We note that any benefits foregone would necessitate a significant change in these factors, over and above the market conditions and expectations for the future already considered in our valuation assessment.

## Other factors

### *Value of the Group for Busy Bees*

As discussed earlier, the Proposed Transaction effectively unwind the stapling of the Group before the acquisition by Busy Bees allowing Busy Bees to purchase the Group without the burden of the corporate costs and corporate structure which is transferred to Think Rump and which accounted for c. A\$14.5 million on an ongoing basis. Whilst Busy Bees will incur the Management Fees of c. A\$3.5 million per annum plus it may incur additional marginal corporate cost, Busy Bees has substantial operations in Australia which will allow to absorb the TNK mature centres into its centralised operations without the need to replicable the Group corporate functions.

We note that similarly to the Proposed Transaction, the acquisition of Affinity in 2015 occurred in a highly contested takeover between G8 Education and Anchorage Private Equity with G8 Education being a leading market participating like Busy Bees. In its Replacement Bidder's Statement dated 20 August 2015, G8 Education indicated that it expected to generate significant synergies of around A\$6.5 million per annum from the acquisition of Affinity. Specifically, G8 Education indicated that *"G8 Education anticipates it will be able to operate the 12,000 Affinity Education licensed childcare places at a cost of A\$455 per licensed place. This would see a reduction in costs for the Affinity Education licensed places from A\$1,000 per place to A\$455 per place, a saving of A\$545 per licensed place or A\$6.5 million per annum. G8 Education expects that the duplication in administrative and corporate functions, including head office positions at Affinity Education and related head office costs, will be a primary source of those cost savings"*.

Busy Bees will acquire 71 centres with 6,058 licensed places as a result of the Proposed Transaction. If we adopt the 2015 Affinity acquisition as a benchmark to assess synergies that Busy Bees may be able to realise, then we note the following:

- If the corporate costs to be incurred by Busy Bees are equivalent to 50% of the corporate costs incurred by the Group and transferred to Think Rump, then Busy Bees will incur corporate costs in the tune of A\$7.2 million, of which A\$3.5 million are captured into the Management Fee payable to Think Rump.
- If to assess the corporate costs to be incurred by Busy Bees we adopt a \$ per licensed place approach and we assume a cost per license place of A\$550, then the cost to be incurred by Busy Bees will be c. A\$3.3 million which is substantially equivalent to the management fee payable to Think Rump for the



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first three years of A\$3.5 million per annum<sup>28</sup>.

In accordance with RG111, we have included a proportion of the synergies available to a pool of potential purchasers in our valuation assessment, however, we note that the risk adjusted value of the synergies for Busy Bees is also driven by the agreed transaction structure which delivers some special value which can only be realised by Busy Bees and a limited pool of other potential purchasers.

#### *Prospects of a superior offer*

Whilst the Group has agreed not to solicit any competing proposals or, subject to a fiduciary exception, to participate in discussions or negotiations in relation to any competing proposals, there are no material impediments to an alternative proposal being submitted by potentially interested parties. However, we are of the opinion that this is unlikely to occur given that the Proposed Transaction is the outcome of a highly contested process between Alceon and Busy Bees and the large premium for control implied in the Scheme Consideration compared with the trading prices before the First Alceon Proposal.

#### *Share price in the absence of the Scheme*

In the absence of the Scheme or an alternative transaction, all other things being equal, it is likely that the trading prices will reduce significantly at least in the short-term. We note that the Scheme Consideration offered by Busy Bees effectively value the business above our assessment of fair market value.

#### *Implications if the Scheme is not implemented*

If the Scheme is not implemented, it would be the current Directors' intention to continue operating the Group as a stand-alone entity in line with its stated strategy and objectives. Accordingly, the Group would need to prioritise growth in the TND's services and streamline operations if the current lockdown in NSW is protracted for a long period of time.

#### *Tax implications*

Implementation of the Proposed Transactions may crystallise a capital gains tax liability for the Independent Securityholders, however the taxation consequences will vary according to individual circumstances and will be impacted by various factors. Independent Securityholders should read the overview of tax implications of the Scheme set out in Section 8 of the Explanatory Booklet and also seek independent financial and tax advice.

### ***Conclusion on the reasonableness of the Schemes***

Based on the qualitative factors identified above, it is our opinion that the Schemes are **REASONABLE** to the Independent Securityholders.

### ***Overall conclusion on the Schemes***

After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Schemes are **FAIR AND REASONABLE and hence in the BEST INTERESTS** of the Independent Securityholders in the absence of a superior alternative proposal

<sup>28</sup> Even if we acknowledge this is to manage only 35 centres.  
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emerging.

### ***MGE Acquisition***

As at 30 June 2021, the Think Rump portfolio comprises of 16 centres in ramp-up plus the Franklin Nido centre in ACT and a pipeline of 20 centres. Think Rump will continue to focus on the same business model as TND and seek to deliver into the current pipeline of growth opportunities. The operating centres are projected to achieve an average occupancy of 77.1% in CY22 which is in line with the current required occupancy for those centres to be transferred to TNK under the existing Stapled Structure. In our view, these operating centres, which are close to reaching a mature stage of operations, plus the pipeline of growth opportunities provide a solid value platform for the business after the Proposed Transaction.

At the same time, Think Rump carries some risks and challenges which are unique and quite different from the Group as summarised below:

- In order to deliver into the pipeline of growth opportunities, Think Rump will require access to significant funding (up to A\$45.2 million in some of the scenarios discussed in section 8), however there is limited appetite from financiers to fund the ramp-up and losses of greenfield developments. Whilst the Group was able to raise debt funding of A\$11.5 million in TND in 2020, this was possible as the financier had the ability to convert the face value of loan in the Group Securities in case of default of TND and accordingly the financiers were bearing the default risk of the Group rather than TND on a stand-alone basis. Mathew Edwards is likely to be required to fund the business 100% with equity at least in the initial phase.
- TND incurred an underlying EBITDA before corporate costs loss of A\$0.4 million in H1CY21 which is expected to turn into a profit underlying EBITDA before corporate costs of A\$1.5 million for H2CY21 for the centres in trade-up that will be transferred to Think Rump. However, immediately after completion of the Proposed Transaction, the corporate cost functions of the Group, estimated at c. A\$14.5 million on an ongoing basis or c. A\$11.0 million net the Management Fee payable by Busy Bees, will be transferred to Think Rump. All other things being the same, this will result in Think Rump incurring a pro-forma loss underlying EBITDA of c. A\$9.9 million<sup>29</sup> for CY22.
- Immediately after completion of the Proposed Transaction, the corporate costs transferred to Think Rump appear to be materially in excess of the corporate costs required to run a business of the size of Think Rump. Think Rump has no obligation to preserve a minimum employment level for a period of time and accordingly Management will have significant optionality value in right sizing the cost structure if it is not able to grow the business in accordance with its expectations, change in market conditions or general underperformance. Nonetheless, the magnitude of the corporate costs transferred to Think Rump creates significant operational challenges and risks for Think Rump which we have considered in our valuation assessment.
- The value of Think Group is highly dependent upon the ability of the Management team and in particular of Mathew Edwards to realise value through the development pipeline and the centres in ramp-up. Mathew has a successful history of launching and managing new services either internally or in conjunction with third party incubators, he has overseen the development of TND and he has been involved in developing greenfield services and trading-up of underperforming services for a long period of time. There is a key man risk with the Think Rump business and its value would be materially

<sup>29</sup> Calculated as A\$1.5m less A\$0.4m less A\$11.0m.  
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affected without Mathew Edwards and his connections and the goodwill that he brings to the business. Mathew Edwards himself can bear this risk whereas interested parties will have limited appetite.

Because of Mathew Edwards' skillset, his preparedness to invest significant funding in Think Rump and the ability to erase the key man risk compared with other interested parties, we are of the opinion that a large component of the potential value of the Think Rump business is special value which accrues only to Mathew Edwards and it may not be fully exploitable by a pool of potential purchasers. In particular, we note the following in relation to the pool of potential purchasers:

- Whilst Busy Bees made an offer for the whole Group, the structure of the Proposed Transaction is such that Busy Bees is only acquiring the mature centres.
- The performance of the trading prices of the Group between the announcement of the Stapled Structure and the First Alceon Proposal provides evidence that investors do not favour growth of mature childcare operators via greenfield developments but rather via acquisition of centres from incubators once they have been de-risked. As a result, it is unlikely that any of the ASX listed peers will be prepared to invest the necessary money and pursue the growth that Mathew Edwards intends to focus on for the Think Rump business.
- There are a number of private equity firms invested in the sector such as Quadrant PE which recently acquired Affinity and Bain Capital which made several acquisitions in the sector between 2016 and 2018. We are of the opinion that it may be difficult for PE backed businesses to buy into the large greenfield pipeline growth as it may jeopardise their exit if the ramp-up of the operations does not go in accordance with plan. They are more likely to become purchasers of Think Rump once a mature level of occupancy is achieved across the portfolio.

Whilst the above does not mean that there are no other potential purchasers for the Think Rump business other than Mathew Edwards, it indicates that other interested parties may look at the business in an opportunistic manner or they may try to extract value in a more conservative way than Mathew Edwards intends to do.

### ***Fairness Assessment of the MGE Acquisition***

Considering the uncertainties associated with the ramp-up profile as well as the limited funding and the cost structure of the business, we have undertaken the valuation assessment assuming the growth of the Company's portfolio under the following scenarios:

- *Scenario 1 - Slow Pipeline Case:* The number of centres is assumed to increase by 6 new centres each year, from 18 as at 30 June 2021<sup>30</sup> up to 39 centres by 2025. We have also run sensitivities assuming a different capital structure<sup>31</sup> in our discount rate (Scenario 1A), increasing the corporate costs in the terminal year (Scenario 2B) and assuming certain one-off costs for exiting existing AFL (Scenario 1C).
- *Scenario 2 - Orderly Realisation Case:* It is assumed that no new centres are opened and once the existing centres achieved full steady operations and the Management Agreement with Busy Bees Australia is completed, the centres are sold to third parties and the business is orderly realised

<sup>30</sup> 16 trading centres in TND plus Franklin Nido and another centre which opened shortly after 30 June.

<sup>31</sup> 90% equity and 10% debt rather than 100% equity.

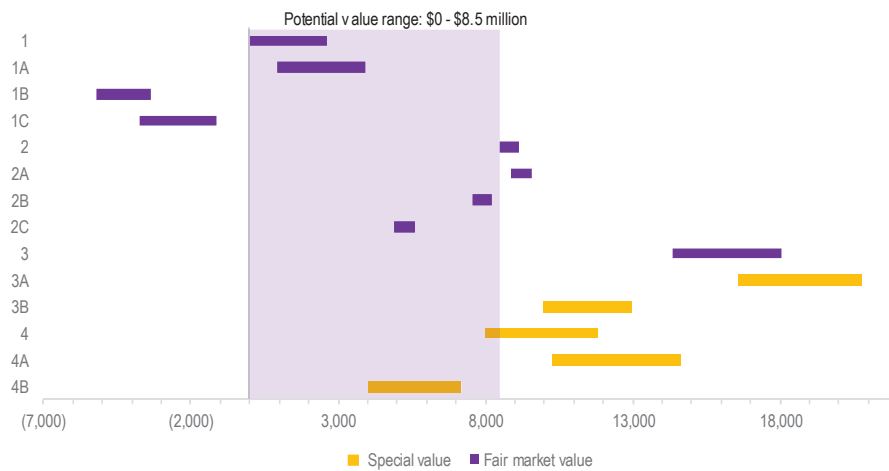
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(opportunistic case). Similarly to Scenario 1, we have run three sensitivity cases (2A, 2B and 2C) on broadly similar assumptions.

- **Scenario 3 - Accelerated Growth Case:** As the Slow Pipeline Case but the growth to 39 centres is accelerated by CY22 in line with the Upside Case under the valuation of the Group. This will require significant upfront funding. We have also considered Scenario 3A with 10%/90% debt/equity capital structure rather than 100% equity and Scenario 3B with higher level of corporate costs in the terminal year.
- **Scenario 4 - Growth Pipeline Case:** The number of centres is assumed to increase by 10 new centres each year, from 18 as at 30 June 2021 up to 58 centres by 2025. This case more closely represent Mathew Edwards' vision for the business. We have run the same sensitivity as per Scenario 3 under Scenario 4A and 4B.

We are of the opinion that the values assessed under Scenarios 3 and 4 represent special value that can be unlocked only by Mathew Edwards and no interested parties may be prepared to pay for it. Whilst we have presented them in the value summary below, we have not relied on them for the purpose of our assessment of the fair market value. Based on the scenarios mentioned above, our valuation of Think Group is summarised below:

**Valuation assessment of Think Rump (A\$ '000s)**



<p><b>Scenario 1: Slow Pipeline case</b></p> <ul style="list-style-type: none"> <li>- 1A: Slow Pipeline case with 10% debt funding</li> <li>- 1B: Slow Pipeline case with corporate costs of A\$10 million in perpetuity</li> <li>- 1C: Slow Pipeline case with one-off lease termination payment of A\$3.2 million</li> </ul> <p><b>Scenario 2: Orderly Realisation Case</b></p> <ul style="list-style-type: none"> <li>- 2A: Orderly Realisation Case with 10% debt funding</li> <li>- 2B: Orderly Realisation Case with shutdown costs of A\$10 million</li> <li>- 2C: Orderly Realisation Case with one-off lease termination payment of A\$3.6 million</li> </ul>	<p><b>Scenario 3: Accelerated Pipeline Case</b></p> <ul style="list-style-type: none"> <li>- 3A: Accelerated Pipeline Case with 10% debt funding</li> <li>- 3B: Accelerated Pipeline Case with corporate costs of A\$10 million in perpetuity</li> </ul> <p><b>Scenario 4: Growth Pipeline Case</b></p> <ul style="list-style-type: none"> <li>- 4A: Growth Pipeline Case with 10% debt funding</li> <li>- 4B: Growth Pipeline Case with corporate costs in perpetuity reduced for development platform</li> </ul>
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Source: GTCF analysis

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As evident from the vast and diverse outcome of value possibilities for Think Rump in conjunction with changes in a limited number of assumptions, it is clear that the valuation assessment of Think Rump is a complex and challenging task due to the following uncertainties:

- Pace of growth in the number of centres.
- Ability to achieve the level of occupancy and underlying performance earned by mature centres.
- Corporate costs to be incurred by the business on a normalised basis.
- Willingness of a pool of potential purchasers to raise or commit the required funding to growth the business and bear the risks attached to the cost structure transferred by Think Group and the key man risk with Mathew Edwards.
- The impact on the business of the current extended lockdown in NSW and possible future lockdowns around Australia.

We have concluded that the value of the Think Rump business lies somewhere between A\$nil and A\$8.5 million, however due to the above uncertainties is not feasible to narrow down this range. In our valuation assessment of the fair market value of Think Rump, we have placed limited reliance on the various value ranges under Scenarios 3 and 4, as in our opinion a pool of potential purchasers may not be prepared to pay for the level of growth captured in the discrete forecast period. Whilst there are number of cases where the value range is negative, we are of the opinion that the MGE Entities have the ability to right-size the cost structure to mitigate the losses (optionality value) and accordingly we have excluded these cases from our valuation range. The selected value range between A\$nil and A\$8.5 million overlays with most of the remaining scenarios.

Whilst the nominal consideration payable by MGE Entities lies right at the bottom of our selected value range, we have concluded that the MGE Acquisition is **NOT FAIR** as in our opinion there is optionality value in the portfolio which is not able to be captured in our valuation assessment which should always allow to the MGE Entities to recover something greater than A\$nil from Think Rump due to the following:

- There is an opportunity for a more expedited and severe corporate costs reduction than factored into our valuation assessment to right-size the business and maximise profit if the financial performance is not consistent with Management's expectations in particular under the negative value cases under Scenario 1.
- Think Group will receive the Management Fee of c. A\$3.5 million per annum for the first three years of operations which will assist greatly in reducing the burden of the corporate costs until the business achieves the required scale to support its cost structure or in the case Management opts for a more severe and immediate reduction of the corporate costs transferred by the Group.
- As at 30 June 2021, the business had 16 trading centres with an average occupancy level of c. 56.9%<sup>32</sup>. This average occupancy level is not far away from the 75% threshold occupancy for mature centres. At that point in time, the MGE Entities will have a viable and profitable alternative to sell the portfolio at multiple on or around 4.0x EBITDA before corporate costs and crystallise a significant return even after redundancies and realisation expenses.

<sup>32</sup> Average occupancy of 17 centres for the month of June 2021. 7 of these centres have occupancy of 75% or higher.  
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- The portfolio also includes several centres in construction or in advanced development as at 30 June 2021. Considering the level of due diligence that the Group undertakes before committing to an AFL and the level of experience and know-how of the sector of Mathew Edwards and his team, significant value could be realised from this portfolio of centres once construction is completed and the centres start trading over the next 18 months.

### ***Reasonableness Assessment of the MGE Acquisition***

RG111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite being not fair, there are sufficient reasons for the Independent Securityholders to vote in favour of the MGE Acquisition in the absence of any superior proposal.

We have concluded that the MGE Acquisition is **REASONABLE** to the Independent Securityholders.

In assessing the reasonableness of the MGE Acquisition, we have considered the following.

- The MGE Acquisition and the Schemes are interdependent. If the MGE Acquisition is not approved, one of the condition precedent for the Schemes will not be met and the Proposed Transaction will not proceed. The Independent Securityholders will forego the opportunity to receive the Scheme Consideration which is in excess of our assessment of the fair market value of the Group and it includes some special value only available to Busy Bees and a limited number of other purchasers.
- Whilst we have concluded that the MGE Acquisition is not fair for the reasons outlined above, there are a number of plausible scenarios where the value of Think Rump is negative or A\$nil. Under these circumstances, the MGE Acquisition would be fair.
- Alceon, which is not able to pursue a similar transaction structure given the lack of a large existing childcare business in its portfolio, confirmed that it is supportive of the Schemes and that it intends to vote in favour of the Schemes. The Schemes cannot be implemented without the MGE Acquisition proceeding.
- There are significant operational and financial risks in Think Rump business immediately after completion. The business is expected in CY22 (i.e. the first full year of operations) to incur a loss on a pro-forma basis of between A\$(1.8 million) and A\$(5.4 million)<sup>33</sup> (depending on the growth profile adopted) if the corporate costs structure transferred from the Group is not materially altered. Whilst Mathew Edwards may be able to realise the value of the Think Rump business assessed in our valuation assessment, this is by no means without significant risks.

### ***Overall conclusion on the MGE Acquisition***

After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the MGE Acquisition is **NOT FAIR BUT REASONABLE** to the Independent Securityholders in the absence of a superior alternative proposal emerging.

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<sup>33</sup> At the underlying EBITDA level.  
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### Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

In preparing this report we have considered the interests of the Independent Securityholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN  
Director

JANNAYA JAMES  
Authorised Representative

## Financial Services Guide

### **1 Grant Thornton Corporate Finance Pty Ltd**

Grant Thornton Corporate Finance carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Think Group appointed Grant Thornton Corporate Finance Pty Ltd to provide general financial product advice in the form of an independent expert's report in relation to the Schemes and the MGE Acquisition.

### **2 Financial Services Guide**

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

### **3 General financial product advice**

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

### **4 Remuneration**

When providing the Report, Grant Thornton Corporate Finance's client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from Think Group a fixed fee of A\$250,000 (plus GST) which is based on commercial rates, plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.



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## **5 Independence**

Grant Thornton Corporate Finance is required to be independent of Think Group in order to provide this report. The guidelines for independence in the preparation of independent expert's reports are set out in RG 112 *Independence of expert* issued by ASIC. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

*"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Think Group (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Schemes and the MGE Acquisition.*

*Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Schemes and the MGE Acquisition, other than the preparation of this report.*

*Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.*

*Grant Thornton Corporate Finance considers itself to be independent in terms of RG 112 "Independence of expert" issued by the ASIC."*

## **6 Complaints process**

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Australian Financial Compliance Authority (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Compliance Authority who can be contacted at:

Australian Financial Compliance Authority  
GPO Box 3  
Melbourne, VIC 3001  
Telephone: 1800 931 678

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

## **7 Compensation arrangements**

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

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## 1 Outline of the Proposed Transaction

### 1.1 Previous proposals

Before entering into the IA, the Group had received a number of non-binding, indicative and conditional proposals as summarised below:

- On 16 November 2020, the Group announced that Alceon offered to purchase 100% of the Securities at A\$1.35 per Security ("Initial Alceon Proposal") which was at 16% premium to the 10 days VWAP<sup>34</sup>. After careful consideration, the Group granted a period of exclusivity to undertake due diligence.
- On 23 November 2020, Think Group received a proposal from Busy Bees ("Initial Busy Bees Proposal") to purchase all the issued Securities for cash consideration of A\$1.75 per security which was at a 51% premium to the 10 days VWAP before the Initial Alceon Proposal.
- On 24 December 2020, the Group received a matching proposal to the Initial Busy Bees Proposal from Alceon and confirmation that Alceon had bought a 19.23% interest in the Group.
- On 20 January 2021, Busy Bees presented a revised proposal at A\$2.10 per Stapled Security ("Revised Busy Bees Proposal") which represented a premium of 20% to the Initial Busy Bees Proposal and of 81% to the 10 days VWAP before the Initial Alceon Proposal.
- On 6 April 2021, the Group received a further proposal from Busy Bees ("Further Revised Busy Bees Proposal") at an offer price of A\$3.20 per Stapled Security. The Further Revised Busy Bees Proposal was intended to proceed by way of two schemes of arrangement for TNK and TND with Busy Bees open to a transaction structure for the MGE Entities to purchase for a nominal consideration the business, assets and liabilities now comprising Think Rump. The Further Revised Busy Bees Proposal was at a 176% premium to the 10 day VWAP before the Initial Alceon Proposal.
- On 16 June, the parties entered into the Implementation Agreement which the Group announced to ASX on the following day.

### 1.2 IA and the Schemes

The IA regulates both Schemes and also provides an overarching framework for the Ancillary Agreements.

Under the IA, Busy Bees and FEL Dev will acquire 77.85% of TNK and TND under two inter-conditional schemes of arrangement being the TNK Scheme and TND Scheme between the Independent Securityholders for the Scheme Consideration of a total of A\$3.20 less the amount of any Permitted Dividend (if any) declared and paid. In addition, Think Group will be allowed to declare and pay the Interim Dividend which will not reduce the Scheme Consideration.

The Schemes are subject to the following key conditions precedents (refer to section 2.6 of the Explanatory Booklet for full details):

- FIRB and ACCC approval – Busy Bees has received FIRB approval and ACCC clearance in

<sup>34</sup> Volume Weighted Average Price ("VWAP"). VWAP is based on cumulative trading volume and value up to and including 13 November 2020, being the last trading date prior to the announcement of the Initial Alceon Proposal.





connection with the Schemes.

- No change of Independent Directors' voting recommendation.
- No prescribed occurrences for Think Group and Busy Bees.
- Think Group and Busy Bees warranties remain true and correct in all material respects.
- Think Group Securityholders approval for both Schemes by the required majority
- Court approval of Schemes.
- No material adverse change, restraints and third party consents.
- Think Group is required to accelerate the vesting of all performance rights subject to the Schemes being approved by Securityholders and the Court.
- The MGE Agreements and the MGE Share Acquisition Agreement are executed and they are not terminated or amended without the consent of Think Group and Busy Bees (acting reasonably).
- An internal restructure involving the transfer of service approvals and subsidiary companies within Think Group in preparation for the acquisition of Think Rump by MGE Entities is completed.

A break fee of A\$1.95 million may become payable by the Group to Busy Bees if the Schemes do not proceed due to any of the following:

- A competing proposal is announced by a third party prior to an agreed end date and within nine months from its announcement, the competing proposal completes or is implemented, provided that if the competing proposal relates to an acquisition of an interest in Stapled Securities, the proponent acquires a relevant interest in more than 50% of the Group, or otherwise acquires control of the Group.
- Any of the Independent Directors withdraws or adversely revises or qualifies their voting intention or recommendation to vote in favour of the Schemes and the MGE Acquisition, except in limited circumstances set out in the IA.
- Busy Bees terminates the IA due to a material breach by the Group of the terms of the IA, the failure of conditions precedent within the control of the Group or a breach of exclusivity or conduct of business restrictions.

The IA regulates circumstances under which Busy Bees may pay to the Group a break fee of the same amount.

The IA contains customary exclusivity provisions including no shop and no talk restrictions, due diligence investigation and information exclusivity, and a matching counterproposal right for Busy Bees in the event the Directors receive a superior proposal.

### 1.3 Ancillary Agreements

#### 1.3.1 MGE Share Acquisition Agreement

This is an agreement between Busy Bees and the MGE Entities and regulates the acquisition by Busy Bees of 22.15% of TNK from the MGE Entities for the same consideration attributable to the TNK Shares under the TNK Scheme (such that, following implementation of the TNK Scheme and completion under the MGE Share Acquisition Agreement, Busy Bees will own 100% of the issued share capital of TNK).

The agreement is conditional, among other matters, on the Schemes being implemented and it will automatically terminate if the Implementation Agreement is terminated or if the Schemes are not approved by Independent Securityholders or by the Court.

#### 1.3.2 MGE Agreements

The MGE Agreements to implement the MGE Acquisition are:

- The TND Share Transfer Agreement is an agreement between FEL Dev, Busy Bees and Nest Education Development Pty Ltd (Nest Education), an entity controlled by Mathew Edwards to regulate the acquisition by Nest Education of 77.85% of TND from Busy Bees such that Mathew Edwards and his controlled entities will own 100% of the issued share capital of TND.
- The Management Agreement is an agreement between Busy Bees Australia Operations Pty Ltd and Nest Management Pty Ltd ("Nest Management"), an entity controlled by Mathew Edwards, under which Nest Management is appointed as the manager of 35 TNK childcare centres for a fee of A\$100,000 per centre per annum (subject to a minimum total amount of A\$3,000,000) for a period of 3 years.
- The Head Office Asset Sale Agreement regulates the transfer of certain head office assets including the Nido intellectual properties, inventory, plant and equipment, shares in certain subsidiary companies that hold property leases and service approvals and head office employees to Nest Education. In relation to transferring employees, TNK will pay to each transferring employee all wages, salary, remuneration, allowances, compensation and benefits, and accrued annual leave entitlements due to or accrued by them up to completion. TNK will also pay to Nest Education an amount equal to 70% of the accrued long service leave entitlements assumed by Nest Education.
- The Nido Franklin Sale Agreement for the transfer of Nido Franklin childcare to Nest Property Services East Coast Pty Ltd ("Nest Property"), an entity controlled by Mathew Edwards.
- The Intellectual Property Licence Deed (Nido) which grants a licence of the Nido intellectual property to Busy Bees during the term of the Management Agreement, along with certain other IP to Busy Bees in perpetuity.
- Ancillary Rights Deed which regulates first rights of refusal for the disposal of certain TND centres and TNK centres that are managed under the Management Agreement during the term of the Management Agreement.

Subject to implementation of the Schemes, one or more of the MGE Entities will acquire the following business, assets and liabilities for nominal consideration, under separate agreements between TNK, Busy



Bees and the MGE Entities (the below represent the Think Rump business post the Proposed Transaction):

- 77.85% of the issued share capital in TND (such that MGE Entities will own 100% of the issued share capital of TND), given that the MGE Entities already own 22.15% of TND.
- The childcare centre in Franklin, ACT, trading under the 'Nido' brand, which is currently loss making.
- The 'Nido' brand and associated intellectual property rights.
- The head office function and certain specified non-income producing assets of the Company (including the assumption of the head office and related employee costs and associated liabilities of TNK and entities that hold leases for TNK development greenfield sites). MGE Entities will assume all of the corporate and overhead costs and associated liabilities of the development business of Think Group, apart from TND's existing bank facility of approximately A\$13 million (which will be paid out at completion by Busy Bees) and certain accrued entitlements of transferring employees (which will be paid out at completion by TNK). The total annual costs of the corporate and overhead costs taken over by the MGE Entities is estimated at c. A\$14.5 million.
- 100% of the issued share capital in Think Childcare Services Pty Ltd, the entity holding the childcare centre service approvals for each TNK centre which is subject to the Management Agreement with Busy Bees.

#### 1.3.3 Approval of the Appointor Structure Approval Resolutions

Due to the shareholding structure of Busy Bees Group and the regulatory requirements applicable to its controlling shareholder (OTPP), amendments to the TNK constitution are required to facilitate the acquisition of TNK Shares by Busy Bees. These amendments include the removal of all rights attaching to TNK Shares to vote on the appointment, election and/or removal of directors of TNK and to add a provision which provides that an appointor entity designated by OTPP will have the sole authority to appoint, elect and/or remove all directors of TNK. The proposed amendments to the TNK Constitution will be conditional on the Schemes becoming Effective and will take effect on the Implementation Date.

#### 1.3.4 Approval of Unstapling at the General Meeting

In order to implement the MGE Acquisition and the MGE Share Acquisition Agreement, there is a requirement to un-staple the Stapled Securities of Think Group which requires the approval by special resolution of the Think Group Securityholders.

## 2 Purpose and scope of the report

### 2.1 Purpose

#### 2.1.1 Section 411 of the Corporations Act

Section 411 of the Corporations Act 2001 regulates, among other things, scheme of arrangements between companies and their members. Part 3 of Schedule 8 to the Corporations Regulations 2001 prescribes information to be sent to shareholders and creditors in relation to members' and creditors' scheme of arrangement pursuant to Section 411 of the Corporations Act.

Part 3 of Schedule 8 (s8303) of the Corporations Regulations requires an independent expert's report in relation to a scheme to be prepared when a party to that scheme has a shareholding greater than 30% in the company subject to the scheme, or where any of its directors are also directors of the company subject to the scheme. In those circumstances, the independent expert's report must state whether a scheme is in the best interest of shareholders and state reasons for that opinion. Even where there is no requirement for an independent expert's report, documentation for a scheme of arrangement typically includes an independent expert's report.

While there is no legal requirement for an independent expert's report to be prepared in respect of the Schemes, the Independent Directors of Think Group have requested Grant Thornton Corporate Finance to prepare an independent expert's report to express an opinion as to whether the Schemes are in the best interest of Independent Securityholders.

##### 2.1.1.1 Chapter 2E of the Corporations Act and ASX Listing Rule 10.1

Chapter 2E of the Corporations Act provides that for a public company to give a financial benefit to a related party, the public company must either obtain member approval or the giving of the benefit must fall within an exception in sections 210 to 216 of the Corporations Act (parties dealing at arm's length). Mathew Edwards through his controlled entities will pay nominal consideration for Think Rump under the MGE Acquisition and the MGE Acquisition is required to be separately approved by Think Group Securityholders under Chapter 2E (section 208(1)) of the Corporations Act.

Chapter 10 of the ASX Listing Rules requires the approval from the non-associated shareholders of a company if it proposes to acquire or dispose of a substantial asset to a related party or a substantial holder.

ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration, is 5% or more of the equity interest of the entity as set out in the latest financial statement provided to the ASX. Based on ASX Listing Rule 10.1.3, a substantial holder is a person who has a relevant interest, or had a relevant interest at any time in the six months before the transaction, in at least 10% of the voting power of the company.

ASX Listing Rule 10.10.2 requires that the Notice of Meeting to approve the related party transaction must display prominently an expert's opinion as to whether the transaction is fair and reasonable to the holders of the entity's ordinary securities whose votes are not to be disregarded.

The consideration payable by Mathew Edwards through the MGE Entities for Think Rump under the MGE Acquisition is nominal, however the value of the assets being acquired or the amount or value of the

consideration they provide is unclear and the Independent Directors are not able to form an opinion if it represents more or less than 5% of the equity interests of Think Group as set out in its accounts for the financial year ending 31 December 2020. Therefore the MGE Acquisition may constitute the disposal of a substantial asset by Think Group to a related party. As such, the MGE Acquisition requires the approval of Think Group Securityholders under Listing Rule 10.1.

Based on the above, Grant Thornton Corporate Finance has also been engaged to opine whether or not the MGE Acquisition is fair and reasonable for the Independent Securityholders in accordance with Chapter 2E of the Corporations Act and ASX Listing Rules 10.1.

## 2.2 Basis of assessment

### 2.2.1 Schemes

In determining whether the Schemes are in the best interest of the Independent Securityholders, Grant Thornton Corporate Finance has had regard to relevant Regulatory Guides issued by the ASIC, including RG 111, Regulatory Guide 60 Scheme of arrangement (“RG60”) and RG 112. The IER will also include other information and disclosures as required by ASIC. We note that neither the Corporations Act nor the Corporations Regulations define the term “in the best interests of members”.

RG 111 establishes certain guidelines in respect of independent expert’s reports prepared for the purposes of the Corporations Act. RG111 is framed largely in relation to reports prepared pursuant to Section 640 of the Corporations Act and comments on the meaning of “fair and reasonable” in the context of a takeover offer. RG111 requires an independent expert report prepared for a change of control transaction implemented by way of scheme of arrangement to undertake an analysis substantially the same as for a takeover bid. However, the opinion of the expert should be whether or not the proposed scheme is “in the best interests of the members of the company”. If an expert were to conclude that a proposal was “fair and reasonable” if it was in the form of a takeover bid, it will also conclude that the proposed scheme is “in the best interests of the members of the company”.

Pursuant to RG111, an offer is “fair” if the value of the offer price or consideration is equal to or greater than the value of the securities that are subject of the offer. A comparison must be made assuming 100% ownership of the target company.

RG111 considers an offer to be “reasonable” if it is fair. An offer may also be reasonable if, despite not being “fair” but after considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.

In our opinion, the most appropriate way to evaluate the fairness of the Schemes is to compare the fair market value of Think Group on a control basis before the Proposed Transaction with the Scheme Consideration.

We note that as part of our procedures, we have also considered the value of the Think Rump transferred to the entities controlled by Mathew Edwards and the value of the Think Group for Busy Bees after implementation of the Proposed Transaction and the transfer of the Think Rump to the entities controlled by Mathew Edwards.

In considering whether the Schemes are in the best interest of the Independent Securityholders, we have considered a number of factors, including:



- Whether the Schemes are fair.
- The implications to Independent Securityholders if the Schemes are not implemented.
- Other likely advantages and disadvantages associated with the Schemes.
- Other costs and risks associated with Schemes that could potentially affect Independent Securityholders.

#### 2.2.2 MGE Acquisition

Grant Thornton Corporate Finance has had regard to RG 111 in relation to the content of its independent expert report and RG76 in relation to related party transactions. RG76 largely refers to RG111 in relation to the approach to related party transactions.

RG 111 establishes certain guidelines in respect of independent expert's reports prepared for the purposes of the Corporations Act. RG 111 is framed largely in relation to reports prepared pursuant to Section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" in the context of a takeover offer. RG 111 also regulates independent expert's reports prepared for related party transactions in clauses 52 to 63. RG 111 notes that an expert should focus on the substance of the related party transaction, rather than the legal mechanism and, in particular where a related party transaction is one component of a broader transaction, the expert should consider what level of analysis of the related party aspect is required.

We note that RG111 clause 56 states the following:

*RG 111.56 Where an expert assesses whether a related party transaction is 'fair and reasonable' (whether for the purposes of Chapter 2E or ASX Listing Rule 10.1), this should not be applied as a composite test—that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the proposal, as we do not consider this provides members with sufficient valuation information (See Regulatory Guide 76 Related party transactions (RG 76) at RG 76.106–RG 76.111 for further details).*

Accordingly, in the consideration of the MGE Acquisition, we have undertaken a separate test of the fairness and then analyse the advantages and disadvantages for the Independent Securityholders.

RG 111 notes that a related party transaction is:

- Fair, when the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired.
- Reasonable, if it is fair, or, despite not being fair, after considering other significant factors, shareholders should vote in favour of the transaction.

In considering the fairness of the MGE Acquisition, we have compared the fair market value of Think Rump after implementation of the Proposed Transaction (i.e. the assets and liabilities received by the entities controlled by Mathew Edwards) with the nominal consideration payable by the MGE Entities.



In considering whether the MGE Acquisition is reasonable to the Independent Securityholders, we have considered a number of factors, including:

- Whether the MGE Acquisition is fair.
- The implications to Group and the Independent Securityholders if the MGE Acquisition is not approved and hence the overall Proposed Transaction cannot proceed.
- Other likely advantages and disadvantages associated with the MGE Acquisition as required by RG111.
- Other costs and risks associated with the MGE Acquisition that could potentially impact the Independent Securityholders.

### 2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance (a 100% subsidiary of Grant Thornton Australia Limited) considered its independence with respect to the Proposed Transaction with reference to RG 112 issued by ASIC.

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Proposed Transaction other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success implementation of the Proposed Transaction.

In our opinion, Grant Thornton Corporate Finance is independent of Think Group and all other relevant parties of the Proposed Transaction.

### Compliance with APES 225 Valuation Services

This report has been prepared in accordance with the requirements of the professional standard APES 225 Valuation Services ("APES 225") as issued by the Accounting Professional & Ethical Standards Board. In accordance with the requirements of APES 225, we advise that this assignment is a Valuation Engagement as defined by that standard as follows:

*"An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time."*



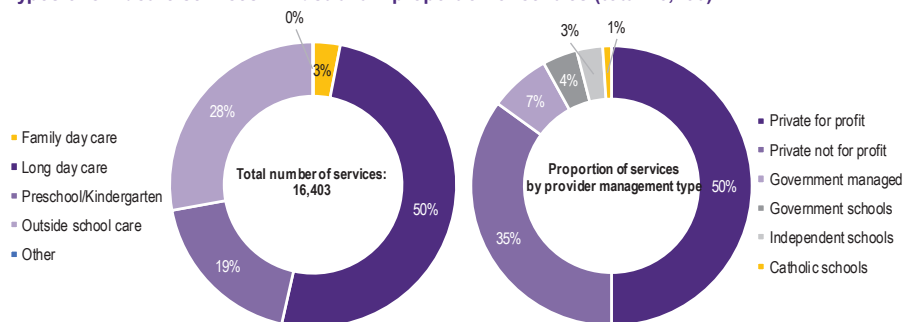
### 3 Industry overview

#### 3.1 Introduction

Think Group operates in the child care services industry (“the Industry”) in Australia with operations across all states and territories except the Northern Territory and Tasmania. The Industry provides services including long day care, family day care, occasional care, outside school hours and vacation care, mostly to children under 12 years of age. Children’s education/childcare services operate under various ownership/ management arrangements like private operators, community and not-for-profit organisations, and public and private schools. The Industry is highly fragmented, and is also highly regulated under the NQF.

The NQF recognises four main childcare service types which are broken down below together with the type of operators providing the services.

#### Types of childcare services in Australia – proportion of centres (total 16,403)



Source: NQF Snapshot Q1 2021, published by Australian Children’s Education & Care Quality Authority dated May 2021

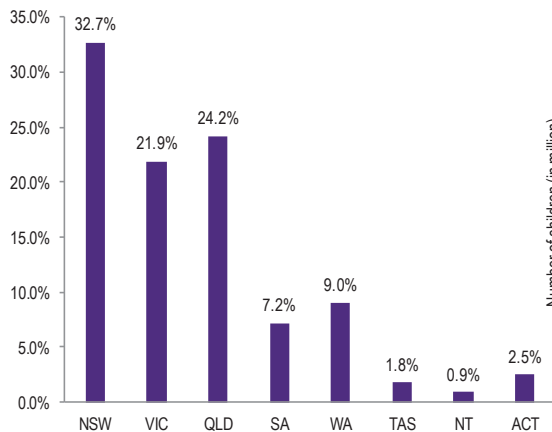
- Long day care (“LDC”)** – LDC is centre-based childcare provided by professional staff, mostly led by commercial and for-profit companies, to children up to school-starting age. In addition to childcare services, LDCs also often provide educational services, and are allowed to be registered as kindergartens. This has led LDCs to compete directly with preschool education providers. LDCs contribute the highest proportion to the Industry’s revenue, as most of these are operated by corporations, and the number of LDCs has increased over the last few years.
- Family day care** – These are childcare services provided in the home of approved educators. This type of care can be all day, part-time, casual, before and after school, and during school holidays. In order to avoid poor quality of services and the fraudulent use of the child care subsidy, they have been made subject of increased regulatory burden and compliance checks over the past few years. Further, due to the small size and funding available to these providers, they suffered a greater impact from COVID-19 than their larger competitors. Consequently, the number of family day care services has been reducing since the past few years.
- Outside school hours care** – These are provided by both commercial and not-for-profit organisations as well as schools, and mainly involve short-duration care. Vacation care is also included in this segment, providing child care services during school holidays. Increasing demand for vacation care, as well as an increase in working hours for parents over recent years has resulted in an increase in demand for outside school hours care providers. We note that this segment was impacted significantly by the COVID-19 global. Although schools were open, government-mandated lockdowns and

recommendations for children to stay at home resulted in little to no attendance at outside school hours care facilities, resulting in closure of several centres.

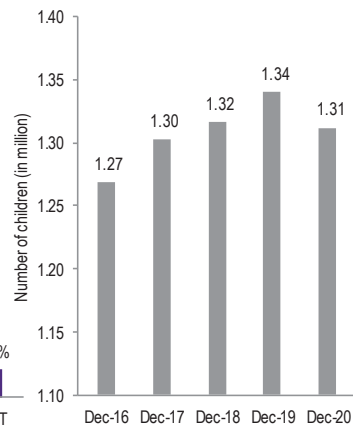
- **Occasional care** – Occasional care services are usually family grouped, licensed for children under five years old, operated in communities as non-profit organisations, and are provided to families with irregular working hours or short-term needs.

We have illustrated below the percentage of children using approved child care by location and number of children using childcare centres.

**Childcare usage by location<sup>35</sup>**



**Number of children using centres**



Source: Department of Education, Skills and Employment

We note that New South Wales had the largest share of children attending approved childcare centres. The number of children attending approved childcare centres increased from c. 1.27 million in 2016 to c. 1.31 million as at December 2020, representing a CAGR of c. 0.8%. We note the decrease in 2020 was as a result of the outbreak of COVID-19 and the consequent lockdowns.

### 3.2 Industry drivers

The performance of child care operators is significantly influenced by the following key factors:

#### Government assistance

Government policies subsidising child care costs for parents is one of the largest determinants for the demand for child care services. The federal government has been providing increasing levels of funding to assist families to access early childhood education and care in the past five years.

The assistance from Government is intended to have a positive impact on the child care industry as the increased affordability should positively impact the demand for child care services and the centres' occupancy rates. However despite increase in government subsidies, out-of-pocket costs for parents have risen as the demand for childcare services has outweighed the opening of new high quality centres.

<sup>35</sup> As at December 2020

The Child Care Subsidy (“CCS”) announced in July 2018 is a means-tested benefit primarily for low and middle income families which decreases with an increase in the combined family income. Middle-income families have derived the greatest benefits from CCS as the activity test requirements could negatively affect lower income families<sup>36</sup>.

The government also announced in May 2021 additional subsidies for lower-middle income families, which incentivises families with more than 1 child to take on an additional 1-2 days of work per week. At present, families with 2 or more children receive the same benefit per child as families with 1 child, which has resulted in lower numbers of working parents in families with more children. As part of the revised policies, the CCS will be increased for the second child and subsequent children, and the annual cap on subsidies for families with income higher than A\$189,390 will be removed. The changes will take effect from July 2022.

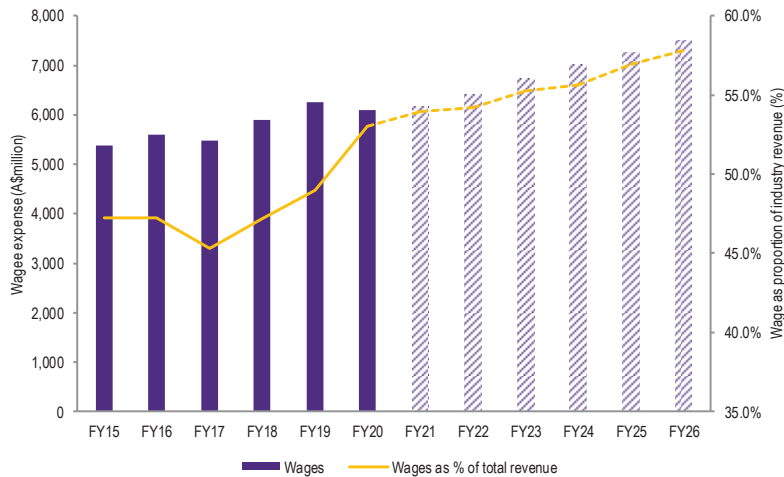
The above changes are expected to lower the out-of-pocket costs for more than 250,000 families in FY23<sup>37</sup>. Further, the Australian Government is expecting to increase the expenditure in child care services by A\$1.7 billion<sup>38</sup> through CCS. In the near term, eligible families that are affected by the outbreak of COVID-19 pandemic can claim extra CCS between 13 July 2020 and 4 April 2021.

Refer Section 3.3 for further details of government regulation in the childcare industry.

*Labour force*

Staff costs are the largest cost for the childcare industry and they comprise of both skilled teachers and caretakers as well as other administrative and assistive staff. Wage associated expense is the most significantly costs in the child care industry. We have set out below the estimated wage costs from FY15 to FY26:

**Child care service industry wage expenses FY15 to FY26**



Source: IBISWorld

<sup>36</sup> Macquarie Research, G8 Education broker report dated 10 June 2019  
<sup>37</sup> Canaccord Genuity 'More babies, more funding, less supply growth', dated 3 May 2021  
<sup>38</sup> 2021 Australia Federal Budget

Since the NQF standard require higher staff-to-child ratios and a higher level of qualifications, the Industry has been experiencing staff shortages and rising staff costs. This upward trend is projected to continue both in absolute terms and as a proportion of revenue over the next five years as a result of tighter regulatory requirements. We note that the Industry is expected to experience downward pressure on profitability as the wage increases.

Staff retention is a key issue within the Industry. LDCs compete with schools/ preschools to attract and retain teachers. Schools/ preschools typically offer teachers higher salaries, shorter and more consistent hours, more leave entitlements, a professional status, and relatively easier work conditions. Operators like TNK have had to pay higher salaries to teachers and carers to retain them within the business and prevent disruption. Shortages in the skilled workforce due to the lack of immigration have added to the difficulties in retaining staff. In addition, the exodus of several families from large cities to regional areas in the aftermath of COVID-19 is expected to put further pressure on staff levels.

#### *Female participation in the workforce*

The participation of women with dependent children in the workforce has been observed to affect demand for child care services, since the number of mothers using formal child care services increases with an increase in female participation in the workforce. Labour force participation rates among working aged women has risen over the long term to just over 60%, with maternal workforce participation rates also rising. Female labour participation has been historically more volatile than that of men. Women have been observed to be more inclined than men to exit the workforce when becoming a parent, creating industry volatility. However, in recent times, the rate at which women are entering the workforce is increasing relative to the rate at which women are exiting the workforce. This has led to stabilisation of revenue in the childcare industry.

#### **Female participation in labour force May 2011 to May 2021**



Source: ABS Labour Force Australia, published 15 April 2021

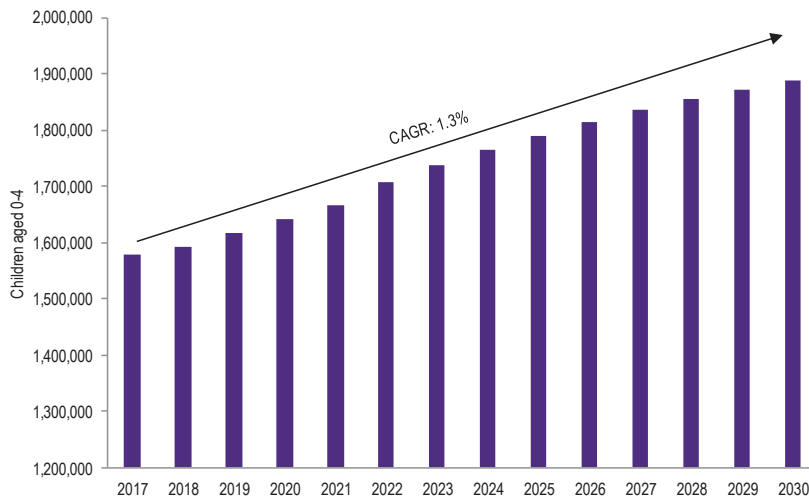
The number of females in workforce has decreased significantly during June quarter 2020 as a result of the outbreak of COVID-19 and the consequent reduction in total labour force driven by the economic

downturn. The participation has recovered since June 2020 as a result of the decreasing unemployment from the peak in mid-2020 and the recovery of the economy. As part of the budget in May 2021, the Federal Government has announced increased expenditure of c.A\$3.4 billion to promote women’s health, safety and economic security, with nearly half of this to be absorbed by child care subsidies.

*Macroeconomic factors*

- *Population trends:* Child care centres and their profitability is driven by the population of children, in particular children under the age of five. The number of children aged 0-4 years has experienced slight decrease from 2019 to 2020, offsetting the increase in the number of children aged 5-14 years old<sup>39</sup>. The number of children aged 0 – 4 years is projected to grow at CAGR of 1.3% up to 2030 as shown below:

**Population trends of children aged 0 to 4 in Australia**



Source: ABS Population Projection

- *Real household income:* Household disposable income is a key determinant of household funds available for a family’s child care expenses. An increase in real household disposable income impacts how much families can spend on formal child care services and, in turn, the hours, location, and type of child care service demanded. Higher incomes are likely to result in longer hours in formal child care services over the longer term. Growth in Australian household disposable income in real terms was 1.7% per annum<sup>40</sup> from FY15 to FY20. We note that the Federal Government’s JobKeeper assistance package ended in March 2021. As a result disposable incomes are expected to decrease, before increasing from FY22 onwards as a result of the post-pandemic economic recovery.

<sup>39</sup> ABS National, State and Territory Population as at December 2020  
<sup>40</sup> IBISWorld D1151 Real Household Disposable Income, dated March 2021

### 3.3 Government regulation and policy

#### *Overview of NQF and other requirements*

The childcare services industry, particularly all centre-based providers, are regulated by the policies determined by the Federal Government. The most prominent policy is the NQF, which became effective on 1 January 2012 and revised multiple times thereafter, most recently in 2019. NQF is established and administered by the Australian Children's Education & Care Quality Authority ("ACECQA"), and supported by the Education and Care Services National Law Act 2010 and Education and Care Services National Regulations 2011. A brief (but non-exhaustive) summary of the NQF requirements is set out below:

- A minimum qualification is required to impart childcare services. For LDCs, at least 50% of the staff must have or be working towards a diploma qualification, and the remaining 50% must have or on a path towards a Certificate III level education and care qualification.
- Educator-to-child ratio should be maintained at specified levels, which range between 1:4 to 1:15<sup>41</sup>. The ratios vary between centre-based facilities and family care units, and across different defined age groups.
- Information transparency is required as the educators and service providers are required to be registered and approved in national registers<sup>42</sup>.
- Services are required to base their educational program on an approved learning framework. There is a National Quality Standard ("NQS") used by all state and territory governments, which sets a high national benchmark against which to quality assess and rate services. The NQS quality ratings are published to share good practice, promote continuous quality improvement, and provide key information to existing and prospective users of regulated education and care.

The most recent NQF review was the 2019 National Quality Framework Review in April 2019. The review would assess whether the NQF's objectives are being met and any improvements to the framework with regards to funding regulatory services and appropriate governance arrangements.

In addition to NQF, the non-centre-based child care services such as family day care, is also experiencing tighter controls through a Family Day Care Payment Integrity Measure implemented by the Department of Education, which enforces the compliance of payments to prevent child care fraud. 62 services were cancelled and 21 services were suspended nationally in 2018-19, followed by cancellation of another 32 services and sanctions on 87 services in 2019-20<sup>43</sup>. The closure of centres had driven the decrease of number of children attending family day care. The attendance headcount decreased significantly from 124,490 children to 107,670 children over the twelve-month period up to March 2020<sup>44</sup>, primarily driven by the compliance measures implemented by the Government.

The need to meet the qualification requirements, in particular to meet the defined educator-to-child ratios and qualifications, has become significant cost drivers in the industry as the operators have had to employ additional staffs and incur higher costs of retraining existing staff members. In December 2019, state governments endorsed the development of a new national workforce strategy to support the recruitment,

<sup>41</sup> ACECQA website.

<sup>42</sup> The national registers are based on data held in National Quality Agenda IT System

<sup>43</sup> Department of Education Skills and Employment annual report 2019-20, dated 24 September 2020

<sup>44</sup> Child Care in Australia report March quarter 2020, published by Department of Education, Skills and Employment.

retention, sustainability and quality of the children's education and care workforce. This new strategy is anticipated to be finalised and published in the second half of 2021.

Overall, while the implementation of NQF and other regulatory measures has levied a financial burden on several childcare providers, it has also resulted in improvement in quality of services. As of December 2020, the proportion of children's education and care services rated 'Meeting NQS' or higher by regulatory authorities has increased every year since the NQF was introduced<sup>45</sup>.

#### *Regulatory activity during COVID-19*

During 2020, when the spread of COVID-19 caused disruption to the economy and extended periods of lockdown around Australia, the Federal Government enacted the following measures for childcare to bring relief to parents:

- Between 6 April and 12 July 2020, the Early Childhood Education and Care Relief Package ("ECEC") supported families by funding education and care services directly in lieu of the CCS and the Additional Child Care Subsidy ("ACCS"). Child care providers received a weekly business continuity payment equivalent to 50% of fee charged in the reference fortnight, being the fortnight commenced on 17 February 2020. During this period, childcare was free to parents.
- From 13 July 2020, the CCS and ACCS recommenced together with a number of new measures to support providers and families, including temporary changes to the activity test. This was a transition period and to support the viability of child care providers, a Child Care Transition Payment equivalent to 25% of fees charged in the same reference fortnight used for the ECEC Relief Package was paid to approve childcare in the period 13 July 2020 to 27 September 2020.
- Further, to support the second wave of lockdown in VIC, the Child Care Recovery Package was introduced to support services in VIC. The package applied from 28 September 2020 to 31 January 2021 and included a recovery payment of 25% of the fees charged in the same reference period. As part of the conditions of receiving the support, services were not allowed to increase fees and employment levels had to be guaranteed.
- The Federal Government encouraged a Code of Conduct ("CoC") to be applied to landlords and tenants to work together to agree rent reductions and abatements commensurate with their reduction in revenue with the CoC suggesting a 50% abatement based on an expected 50% decline in revenue.
- Concurrently, JobKeeper payments were provided for eligible staff members plus supplementary payments to address gaps. Childcare services were required to remain open without charging fees to be eligible for JobKeeper and other payments. Any available capacity was required to be prioritised for children of essential workers. States and territories also established additional means of funding to support education and care services, including payments to services ineligible for JobKeeper (such as council-run services).

During the initial disruption and second waves of COVID-19, attendance at childcare centres reduced dramatically. However towards the end of 2020 and in 2021, industry participants have reported that attendance has approximated pre-COVID levels.

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<sup>45</sup> NQF Annual Performance Report Summary 2020

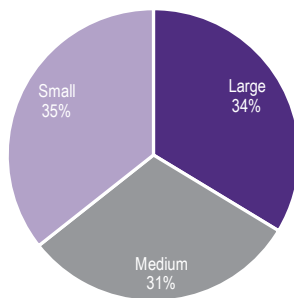


### 3.4 Constituents and trends in the Industry

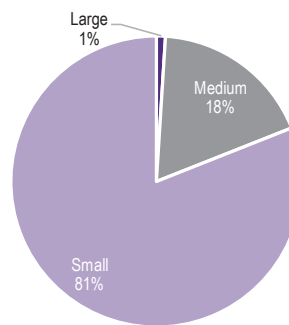
#### Major players in the Industry

The child care services industry is highly fragmented with a large number of operators, as shown below:

**Proportion of approved services by size**



**Proportion of approved providers by size**



Source: ACECQA NQF Snapshot Q1 2021

We have summarised below the industry's major participants in Australia:

- *Goodstart Early Learning* – Established in 2009, it is the largest not-for-profit operator providing child care services nationally to over 70,000 children via 649 centres<sup>46</sup>. Goodstart is responsible for c. 10.6%<sup>47</sup> of the industry market share.
- *G8 Education Limited* – Founded in 2006 and listed on ASX in 2007, G8 is the largest for-profit operator. As at December 2020, G8 Education had 472 Australian centres and more than 39,000 total licensed places in operation through 21 brands<sup>48</sup>. G8 accounts for circa 7.6%<sup>49</sup> of the market share.
- *Affinity Childcare Holdings Pty Limited* – It was established in 2005 and listed on ASX in 2013, before it was acquired by Anchorage Childcare Pty Ltd which recently sold it to Quadrant PE. Affinity provides LDC, outside school hours care, and occasional care for approximately 15,000 children up to 12 years of age<sup>50</sup>. Affinity is responsible for c. 2.0%<sup>51</sup> market share.
- *Think Group* – Think Group is the third industry player (after G8 and Affinity) listed on ASX and is the second largest listed childcare company by market capitalisation. TNK owns 83 facilities with daily licensed capacity of 6,252 places<sup>52</sup>. TNK is responsible for c. 2.0%<sup>53</sup> market share.

<sup>46</sup> Goodstart Early Learning website

<sup>47</sup> IBISWorld Q8710 Child Care Services in Australia, published in January 2021

<sup>48</sup> G8 Education annual report for CY20

<sup>49</sup> ibid

<sup>50</sup> ibid

<sup>51</sup> ibid

<sup>52</sup> As at December 2020

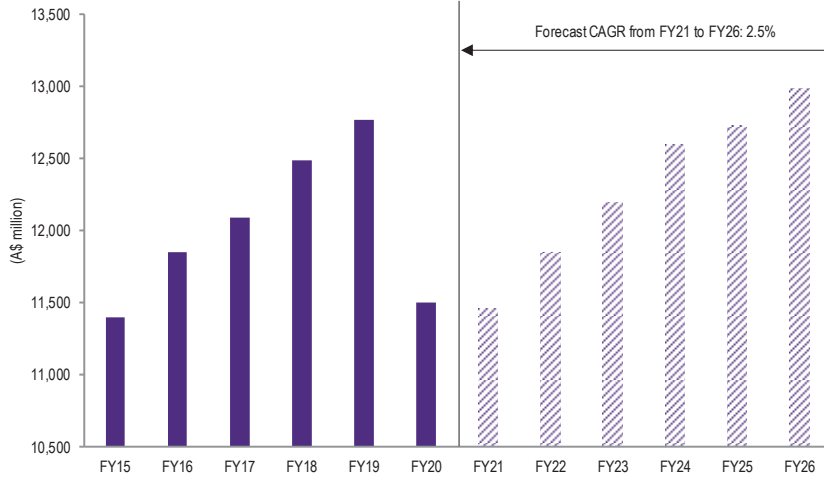
<sup>53</sup> IBISWorld Q8710 Child Care Services in Australia, published in January 2021

*Historical performance of the Industry*

The total numbers of children using child care services had increased at a CAGR<sup>54</sup> of 2.6% p.a. from c.1.2 million in March 2015 to c.1.4 million in March 2020<sup>55</sup>. Although COVID-19 had a temporary negative impact on the industry, most operators are now reporting attendance at or near pre-COVID levels.

The industry is expected to generate revenue at a CAGR of 2.5% from c. A\$11.4 billion in FY21 to A\$13.0 billion in FY26, as illustrated below

**Australia child care industry revenue FY15 to FY26**



Source: IBISWorld Q8710 Child Care Services in Australia, published in January 2021

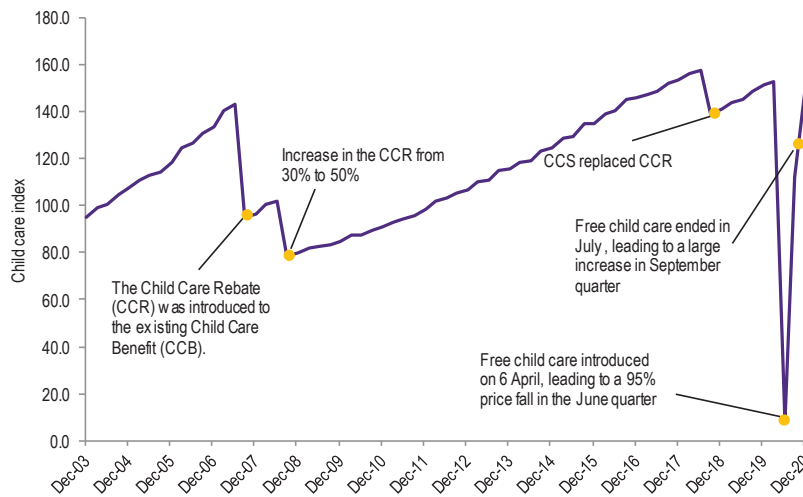
*Fee increases*

The industry revenue is primarily generated from the child care fees, which are increased annually, normally in line with CPI, however bi-annual increases are becoming more common in the industry as a result of the demand having been pushed upwards by the Government's assistance. Childcare costs have formed a part of the CPI, and have been increasing considerably in the last decade, as shown below:

<sup>54</sup> Compound Average Growth Rate

<sup>55</sup> Child Care in Australia report March quarter 2020, published by Department of Education, Skills and Employment.

### Child care index in the CPI



Source: ABS

We note that under the CCS, the hourly rate for each type of care is capped, and will be increased at commencement of each financial year. As at the date of this Report, the fees for LDC services and outside school hours care services are capped at A\$12.20 per hour, while for family day care it is capped at A\$11.30 per hour<sup>56</sup>.

#### Industry outlook

The child care services industry is anticipated to continue changing over the next five years following the new operating environment post pandemic. The industry revenue is forecast to grow at a CAGR of 2.5% over the next five years driven by the following factors which are expected to play a large role in impacting the industry in near term:

- Some families are expected to review the need for formal child care arrangements due to changed financial circumstances or working patterns. With hybrid working arrangements expected to become the norm in the near-term, it is expected that families may require flexible child care options.
- Subsidies for childcare services are likely to increase in future. Although the federal government provided additional subsidies in the May 2021 budget, market participants noted that the opposing Labour party's proposals for childcare subsidies were higher than those provided by the Coalition government. Some of the Labour Party's proposals include scrapping the A\$10,560 childcare subsidy cap and lifting the maximum childcare subsidy rate from 85% to 90% for families on combined incomes of up to A\$80,000.

In addition to the CCS, in the May 2021 budget, the federal government has also announced its intention to reform child care and preschool services over the next four years. The government plans to negotiate a new funding agreement to support continued access for families to at least 15 hours of

<sup>56</sup> Family Assistance Guide, CCS hourly rate caps



preschool each week for children before four years of age. This funding is expected to increase the demand for child care and early school.

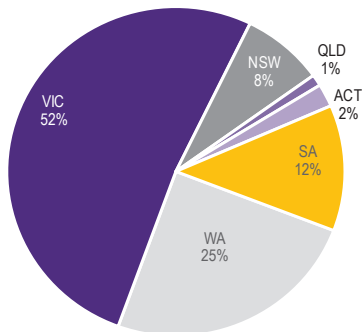
- Large, corporate industry operators are expected to grow their portfolios either through developments or acquisitions, in order to increase their market share. In order to stave off competition, industry operators are expected to either invest additional capital to refresh existing centres and retain their customers, or undertake price competition to eliminate smaller operators and boost overall occupancy. Consequently, individual operators are expected to target premium centres and niche markets in order to differentiate themselves, or operate in locations with favourable socio-demographic factors.
- Labour costs are expected to continue rising both in absolute terms and as a proportion of revenue over the next five years, as child care workers are required to upskill, and shortages of labour result in higher retention payments to staff.

## 4 Profile of Think Childcare Group

### 4.1 Overview of business

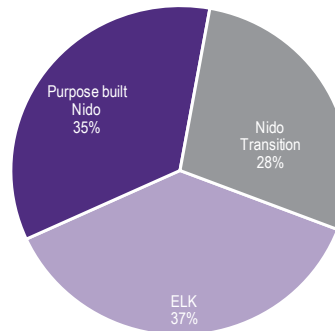
Think Group is a child care service and early education provider for children up to six years old. Think Group manages and operates childcare centres and facilities under Nido Early School (“Nido”) and Early Learning & Kinder (“ELK”) brand names in all states in Australia except for Northern Territory and Tasmania. As at 30 June 2021, the Group owns and operates 89<sup>57</sup> trading child care centres, including 16 services in ramp-up under TND and 73<sup>58</sup> services owned by TNK, with 7,660 licensed places.

**Think Group’s centres by location**



Note: These include the centres in TND.  
Source: Management

**Think Group’s centres by status**



We have set out below an overview of the brands of childcare centres operated by the Company:

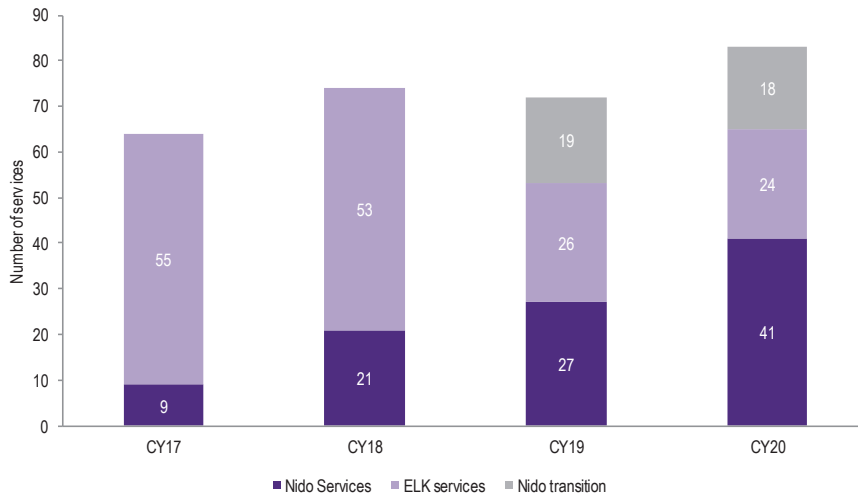
- **ELK:** This is a legacy brand, which was used for all services operated by TNK up to 2017, when the Nido brand was introduced. The ELK brand is being phased out gradually, as centres are being transitioned to the Nido brand.
- **Nido:** The Nido brand was introduced in October 2017 when 3 premium services which had high occupancy and offered higher quality of education were acquired. Nido centres are ‘purpose-built’ developed to specifically provide only childcare services or transitioned from existing ELK services<sup>59</sup>. Nido brands are characterised by innovation in service management and architecturally designed spaces which assist in achieving a quicker ramp-up in occupancy. We have set out below the Nido transition plans of ELK centres from CY17 to CY20.

<sup>57</sup> Including one service sold at the beginning of July 2021

<sup>58</sup> Including one service sold at the beginning of July 2021.

<sup>59</sup> From 2018, Management have launched program to transition existing ELK services to Nido brand.

**Think Group's portfolio and Nido transition plans**

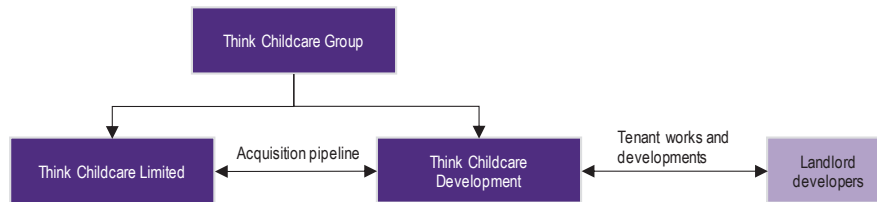


Source: Think Group's annual reports

**Incubator model/ stapled security structure**

Think Group currently has a stapled structure wherein the shares in Think Childcare Limited are stapled to those of Think Childcare Development Limited and are collectively listed on the ASX as one stapled security with the ticker "TNK". We have set out below a simplified corporate structure.

**Corporate Structure of Think Childcare Group**



Source: Think Group annual report CY20

The stapled structure was created in 2019 as the incubator model previously adopted by the Company was challenged by the tightening of traditional bank funding available to landlords and incubators<sup>60</sup>, and more onerous security requirements being sought by landlords from tenants before granting long term leases. These trends have reduced the number of services potentially available to be acquired by TNK, thereby constraining its growth. In addition, this structure allows for segregation of debt funding (and security) allowing to both TNK and TND to enhance and optimise their access to finance and it rings fence the potential downside of the development activities for TNK.

**TNK:** It owns and operates 73 mature child care centres as at 30 June 2021. TNK also provides management services to third-party incubator partners and TND for a management fee. TNK pursues its growth through acquiring high-performing purpose built child care centres (mostly from TND) at c. 4x

<sup>60</sup> On 6 June 2019, TNK announced that receivers had been appointed to TNK's main incubator partner, Edhod Pty Limited ("Edhod"). At the time of the announcement, Edhod's services represented 80% of TNK's acquisition pipeline.

annualised EBITDA for the previous three months once they have reached optimum level of performance. TNK does not own any land or buildings attached to the child care services, instead it purchases the mature child care operation and continues to lease the facility from landlords under long term leases.

TND: It was incorporated on 29 July 2019 as an Australian public company limited by shares. On incorporation, TND was a wholly owned subsidiary of TNK, with TNK holding one redeemable preference share issued for nominal consideration of A\$1.00. Shares in TND were subsequently stapled to shares in TNK (on a 1 to 1 basis) pursuant to a TNK scheme of arrangement implemented in December 2019. Initially, TND focussed on the establishment and trade up of to 18 purpose-built Nido child care services located in Western Australia, South Australia and Victoria. As at 30 June 2021, TND had a portfolio of 16 trading centres spanning across different states (5 in Victoria, 8 in Western Australia, 3 in South Australia) and a development pipeline of 20 centres of which 11 were under construction with signed AFL, 1 was under construction with no signed AFL and 8 was in development pipeline.

TND develops and incubates purpose-built child care services under the “Nido” brand and operating model, and pays fees to TNK for establishment and management of services. TND undertakes the development of new services which includes obtaining development application, undertaking construction for the services, and obtaining funding (including bank guarantees provided to landlords). The development approval plus the construction usually takes between 12 and 24 months and the ramp-up to 75% utilisation historically has taken up to an additional 12 months.

TND’s management team perform due diligence in relation to any new site at which development of a centre is proposed. New services are mostly funded with debt<sup>61</sup>, however the net debt to EBITDA ratio of the business is required to be maintained below 3.5x. On 4 August 2020, TND secured an external debt facility of A\$11.5 million with a two year term which was partially applied to fund the acquisition of six Nido services and one pipeline service.

Once construction is completed, the new services are initially operated by TND but once they meet the following pre-determined KPIs are sold to TNK at an agreed acquisition criteria (usually 4x annualised EBITDA for the last three months):

- At least 60 licensed places.
- Average daily occupancy greater than or equal to 75% for 3 consecutive months.
- Seasonally-adjusted annualised EBITDA of at least A\$250,000.

As services are traded up and sold to TNK, TND is expected to generate profits on sale that will be reinvested into the trade-up of remaining services or into new opportunities.

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<sup>61</sup> A few acquisition have historically been funded by equity capital raisings.



## 4.2 Drivers of growth

### Number of services

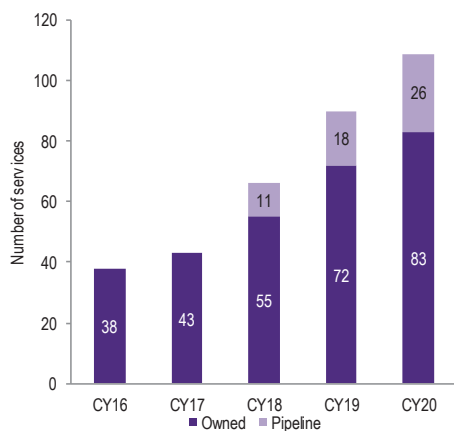
We have set out below a summary of services/ centres owned by the Group, acquired from incubator partners, and greenfield developments of TNK/TND for the last 5 years:

TNK - owned and managed services					
	CY16	CY17	CY18	CY19	CY20
Services owned at beginning of period	32	38	43	55	72
Services acquired from third parties	3	1			
Services acquired from incubator partners	3	4	9	17	2
Greenfield services opened by TNK			3	2	
Service closed				(2)	(1)
Services owned at end of period	38	43	55	72	73
Services managed at end of period	13	21	19	14	10
Total services at end of period	51	64	74	86	83
<b>Total revenue and other income (A\$'000)</b>	<b>46,512</b>	<b>66,886</b>	<b>85,808</b>	<b>115,544</b>	<b>139,938</b>
<b>Total underlying EBITDA (A\$'000)</b>	<b>8,833</b>	<b>9,645</b>	<b>10,662</b>	<b>14,191</b>	<b>26,804</b>

Source: CY16 to CY20 annual reports

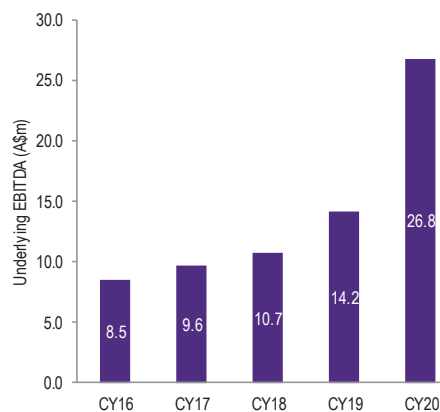
Prior to CY18, the Group adopted an incubator model which involved partnering with incubators who developed and traded up greenfield child care services. TNK also pursued its own greenfield developments, complementing the third-party incubator strategy, however this played a small part in the growth strategy. In June 2019, TNK's largest incubator, Edhod Pty Ltd ("Edhod"), which was responsible for 80% of TNK's potential acquisition pipeline, was placed into receivership. In order to avoid the above concentration risk, and to more rapidly establish and trade-up services, the stapled security structure was created in December 2019. As set out below, growth in services directly translate into growth in the Group's EBITDA.

### Number of services



Source: Think Group's annual reports

### Underlying EBITDA





The underlying EBITDA increase by c. 88% from A\$14.2 million in CY19 to A\$26.8 million in CY20. We note that in addition to the acquisition of new centres, the increase was driven by the government ECEC Package of c. A\$29.7 million in response to the outbreak of COVID-19 and the JobKeeper support package.

#### 4.2.1 Fees and occupancy

##### *Occupancy*

The level of occupancy measures the number of enrolled (i.e. fee-paying) children as a percentage of a service's licensed places. For the 6 months ended June 2021, the average occupancy across the Group's overall portfolio was 70.5% (73.4% in TNK's mature portfolio and 55.1% in centres owned by TND which are in the ramp-up phase)

Similar to the entire childcare industry, the Group experience a contraction in attendance in March and April 2020 before the introduction of the Government's support measures. During May and June 2020, the centres had experienced rebound in attendance driven by the government's fee-free child care policies as part of the COVID-19 response package, as well as the available reports and data indicating that children were found less susceptible to COVID-19. TNK's attendance was then heavily impacted between late June and September 2020 as TNK predominantly operates in Victoria<sup>62</sup>, where stage 3 restrictions was implemented in late June 2020 followed by stage 4 restrictions between August and September 2020 due to the COVID-19 second wave in the state. Both enrolments and attendance rates recovered since October 2020.

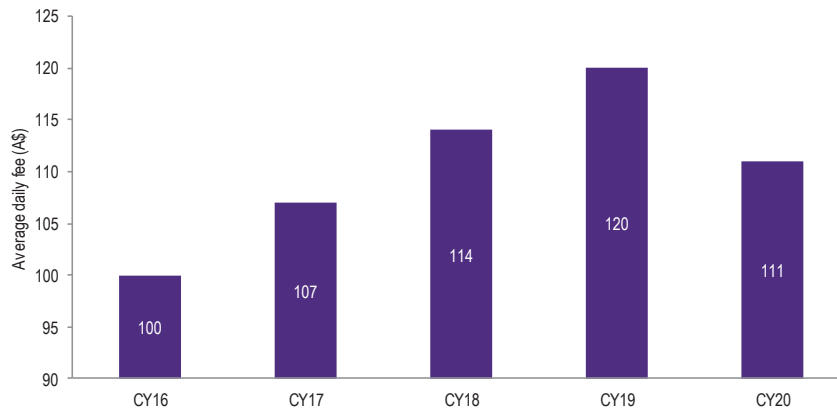
##### *Fees and subsidies*

The Group's revenue is also influenced by the level of child care fees, which are increased bi-annually like other competitors<sup>63</sup>. The average daily fees historically increased at a CAGR of c. 6.3% from CY16 to CY19, while in CY20 it decreased by c. 7.5% as shown below. The primary reason for the CY20 decrease was as a result of COVID-19 and the government mandated free childcare from 6 April 2020 to 12 July 2020 where the gap fees was waived.

<sup>62</sup> As stated in CY20 annual report, The Group's Victoria based child care centres represent 52% of the portfolio of trading centres by number of licensed places.

<sup>63</sup> We note that the fees were not increased in CY20 in response to the Government's COVID-19 measures

**Average daily fees CY16 to CY20**



Source: Annual reports

**4.3 Financial information**

**4.3.1 Financial performance**

The Group does not own any building and land, and it mainly leases properties for child care services. As a result, it was impacted by Australian Accounting standards Board 16 *Leases* (“AASB 16”) in accordance with International Financial Reporting Standards (“IFRS”). AASB 16 adjusts for the lease rental expenses, deducts depreciation and impairment for right of use assets and deducts for notional interest expenses during each financial period. As a result, Think Group’s financial results reported under IFRS is different to its underlying financial performance. The magnitude of this difference can vary based on the status of leases. We note Think Group discloses both underlying and IFRS results for its KPIs<sup>64</sup>.

The table below illustrates Think Group’s audited consolidated statements of financial performance for CY19 and CY20 and reviewed half year accounts for H1CY21 on IFRS basis after eliminations. However, for the purpose of our valuation assessment, we have mainly relied on the underlying results which excludes the impact of AASB 16 adoption and non-recurring items.

<sup>64</sup> Include EBITDA and NPAT

Consolidated statements of financial performance	CY19	CY20	H1CY21
A\$ '000	Audited	Audited	Reviewed
Revenue	113,547	136,358	84,899
Other income	1,997	3,580	1,959
<b>Total revenues</b>	<b>115,544</b>	<b>139,938</b>	<b>86,858</b>
<i>Growth</i>	<i>n/a</i>	<i>21.1%</i>	<i>71.0%</i>
Operating expenses	(90,318)	(95,726)	(67,330)
Employee benefit	(72,725)	(75,551)	(55,153)
Occupancy	(4,992)	(6,649)	(3,829)
Direct expenses of providing services	(4,412)	(4,475)	(3,210)
Corporate and marketing	(4,237)	(4,155)	(2,743)
Acquisition and integration	(758)	(1,048)	(83)
Other	(3,194)	(3,848)	(2,312)
<b>Statutory EBITDA</b>	<b>25,226</b>	<b>44,212</b>	<b>19,528</b>
<i>EBITDA margin</i>	<i>21.8%</i>	<i>31.6%</i>	<i>22.5%</i>
Depreciation and amortisation	(11,522)	(16,826)	(9,413)
<b>EBIT</b>	<b>13,704</b>	<b>27,386</b>	<b>10,115</b>
Finance costs	(10,469)	(15,258)	(9,138)
<b>Profit before tax</b>	<b>3,235</b>	<b>12,128</b>	<b>977</b>
Tax income / (tax expenses)	(1,230)	(4,959)	(654)
<b>Net profit / (loss)</b>	<b>2,005</b>	<b>7,169</b>	<b>323</b>
<i>Net profit margin</i>	<i>1.7%</i>	<i>5.1%</i>	<i>0.4%</i>

Source: Think Group annual reports and half-year account

We have also set out below a reconciliation between statutory EBITDA (after considering the impact of AASB 16) and underlying EBITDA for the Think Group:

EBITDA reconciliation	CY19	CY20	1HCY21
(A\$'000 unless otherwise stated)			
Statutory EBITDA	25,226	44,214	19,528
Operating lease costs	(13,062)	(18,831)	(11,471)
Other non-underlying costs	2,027	1,421	1,130
<b>Underlying EBITDA</b>	<b>14,191</b>	<b>26,804</b>	<b>9,187</b>

Source: Think Group CY20 annual report

In relation to the above, we note the following:

- Revenue increased by 20% in CY20 due to the support packages provided by the Government in response to COVID-19 designed for childcare operators to achieve 85% of their pre-COVID CY19 revenue; an increase in number of operational centres; the contribution of run rate revenue from centres acquired/opened in CY19 and CY18; and a quicker than initially expected recovery in attendance observed by childcare operators.
- Core childcare fees decreased slightly in CY20 as presented below as the Company experienced decline in occupancy at child care services in March and April, and had been restricted from charging fees from 6 April 2020 to 12 July 2020 by the Government's mandated free child care for families. We note that the decline in child care fees was offset by the Government's ECEC Relief Package, which was responsible for c. 21.8% of total CY20 revenue.

Revenue breakdown - Think Childcare Group (A\$'000 unless otherwise stated)	CY19	CY20	1HCY21
Child care fees	108,582	105,357	82,591
ECEC Relief Package	-	29,749	1,449
Management fees	1,611	884	509
Establishment fees	2,989	350	350
Licence fees	365	18	-
<b>Total revenue</b>	<b>113,547</b>	<b>136,358</b>	<b>84,899</b>

Source: Think Group annual report

- In addition to ECEC relief packages for revenue, the Company received JobKeeper<sup>65</sup> packages (up to 20 July 2020) as support for the wages that were required to be paid to staff despite little or no attendance in March and April 2020 and lower attendance up to July 2020. Due to the implementation of the ECEC which caused revenue to reduce by 50%, the Group qualified for JobKeeper and it received A\$1,500 per fortnight per eligible employee which was passed by the Group in full. In CY20, the Group received JobKeeper subsidy of A\$16.2 million but it also incurred JobKeeper expenses of A\$2.7 million for the payments made to employees over and above the JobKeeper payment.
- Under the CoC, the Group benefited from rent abatements of A\$0.5 million for a limited number of leases.
- Think Group earned an underlying EBITDA in CY20 which was c.89% higher than CY19. This was on account of occupancy returning to prior year levels in the second half of CY21 despite COVID-19 lockdowns, the full run rate impact of acquisitions made in prior years, cost savings and stimulus packages.
- The Group recorded statutory NPAT of A\$7.2 million which was adversely affected by the application of AASB16 which resulted in a net negative impact of A\$5.7 million.
- The Group had a strong H1CY21 with service performance<sup>66</sup> of A\$14.7 million which was an increase of c. 57% on pcp<sup>67</sup> and underlying EBITDA of c. A\$9.2 million driven by recently acquired/opened centres increasing revenue, higher occupancy and cost reduction initiatives. However, the impact of the currently protracted lockdown in NSW and VIC is starting to impact occupancy and the potential effect are currently difficult to predict.

#### 4.3.2 Financial position

The consolidated statements of financial position of Think Group as at 31 December 2019, 31 December 2020 and 30 June 2021 (reviewed) are set out below.

<sup>65</sup> The Group received a payment of A\$1,500 before tax, per fortnight per eligible employee which was passed on to the eligible employee.

<sup>66</sup> 'Service performance' or 'Service margin' is the total operational earnings across all the Company's centres before corporate costs (i.e. EBITDA before corporate costs).

<sup>67</sup> Previous corresponding period.

Consolidated statements of financial position as at	31-Dec-19	31-Dec-20	30-Jun-21
A\$ '000	Audited	Audited	Reviewed
<b>Assets</b>			
Cash and cash equivalents	11,685	22,863	11,657
Trade and other receivables	5,754	4,757	4,630
Current tax asset	77	-	426
Other assets	1,527	2,272	3,915
<b>Total current assets</b>	<b>19,043</b>	<b>29,892</b>	<b>20,628</b>
Property, plant and equipment	193,262	222,214	241,328
Intangible assets	78,103	87,699	87,441
Deferred tax assets	4,040	5,760	6,384
<b>Total non-current assets</b>	<b>275,405</b>	<b>315,673</b>	<b>335,153</b>
<b>Total assets</b>	<b>294,448</b>	<b>345,565</b>	<b>355,781</b>
<b>Liabilities</b>			
Trade and other payables	6,636	5,663	7,435
Borrowings	17,687	21,622	24,158
Current tax liabilities	-	2,607	-
Employee benefits	10,585	10,146	9,045
Other liabilities	141	33	387
Provisions	-	2,397	1,653
<b>Total current liabilities</b>	<b>35,049</b>	<b>42,468</b>	<b>42,678</b>
Borrowings	202,887	242,162	259,359
Derivative financial instruments	744	847	635
Employee benefits	593	407	471
<b>Total non-current liabilities</b>	<b>204,224</b>	<b>243,416</b>	<b>260,465</b>
<b>Total liabilities</b>	<b>239,273</b>	<b>285,884</b>	<b>303,143</b>
<b>Net assets</b>	<b>55,175</b>	<b>59,681</b>	<b>52,638</b>

Source: Think Group annual reports and half-year account

We note the following in relation to the audited balance sheet as at 31 December 2020:

- The Group recognises right-of-use asset of A\$220.1 million and A\$174.5 million respectively in CY20 and CY19 under property, plant and equipment. Further, borrowings include lease liability of A\$209.9 million and A\$178.2 million as at 31 December 2020 and 31 December 2019 respectively. As at 30 June 2021, the right-of-use asset under property, plant and equipment increased to A\$215.9 million and the lease liability included in borrowing amounted to A\$228.1 million as new services become operational.
- The increase in intangible asset was primarily driven by the goodwill balance of c.A\$10.0 million recognised in respect of the Think Group's acquisition of nine child care services during CY20.
- The Group had bank facilities of c. A\$89.5 million<sup>68</sup> as at 31 December 2020. We have set out below the breakdown of the debt facilities.

<sup>68</sup> Think Group CY20 annual report page 34

Bank Facilities as at 31 December 2020 (A\$'000 unless otherwise stated)	TNK		TND		Group
	Drawn	Undrawn	Drawn	Undrawn	
Term loan	37.8	-	11.5	-	49.3
Acquisition facility	6.2	12.2	-	-	18.4
Working capital facility	9.8	7.8	-	-	17.6
Accordion	-	4.2	-	-	4.2
<b>Total</b>	<b>53.8</b>	<b>24.2</b>	<b>11.5</b>	<b>-</b>	<b>89.5</b>

Source: Think Group CY20 Annual report

In the reviewed balance sheet as at 30 June 2021, the cash balance reduced to A\$11.7 million and borrowing increased to A\$55.4 million mainly to fund the dividend payment of A\$7.3 million. Intangible assets balance has remained substantially flat as the Group did not complete any acquisitions during the period.

#### 4.3.3 Cash flow statement

The audited cash flow statements of Think Group in CY19 and CY20 and the reviewed for H1CY21 are set out below:

Consolidated statements of cash flow A\$ '000	FY19 Audited	FY20 Audited	H1CY20 Reviewed
<b>Cash flows from operating activities</b>			
Receipts from parents and government funding	111,197	92,029	83,682
Receipts from Early Childhood Education and Care Relief Package	-	29,749	1,449
Receipts from JobKeeper	-	16,213	-
Payments to supplier and employees	(85,660)	(96,855)	(66,958)
Government grants	1,722	2,944	1,959
Interest and other finance costs	(9,164)	(15,155)	(8,300)
income tax	(3,702)	(3,952)	(4,312)
<b>Net cash inflow from operating activities</b>	<b>14,393</b>	<b>24,973</b>	<b>7,520</b>
<b>Cash flows from investing activities</b>			
Payments for the acquisition of business	(24,291)	(9,790)	-
Payments for property, plant and equipment	(7,213)	(5,407)	(5,522)
Payments for intangibles	(269)	(61)	-
Receipt / (payment) for security deposits	26	-	(1,444)
<b>Net cash outflow from investing activities</b>	<b>(31,747)</b>	<b>(15,258)</b>	<b>(6,966)</b>
<b>Cash flow from financing activities</b>			
Proceeds from issue of shares (net of transaction costs)	19,066	216	-
Proceeds from capitalisation of Think Childcare Development (net of transaction costs)	5,971	-	-
Proceeds from borrowings	16,125	11,500	-
Repayment of lease liabilities	(5,324)	(7,210)	(4,433)
Special dividend to capitalise Think Childcare Development	(6,000)	-	-
Dividends paid to shareholders of Think Childcare Limited	(4,359)	(3,043)	(7,327)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>25,479</b>	<b>1,463</b>	<b>(11,760)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>8,125</b>	<b>11,178</b>	<b>(11,206)</b>
Cash and cash equivalents at the beginning of the financial year	3,560	11,685	22,863
<b>Cash and cash equivalents at year end</b>	<b>11,685</b>	<b>22,863</b>	<b>11,657</b>

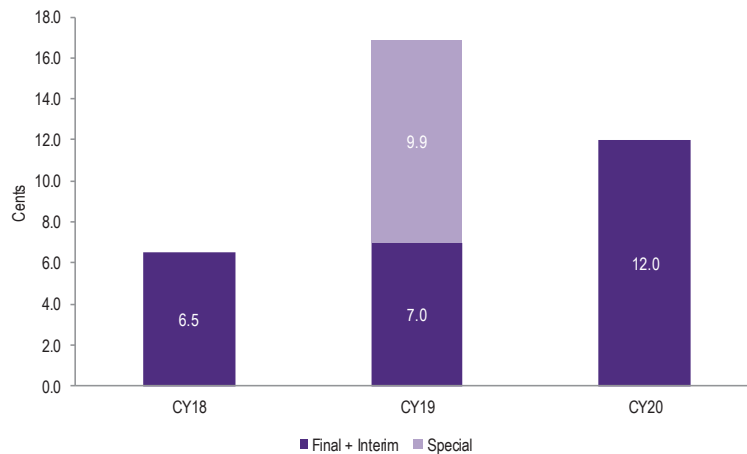
Source: Think Group CY20 annual report and half-year account



In relation to the above, we note the following:

- The Group's net operating cash flow of A\$25.0 million includes the impact of AASB 16, and the pre-AASB 16 operating cash flow would amount to A\$17.7 million<sup>69</sup>. The discrepancies between operating cash flow was driven by the treatment of items associated with operating leases, due to the adoption of AASB 16. For instance, under AASB 16, the repayment of lease was moved from operating expenses to financing expenses. We note the overall cash flow for the firm is the same under pre- and post-AASB 16 scenario.
- The payments for acquisition of business of A\$9.8 million comprised the acquisition for A\$8.2 million of 4 child care services (2 from TND and 2 from third party incubators) and TND's acquisition of pipeline centres of A\$5.3 million, after an internal elimination of A\$3.7 million.
- The payments for property, plant and equipment comprised of Nido transition and capital expenditure for both TNK and TND. We note that this figure represents the projects underway prior to the outbreak of COVID-19, as the pandemic had resulted in delays in Nido transition and associated capital expenditure.
- The proceeds of borrowings of A\$11.5 million in CY20 was drawn by TND, of which A\$5.3 million was applied to fund the acquisition of 6 Nido and 1 pipeline services, with the balance held in cash to fund the remaining pipeline.
- Think Group has negative working capital as it receives cash upfront from parents and government stimulus in the same month in which it is earned.
- The Group announced a final dividend of 12 cents in CY20, which was c. 71% increase compared with CY19. The Group also distributed a special dividend in CY19 of 9.9 cents. On 18 August 2021, the Interim Dividend for the half year ended 30 June 2021 of 8.0 cents per Security was determined.

#### Think Group historical dividend payment



Source: Think Group CY20 Annual report

<sup>69</sup> CY20 investor presentation, dated 24 February 2021

#### 4.4 Share capital

##### 4.4.1 Top shareholders

We have set out below the top 5 shareholders of Think Group as at 20 July 2021:

Think Group Top 4 shareholders as at 20 July 2021			
Rank	Name	No. of shares	Interest (%)
1	MGE Entities <sup>1</sup>	13,634,452	22.1%
2	NKT Investments Pty Ltd / Alceon Group / CSG CIMB	11,739,083	19.1%
3	Australian Super Pty Ltd	5,132,213	8.3%
4	Micro equities Asset Management Pty Limited	3,513,616	5.7%
<b>Top 5 shareholders</b>		<b>34,019,364</b>	<b>55.3%</b>
<b>Total equity shares outstanding</b>		<b>61,557,633</b>	<b>100.0%</b>

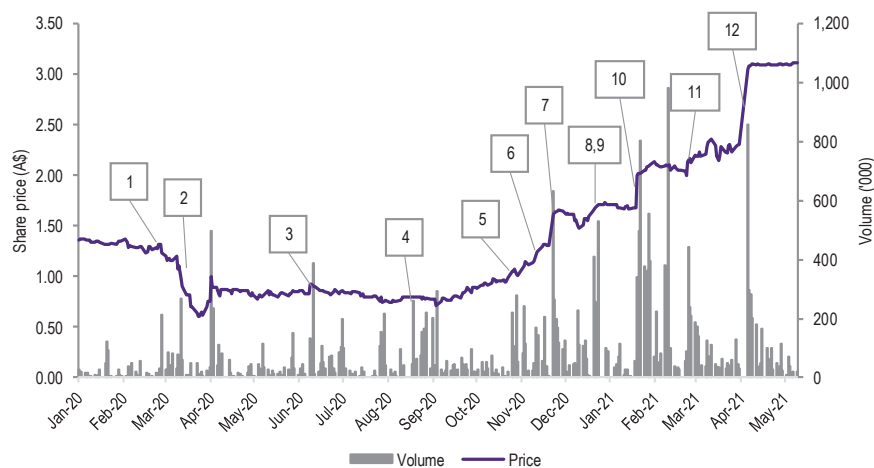
Note: (1) Busy Bees has a relevant interest in the shares held by the MGE Entities arising under the MGE Share Acquisition Agreement  
Source: S&P Global

The Company has also issued 478,638 unlisted performance rights to key executives. If the Scheme is implemented, the vesting of the performance rights will be accelerated so that they will receive the Scheme Consideration.

##### 4.4.2 Share price movements

Think Group is listed on the ASX under the ticker 'TNK'. The scrip is a stapled security with each security representing 1 share of TNK and 1 share of TND. We have set out below an analysis of the daily movements in TNK's share price and volumes from January 2020 up to 31 May 2021 is set out below:

##### Think Childcare – Historical share trading price and volumes



Source: S&P Global and GTCF Analysis

The following table illustrates the key events from January 2020 to May 2021, which may have impacted the share price and volume movements shown above.

Share price events		
Date	Event	Comments
26-Feb-20	1	Think Group announced its annual results for CY19. The results can be summarised as follows: - Revenue from ordinary activities up by 35.8% to A\$113.5 million from A\$83.6 million in CY18 - Underlying EBITDA up by 33.1% to A\$14.1 million from A\$10.7 million in CY18 - Statutory net profit for the year down 59.5% to A\$2.0 million from A\$5.0 million in CY18, due to the AASB 16 adjustments on notional interest expenses and asset depreciation. The underlying net profit amounted to A\$4.5 million, representing c. 9% decrease from previous year.
March 2020	2	We note that despite of the Group's announcement on 11 March 2020 of upward trending occupancy rates for the first 10 weeks of 2020, the share prices in March 2020 were heavily impacted by the general market negativity driven by the outbreak of COVID-19.
11-Jun-20	3	Think Group provided COVID-19 trading update which can be summarised as follows: - Effective paid occupancy based on week end 5 June was 80% - Employment costs was effectively reduced to ensure profitability through the crisis brought by the pandemic - The Group was eligible for the Government's COVID-19 response packages, including JobKeeper, Transition Arrangements, and Early Childhood Education and Care Relief Package. The access to these packages further ensured a less impact on financial levels from the outbreak of COVID-19. - The Group expected the base occupancy to increase over the coming weeks and continue to increase in line with the economy and the seasonal movements.
19-Aug-20	4	Think Group announced its interim financial results for the 6-month period ending 30 June 2020 as summarised below: - Revenue from ordinary activities slightly down by 0.47% from A\$49.1 million in 1HCY19 ("previous corresponding period", or "pcp") to A\$48.9million in 1HCY20. - Underlying EBITDA increased by 23.6% from A\$4.3 million in pcp to A\$5.4 million in 1HCY20. - Net loss for 1HCY20 was A\$0.4 million, improved slightly from a loss of A\$0.41 in pcp. - Earnings guidance for the Group in CY20 was expected to be A\$15 to A\$17 million after elimination.
02-Nov-20	5	Think Group provided an updated to the previous CY20 earnings guidance announced on 19 August 2020. Underlying EBITDA for the Group was estimated to be in the range of A\$22.0 to A\$23.0 million, increasing from the previous A\$15 million to A\$17 million.
16-Nov-20	6	Think Group announced that it received a non-binding and indicative proposal from Alceon Private Equity that all the issued stapled securities of the Group would be acquired at A\$1.35 per security. The offer price represented c. 23% premium to the 1-month VWAP and c. 46% premium to the 3-month VWAP.
23-Nov-20	7	Think Group announced that it received a non-binding and indicative proposal from Busy Bees Early Learning Australia Pty Ltd that all the issued stapled securities of the Group would be acquired at A\$1.75 per security. The offer price represented a premium of c. 51% to the 10 trading day VWAP of A\$1.16 per security to 13 November 2020 being the trading day prior to the announcement by the Group of an indicative proposal from Alceon Group announced on 16 November 2020. The offer from Busy Bees was subject to FIRB approval, as well as the following conditions: - Termination of the process deed with Alceon; - Completion of due diligence; - Entry into a scheme implementation agreement on customary terms and conditions.
21-Dec-20	8	Think Group announced a further update to its CY20 earnings guidance. The updated earnings range was expected to be A\$24 million to A\$25 million, increasing from the previous A\$22 million to A\$23 million.
24-Dec-20	9	Think Group announced that it received a revised proposal at an offer price of A\$1.75 per security from Alceon Group.
20-Jan-21	10	Busy Bee revised its previous proposal with a revised offer price of A\$2.10 per security. The revised Busy Bees proposal contemplates two potential structures: - Acquisition of all issued stapled securities in the Group by way of a scheme arrangement for cash consideration of A\$2.10 per security; or - Acquisition of all the Group's assets and business for a cash consideration which implied an offer price of A\$2.10 per security. The consideration offered will be reduced by the amount of any distributions that the Group Securityholders were entitled to receive after the date of Busy Bees Proposal.
24-Feb-21	11	Think Group announced its financial results for CY20 as summarised below: - Revenue from ordinary activities up by 20.1% to A\$136.4 million from A\$113.5 million in CY19. - Underlying EBITDA increased to A\$26.8 million from A\$14.2 million, representing an increase of c. 88.9%. - Net profit increased by 257.6% to A\$7.2 million from A\$2.0 million in CY19.
06-Apr-21	12	Busy Bees further revised its proposal to an offer price of A\$3.20 per security. The consideration offered will be reduced by the amount of any distributions that the Group Securityholders were entitled to receive.

Source: ASX announcements; GTCF analysis

## 5 Profile of Think Rump

### 5.1 Services profile

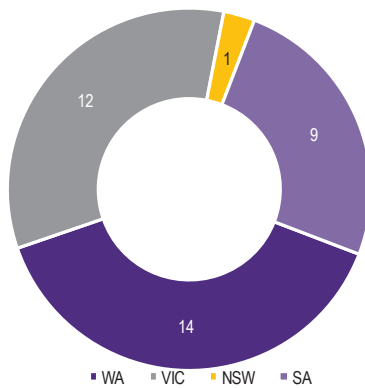
The Think Rump's operating performance will align to TND and include the Group's overhead costs, as all TND's centres, TNK's Franklin centre, and the Group's head office function will be transferred to Think Rump. Since the restructure in 2019, TND has become the Group's incubator partner and bear all the risks associated with the trade up of the centres and greenfield projects. At 31 December 2020, TND was the largest developer and incubator of purpose-built child care services in Australia<sup>70</sup>.

During CY20, TND opened 4 purpose-built Nido child care services and acquired 7 services, of which 6 services were in trade-up and the remaining one was under construction from a third party. We note that the trade-up services achieved a peak occupancy of 60% by 31 December 2020<sup>71</sup>, and the average occupancy in CY20 was c. 50.5%<sup>72</sup>. As at 30 June 2021, TND's portfolio consisted of 36 services including:

- 16 purpose built Nido services at different stages of trade-up.
- 12 under construction<sup>73</sup> which are expected to open in H2CY21 and H1CY22.
- 8 sites for future potential development.

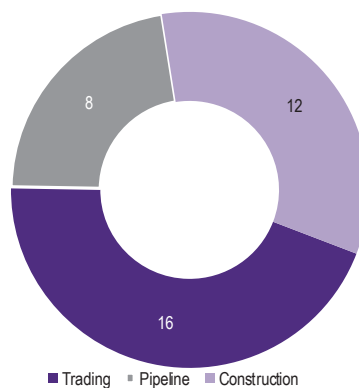
We have provided a breakdown of the existing centres below by geography and stage of development as at 30 June 2021.

**TND centres by location**



Source: Management

**TND centres by function**



The existing centres of TND in ramp-up or construction to be acquired by Think Rump as at 30 June 2021 are outlined below.

<sup>70</sup> TND's annual report for CY20

<sup>71</sup> Disclosed in the Explanatory Booklet

<sup>72</sup> Think Group Management

<sup>73</sup> 11 with signed AFL and 1 with no signed AFL

Centre	Location	Total places
Centre 1	VIC	110
Centre 2	SA	67
Centre 3	VIC	84
Centre 4	WA	95
Centre 5	WA	82
Centre 6	VIC	102
Centre 7	WA	87
Centre 8	SA	87
Centre 9	WA	122
Centre 10	VIC	77
Centre 11	SA	82
Centre 12	WA	87
Centre 13	WA	80
Centre 14	WA	87
Centre 15	VIC	78
Centre 16	VIC	82
Centre 17	WA	92
Centre 18	WA	77
Centre 19	SA	91
Centre 20	SA	112
Centre 21	VIC	82
Centre 22	WA	63
Centre 23	WA	151
Centre 24	SA	102
Centre 25	VIC	61
Centre 26	VIC	76
Centre 27	VIC	61
Centre 28	WA	76

Source: Think Group Management

We note that in H1CY21, the centres in trade-up (excluding Franklin Nido) generated revenue of A\$10.6 million and a service performance loss (EBITDA before corporate costs) of c. A\$0.4 million.

The greenfield centres refer to future potential centres to be opened which are at various stage of DA process as at the date of this report. We have set out below the greenfield opportunities as at 30 June 2021 to be acquired by Think Rump.

Centre	Location	Total places
DA Centre 1	SA	82
DA Centre 2	NSW	82
DA Centre 3	WA	92
DA Centre 4	VIC	91
DA Centre 5	VIC	88
DA Centre 6	SA	92
DA Centre 7	SA	82
DA Centre 8	WA	92

Source: Think Group Management

## 5.2 Cost structure

We have set out below the cost structure to be transferred by TNK to Think Rump under the Head Office Asset Sale Agreement with total costs of c. A\$14.5 million expected to be incurred by Think Rump after the implementation of the Proposed Transaction.

Organisation unit	Expected number of employees	Total expected costs (A\$'000)
Executive	3	1,321
Operations	31	4,643
Human Resources	11	1,566
Education	6	802
Finance & Legal	12	1,951
Marketing	6	912
<b>Forecast direct labour costs in CY22</b>		<b>11,195</b>
<b>Other corporate expenses</b>		<b>3,281</b>
<b>Total corporate expenses</b>		<b>14,477</b>

Source: Think Group Management

## 5.3 Balance sheet

The reviewed balance sheet of Think Rump immediately after completion of the Proposed Transaction is expected to have net assets of A\$14.5 million and net tangible assets of c. A\$9.6 million. We have set out below a high level breakdown which has not been prepared in compliance with the accounting standard and it is only indicative as the final balances will only be able to be calculated at completion:

- Receivables and other assets of c. A\$4.9 million
- Property plant and equipment of c. A\$11.6 million.
- Intangible assets of c. A\$4.9 million.
- Other liabilities, including employee's provisions, of A\$6.9 million<sup>74</sup>.

<sup>74</sup> Based on the assumptions that all head office employees will be transferred to Think Rump.



We understand based on discussions with Management and a review of the information available, that Think Rump will require an immediate cash injection of A\$10 million.



## 6 Valuation methodologies

### 6.1 Introduction

As discussed in Section 2, our fairness assessment involves comparing the Scheme Consideration with the fair market value of Think Group on a control basis.

For the purpose of the MGE Acquisition, we have compared the value of the consideration received (Think Rump) with the nominal consideration paid by the MGE Entities to assess if a net benefit is provided to the related party.

Grant Thornton Corporate Finance has assessed the value of Think Group using the concept of fair market value. Fair market value is commonly defined as:

*“the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm’s length.”*

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

### 6.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, scheme of arrangements, takeovers and prospectuses. These include:

- Discounted cash flow and the estimated realisable value of any surplus assets (“DCF Method”).
- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets (“FME Method”).
- Amount available for distribution to security holders in an orderly realisation of assets (“NAV Method”).
- Quoted price for listed securities, when there is a liquid and active market (“Quoted Security Price Method”).
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

RG 111 does not prescribe any above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert’s skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.



### 6.3 Selected valuation methods

In our assessment of the fair value of Think Group we have relied on the valuation methodologies as outlined below:

- **DCF Method** – We have undertaken a valuation assessment of Think Group and Think Rump utilising the DCF Method. Grant Thornton Corporate Finance has built a valuation model (“GT Model”) based on the cash flow scenarios prepared by Management of Think Group and benchmark with public available information
- **Cross checks:** In our valuation cross-check, we have had regard to the trading and transaction EV/EBITDA multiples implied by our primary approach and compared them to those of the comparable listed child care services companies and recent transactions involving child care operators. We have also provided commentaries on the trading prices.

## 7 Valuation assessment of Think Group

### 7.1 DCF Method

#### 7.1.1 Introduction and the GT Model

For the purpose of our valuation assessment of Think Group utilising the DCF method, Grant Thornton Corporate Finance developed the GT Model based on a critical review and consideration of the following:

- Historical financial performance of Think Group.
- Budget for CY21 and YTD performance.
- Management projections for CY21 to CY23 included in the Internal Model which is based on a bottom-up approach by centre and takes into account monthly seasonality. Whilst discrete period cash flows adopted for DCF valuations are normally based on five year discrete periods, we are of the opinion that it is not unreasonable to adopt a shorter period of time for Think Group, given that under normal trading conditions and in the absence of external acquisitions, Think Group's core business (excluding TND) is a stable and predictable business.
- Market updates from various investment analysts who provide coverage of Think Group's historical and expected performance and of the industry as a whole.
- Key industry risks, growth prospects and general economic outlook.

In accordance with the requirement of RG 111, we have undertaken a critical analysis of the assumptions in the budget and Internal Model before integrating them into the GT Model and relying on them for the purpose of our valuation assessment. Specifically, we have performed the following analysis:

- Conducted high level checks, including limited procedures in relation to the mathematical accuracy of the Internal Model.
- Performed a broad review, critical analysis and benchmarking with the historical performance of Think Group and current trends in the industry.
- Held discussions and interviews with Management of the Company and its advisor to discuss the Internal Model and the key underlying assumptions.
- Reviewed and benchmarked revenue growth rates and earnings margins with listed peers.

The assumptions adopted by Grant Thornton Corporate Finance do not represent projections by Grant Thornton Corporate Finance but are intended to reflect the assumptions that could reasonably be adopted by industry participants in their pricing of similar businesses. We note that the assumptions are subject to uncertainty and there is scope for differences of opinion, and that the value of Think Group could vary materially based on changes to certain key assumptions.

In our assessment of Think Group based on the DCF, we have considered various scenarios which could reasonably be adopted by market participants in their pricing of the Group. Below, we set out the key assumptions adopted in the Base Case.

### 7.1.2 Key valuation assumptions under the Base Case

We have outlined below the key assumptions adopted for the Base Case.

- **Centres:** We note that as at the Valuation Date, Think Group has 88 operational centres<sup>75</sup> as well as 22 centres in the Company's pipeline which are either under construction or are in the development pipeline. For our valuation assessment, we have included the 88 operational centres and 16 non-operational centres, most of which are under construction as at the Valuation Date and some of which are at an advanced stage in the development pipeline. Under our Base Case valuation assessment, the total number of centres are expected to increase from 88 centres as at 30 June 2021 to 104 centres in CY23.

Further, Think Group has a management agreement for 12 centres which are owned by third parties. These centres are in the ramp-up phase, and are expected to contribute management fees for the long-term. Although in the past the Company has had specific criteria for acquisition of these centres once they reach a specified occupancy and service performance, going forward, Management has indicated that they intend to focus on the centres developed by TND.

- **Occupancy:** Occupancy refers to the number of places booked (i.e. for which fees are received) as a proportion of the total number of places available. The GT Model reflects historical seasonality in the business with lower occupancy observed in December and January each year on account of school holidays, and a gradual recovery from February onwards, with minor reductions in occupancy during months with public holidays or school holidays. Based on discussions with Management, we have adopted a ramp-up in occupancy for the new centres of between 14 to 18 months, depending on the number of places in the centre. We note that this is in line with the historically observed ramp-up for the Group, and is also in line with the ramp-up of competitors like G8<sup>76</sup>. As at the Valuation Date, the average occupancy across Think Group's portfolio is 76.5%. This comprises of the mature centres held by TNK (average occupancy 78.3%), centres held by TND which are in the ramp-up phase (average occupancy 66.4%) and centres owned by third parties for which TNK receives a management fee (average occupancy 78.9%). The occupancy of the portfolio is expected to gradually increase over the Discrete Period to an average occupancy of 79.6% in FY23, as new centres are developed and existing centres ramp-up and mature.
- **Revenue/ Daily fees:** Revenue comprises of childcare fees and government childcare subsidies, which form c. 40% and 60% of revenue respectively. The Company earns revenues based on daily fees, which have recorded increases every year, apart for CY20. In CY20, the daily fee reduced marginally due to COVID-19, as childcare services operators were temporarily banned from increasing fees and were asked to provide free childcare services for a limited period in 2020. This was offset by additional government subsidies. The Internal Model assumes a nominal increase in the daily fees on 1 July each year, which we do not consider to be unreasonable given the historical increase shown in Section 4 and the increase in fees across the industry as set out in Section 3.
- **Other income:** Think Group receives management fees from managed centres which are owned by third parties, and establishment fees for consultancy and assistance provided to third parties in relation to lodging a DA and commencing construction of a new centre. We have assumed that no one-off establishment fees are received in perpetuity.

<sup>75</sup> The number of services excludes the service closed in July 2021.

<sup>76</sup> As shown on page 23 of the CY20 investor presentation dated 23 February 2021 lodged by G8 Education.

- **Labour costs:** Labour costs form the largest component of Think Group's expenses, and comprise mainly of wages paid to skilled educators. The Internal Model contains projections of wages per child per day for various centres based on the number of days sold in each centre, with larger centres or centres with higher occupancy incurring higher wage costs. The labour costs in the Internal Model also consider inflation for each year of the Discrete Period. We understand that the projected wages per child per day are in line with costs currently incurred by the business, as well as the wages per child per day currently being paid in the industry, as shown below:

Labour costs as % of revenue				
Cost	Think	G8	Mayfield	Evolve
Employees costs FY18	60.9%	59.1%	56.4%	50.7%
Employees costs FY19	60.1%	60.4%	56.3%	55.6%
Employees costs FY20	48.6%	53.7%	52.3%	63.9%
<b>Employees costs historical 3-year average</b>	<b>56.5%</b>	<b>57.7%</b>	<b>55.0%</b>	<b>56.7%</b>
<b>Employees costs historical average excl. FY20</b>	<b>60.5%</b>	<b>59.7%</b>	<b>56.3%</b>	<b>53.1%</b>

Source: GTCF analysis

Note: For CY20, the above table considers JobKeeper benefits in employee costs as well as ECEC benefits in revenue.

During the Discrete Period, labour costs as a proportion of revenue are expected to decline from a historical average of c.60% (excluding CY20) to c.55% of revenue. We understand that this is due to the development of real-time data analytics platforms, which help the Company manage employees' rosters, leaves and attendance. The Company optimises its workforce and data analytics from payroll, time and attendance systems which help the centres to better manage teachers. Further, at a regional/ corporate level, Management has also hired workforce champions and quality leaders who oversee large regions, as well as recruitment and compliance officers to ensure better roster management. The Company has also partnered with educational institutions like TAFE to secure funding for internships/ traineeships, in order to use trainees or casual workforce to reduce costs further.

We have not placed reliance on the labour cost incurred in CY20 (c.48% of revenue) as this was impacted by various government stimulus packages, although we have considered the wage management in the last quarter of CY20. We note that during the last quarter of CY20, which despite COVID-19 reflected normalised levels of operations, wages reduced on a per child per day basis by c.10% for like-for-like services, which was achieved through roster management, notwithstanding higher attendance levels<sup>77</sup>. This also led to a reduction in real wage costs in October-November 2020 by 5% compared to February-March 2020, despite an increase of 8% in occupancy. The Company also increased the use of trainees and a pool of casual workforce, and shared teachers/ other staff members across centres depending on requirements. The Company has been monitoring wage costs rigorously, and despite awarding increases in the base wages each year, has managed to maintain the steady ratio of labour costs to revenues. This is not dissimilar from competitors.

We do not consider it unreasonable for the Company's measures to result in a near-term reduction in wage costs as a proportion of revenue. However overall, the childcare services industry is facing challenges in respect of attracting and retaining skilled labour due to competition in the industry, increased regulations which have raised qualification and training requirements for teachers and more recently, the limited supply of skilled labour from overseas due to COVID-19. Accordingly, in our assessment of terminal value, we have normalised labour costs at 58% of revenue.

<sup>77</sup> Refer the CY20 investor presentation.

- **Other operational costs:** These include fixed and variable costs incurred by the centres in running day-to-day operations. The Internal Model considers these costs in line with historical run-rate expenditures<sup>78</sup>.
  - **Consumables and resources:** These include the cost of food, nappies, arts/crafts, kitchen supplies, educational resources, equipment and costs incurred towards excursions/incursions, and are expected to increase from c.A\$7 million in CY21 to c.A\$8.9 million in CY23.
  - **Occupancy costs:** These include rent, outgoings & maintenance costs incurred by each centre based on pre-determined lease agreements, and are expected to increase from c.A\$33 million in CY21 to c.A\$41.5 million in CY23.
  - **Variable overheads:** These include marketing expenses, human resources and information technology expenses. Based on a bottom-up budgeting of planned activities, the Company does not expect to incur significant marketing expenses post CY21. The overheads (excluding marketing costs) are expected to increase from c.A\$3.2 million in CY21 to c.A\$3.4 million in CY23.
  - **Fixed overheads:** These include costs incurred toward uniforms and legal expenses, and are expected to increase from c.A\$1.7 million in CY21 to c.A\$1.9 million in CY23.
- **Corporate costs:** These comprise mainly the personnel costs incurred at a head office level (including salaries and bonuses paid to executives and directors), as well as other costs incurred towards administrative, legal, regulatory and professional services. We have set out below the historical corporate costs incurred by the business.

Think Group corporate costs and number of centres (A\$ '000 unless otherwise stated)	CY16	CY17	CY18	CY19	CY20	H1CY21
<b>Total corporate costs</b>	<b>4,300</b>	<b>4,800</b>	<b>7,201</b>	<b>9,394</b>	<b>12,053</b>	<b>6,400</b>
Number of centres - owned	38	43	55	72	83	88
Number of centres - managed	13	21	19	14	10	12
Total number of centres	<b>51</b>	<b>64</b>	<b>74</b>	<b>86</b>	<b>93</b>	<b>100</b>
<b>Corporate costs per centre (A\$'000)</b>	<b>84.3</b>	<b>75.0</b>	<b>97.3</b>	<b>109.2</b>	<b>129.6</b>	<b>64.0</b>

Source: Management

- Corporate costs are expected to increase from c. A\$12.1 million in CY20 to c.A\$19.3 million in CY23 due to the hiring of regional leaders, workforce champions and additional recruitment personnel to oversee operations and optimise the utilisation of the Company's workforce, as well as additional resource in the marketing team.
- Given that our valuation assessment assumes no developments beyond the existing pipeline as at the Valuation Date, we have adjusted the corporate costs in the outer year of the Discrete Period and in the terminal value to remove the development cost structure estimated at c.A\$2 million<sup>79</sup> per annum based on discussions with Management.
- In addition, given that our valuation assessment has been undertaken on a 100% basis, we have assumed cost synergies available to a pool of potential purchasers of c.A\$2.5 million per annum.

<sup>78</sup> In terms of the size of the expense as a proportion of revenue.

<sup>79</sup> A\$1.9 million in FY22 and A\$2.2 million in FY23

These include costs related to ASX listing fees, registry fees, salaries and bonuses for key executives and directors' fees.

- *Tax rate* – We have applied a tax rate of 30% for Think Group's forecast cash flows from FY21 onwards, in line with the statutory corporate tax rate of 30%. We note that this is in line with the Company's effective tax rate in CY20.
- *Capital expenditure:*
  - Under the Base case scenario, growth capital expenditure is considered mainly in CY21 and CY22, as the centres under construction and in the development pipeline included in the valuation assessment are expected to be developed by the first half of CY22. We understand that development costs for each centre of c.A\$5,500 – A\$6,000 per place have been estimated in line with historical costs incurred by Think Group.
  - Our valuation assessment also considers maintenance capital expenditure in perpetuity. Between CY18 and CY20, the Company has incurred c. A\$5 million in maintenance capex, which equates to c.A\$65,000 per centre per annum. We note that this is similar to the historical maintenance capex incurred by comparable companies. We also note that the Company's competitor G8 Education<sup>80</sup> expects to incur capital expenditure of A\$50-65 million in FY21, which after adjusting for A\$10 million of deferred capital expenditure from CY20 and removing A\$4 million of acquisition capex equates to between c. A\$67,000 – A\$99,000 per centre. Based on the above, in our calculation of the terminal value we have assumed maintenance capex of c.A\$6.5 million per annum, or A\$65,000 per centre, in perpetuity.
- *Change in working capital:* The Company typically has a negative working capital cycle and considering that the valuation assessment assumes no development in perpetuity, we have assumed that investment in working capital in perpetuity will be A\$Nil.
- *Discount rate:* Assessed between 10.8% and 11.5% (post-tax) based on the WACC. While we have provided details in relation to the discount rate calculation in Appendix B, we note that it includes an allowance for the potential adverse effect of the current outbreak of COVID-19 and execution risk in the pipeline of opportunities. We note that the valuation assessment is based on the timely ramp-up of new centres to meet the occupancy hurdles of 75% (and 85% for centres owned by third parties). If the ramp-up is not achieved in a timely manner or not achieved at all, the Group may not achieve the financial performance adopted in the GT Model. To highlight this risk, we note that G8 Education recognised an impairment of approximately A\$175 million (on a pre-AASB 16 basis)<sup>81</sup> in CY20 as c. a third of the greenfield centres developed over the previous four years did not achieve the required occupancy. There are risks that the greenfield developments of the Group may not meet the internal return on investment hurdles or achieve the required occupancy level which may materially affect the future financial performance of the business.

We have benchmarked the assessed discount rate to the discount rate applied by market analysts and companies in their impairment assessment. We have set out the benchmarking assessment below:

<sup>80</sup> Refer ASX announcement by G8 Education dated 23 February 2021: CY20 Full year results investor presentation

<sup>81</sup> Approximately A\$275.2 million on a statutory basis



WACC benchmarking			Assessed	
Company	Source	Date	WACC	Details
Think Childcare Limited	Broker 1	2-Nov-20	n/d	Post-tax
	Broker 2	10-Feb-21	10.30%	Post-tax
G8 Education	Broker 1	4-May-21	8.90%	Post-tax
	Broker 2	20-May-21	9.50%	Post-tax
	Broker 3	2-Mar-21	10.50%	Post-tax
	Broker 4	24-Feb-21	n/d	Post-tax
	Broker 5	11-May-21	8.20%	Post-tax
Evolve	Broker 1	9-Jun-21	9.20%	Post-tax
Think Childcare Limited	CY20 annual report		13.50%	Pre-tax
G8 Education	CY20 annual report		12.00%	Pre-tax
Mayfield	CY20 annual report		15.75%	Pre-tax
Evolve	CY20 annual report		11.90%	Pre-tax

Source: GTCF analysis

Based on the above, we do not consider our assessed discount rate to be unreasonable. We note that the pre-tax discount rate used in Think Group's impairment calculations appears to be lower (on a post-tax basis) than our assessed discount rate. We have reviewed the impairment model for Think Group, which only appears to consider the mature TNK portfolio without any growth in the number of centres. We consider that this portfolio carries materially lower risks than the centres which are under development or ramping up.

- *Terminal value growth rate* – We have adopted a terminal value growth rate of 2.5% per annum. The assessed perpetual growth rate falls within the Reserve Bank of Australia's long-term inflation target range of 2.0% - 3.0% and it is not inconsistent with the increase in childcare fees and labour costs included in the GT Model
- *Net debt, interim dividend payment and deferred consideration* – We have adopted a net debt of A\$54.0 million as at 30 June 2021, as shown below:

Think Childcare Group	
Net Debt as at 30 June 2021	A\$ '000
Secured bank loans - current and non-current	55,386
Less: Cash balance	(11,657)
Add: Other adjustments	10,295
<b>Net Debt of Think Childcare Group as at 30 June 2021</b>	<b>54,024</b>

Source: Management

The Other adjustments include the payment of the Interim Dividend of 8 cents per Security, the release of the restricted cash balance of c.A\$3.7 million that the Think Group Securityholders will be entitled to at the completion of the transaction, the estimated transaction costs and other closing adjustments.

- *Shares on issue* – We have assessed the valuation of Think Group on a fully diluted basis and adjusted the total number of outstanding shares to include the dilution impact from the conversion of options and performance rights for nil consideration.

### 7.1.3 Key valuation assumptions under alternative scenarios

As mentioned in Section 7.1.1, in our valuation assessment we have also considered the following alternative scenarios:

- *Downside Case* – We have made the following changes compared with the Base Case:
  - *New centres ramp-up* – In relation to the centres under construction, we note that as at the date of this Report, South Australia, Victoria and New South Wales are in lockdown due to outbreaks of COVID-19. The current lockdown has also involved restrictions on construction activity in NSW. We have held discussions with Management and they do not believe that the current lockdown will impact the delivery of the services under construction or the performance of trading centres, however uncertainty remains. In relation to the centres in the development pipeline, whilst Management undertakes a thorough due diligence of the location and sites for new centres before committing to the lease, historically, the Group has observed some delays. Accordingly, in the Downside Case, we have assumed a delay of 4-8 months in the timing for the new services to ramp-up and reach maturity<sup>82</sup>.
  - *Higher labour costs*: Considering the challenges that the Company (and its competitors) are facing in relation to retention of staff, we have assumed an increase in the wage cost (on a real basis) of 2% per child per day in CY22 and CY23<sup>83</sup>. We note that this is not dissimilar to the historical wages per child per day, which have increased at a CAGR of 2.4% p.a. 2016 to 2020. Other inputs remain constant as per the Base case scenario.
- *Upside Case*: Under this scenario, we have considered in our valuation assessment the Base Case assumptions plus the development of all the centres in the pipeline (22 total centres<sup>84</sup>), with the new centres expected to commence operations during CY22 and ramp-up throughout CY23. Other inputs remain constant as per the Base case scenario. This scenario involves materially higher capital expenditure in CY22 (relative to the Base case scenario), however it also involves higher cash flows in perpetuity due to the Company developing a larger portfolio.

### 7.1.4 Conclusion on value

Based on the scenarios mentioned above, our valuation of Think Group is summarised below:

<sup>82</sup> Total number of centres in CY23 is in line with the Base Case.

<sup>83</sup> Under this scenario, labour costs as a proportion of revenue increase from an average of c.55% of revenue in CY22-23 to c.57%.

<sup>84</sup> Including development opportunities expected to come into the pipeline in the short-term.

### Think Group - valuation summary



Source: GTCF analysis

As set out above, we have assessed the fair market value of Think Group on a control basis between A\$2.82 and A\$3.12 per Security. The assessed valuation per Security is derived based on an assessment of enterprise value on a control basis ranging between circa A\$227.9 million and A\$246.3 million, as shown below:

DCF Method - valuation summary		
A\$ '000 (except where stated otherwise)	Low	High
Assessed equity value per Security (control basis) (A\$ per Security)	2.82	3.12
Number of outstanding Securities ('000s) (fully diluted)	61,558	61,558
<b>Equity Value (control basis)</b>	<b>173,865</b>	<b>192,265</b>
Add: Net debt as at 30 June 2021 (including interim dividends)	54,024	54,024
<b>Enterprise value on a control basis</b>	<b>227,888</b>	<b>246,289</b>

Source: GTCF assessment

## 7.2 Quoted Security Pricing Method

In our assessment of the fair market value of TNK shares, we have considered the trading price of the listed securities on the ASX. Whilst we have not relied on this methodology for the purpose of our valuation assessment given the limited liquidity and the number of offers received by the Company over an extended period of time which would typically cause the trading prices to align to the most recent offer, we have provided some overall commentaries and analysis for the benefits of the Independent Securities.

### 7.2.1 Liquidity analysis

We have set out below the trading volume from January 2020 to 16 November 2020<sup>85</sup> as a percentage of the total shares outstanding as well as free float shares outstanding to analysis the liquidity of the Securities in accordance with the requirements of RG 111

<sup>85</sup> The indicative proposal from Alceon Group to acquire 100% of Think Group was received on 16 November 2021; we have excluded the period after this from our analysis of the liquidity.

Month end	Volume traded ('000)	Monthly VWAP (\$)	Total value of shares traded (\$'000)	Volume traded as % of total shares	Cumulative Volume traded as % of total	Volume traded as % of free float shares	Cumulative Volume traded as % of free float
Jan 2020	463	1.3455	623	0.8%	0.8%	1.3%	1.3%
Feb 2020	498	1.2525	624	0.8%	1.6%	1.4%	2.7%
Mar 2020	975	1.0030	978	1.6%	3.2%	2.7%	5.3%
Apr 2020	1,285	0.9172	1,178	2.1%	5.3%	3.5%	8.9%
May 2020	684	0.8283	566	1.1%	6.4%	1.9%	10.8%
Jun 2020	1,368	0.8810	1,205	2.2%	8.6%	3.8%	14.5%
Jul 2020	1,047	0.7957	833	1.7%	10.4%	2.9%	17.4%
Aug 2020	1,312	0.7884	1,034	2.1%	12.5%	3.6%	21.0%
Sep 2020	1,148	0.7879	905	1.9%	14.4%	3.2%	24.2%
Oct 2020	1,059	0.9861	1,044	1.7%	16.1%	2.9%	27.1%
<b>Min</b>				<b>0.7%</b>		<b>1.2%</b>	
<b>Average</b>				<b>1.6%</b>		<b>2.6%</b>	
<b>Median</b>				<b>1.7%</b>		<b>2.9%</b>	
<b>Max</b>				<b>2.2%</b>		<b>3.8%</b>	

Source: S&P Global; GTCF analysis

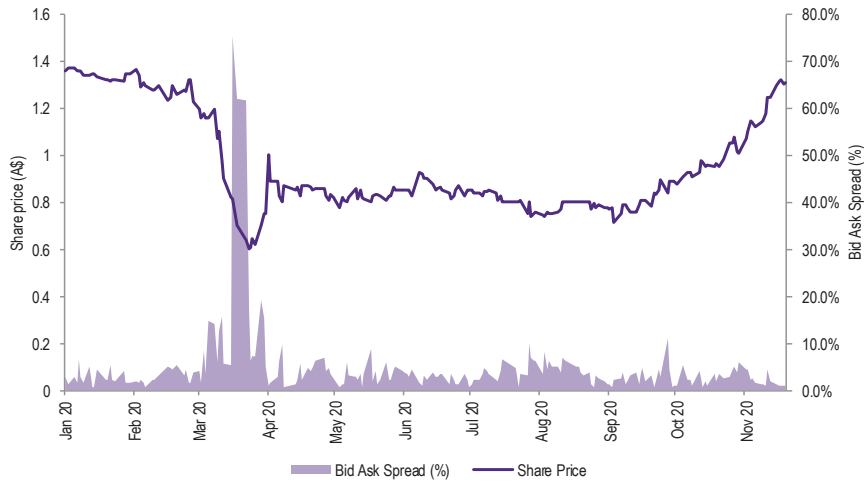
We note the following in relation to the Group's trading history:

- The level of the free float of the Group Securities is 59.5%<sup>86</sup>. From January 2020 to October 2020, c. 27.1% of the free float securities were traded with an average monthly volume of 2.6% of the total free float securities. This indicates that the level of liquidity is low to moderate.
- Between March and May 2020, Think Group Securities witnessed increased trading and decreased monthly VWAP, primarily driven by the market-wide sell off. Similar trend can be observed between July and September, as a result of a second wave of pandemic outbreak in Victoria.
- A sizeable portion of the issued share capital (c. 27.2%) is currently owned and controlled by the key executives.
- Think Group Securities are covered by only two investments' analysts and one of them does not issue report on a regular basis.
- Think Group complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of the Group.

Where a company's stock is not heavily traded or is relatively illiquid, the market typically observes a difference between the 'bid' and 'ask' price for the stock as there may be a difference in opinion between the buyer and seller on the value of the stock. As set out in the graph below, the historical difference between the bid and ask price has been low over the last twelve months.

<sup>86</sup> This comprises of the total shares outstanding less the shares held by company employees and strategic corporate investors.

**Think Group – Bid/Ask Spread January 2020 to November 2020**



Source: S&P Global; GTCF Analysis

The historical average bid-ask spread (up to November 2020) has averaged 4.6% for the year ended November 2020 which is relatively high. We note the bid-ask spread reached to a peak level in March 2020 as a result of market sell off in conjunction with COVID-19 related lockdown and uncertainty in relation to the Government support for the Industry.

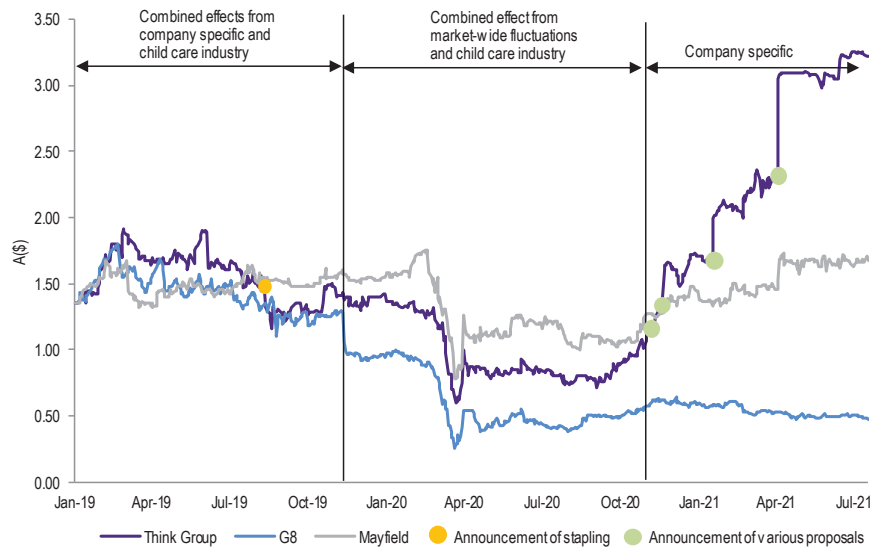
Based on the analysis above, in our opinion, Think Group Securities present a low to moderate level of liquidity.

**7.2.2 Analysis of Think Group trading price**

The Group Securities have traded between a maximum of A\$1.89 on 28 February 2019 and a minimum of A\$0.60 on 24 March 2020 from 1 January 2019 to 13 November 2020 (prior to the announcement of Initial Alceon Proposal). These trading prices reflect the value of the Group on a minority basis and thus do not include a premium for control. Evidence from studies suggests that successful takeovers in Australia have completed based on premium for control in the range of 20% to 40% (Refer to Appendix E for an overview of this control premium study). However, as discussed in Section 1, the IA was the outcome of a competitive deal process between Alceon and Busy Bees which ultimately agreed to offer Independent Securityholders A\$3.20 per Security which is at a premium of c. 156% to the trading prices on 13 November 2020, being the last trading date prior to the Initial Alceon Proposal.

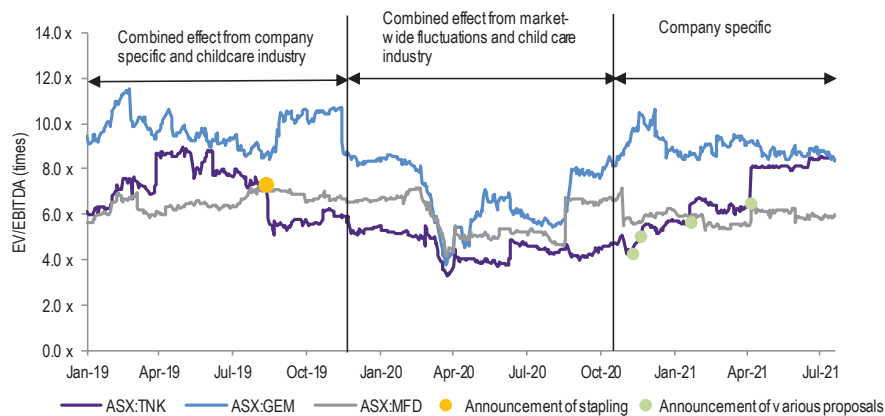
In the graphs and section below, we have compared and analysed the trading price and the rolling NTM underlying EBITDA multiple of the Group and of the listed peers to understand if there is any evidence which can assist to justify the magnitude of the premium for control in the Proposed Transaction.

**Share price performance (rebased to the Company's share price)**



Sources: S&P Global and GTCF Analysis

**Rolling NTM underlying EBITDA Multiple**



Source: S&P Global, GTCF calculations

Note: for the above chart, Enterprise value is calculated as the day's market capitalisation plus the last declared net debt, in conjunction with the average consensus forecast of next twelve months' EBITDA by brokers. We note the EBITDA multiples are based on post-AASB16 EBITDA figures.

Combined effects of company specific and child care industry factors. During this period, we note the following events:

- Uncertainties in childcare industry outlook and imbalance between the demand and supply: Prior to May 2019 (being the last Federal Election), there were uncertainties in the childcare industry outlook which were driving the share price volatility of the Group and listed peers. Labour leader Bill Shorten was proposing ahead of the Federal Election an intervention into the childcare industry, which was expected to increase childcare workers' wages. The increase in childcare workers' would be directly funded by the Federal Government and the childcare providers would not bear the costs of increasing

wages. However, we note that G8 had been accused of increasing child care fees after Bill Shorten's announcement<sup>87</sup>. In addition, driven by favourable industry dynamics and a relatively low cost of funding, the child care sector had experienced oversupply with the historical supply growth at a five year CAGR of 3.9% while the demand had grown at a CAGR of 3.5%<sup>88</sup> over the same period. Further, in New South Wales, being the largest market of Australian childcare<sup>89</sup>, there had been imbalances in different region though the overall supply of early education and care has been meeting the demand, while the oversupply of outside school hours care was expected to continue to 2036<sup>90</sup>. The industry analysts indicated that although they remained positive on the long term earning capability, there was uncertainties in short term driven by the imbalance between supply and demand in the childcare industry.

The uncertainty in the industry also reflected in the EBITDA multiples of G8 and the Group which experienced significant swings at the beginning of 2019. At the end of May 2019, the Company announced that its YTD trading was up 26% for the 41 services cohort. The average EBITDA multiples of G8 and the Group between the release of the accounts at the end of March and the announcement of the restructuring in mid-August were 9.3x and 8.1x respectively reflecting the different size in the operations of the two businesses.

- Restructure of Think Group: On 14 August 2019, Think Group announced the formation of the stapled structure to accelerate greenfield developments to reduce reliance on third party incubators strategy and to retain the benefit of development profits within the Group. The share price decreased by 11% on the day the restructure was announced and it remained depressed until 21 October 2019 when the Group announced the acquisition of 11 trading child care services from an incubator at 4x EBITDA. At the time of this announcement, the trading prices increased by c. 9% which clearly indicates that the market and the investors were favouring a growth by external acquisition rather than in-house development. The stapled structure increases the underlying risks of the business as the development profits and the trade-up risks associated with TND deviate materially from the typical risk-adjusted returns expected to be generated by a mature child care operators like TNK. This created significant disenfranchise between the investors and it cause the underperformance of the Stapled Securities and the significant reduction in the EBITDA multiple which decreased materially after the announcement of the restructure. In particular, we note the following risks attached to the stapled structure:
  - Upon establishment, TND was incubated with 18 trade-up services and greenfield opportunities staggered over 36 months. As a result, it was required to spend money on tenant contributions, to be exposed to the losses during the trading-up period and the risk that they remained underperforming services. At the time of the stapling, TNK's main incubator partner went into receivership and the incubator model came under pressure due to limited funding available and greater security required by the landlords on the terms of the leases.
  - The staple structure increased the costs for the Group by c. A\$0.3 million for listing fees, annual reporting and audit fees, directors and insurance.

<sup>87</sup> The West Australian article dated 1 May 2019.

<sup>88</sup> UBS G8 Education analyst report, dated 26 August 2019.

<sup>89</sup> According to The Department of Education, Skills and Employment, New South Wales has the largest share of children attending approved childcare centres.

<sup>90</sup> City of Sydney Child Care Needs Analysis 2019



- The stapled structure presents some inefficiencies from tax perspective as TNK and TND do not form a tax consolidation group and accordingly there could be tax leakage on the intercompany transactions.
- The Group was the first stapled structure in the Industry and quite uncommon across the whole ASX outside of the REIT sector.

The stapling transaction was not well received by the investments' analysts covering the stock with many of them pointing out to the change of risk profile of the Group, the complex transaction structure and the related party nature of the transaction. Several investments' analysts reviewed down their price target.

Due to market and investors' reactions to the restructure, the EBITDA multiple reduced from c. 6x-9x in the period before the restructure to c. 3.5x-6x in the period afterwards<sup>91</sup> outlining how the market re-priced the risk profile of the business. We note that towards the end of this period, G8's EBITDA multiple reduced significantly as it had to sell 25 centres in WA at 4.1x EBITDA multiple to repay debt.

*Market wide fluctuations starting from 24 February 2020 to mid-August 2020.* During this period, we note the following events:

- Outbreak of COVID-19: The significant sell-off in shares as a result of COVID-19 being declared a pandemic and the large community transmission around the globe began around 24 February 2020 and continued until mid-March 2020. During this time, all the Australian child care operators were similarly negatively affected with both trading prices and EBITDA multiples plummeting. The Group's trading prices and EBITDA multiple suffered from the combined effect of the restructuring and the outbreak of COVID-19 with the EBITDA multiple reducing to 3.3x at the end of March.
- Government support for childcare industry: From April 2020, the childcare operators experienced rebound in attendance and trading prices driven by the government's fee-free child care policies as part of the COVID-19 response package, as well as the available reports and data indicating that children were found less susceptible to COVID-19. The EBITDA multiple of the Group recovered but it remained on or around 4x until the end of June 2020 when the Group provided a positive market update in relation to the trading during the previous three months. G8's EBITDA multiple grew up to 7x during this period but then it normalised around 6x.
- Second wave of COVID-19 and extended lockdowns in Victoria: Between late June and September 2020, Victoria had experienced extended lockdowns as a result of the second wave of COVID-19. Stage 3 restrictions were implemented in late June 2020 followed by stage 4 restrictions between August and September 2020 due to the COVID-19 second wave in the state. As TNK predominantly operates in Victoria<sup>92</sup>, it was significantly impacted. We note that Mayfield, as a childcare operator located in regional Victoria, was less affected.

During this period, the EBITDA multiple of the Group and Mayfield had a similar performance and following similar trends.

<sup>91</sup> The period afterwards is between the announcement of the stapling and the announcement of Initial Alceon Proposal

<sup>92</sup> As stated in CY20 annual report, The Group's Victoria based child care centres represent 52% of the portfolio of trading centres by number of licensed places.

*Company specific events from Mid-August 2020 to April 2021. During this period we note the following:*

- Strong half year results: At the end of August 2020, the Group announced strong half year results notwithstanding the outbreak of the pandemic with underlying EBITDA increasing by 24% on pcp and licensed places by 27% on pcp. Over the following months the security price increased materially to reach an 8-month high of A\$1.25 on 13 November 2020, the last trading day prior to the announcement of the Initial Alceon Proposal. Nonetheless, the EBITDA multiple of the Group did not re-rate and it remained substantially subdued compared with its listed peers. We note that between August and September 2020, the EBITDA multiple of G8 and Mayfield increased to c. 8.5x and 6.5x respectively whereas before the First Alceon Proposal the Group was trading at an EBITDA multiple of c. 4.5x.
- Series of proposals received by the Group: On 13 November 2020, Think Group received the Initial Alceon Proposal at an offer price of A\$1.35 per Security. On 23 November 2020, the Initial Busy Bees Proposal for cash consideration of A\$1.75 per security was announced to the market. On 24 December 2020, the Group received a matching proposal to the Initial Busy Bees Proposal and confirmation that Alceon had bought a 19.23% interest in the Group. On 20 January 2021, the Revised Busy Bees Proposal at A\$2.10 per security was announced to the market. The EBITDA multiple of the Group increased sharply during this period to reflect the premium for control implied in the offers received.
- Announcement of CY20 results: The Group announced its CY20 annual results on 24 February 2021, prior to the announcement of the Further Revised Busy Bees Proposal with the Group outperforming the guidance previously announced in December 2020. Total revenues from ordinary activities was up by 20.1% to A\$136.4 million from A\$113.5 million in CY19, while the underlying EBITDA increased to A\$26.8 million from A\$14.2 million, representing an increase of c. 88.9%. Notwithstanding the Revised Busy Bees proposal at A\$2.10, the trading prices reached a level of A\$2.30 after the announcement which seems to indicate that the market was expecting an improved offer to take into account the strong performance announced with the CY20 results.
- In April 2021, the Group received the Further Revised Busy Bees Proposal at an offer price of A\$3.20 per Security before entering into the IA on 17 June 2021.

### 7.2.3 Conclusion on the quoted security prices

Based on the analysis above and discussions, we are of the opinion that the magnitude of the premium for control was driven by the following (among others).

- The trading prices and the EBITDA multiple of the Group were materially adversely affected since the announcement of the stapled structure as it changed the underlying risks of the business from the typical risk-adjusted returns expected to be generated by a mature child care operator. We note that as at 30 June 2019 the Group had 59 mature services and 6 services (c. 9% of total portfolio) in development, while as at 31 December 2019, the Group had 72 mature services and 18 services in development being traded up (c. 20% of the Group's portfolio) by TND. As at 31 December 2020, the Group had c. 24% of centres in development (26 in TND portfolio and 83 centres in TNK), while its competitor, G8, only had 6.2% of centres that were in development<sup>93</sup> (31 greenfield centres and 472

<sup>93</sup> As disclosed in G8's presentation made to the market dated 23 February 2021



mature centres). As a result, investments' analysts reviewed down their price target for the Group and adjusted the EBITDA multiple.

- The Proposed Transaction effectively unwind the stapling of the Group before the acquisition by Busy Bees. Had the Group implemented the unwinding of the stapling before the First Alceon Proposal, in our opinion the premium for control implied in the Proposed Transaction would have been significantly less and the trading prices would have re-rated to close some of the EBITDA multiple discount gap with G8 which was c. 50% before the First Alceon Proposal.
- At the end of December 2020, after the First Alceon and Busy Bees Proposals, the Group provided market guidance with CY20 underlying EBITDA expected to grow significantly compared with CY19 notwithstanding the outbreak of COVID-19. Then at the beginning of 2021, it announced its results with CY20 underlying EBITDA in excess of guidance and c. 90% higher than CY19. It is not unreasonable to expect that in the absence of a change of control proposal, the trading prices and the EBITDA multiple of the Group would have re-rated to take into account CY20 performance.
- The ASX 200 Index has increased by c. 15% between the announcement of the First Alceon Proposal at 27 July 2021. All other things being the same, the trading prices of Group would have followed the upward market trend.
- Competitive nature of the process with five offers received by the Group.
- The strategic and special value of the Group for Busy Bees as discussed in the executive summary.

### 7.3 Valuation cross-checks based on EBITDA Multiple

In order to provide a cross check of our valuation conclusions under the DCF methodology, we have considered the EV/EBITDA multiples of comparable listed child care operators and recent transactions involving child care services. We have adopted EBITDA on a pre-AASB 16 basis as this is the main metrics adopted by the Company, listed peers and investments analysts in the valuation assessment of business operating in the Industry. Accordingly we have also adjusted our calculated EV for the comparable companies to reflect the adoption of AASB 16.

Below we present the pre-AASB 16 EBITDA multiples of Think Group implied in our valuation assessment based on the DCF and in the Scheme Consideration to be received by the Independent Securityholders.

Valuation cross check		
A\$'000 (except where stated otherwise)	Low	High
<b>Implied Enterprise Value (Scheme Consideration)</b>	<b>251,008</b>	<b>251,008</b>
<b>Underlying EBITDA</b>		
CY20 Actual	26,804	26,804
CY21 guidance	26,000	26,000
CY21 revised guidance	23,000	23,000
CY21 brokers consensus	27,202	27,202
<b>EV/EBITDA Multiple</b>		
CY20 Actual	9.4 x	9.4 x
CY21 guidance	9.7 x	9.7 x
CY21 revised guidance	10.9 x	10.9 x
CY21 brokers consensus	9.2 x	9.2 x
<b>Implied Enterprise Value (DCF)</b>	<b>227,888</b>	<b>246,289</b>
<b>Underlying EBITDA</b>		
CY20 Actual	26,804	26,804
CY21 guidance	26,000	26,000
CY21 revised guidance	23,000	23,000
<b>EV/EBITDA Multiple</b>		
CY20 Actual	8.5 x	9.2 x
CY21 guidance	8.8 x	9.5 x
CY21 revised guidance	9.9 x	10.7 x

Sources: S&P Global, Management, GTCF analysis

Note (1): We note that we have utilised pre-AASB 16 underlying EBITDA.

In the calculation of the implied multiple, we have had regard to the following:

- CY20 – Underlying EBITDA of A\$26.8 million which was c. 7% higher than guidance provided with the Group performing strongly in the last quarter of the year. During the year, the Group undertook extensive marketing campaign to increase enrolments during the free child care period with significant retention after 12 July 2020 when child care ceased to be free. This investment benefited the business in the second part of year when it posted a strong performance with 43% of total enrolments being new at 31 December 2020. Strong performance was also driven by a wage reduction of 10% on a LFL<sup>94</sup> services base achieved through roster management, increased use of trainees and by encouraging employees to take leave.
- CY21 Initial Guidance – The Group initially provided a CY21 Guidance of underlying EBITDA of A\$26 million which was based on the following key assumptions (refer to section 7.2 for details):
  - An increase in TNK service margin from 17.5% in CY19 to 22.6% in CY21<sup>95</sup>, however this was expected to be partially offset by an increase in corporate costs of A\$2.4 million to cater for future growth and the full year impact of salary increases in CY20. We note that CY20 service margin was 27.4% which was driven by several factors including A\$29-30 million of ECEC benefits, as well as c. A\$13 million of JobKeeper benefits, a relatively quick return of attendance to pre-

<sup>94</sup> Like for like ("LFL").

<sup>95</sup> Refer CY20 investor presentation.

COVID levels despite the significant disruption due to lockdowns, and efficient rostering management which reduced wage costs as a proportion of revenue.

- Daily fee and wages to increase by 3% from 1 July 2021.
- **CY21 Revised Guidance** – On 17 June 2021, in conjunction with the announcement of the Proposed Transaction, the Group revised down CY21 underlying EBITDA guidance to A\$23 million as the Group decided to pause acquisition from third parties. YTD EBITDA at May 2021 was c. A\$1 million behind budget driven by slightly lower revenue and higher labour costs due to labour availability in the first quarter.
- **Brokers' Reports** – We have set out below Brokers' consensus forecast for CY21. We have placed limited reliance on the CY21 brokers' consensus given that one of them is out of date and the other one was not updated for the revised guidance provided by the Group in June 2021.

Brokers forecast underlying EBITDA		Underlying EBITDA			
Broker	Date of report	CY20 A/F	CY21	CY22	CY23
Broker 1	2-Nov-20	22.2	27.7	34.2	NA
Broker 2	10-Feb-21	26.8	26.7	30.1	NA
<b>Average</b>		24.5	27.2	32.15	NA
<b>Median</b>		24.5	27.2	32.15	NA

Source: GTCF Research

Based on the discussions above and the YTD performance of the business, we are of the opinion that greater reliance should be placed on the EBITDA multiple implied in the revised underlying EBITDA guidance of A\$23 million.

For the purpose of cross checking the implied EBITDA Multiple range of Think Group, we have had regard to the current trading multiples of broadly comparable companies ("Trading Multiples") and acquisitions of companies with broadly similar operations ("Transaction Multiples").

### 7.3.1 Trading multiples

In selecting the listed comparable companies, we have considered Australian- and New Zealand-based child care companies as they are exposed to similar growth and revenue drivers, and are governed by similar regulatory requirements. Summarised below are the EV/EBITDA trading multiples of the selected companies.

Company	Country	Market Enterprise		EV/EBITDA			
		Cap	Value	CY20	CY21	CY22	CY23
		A\$ millions	A\$ millions	Actual	Projected	Projected	Projected
Think Childcare Group	Australia	80	118	5.2x	4.3x	3.7x	NA
G8 Education Limited	Australia	813	792	6.3x	7.6x	6.2x	5.4x
Mayfield Childcare Limited	Australia	35	44	6.4x	6.0x	5.7x	NA
Evolve Education Group Limited	New Zealand	119	98	5.8x	6.0x	4.3x	NA
<b>Average</b>				<b>6.2x</b>	<b>6.5x</b>	<b>5.4x</b>	<b>5.4x</b>
<b>Median</b>				<b>6.3x</b>	<b>6.0x</b>	<b>5.7x</b>	<b>5.4x</b>

Sources: S&P Global, GTCF Analysis, Management

Notes: (1) Market Cap for Think Group based on the last undisturbed closing price on 20 November 2020, the day prior to the announcement of the first take-over bid by Alceon Group. For the other peers, the Market Caps are as at 20 July 2021; (2) We have adopted the pre-AASB16 underlying EBITDA for all comparable companies; (3) Enterprise Value (EV) includes net debt (interest-bearing liabilities less non-restricted cash), and non-controlling interests. In the calculation of the net debt, we have excluded lease liabilities; (4) Forecast trading multiples are based on the median of broker consensus estimates.

We note the multiples above should be taken with caution due to the following:

- The Trading Multiples presented above reflect the value of companies on a minority basis and do not include a premium for control.
- The Trading Multiples are based on underlying EBITDA, as opposed to the statutory EBITDA, at each respective reporting date. The forward ("FW") Trading Multiples are based on earnings derived from broker consensus forecasts which are also prepared on an underlying basis. We note that apart from G8 Education, the other two listed companies have limited broker coverage, hence the forecast EV/EBITDA multiples should be considered with caution.
- In order to provide greater insights into the selected peers and Think Group, we have summarised below a number of KPIs for the four companies:

Think Childcare Group - KPI analysis		Market		Historical avg Gov subsidies		CY20		CY20	
Company	Country	Cap A\$ millions <sup>1</sup>	EV A\$ millions	EBITDA margin <sup>2</sup> (%)	as % of total FY20 revenue	CY20 Occupancy	Latest daily fees <sup>3</sup> (A\$)	Number of centres	Pipeline centres <sup>4</sup>
Think Childcare Group	Australia	80	118	13.0%	21.2%	74.0%	111	83	26
G8 Education Limited	Australia	813	792	16.4%	20.7%	69.2%	118	472	31
Mayfield Childcare Limited	Australia	35	44	22.7%	N/d	67.2%	115	20	N/d
Evolve Education Group Limited	New Zealand	119	98	11.2%	72.5%	71.9%	N/d	126	10

Source: S&P Global, companies' annual reports and presentations, GTCF analysis

Note (1) Market Cap for Think Group based on the last undisturbed closing price on 20 November 2020, the day prior to the announcement of the first take-over bid by Alceon Group. For the other peers, the Market Caps are as at 20 July 2021; (2) Historical refers to the historical underlying 3-year average between CY18 and CY20; (3) Average daily fees are for CY20; (4) Pipeline centres as at 31 December 2020. We note that the pipeline centres for Think Group include the number of centres under development in TND. (5) NA = Not available; N/d = Not disclosed.

Below we describe our selected listed peers and highlight the similarities and differences with Think Group that were considered in our multiple and valuation cross check assessment.

- *G8 Education Limited* – G8 has been highly acquisitive and it has grown to become the largest for-profit provider of education and child care services in Australia. G8 is considerably larger than Think Group and as at 31 December 2020, it operated 472 centres in Australia with a total combined

licensed capacity of more than 39,000 places<sup>96</sup>, with 10 new greenfield centres expected to open in CY21. Over the last four years, the company developed 44 greenfield centres and we have noted that 13 centres (or c. 30%) were impaired as they did not reach the expected occupancy and profitability required (average occupancy was 29%). The underperformance of some of the centres was attributed to either poor location or centres too large for the catchment area. The share price performance has been trending down since the beginning of 2021 due to market conditions related to the further lockdowns in Sydney and Melbourne and an employee payments remediation program announced on 8 December 2020 estimated between A\$50 million and A\$80 million to be completed by 31 July 2021. This payment is expected to impact the overall financial performance of CY21 with EBITDA consensus forecast lower than CY20. Accordingly, greater reliance should be posted on the CY22 EBITDA multiple. The company completed refinance activities in February 2021, which was expected to have a favourable impact on the future performance as it would deliver lower interest costs and increased tenor. As discussed in section 7.3.3, the proportion of in-house development of the total centres is significantly lower than Think Group and this is reflected in the EBITDA multiple.

- *Mayfield* – It operates 21 child care centres representing 1,777 registered childcare places. It seeks growth and expansions through acquisitions of established child care centres, rather than in-house developments like Think Group. Also, dissimilar to Think Group and other listed peers, Mayfield’s services are located in and around metropolitan Melbourne only. As a result, the company was significantly impacted by the COVID-19 restrictions in Victoria in CY20. Despite of the materially smaller size and geographical concentration, Mayfield has been historically particularly profitable as a result of centralised operation and cost-effectiveness. Mayfield is trading at a CY22 EBITDA multiple significantly higher than Think Group and substantially in line the CY22 EBITDA multiple of G8, notwithstanding the smaller size and geographic concentration. It seems that the market is attributing a premium to the fact that the company is not involved in development activities. Share price performance has been particularly strong and back to the pre-COVID-19 levels.
- *Evolve Education Group Limited (“Evolve”)* – Evolve operates 116 early childhood education facilities throughout New Zealand and it recently expanded into Australia where now it operates 20 centres with total of 9,501 licensed child care places. We note that Evolve recently completed the acquisition of 10 centres in Australia<sup>97</sup> expected to generate c. 8 million EBITDA for the 12 months post settlement at an EBITDA multiple of c. 4 times. The company also recently released an upgrade of CY21 and CY22 EBITDA guidance which is expected to growth by c. 30%. The share price performance of Evolve has been weak over the last six months driven by low liquidity, limited shareholder communication and a capital raising completed at 8% discount to the prevailing trading prices.

### 7.3.2 Transaction multiples

The table below summarises the EV/EBITDA multiples of comparable transactions. We note that within the child care service industry, there are two typical types of transactions: (1) child care service operators acquiring independent centres as part of their growth strategy which usually occurs on or around 4x EBITDA; (2) corporate and private investors acquire stakes in child care service operators. In our analysis, we have only taken into account the latter.

<sup>96</sup> G8 CY20 annual report

<sup>97</sup> Conditional upon customary approvals such as licensing. The acquisition was announced by Evolve on 5 March 2021.



Comparable transactions				Implied	Implied	
Date	Target company	Country	Bidder company	Stake (%)	EV (A\$m)	EV/EBITDA
Jun-21	Affinity Education Group	Australia	Quadrant Private Equity	100%	650	10.0x
Aug-18	Evolve Education Group Limited	New Zealand	J47 Pty Ltd	19%	132	6.7x
Jun-18	Little Learning School <sup>1</sup>	Australia	Only About Children Pty Limit	N/d	150	N/d
Nov-17	MindChamps PreSchool Limited	Singapore	Invest Learning Pte. Ltd.	5%	76	11.1x
Dec-16	Camp Australia Group	Australia	Bain Capital, LP	N/d	N/d	N/d
Dec-16	Sparrow Early Learning Pty Ltd	Australia	Fullshare Holdings Limited	90%	73	N/d
Aug-16	Only About Children Pty Ltd.	Australia	Bain Capital Private Equity, LF	N/d	N/d	N/d
Feb-16	Guardian Early Learning Group Pty Ltd	Australia	Partners Group Holding AG	N/d	440	N/d
Sep-15	Affinity Education Group Limited	Australia	Anchorage Capital Partners	100%	234	7.5x
<b>Low</b>						<b>6.7x</b>
<b>Average</b>						<b>8.8x</b>
<b>Median</b>						<b>8.8x</b>
<b>High</b>						<b>11.1x</b>

Source: S&P Global, GTCF analysis, Management

Note: (1) This was an acquisition of Little Learning School's portfolio of 20 centres; (2) N/d = not disclosed; (3) The EBITDA multiples are based on historical pre-AASB 16 EBITDAs.

In relation to the transactions, we note that:

- The implied transaction multiples may incorporate various levels of control premium and special value paid for by the acquirers. In particular, the multiples may reflect synergies paid which are unique to the acquirers.
- The transactions observed took place during the period between September 2015 and June 2021. Economic and market factors, including competition dynamics and commodity prices may be materially different from those current as at the valuation date. These factors may influence the amounts paid by the acquirers for these businesses.
- Most of the transactions occurred before the implementation of AASB16 which accordingly is not reflected in the EBITDA. Based on the limited information available, it is not clear if the Affinity acquisition EBITDA is provided on a before or after AASB16 basis.

Among the transactions, we have mainly relied on the two acquisitions of Affinity by private equity which are discussed below.

#### *Two transactions relating to Affinity Education Group Limited*

On 15 September 2015, Affinity was acquired by Anchorage Capital in a highly competitive process at an EBITDA multiple of 7.5x and c. 30% premium to the undisturbed trading prices. Affinity operates as a child care services provider of long day care, outside school care and occasional care in Australia to children from six-week to 12-year old. It was the second largest listed child care operator back in 2015. Its portfolio included 161 centres spreading across all states and territories except for South Australia and Tasmania, with a daily licensed capacity of 12,682 children<sup>98</sup>. Affinity is currently focused on the large middle-income market in Queensland, NSW and Victoria.

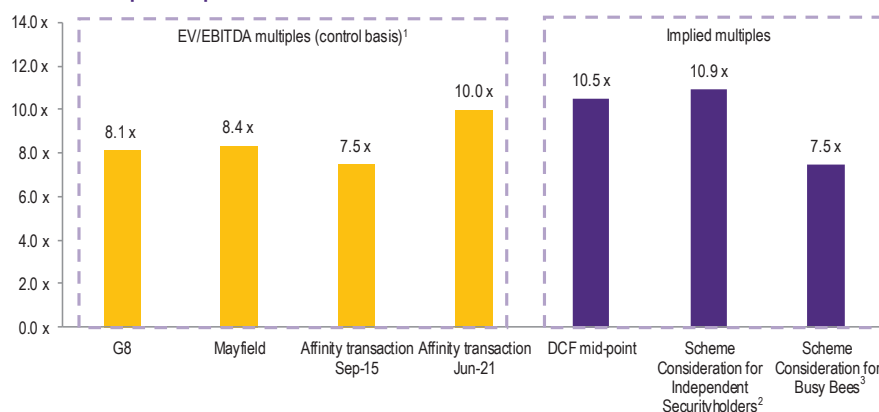
<sup>98</sup> As at 30 June 2015

On 17 June 2021, Anchorage announced the sale of Affinity to Quadrant Private Equity. There are limited details on the transaction and underlying financial information, however, based on media and market participants' estimates<sup>99</sup>, Affinity was operating 150 centres in QLD, NSW and VIC with EBITDA estimates of c. A\$65 million implying a 10.0x EBITDA multiple<sup>100</sup>.

### 7.3.3 Conclusion on the EBITDA Multiple

Based on the analysis undertaken, we have set out below a comparison of some of the key EBITDA metrics on a control basis:

#### EBITDA Multiple comparison



Note: (1) We have applied 30% control premium to the trading multiples. For Think Group, we present the NTM EV/EBITDA multiple as at 13 November 2020, being the trading day prior to the announcement of Initial Alceon Proposal. For G8, we present the CY22 EV/EBITDA multiple as at 20 July 2021 as the payment of the one-off employee remediation program announced on 8 December 2020 estimated between A\$50 million and A\$80 million is expected to impact the overall financial performance of CY21 with EBITDA consensus forecast lower than CY20. For Mayfield, we present the CY20 EV/EBITDA multiple as at 20 July 2021. We have relied on the CY20 multiple instead of CY21 since Mayfield is covered by only 1 broker whose report was released in February 2021. We note that if we use CY21, the corresponding multiple is 7.8x which is not materially different. (2) The implied CY21 multiple is calculated based on the offer price of A\$3.20 and the Think Group's CY21 guidance EBITDA of A\$23 million. (3) This column is intended to show the effective multiple paid by Busy Bees (after considering the savings on corporate costs likely to be earned by Busy Bees after acquisition). This is calculated based on the Group's CY21 guidance underlying EBITDA of A\$23 million, excluding corporate costs of c. A\$14 million which will be passed to Think Rump, and adding back the payment of A\$3.5 million to Think Rump for management fees.

Sources: S&P Global and GTCF Analysis

The EBITDA multiple implied in the Scheme Consideration is in line with the indicative EBITDA multiple for the 2021 Affinity transaction even if this multiple should be considered with caution as there are limited publicly available information on this transaction. In addition, it is higher than the EBITDA multiple of the listed peers on a control basis and it reflects the competitive nature of the transaction and the deal structure.

We have estimated in the graph above, the Adjusted EBITDA multiple that Busy Bees will effectively paid at 7.5x whereby the underlying EBITDA is increased for the corporate costs transferred to Think Rump. The Adjusted EBITDA multiple better reflects the effective multiple paid by Busy Bees. Whilst the Adjusted EBITDA multiple is in line or slightly lower than the EBITDA multiple on a control basis of the peers, we note that the Adjusted EBITDA multiple reflects the synergies for Busy Bees whilst the multiples of the listed peers are based on the reported/forecast EBITDA (pre-synergies).

<sup>99</sup> Australia Financial Review article dated 17 June 2021.

<sup>100</sup> It is not clear if this is before or after AASB16.



The EBITDA multiple implied in the mid-point DCF is within the range of the EBITDA multiples of the listed peers and comparable transactions on a control basis.

## 8 Valuation assessment of Think Rump

### 8.1 Business model and risks

Think Rump comprises 18 centres trading<sup>101</sup> at various stage of ramp-up and a pipeline of growth opportunities which comprises 13 centres under construction and 9 sites at various stage of DA.

The Think Rump business has a ready base of operating centres which are in the ramp-up stage and are expected to generate a positive service margin in the second half of CY21. These centres are projected to achieve an average occupancy between 75% and 80% in CY22. In our view, these operating centres which are close to reaching a mature stage of operations provides a good value platform for the business.

We note that Think Rump business carries some risks and challenges which are fairly different from the Group which are important to understand before discussions our valuation assessment. They are briefly analysed below in a non-exhaustive manner.

#### 8.1.1 Funding requirements

Think Group had witnessed difficulties in raising funding for greenfield opportunities given the reluctance of most lenders to be exposed to the risk of ramping up the operations, the losses to be incurred during the trading-up period and the occupancy risk. Things were exacerbated after receivers were appointed to TNK's main incubator partner (Edhod). At the time of the announcement, Edhod's services represented 80% of TNK's acquisition pipeline. The greenfield development model was challenged by the tightening of traditional bank funding available to landlords and incubators, and more onerous security requirements being sought by landlords from tenants before granting long term leases. In CY19 and CY20, TND generated negative cash flows from operating activities of A\$1.6 million and A\$2.0 million respectively.

Notwithstanding the limited capital available from external sources, TND was able to fund its operations via the following:

- TND was initially capitalised with a fully franked special dividend of A\$6 million and an intercompany loan facility of up to A\$7.5 million.
- In August 2020, TND secured a debt facility of A\$11.5 million with a two year term and it was fully drawn at 31 December 2020. This was the outcome of an extensive market scouting and based on the terms of the facility, the lender is not effectively bearing the default risk of TND but of the Group as a whole. It is unlikely that TND on a stand-alone basis would have been able to raise funding on the same terms without the backing of TNK.
- Recycling of capital from centres that achieved the conditions to be sold to TNK allowing for the intra-company proceeds to be re-invested into new growth opportunities. Whilst this is still a viable strategy for Think Rump, if implemented, will have the effect of materially slowing down the pace of developments and accordingly it will affect the business operations and the value.

Immediately after completion of the Proposed Transaction, Think Rump will be required to be capitalised with c. A\$10 million mostly for rental bond, prepayments and employees entitlements. In addition, the MGE Entities will be required to fund the large working capital requirements depending on the growth pattern of the business. Based on discussions with Management, the adviser and a review of public available

<sup>101</sup> 16 centres at 30 June 2021 in TND plus Franklin Nido.

information, we are of the opinion that it may be challenging for Think Rump to raise external debt which will pose additional onus on the MGE Entities to capitalise the business and it will increase the returns required.

#### 8.1.2 Operational risks

Immediately after completion of the Proposed Transaction, the corporate cost functions of the Group, estimated at c. A\$14.5 million on an ongoing basis, will be transferred to Think Rump. Think Rump will also receive the Management Fee from Busy Bees for a period of 3 years which is estimated at A\$3.5 million per annum. It is reasonable to assume that the Management Fee will not be extended after the initial period as Busy Bees has in place the corporate structure and centralised functions to manage the centres itself. We understand that the Management Fee was put in place in order to provide some relief from the corporate cost burden to Think Rump during the first year of operations rather than due to lack of capabilities of the Busy Bees Group. TND's underlying EBITDA before corporate costs was a loss of A\$0.4 million in H1CY21 which is expected to turn into a profit underlying EBITDA before corporate costs of A\$1.5 million for H2CY21.

Immediately after completion of the Proposed Transaction, the corporate costs transferred to Think Rump appears in excess of the corporate costs required to run a business of that size as set out in the benchmark below.

Think Group corporate costs and number of centres (A\$ '000 unless otherwise stated)						
	CY16	CY17	CY18	CY19	CY20	H1CY21
Acquisition costs	100	600	503	-	568	
Employees - corporate	N/d	N/d	N/d	6,254	7,810	4,185
Other corporate overheads	4,200	4,200	6,698	3,140	3,675	2,208
<b>Total corporate costs</b>	<b>4,300</b>	<b>4,800</b>	<b>7,201</b>	<b>9,394</b>	<b>12,053</b>	<b>12,786</b>
Number of centres - owned	38	43	55	72	83	88
Number of centres - managed	13	21	19	14	10	12
Total number of centres	<b>51</b>	<b>64</b>	<b>74</b>	<b>86</b>	<b>93</b>	<b>100</b>
<b>Corporate costs per centre (A\$'000)</b>	<b>84.3</b>	<b>75.0</b>	<b>97.3</b>	<b>109.2</b>	<b>129.6</b>	<b>127.9</b>

Mayfield - Corporate costs and number of centres (A\$ million unless otherwise stated)						Think Rump
	CY16	CY17	CY18	CY19	CY20	
Total corporate costs	N/d	1,521	1,765	2,134	2,506	14,500
Number of centres - owned	16	19	20	21	21	38
Number of centres - managed	n/a	n/a	2	3	4	10
<b>Total number of centres</b>	<b>16</b>	<b>19</b>	<b>22</b>	<b>24</b>	<b>25</b>	<b>48</b>
<b>Corporate costs per centre (A\$'000)</b>	<b>n/a</b>	<b>80.1</b>	<b>80.2</b>	<b>88.9</b>	<b>100.2</b>	<b>302.1</b>

Source: GTCF analysis

Note 1: For Think Group, CY21 costs are calculated by annualising the corporate costs of c. A\$6.4 million in H1CY21. The number of owned centres of Think Rump at 38 is based on 36 centres as at 30 June 2021 plus Franklin Nido plus another centre which is expected to open shortly.

Think Rump has no obligation to preserve a minimum employment level for a period of time and accordingly Management will have the opportunity to right size the cost structure if it is not able to grow the business in accordance with its expectations, change in market conditions or general underperformance. We have taken this flexibility into account in our valuation assessment.

Whilst Management will have the ability to right-sized the cost structure to the underlying operations, the magnitude of the corporate costs transferred to Think Rump creates significant operational challenges and risks for Think Rump which we have considered in our valuation assessment.

In addition to the above, the outbreak of COVID-19, the current extended lockdown in NSW and the risks of further lockdowns in the future until the vaccination rate does not achieve a certain threshold, pose additional challenges and create further complexity in the valuation of Think Rump.

### 8.1.3 Key man risk

As mentioned earlier, growth in the portfolio is a key value driver for the business. The Management of Think Group, driven by Mathew Edwards, has a history of launching and managing new services either internally or in conjunction with third party incubators. Mathew Edwards as the former Managing Director of Learning and Education Australia Pty Ltd specialised in development of greenfield services and trading-up of underperforming sites. In our opinion, the value of the Think Group is highly dependent upon the ability of the Management team and of Mathew Edwards in particular, to realise value through the development pipeline. The skills and knowledge that Mathew Edwards has developed of the Industry and all the stakeholders involved is unique and placed a significant key man risk for the future of Think Rump.

## 8.2 DCF assessment

### 8.2.1 Introduction and the GT Model

We have undertaken the valuation assessment based on the Internal Model prepared by Management which contains the expected cash flows for the Think Rump business under varying revenue and cost assumptions from 1 October 2021 to 31 December 2025. We have reviewed and adopted these scenarios into the GT Model for the purpose of our valuation assessment. The GT Model is necessarily a desktop, high-level model, intended to demonstrate the effects on the value of the Think Rump business from changes to key revenue and cost drivers under the various scenarios.

Considering the uncertainties associated with the ramp-up profile as well as the limited funding and the cost structure of the business, we have undertaken the valuation assessment assuming the growth of the Company's portfolio under the following scenarios (we note that the number of centres considered below is indicative and it may be subject to timing differences with the actual centres as it is not feasible to continuously update the GT Model based on the progress in the construction and development activities):

- *Scenario 1 - Slow Pipeline Case:* The number of centres is assumed to increase from 18 as at 30 June 2021<sup>102</sup> by 6 new centres each year up to 39 centres by 2025.
- *Scenario 2 - Orderly Realisation Case:* It is assumed that no new centres are opened and once the existing centres achieved full steady operations and the Management Agreement with Busy Bees Australia is completed, the centres are sold to third parties and the business is orderly realised.
- *Scenario 3 - Accelerated Growth Case:* As the Slow Pipeline Case but the growth to 39 centres is accelerated by CY22 in line with the Upside Case under the valuation of the Group.

<sup>102</sup> 16 trading centres in TND plus Franklin Nido plus another centre which opened shortly after 30 June.

- *Scenario 4 - Growth Pipeline Case:* The number of centres is assumed to increase from 18 as 30 June 2021 by 10 new centres each year up to 58 centres by 2025.

We have also run a number of sensitivities for each of the scenarios in relation to the key assumptions.

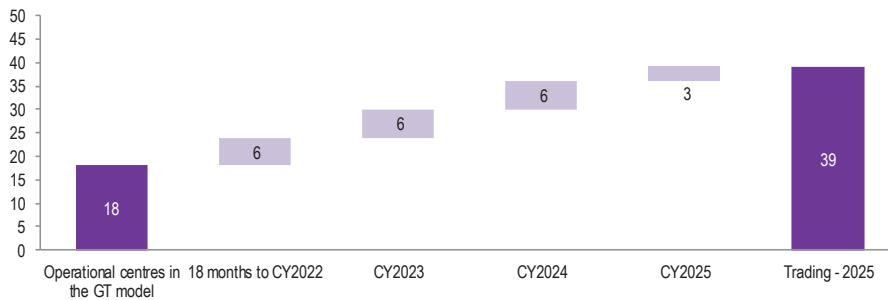
We note that the assumptions adopted in these scenarios do not represent projections by Grant Thornton Corporate Finance but are intended to reflect the assumptions that could reasonably be adopted by industry participants in their pricing of similar businesses. We note that the assumptions are subject to uncertainty and there is scope for differences of opinion, and that the value of Think Rump could vary materially based on changes to certain key assumptions.

#### 8.2.2 Scenario 1 - Slow Pipeline Case

##### Number of centres

The portfolio of the Think Rump business is projected to grow at the rate of 6 new services p.a., as shown below:

**Think Rump - Number of centres - Slow Pipeline case**



Source: Internal Model

As at the Valuation Date, the Think Rump business has 18 operating centres in ramp-up plus the Nido Franklin centre. The development of the existing pipeline within a span of 18 months (as it is assumed in the valuation assessment of the Group) is considered challenging for Think Rump as it involves significant capital outlay for a business that at least initially may be capital constrained. Accordingly, we have considered the adoption of a slower growth trajectory (with a view to reach the same overall portfolio size in the long-term) to be a more realistic assumption that would be adopted by a pool of potential purchasers. This is a simplified assumption and in reality Think Rump may incur some costs in getting out of the existing leases arrangements or for transferring them to third parties. We have covered this in our sensitivity analysis.

In addition to the 39 centres expected to be developed over the next five years, the Think Rump business also has the Management Agreements with Busy Bees for 35 centres and with third parties for other 10 centres. In our valuation, we have assumed that Busy Bees will not extend the Management Agreement at the end of the three year period as it has the centralised function and operations to undertake that in-house, whereas we have assumed that Think Rump will continue to manage the other third parties centres.



#### Occupancy

As at 30 June 2021, the average occupancy of Think Rump's operating centres was c. 56.9%<sup>103</sup>. While these centres alone are expected to achieve c.75% occupancy by the end of CY22, the overall portfolio of the Think Rump business is expected to achieve this hurdle only by CY25, since new centres are added to the portfolio each year. The occupancy of new centres is projected to ramp-up to 75% occupancy over 20 months after the centre commences operations.

#### Other operational assumptions

- The current and forecast daily fees for the centres operated and developed over the Discrete Period is in line with the fees for the centres operated by Think Group.
- All expenses for the Think Rump business, including labour costs which forms the largest component of expenses, have been forecast using assumptions which are in line with those adopted for the Base Case valuation of Think Group. Labour costs as a proportion of total revenue are expected to decrease from c.61% in CY21 to 56% in CY25.
- Pursuant to the above, the service margin of the Think Rump business is expected to increase from c.10% in CY21 to c.17% in CY25. In the terminal value, we have adopted a service margin of c.18% which is based on the benchmark below undertaken for Think Group over the last five year excluding CY20 given the distortion to the operating performance caused by COVID-19 and the related government support package.

Service performance - Think Group						
A\$ million (unless otherwise specified)	CY16	CY17	CY18	CY19	CY20	H1CY21
Service performance	11.5	11.2	12.8	18.6	37.8	14.7
Revenue	53.5	63.1	80.6	110.6	138.1	86.0
<b>Service margin (%)</b>	<b>21.5%</b>	<b>17.7%</b>	<b>15.9%</b>	<b>16.8%</b>	<b>27.4%</b>	<b>17.1%</b>
<b>Average service margin - excluding CY20 (%)</b>						<b>17.8%</b>
<b>Median service margin - excluding CY20 (%)</b>						<b>17.1%</b>

Source: GTCF analysis

Note 1:

- The service performance in CY16 has been sourced from the independent expert report lodged in 2019 at the time of stapling of securities in TNK and TND.

- H1CY21 numbers are sourced from Management presentations and draft reviewed financial statements.

- All other numbers are taken from investor presentations lodged on ASX.

- The initial corporate costs of Think Rump transferred to the Group is c. A\$14.5 million p.a. An average of 78% of these costs are related to employee expenses which we have assumed it will continue during the discrete period. For the purpose of the terminal value calculation, we have normalised this assumption as the portfolio is expected to reach a steady state by CY25 and we consider that incurring corporate costs c. A\$15 million in perpetuity to operate a mature, steady portfolio of 49 centres (39 owned and 10 managed) is excessive. Based on the benchmark analysis undertaken in section 8.1.2, we have normalised the corporate costs per centre at around A\$150,000 which implies total corporate costs of circa A\$7.5 million<sup>104</sup>. We have also assumed one-off cost reduction expenses equal to 50% of the cost savings in the terminal year. We note that we have normalised the corporate cost per centre at a higher level than the cost per centre incurred by the Think Group to take into account some economy of scales available for a bigger business and materially higher than Mayfield

<sup>103</sup> Including Franklin.

<sup>104</sup> Approximate corporate costs in respect of 39 owned centres plus 10 managed centres.



to consider the higher service quality offered under the Nido brand and other differentiating attributes of Think Rump.

#### Funding structure

Under this scenario, we have estimated that the business will require funding of between c.A\$41.7 million and A\$45.2 million, which comprises of A\$10 million of upfront capital contribution by Mathew Edwards, along with the negative cash flows expected to be generated by the business during the Discrete Period, and an additional contingency of 20% to 30%.

Based on discussions with Management and their advisors, we understand that Mathew Edwards is in discussions with several lenders in order to secure financing for the Think Rump business. We understand that most lenders have expressed interest in lending to a larger portfolio of assets comprising largely of mature centres, however there is hesitation to lend to a business that has a small number of mature centres with the majority of growth and value being driven by developing centres. The development of these centres inherently carries several risks as discussed earlier in this section. Considering the uncertainties and difficulties in raising debt as at the Valuation Date, for the purpose of our valuation assessment, we have assumed that the entire capital in the business is provided by Mathew Edwards and its controlled entities at least during the initial period.

#### Discount rate

We have adopted a cost of equity of 20%<sup>105</sup> for the purpose of our valuation assessment based on the same build-up of cost of equity as Think Group (shown in Appendix B) but with a higher specific risk premium to reflect the following:

- The significantly higher risks of a development portfolio, the difficulties in raising external debt and the cost structure of the business.
- Based on discussions with management and the adviser, we understand that a cost of debt for the business on a stand-alone basis is expected to be on or around mid-teens.

#### Sensitivities

We have also undertaken the following sensitivity analysis under this case:

- *Scenario 1A* – We have assumed that Think Rump will be able to raise some debt such that the capital structure will be 90% equity and 10% debt.
- *Scenario 1B* – We have assumed that the corporate costs in the terminal year are normalised at A\$10 million i.e. c.A\$204,000 per centre rather than A\$150,000 per centre.
- *Scenario 1C* – We have assumed that Think Rump will be required to incur one-off costs of c. A\$3 million in order to exit some of the committed leases if it intends to slow down the ramp up of the number of centres.

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<sup>105</sup> Based on the same build up of cost of equity as Think Group (shown in Appendix B) but with a higher specific risk premium to reflect the risk-adjusted returns.

### 8.2.3 Scenario 2 - Orderly realisation Case

We have adopted broadly the same assumptions of the Slow Pipeline Case, but we have assumed that Think Rump will sell the existing centres to third parties shortly after the end of the Management Agreement once the centres have achieved the full run rate and steady occupancy. The sale price is estimated at 4x service EBITDA before corporate costs in line with the several acquisitions occurred in the Industry and with the deal terms for the transfer of the mature centres between TND and TNK. The orderly realisation of the business is assumed to incur one-off realisation costs of circa 50% the corporate costs transferred by the Group to Think Rump on completion of the Proposed Transaction. No new centres will be developed and the funding requirements will reduce to c. A\$21-23 million.

Whilst we understand that this is not the vision and strategy that Mathew Edwards has for the business which instead is premised around growing aggressively the number of centres to establish the business as the leading childcare providers in the country under the Nido brand, our valuation assessment intends to reflect the assumptions that may be adopted by a pool of potential purchasers in order to achieve the best value outcome from a risk adjusted perspective.

We have also undertaken the following sensitivity analysis under this case:

- *Scenario 2A* – We have assumed that Think Rump will be able to raise some debt such that the capital structure will be 90% equity and 10% debt.
- *Scenario 2B* – We have assumed that Think Rump will be required to incur one-off costs of c. A\$3.5 million in order to exit some of the committed leases if it intends to stop the ramp up of the number of centres.
- *Scenario 2C* - We have assumed that the costs incurred in the orderly realisation of the assets amount to c.A\$10 million.

### 8.2.4 Scenario 3 - Accelerated Pipeline Case

Under this scenario, we have assumed the development of the existing pipeline centres within a span of 18 months from the Valuation Date which is consistent with the Upside Case under the valuation of Think Rump. Given that new centres are expected to be developed in the first 18 months after the Valuation Date, we have estimated that the business will require upfront funding of between c.A\$35 million and A\$38 million.

Whilst, we are of the opinion that this may be challenging to achieve given the capital constraints of Think Rump and the ability to raise external funding, nonetheless it is something that Mathew Edwards intends to pursue. However, as discussed in the Executive Summary, we are of the opinion that this may not necessarily be aligned with the view of a pool of potential purchasers and accordingly the potential value under this scenario represents special value for Mathew Edwards and it has not been considered in our valuation assessment.

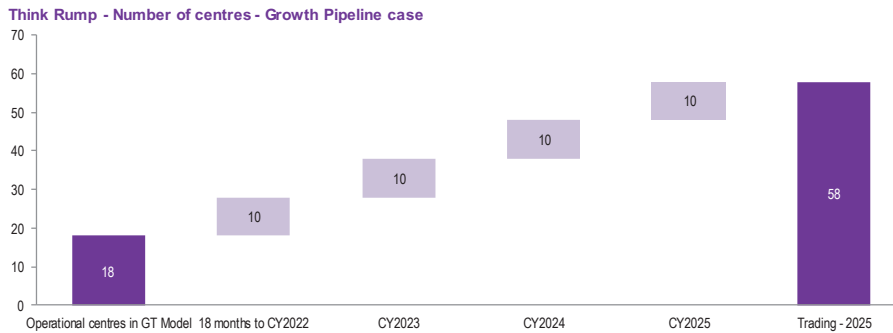
We have also undertaken the following sensitivity analysis under this case:

- *Scenario 3A* – We have assumed that Think Rump will be able to raise some debt such that the capital structure will be 90% equity and 10% debt.

- *Scenario 3B* – We have assumed that the corporate costs in the terminal year are normalised at A\$10 million i.e. c.A\$204,000 per centre rather than A\$150,000 per centre.

#### 8.2.5 Scenario 4 - Growth Pipeline Case

This represents the vision and strategy that Mathew Edwards has for the business in terms of growth and positioning and retaining key talents in the organisation. In this scenario, the portfolio is projected to grow at the rate of 10 new services p.a., as shown below:



Source: Internal Model

Under this scenario, the occupancy of the new centres is projected to ramp-up to 75% over 14 months after the centre commences operations and the corporate costs are normalised in the terminal value at around A\$10.5 million per annum. The total funding required under this case ranges between c.A\$39 million and A\$43 million<sup>106</sup>.

Similarly to the Accelerated Pipeline Case, we are of the opinion that this scenario includes mainly special value that can only be realised by Mathew Edwards and accordingly should not be considered in the valuation assessment of the MGE Acquisition under the fair market value concept.

We have also undertaken the following sensitivity analysis under this case:

- *Scenario 4A* – We have assumed that Think Rump will be able to raise some debt such that the capital structure will be 90% equity and 10% debt.
- *Scenario 4B* – We have assumed that the corporate costs in the terminal year are normalised at c.A\$12.5 million i.e. A\$185,000 per centre rather than A\$150,000 per centre.

#### 8.2.6 Conclusion on value

Refer to the executive summary.

<sup>106</sup> Despite having a higher number of centres, the funding requirements under this scenario are lower than that in Scenario 1. This is because in Scenario 4, as a higher number of centres mature in the long-term, the additional EBITDA outweighs the growth capex. At an EBITDA level, the business is expected to break even sooner in Scenario 4 than in Scenario 1 (by 1 year), which results in total negative cash flows over the Discrete Period in Scenario 4 being lower than those in Scenario 1.

## 9 Sources of information, disclaimer and consents

### 9.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Annual reports/ consolidated accounts of TNK for CY18, CY19 and CY20.
- Management accounts for YTD CY21.
- Investor presentations, board reports, and CFO reports.
- Management Projections CY21 to CY23.
- Minutes of Board meetings.
- Access to other relevant documents in the Data Room.
- Transaction databases such as S&P Global Capital IQ and Mergermarket
- IBISWorld industry reports
- 2021 Australia Federal Budget
- Department of Education Skills and Employment annual report 2019-20, dated 24 September 2020.
- Child Care in Australia report, published by Department of Education Skills and Employment
- NQF Annual Performance Report Summary 2020
- Other industry reports provided by the Company.
- Various broker reports for the Company and for the listed peers.
- Other publicly available information.

In preparing this report, Grant Thornton Corporate Finance has also held discussions with, and obtained information from, Management of TNK and its advisers.

### 9.2 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by the Company, and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by the Company through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of the Company.

This Report has been prepared to assist the Directors of TNK in advising the Company's shareholders in relation to the Scheme. This Report should not be used for any other purpose. In particular, it is not



intended that this Report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Scheme is in the best interest of the Company's shareholders.

Think Group has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by the Company, which the Company knew or should have known to be false and/or reliance on information, which was material information the Company had in its possession and which the Company knew or should have known to be material and which did not provide to Grant Thornton Corporate Finance. The Company will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

### 9.3 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Explanatory Booklet to be sent to TNK shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and context in which it appears.

## **Appendix A – Valuation methodologies**

### **Capitalisation of future maintainable earnings**

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future.

Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

### **Discounted future cash flows**

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

### **Orderly realisation of assets**

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

### **Market value of quoted securities**

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

### **Comparable market transactions**

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company. The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to





that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

## Appendix B – Discount rate

### Introduction

The cash flow assumptions underlying the DCF approach are on a nominal, ungeared and post-tax basis. Accordingly, we have assessed a range of nominal post-tax discount rates for the purpose of calculating the net present value of the cash flows.

The discount rates were determined using the WACC formula. The WACC represents the average of the rates of return required by providers of debt and equity capital to compensate for the time value of money and the perceived risk or uncertainty of the cash flows, weighted in proportion to the market value of the debt and equity capital provided. However, we note that the selection of an appropriate discount rate is ultimately a matter of professional judgment.

Under a classical tax system, the nominal WACC is calculated as follows:

$$\text{WACC} = R_d \times \frac{D}{D+E} \times (1-t) + R_e \times \frac{E}{D+E}$$

Where:

- $R_e$  = the required rate of return on equity capital;
- $E$  = the market value of equity capital;
- $D$  = the market value of debt capital;
- $R_d$  = the required rate of return on debt capital; and
- $t$  = the statutory corporate tax rate.

### *Required rate of return on equity capital*

We have used the CAPM, which is commonly used by practitioners, to calculate the required return on equity capital.

The CAPM assumes that an investor holds a large portfolio comprising risk-free and risky investments. The total risk of an investment comprises systematic risk and unsystematic risk. Systematic risk is the variability in an investment's expected return that relates to general movements in capital markets (such as the share market) while unsystematic risk is the variability that relates to matters that are unsystematic to the investment being valued.

The CAPM assumes that unsystematic risk can be avoided by holding investments as part of a large and well-diversified portfolio and that the investor will only require a rate of return sufficient to compensate for the additional, non-diversifiable systematic risk that the investment brings to the portfolio. Diversification cannot eliminate the systematic risk due to economy-wide factors that are assumed to affect all securities in a similar fashion.

Accordingly, whilst investors can eliminate unsystematic risk by diversifying their portfolio, they will seek to be compensated for the non-diversifiable systematic risk by way of a risk premium on the expected return. The extent of this compensation depends on the extent to which the company's returns are correlated with

the market as a whole. The greater the systematic risk faced by investors, the larger the required return on capital will be demanded by investors.

The systematic risk is measured by the investment's beta. The beta is a measure of the co-variance of the expected returns of the investment with the expected returns on a hypothetical portfolio comprising all investments in the market - it is a measure of the investment's relative risk.

A risk-free investment has a beta of zero and the market portfolio has a beta of one. The greater the systematic risk of an investment the higher the beta of the investment.

The CAPM assumes that the return required by an investor in respect of an investment will be a combination of the risk-free rate of return and a premium for systematic risk, which is measured by multiplying the beta of the investment by the return earned on the market portfolio in excess of the risk-free rate.

Under the CAPM, the required nominal rate of return on equity (Re) is estimated as follows:

$$R_e = R_f + \beta_e (R_m - R_f)$$

Where:

- Rf = risk free rate
- $\beta_e$  = expected equity beta of the investment
- (Rm – Rf) = market risk premium

**Risk-free rate – 3.0%**

In the absence of an official risk free rate, the yield on government bonds (in an appropriate jurisdiction) is commonly used as a proxy. Accordingly, we have we have observed the yield on the 10-year Australian Government bond over several intervals from a period of 5 trading days to 10 trading years. The following table sets out the average yield on 10-year Australian Government Bond over the last 10 years.

Australia Government Debt - 10 Year as at 20 July 2021	Range			Daily average Nominal
Previous 5 trading days	1.25%	-	1.31%	1.27%
Previous 10 trading days	1.25%	-	1.36%	1.29%
Previous 20 trading days	1.25%	-	1.55%	1.40%
Previous 30 trading days	1.25%	-	1.60%	1.43%
Previous 60 trading days	1.25%	-	1.76%	1.55%
Previous 1 year trading	0.73%	-	1.88%	1.22%
Previous 2 years trading	0.60%	-	1.88%	1.11%
Previous 3 years trading	0.60%	-	2.79%	1.47%
Previous 5 years trading	0.60%	-	2.99%	1.92%
Previous 10 years trading	0.60%	-	4.98%	2.64%
Previous 20 years trading	0.60%	-	6.79%	3.58%

Source: S&P Global



Given the volatility in the global financial markets, we have placed more emphasis on the average risk free rate observed over a longer period of time. Accordingly, our adopted risk-free rate of 3.0% is based on the long-term real yield on Australian 10-year government bonds. We note that the adopted risk free rate of 3.0% falls within the range of the real bond yield plus RBA's inflation target.

**Market risk premium – 6.25%**

The market risk premium represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk free rate of return is earned. However, given the inherent high volatility of realised rates of return, especially for equities, the market risk premium can only be meaningfully estimated over long periods of time. In this regard, Grant Thornton studies of the historical risk premium over periods of 20 to 80 years suggest a risk premium between 6.0% and 6.5% for the Australia markets.

For the purpose of the WACC assessment, Grant Thornton Corporate Finance has adopted a market risk premium of 6.25%.

**Equity beta – 1.20 to 1.30**

The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation.

An equity beta includes the effect of gearing on equity returns and reflects the riskiness of returns to equity holders. However, an asset beta excludes the impact of gearing and reflects the riskiness of returns on the asset, rather than returns to equity holders. Asset betas can be compared across asset classes independent of the impact of the financial structure adopted by the owners of the business.

Equity betas are typically calculated from historical data. These are then used as a proxy for the future which assumes that the relative risk of the past will continue into the future. Therefore, there is no right equity beta and it is important not to simply apply historical equity betas when calculating the cost of equity. For the purpose of the report, we have had regard to the observed betas (equity betas) of listed companies operating in the childcare industry.

Beta analysis		Market cap	Equity	R	Gearing	Ungearred	Regeared
Company	Country	A\$m	Beta	Squared	Ratio	Beta	Beta
Think Childcare Group	Australia	198	1.64	0.17	120.7%	0.89	1.23
G8 Education Limited	Australia	813	1.37	0.18	63.2%	0.95	1.31
Mayfield Childcare Limited	Australia	35	1.52	0.45	70.1%	1.02	1.41
Evolve Education Group Limited	New Zealand	116	1.76	0.09	111.9%	0.97	1.34
Gakkyusha Co.,Ltd.	Japan	184	0.73	0.27	(1.7%)	0.73	1.00
<b>Low</b>					<b>(1.7%)</b>	<b>0.73</b>	<b>1.00</b>
<b>Median</b>					<b>66.7%</b>	<b>0.96</b>	<b>1.33</b>
<b>Average</b>					<b>60.9%</b>	<b>0.92</b>	<b>1.26</b>
<b>High</b>					<b>111.9%</b>	<b>1.02</b>	<b>1.41</b>

Source: S&P Global and GTCF calculations

Note (1): Equity betas are calculated using data provided by S&P Global as at 20 July 2021. The betas are based on a five-year period with monthly observations based on the local index. Betas have been ungeared based on the average gearing ratio (i.e. net debt divided by shareholders' equity based on market values). Betas have been regeared based on the assumed regearing ratio of circa 25% assuming the proportion of debt in forecast period for Think Group is 20%.

It should be noted that the above betas are drawn from the actual and observed historical relationship between risk and returns. From these actual results, the expected relationship is estimated generally on the basis of extrapolating past results. Despite the arbitrary nature of the calculations it is important to assess their commercial reasonableness. That is to assess how closely the observed relationship is likely to deviate from the expected relationship.

Consequently, while measured equity betas of the listed comparable companies provide useful benchmarks against which the equity beta used in estimating the cost of equity for the predevelopment assets, the selection of an unsystematic equity beta requires a level of judgement.

The asset betas of the selected companies are calculated by adjusting the equity betas for the effect of gearing to obtain an estimate of the business risk of the comparable companies, a process commonly referred as de-gearing. We have then recalculated the equity beta based on an assumed 'optimal' capital structure deemed appropriate for the business (re-gearing). This is a subjective exercise, which carries a significant possibility of estimation error.

We used the following formula to undertake the de-gearing and re-gearing exercise:

$$\beta_e = \beta_a \left[ 1 + \frac{D}{E} \times (1 - t) \right]$$

Where:

- $\beta_e$  = Equity beta
- $\beta_a$  = Asset beta
- $t$  = corporate tax rate

The betas are de-gearred using the average historical gearing levels of those respective companies over several years. We note that most comparable companies had net cash positions. We then re-gearred based on a gearing ratio of 0% debt (see Capital Structure Section below for further discussions).

For the purposes of our valuation, we have selected a beta range of between 1.20 and 1.30 to calculate the required rate of return on equity capital. In our beta assessment we had regards to listed childcare operators in Australia and globally.

#### *Specific risk premium*

The specific risk premium represents the additional return an investor expects to receive to compensate for country, size and project related risk not reflected in the beta of observed comparable companies. We have applied specific risk premium of 2.0% to the Group.

We note that the selection of the specific risk premium involves a certain level of professional judgement and as a result, the total specific risk premium is not fully quantifiable with analytical data.

#### *Cost of debt – 6.0% - 7.0%*

For the purpose of estimating the cost of debt applicable to Think Group, Grant Thornton Corporate Finance has considered the following:



- The weighted average interest rate on credit outstanding for large businesses over the last one to five years as published by the Reserve Bank of Australia.
- The historical and current cost of debt for Think Group and the comparable companies.
- Expectations of the yield curve.

Based on the above, Grant Thornton Corporate Finance has adopted a cost of debt between 6.0% and 7.0% on a pre-tax basis.

#### *Capital Structure*

The appropriate level of gearing that is utilised in determining WACC for a particular company should be the “target” gearing ratio, rather than the actual level of gearing, which may fluctuate over the life of a company. The target or optimal gearing level can therefore be derived based on the trade-off theory which stipulates that the target level of gearing for a project is one at which the present value of the tax benefits from the deductibility of interest are offset by present value of costs of financial distress. In practice, the target level of gearing is evaluated based on the quality and variability of cash flows. These are determined by:

- the quality and life cycle of a company;
- the quality and variability of earnings and cash flows;
- working capital;
- level of capital expenditure; and
- the risk profile of the assets.

For the purpose of the valuation, Grant Thornton Corporate Finance has adopted a capital structure based on 20% debt and 80% equity. In determining the appropriate capital structure, we have had regard to the current capital structure of TNK with the Company having no debt outstanding but also having regard to the comparable companies.

#### *Tax rate – 30%*

For the purpose of our valuation assessment we have assumed the Australian corporate tax rate of 30%.

*Discount rate summary*

WACC calculation	Low	High
<b>Cost of equity</b>		
Risk free rate	3.00%	3.00%
Equity beta	1.20	1.30
Market risk premium	6.25%	6.25%
Specific risk premium	2.00%	2.00%
<b>Cost of equity</b>	<b>12.50%</b>	<b>13.13%</b>
<b>Cost of debt</b>		
Cost of debt (pre tax)	6.00%	7.00%
Tax	30%	30%
<b>Cost of debt (post tax)</b>	<b>4.20%</b>	<b>4.90%</b>
<b>Capital structure</b>		
Proportion of debt	20%	20%
Proportion of equity	80%	80%
	100%	100%
<b>WACC (post tax)</b>	<b>10.84%</b>	<b>11.48%</b>
<b>WACC (selected)</b>	<b>10.80%</b>	<b>11.50%</b>

Source: GTCF Analysis



## Appendix C – Comparable companies descriptions

Company	Description
Think Childcare Group	Think Childcare Group provides childcare services under the Nido brand in Australia. The company offers full or part-time care services for babies, toddlers, and young children. It owns and manages approximately 78 centres. The company was incorporated in 2019 and is based in Drummoyne, Australia.
G8 Education Limited	G8 Education Limited owns, operates, franchises, and manages child care centres in Australia. The company provides educational child care services. As of December 31, 2020, it operated 472 centres. The company was founded in 2006 and is headquartered in Varsity Lakes, Australia.
Mayfield Childcare Limited	Mayfield Childcare Limited provides long day childcare services in Victoria, Australia. The company operates 20 long day childcare centres. Mayfield Childcare Limited was incorporated in 2015 and is based in Malvern East, Australia.
Evolve Education Group Limited	Evolve Education Group Limited provides early childhood education (ECE) services in New Zealand and Australia. The company operates and manages ECE centres. It operates approximately 126 centre-based ECE facilities under the Lollipops, Cubby Care, Active Explorers, Learning Adventures, Little Earth Montessori, Little Lights, Little Wonders, and Pascals brand names. The company was incorporated in 2014 and is based in Auckland, New Zealand.
Gakkyusha Co.,Ltd.	Gakkyusha Co.,Ltd. manages a cram school that provides guidance for entrance exams to junior high schools, high schools, and universities in Japan and internationally. The company was founded in 1972 and is headquartered in Tokyo, Japan.

Source: S&P Global

## Appendix D – Comparable transaction targets descriptions

Target company	Description
Affinity Education Group Limited	Affinity Education Group Limited owns and operates a chain of childcare centres in Queensland, New South Wales, Victoria, Western Australia, the Northern Territory, and the Australian Capital Territory. The company offers education and care to children aged six weeks to 12 years in the Australian market. It provides childcare, childcare management, child education, and early learning services. The company was incorporated in 2013 and is based in Brisbane, Australia.
Evolve Education Group Limited	Evolve Education Group Limited provides early childhood education (ECE) services in New Zealand and Australia. The company operates and manages ECE centres. It operates approximately 126 centre-based ECE facilities under the Lollipops, Cubby Care, Active Explorers, Learning Adventures, Little Earth Montessori, Little Lights, Little Wonders, and Pascals brand names. The company was incorporated in 2014 and is based in Auckland, New Zealand.
MindChamps PreSchool Limited	MindChamps PreSchool Limited, together with its subsidiaries, owns and operates preschools and enrichment centres in Singapore. The company operates through Education, Franchise, Corporate, and Others segments. It offers childcare, education, and learning related services for preschool children. The company is also involved in the franchising of childcare services for preschool children and enrichment classes; and provision of administrative support, business and management consulting, and asset management services. In addition, it operates commercial schools offering higher education programs. Further, the company provides music, dancing, art, speech, and drama instruction services. It also has preschools and enrichment centres in Australia. The company was formerly known as MindChamps Preschool (Worldwide) Pte. Limited and changed its name to MindChamps PreSchool Limited in November 2017. MindChamps PreSchool Limited was founded in 2008 is headquartered in Singapore. MindChamps PreSchool Limited is a subsidiary of MindChamps Holdings Pte. Limited
Sparrow Early Learning Pty Ltd	Sparrow Early Learning Pty Ltd offers childhood care and education services. The company was incorporated in 2014 and is based in Murarrie, Australia. As of January 20, 2017, Sparrow Early Learning Pty Ltd operates as a subsidiary of Fullshare Holdings Limited.
Guardian Early Learning Group Pty Ltd	Guardian Early Learning Group Pty Ltd. operates pre-schools and early education centres in Australia. It offers corporate child care services that include on-site childcare facilities for the exclusive use of its client's employees; and childcare centre management services. The company also provides clients' employees to access care closer to home through its network of suburban early learning centres. In addition, it offers child care management services to the owners of urban early learning centres that include managing the opening of new centres for property developers; providing outsourced management services to existing owners looking to hand over the day-to-day management of their centre to a professional management company; assisting receivers and administrators with work-outs and sales; and working with owners who are new to the industry to enhance their operating expertise. Guardian Early Learning Group Pty Ltd. was formerly known as Guardian Childcare Alliance Pty Ltd. and changed its name to Guardian Early Learning Group Pty Ltd. in April 2013. The company was incorporated in 2000 and is based in Spring Hill, Australia. It operates early learning centres in Melbourne, Sydney, Brisbane, Adelaide, and Canberra.
Little Learning School	Little Learning School Pty Ltd owns and operates childcare centres in Sydney. The company was founded in 2004 and is based in Granville, Australia. Little Learning School Pty Ltd operates as a subsidiary of Only About Children Pty Ltd.



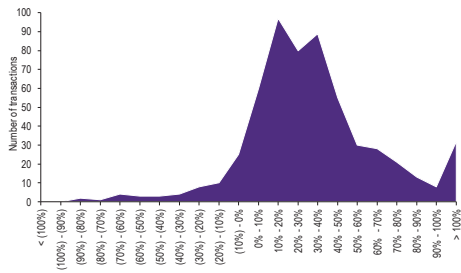
Target company	Description
Camp Australia	Only About Children Pty Ltd. offers early education and preschool services for children of zero-five years old in Australia. It focuses on providing early childhood education, child development, educational play-based curriculum, health and development screening, school readiness and transition, and grow and health programming services. The company offers its services through its campuses in Sydney, Canberra, and Melbourne, Australia. Only About Children Pty Ltd. was formerly known as Universal Childcare Pty Ltd. and changed its name to Only About Children Pty Ltd. in August 2012. The company was incorporated in 2004 and is based in Neutral Bay, Australia.

Source: S&P Global

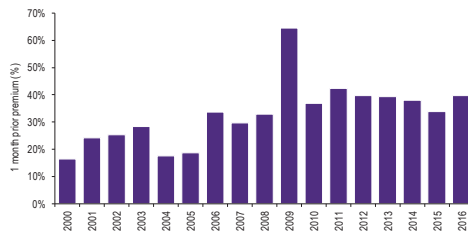
## Appendix E – Control Premium study

Evidence from studies indicates that premium for control on successful takeovers has frequently been in the range of 20% to 40% in Australia, and that the premium vary significantly for each transaction.

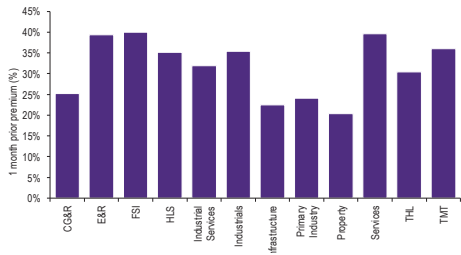
**1 Month Prior Control Premium**



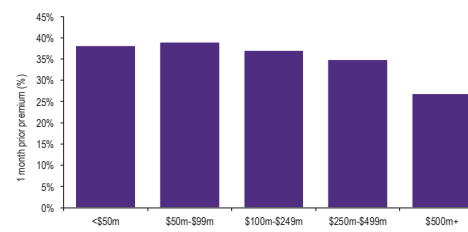
**Control premium per completion date**



**Control premium per industry**



**Control premium and size**



	Control premium
Average	34.33%
Median	29.34%

Source: GTCF Analysis

## Appendix F – Glossary

\$ or A\$	Australian Dollar
H1CYxx	6-month financial period ended 30 June 20xx
AASB 16	Australian Accountings Standards Board 16 – Leases
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ACCS	Additional Child Care Subsidy
ACCS	Additional Child Care Subsidy
ACECQA	Australian Children's Education & Care Quality Authority
Affinity	Affinity Education Group Limited
AFL	Agreement For Lease
Ancillary Agreements	Other ancillary agreements included in the Schemes
APES	Accounting Professional and Ethical Standards
APES225	Accounting Professional and Ethical Standard 225 "Valuation Services"
APRA	Australian Prudential and Regulatory Authority
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Busy Bees	Busy Bees Early Learning Australia Pty Ltd
Busy Bees Group	Busy Bees Early Learning Australia Pty Ltd and Busy Bees Childcare Limited
CAGR	Compound annual growth rate
CCRP	Child Care Recovery Package
CCS	Child Care Subsidy
CCTP	Child Care Transition Payment
CoC	Code of Conduct
Corporations Act	Corporations Act 2001
COVID-19	Coronavirus pandemic
CYxx	12-month financial year ended 31 December 20xx
DCF Method	Discounted cash flow and the estimated realisable value of any surplus assets
EBITDA	Earnings before interest, tax expenses, depreciation and amortisation
ECEC	Early Childhood Education and Care Relief Package
Edhod	Edhod Pty Ltd
ELK	Early Learning & Kinder
Evolve	Evolve Education Group Limited
Federal Government	Australian Federal Government
FIRB	Foreign Investment Review Board
FME Method	Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets
FSG	Financial Service Guide
Further Revised Busy Bees Proposal	On 6 April 2021, the Group received a further proposal from Busy Bees at an offer price of A\$3.20 per Security
FW	Forward
G8 or G8 Education	G8 Education Limited
Greenfield	TNK's recruitment of new childcare centres
GT Model	Financial model prepared by GTCF, projecting the post-tax free cash flows of TNK Limited
GTCF, Grant Thornton, or Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd (ACN 003 265 987)
IA	Implementation Agreement entered into between TNK and Busy Bees

IER or Report	Independent Expert's Report
IFRS	International Financial Reporting Standards
Initial Alceon Proposal	On 16 November 2020, the Group announced that Alceon offered to purchase 100% of the Securities at A\$1.35 per Security
Initial Busy Bees Proposal	On 23 November 2020, Think Group received a proposal from Busy Bees to purchase all the issued securities for a cash consideration of A\$1.75 per security
Interim Dividend	The Group is permitted to pay a fully franked interim dividend for the 6 months ended 30 June 2021 of up to 8 cents per Stapled Security
KPI	Key performance indicator
LDC	Long day care
LFL	Like-for-like
LTM	Last twelve months
Management Agreement	MGE Entities will provide management services to 35 Nido centres owned by TNK (wholly owned of Busy Bees after the Schemes) for a term not exceeding three years and for an amount not exceeding A\$100,000 per centre per annum
Management Projections	The projections prepared by Management up to 31 December 2023
Mayfield	Mayfield Childcare Limited
MGE Acquisition	Entities associated with Mathew Edwards have agreed to acquire TND as well as management rights in respect of 35 centres trading under the 'Nido' brand
MGE Entities	The entities controlled by Mathew Edwards, the CEO and Managing Director of the Company
NAV Method	Amount available for distribution to security holders in an orderly realisation of assets
Nido	Nido Early School
Nido Franklin	Nido childcare centre located in Franklin, ACT
NPAT	Net profit after tax
NQF	National Quality Framework
NQS	National Quality Standard
OTPP	Ontario Teachers' Pension Plan Board
pcp	Previous corresponding period
Permitted Dividend	Part of the Scheme Consideration can be paid as a fully franked dividend of up to A\$0.24 per Staple Security on or before implementation of the Schemes
PFGL	Platform Finance and Leasing Group
Proposed Transaction	Acquisition of the Think Group and the transaction if Think Rump between MGE Entities and Busy Bees
PRs	Performance Rights
Quoted Security Price Method	Quoted price for listed securities, when there is a liquid and active market
RBA	Reserve Bank of Australia
Revised Busy Bees Proposal	On 20 January 2021, Busy Bees presented a revised proposal at A\$2.10 for Security ("Revised Busy Bees Proposal") which represented a premium of 20% to the Initial Busy Bees Proposal and of 81% to the 10 days VWAP before the Initial Alceon Proposal
RG	Regulatory Guide
RG111	ASIC Regulatory Guide 111 "Contents of expert reports"
RG112	ASIC Regulatory Guide 112 "Independence of experts"
RG60	ASIC Regulatory Guide 60 "Scheme of arrangement"
Scheme Booklet	The Scheme Booklet, including each attachment
Scheme Consideration	The consideration of A\$3.20 per Security that Busy Bees agrees to pay
Schemes	TNK Scheme and the TND Scheme which together with other ancillary agreements entered into between Busy Bees, the Group, and MGE Entities
Stapled Securities or Securities	Think Group has a stapled shareholding structure under which the shares in Think Childcare Limited ("TNK") are stapled to the shares of Think Childcare Development Limited ("TND") and are collectively listed on ASX as one security
the Industry	The childcare services industry
Think Group, or The Group	Think Childcare Group
Think Rump	The following business that MGE Entities will acquire from Busy Bees and will own post the Proposed Transaction: - The development business of TND comprising a pipeline of 38 centres, including 16 purpose-built Nido centres at various stages of trade-up, 14 services under construction and 8 centres suitable for future

developments. TND generated revenue of A\$10.5 million from this services and incurred a loss before corporate costs of A\$0.4 million for the 6 months to 30 June 2021.

- The "Nido" brand and associated intellectual properties.
- The head office functions of the Group which comprises of c. 91 FTEs for a total annual costs estimated at c.A\$14.4 million. This effectively means that Busy Bees will acquire the mature centres operated by TNK and a pre-head office corporate functions basis.
- The loss making Nido childcare centre in Franklin, ACT.
- Other minor assets and liabilities.

TND	Think Childcare Development Limited
TNK	Think Childcare Limited
Trading Multiples	The current trading multiples of broadly comparable companies
Transaction Multiples	The multiples implied by acquisitions of companies with broadly similar operations
WACC	Weighted average cost of capital





# TNK Deed poll

—  
Busy Bees Early Learning Australia Pty Ltd ACN 168 187  
979 (**Covenantor**)  
—

# Deed poll

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# Details

Date 17 August 2021

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## Deed poll made by

Name Busy Bees Early Learning Australia Pty Ltd ACN 168 187 979  
Short form name **Covenantor**  
Address 34 Station Street, Nundah Qld 4012  
Email: Robert.H@busybees.edu.au  
Notice details Attention: Robert Hughes

in favour of each person registered in the Share Register as a holder of fully paid ordinary shares in Think Childcare Limited ACN 600 793 388 as at the Scheme Record Date (other than the MGE Entities).

---

## Background

- A On 16 June 2021, Think Group and Covenantor entered into the Implementation Agreement to provide for (among other matters) the implementation of the Scheme.
- B The effect of the Scheme will be to transfer all Scheme Shares to the Covenantor in return for the Scheme Consideration.
- C The Covenantor enters this deed poll to covenant in favour of Scheme Shareholders to:
  - (i) perform the actions attributed to it under the Scheme; and
  - (ii) provide the Scheme Consideration in accordance with the Scheme.

# Agreed terms

## 1. Defined terms & interpretation

### 1.1 Defined terms

In this deed poll:

**Implementation Agreement** means the Implementation Agreement dated 16 June 2021 between Think Group and the Covenantor.

**Scheme** means the TNK Scheme.

**Scheme Consideration** has the meaning given in the Scheme.

**Scheme Share** has the meaning given in the Scheme.

**Scheme Shareholder** has the meaning given in the Scheme.

**Share Register** has the meaning given in the Scheme.

**Think Group** means Think Childcare Limited ACN 600 793 388 and Think Childcare Development Limited ACN 635 178 166.

**Trust Account** has the meaning given in the Scheme.

### 1.2 Terms defined in Implementation Agreement

Subject to clause 1.1, words and phrases defined in the Implementation Agreement have the same meaning in this deed poll unless they are otherwise defined in this deed poll or the context requires otherwise.

### 1.3 Incorporation by reference

The provisions of clauses 1.2, 1.3 and 1.4 of the Implementation Agreement form part of this deed poll as if set out at length in this deed poll but with *deed poll* substituted for *agreement* and with any reference to *party* being taken to include the Scheme Shareholders (as the context requires or permits).

## 2. Nature of this deed poll

The Covenantor agrees that this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not a party to it.

## 3. Conditions

### 3.1 Conditions

Each of the Covenantor's obligations under this deed poll are subject to the Scheme becoming Effective.

### 3.2 Termination

This deed poll and the obligations of the Covenantor under this deed poll will automatically terminate and this deed poll will be of no further force or effect if:

- (a) the Implementation Agreement is terminated in accordance with its terms; or
- (b) the Scheme is not Effective on or before the End Date or any later date as the Court, with the consent of Busy Bees and Think Group, may order,

unless Think Group and the Covenantor otherwise agree in writing.

### 3.3 Consequences of termination

If this deed poll terminates under clause 3.2, in addition and without prejudice to any other rights, powers or remedies available to them:

- (a) the Covenantor is released from its obligations to further perform this deed poll; and
- (b) each Scheme Shareholder retains the rights they have against the Covenantor in respect of any breach of this deed poll which occurred before it terminated.

## 4. Performance of obligations

### 4.1 Generally

Subject to clause 3, the Covenantor covenants in favour of Scheme Shareholders to perform the actions attributed to it under, and otherwise comply with, the Scheme as if the Covenantor was a party to the Scheme.

### 4.2 Provision of Scheme Consideration

- (a) Subject to clause 3, the Covenantor undertakes in favour of each Scheme Shareholder to provide or procure the provision of the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme.
- (b) The obligations of the Covenantor under clause 4.2(a) will be satisfied if, in respect of the Scheme Consideration the Covenantor deposits, no later than the Business Day before the Implementation Date, an amount equal to the aggregate amount of the Scheme Consideration payable to Scheme Shareholders who are entitled to the Scheme Consideration under the Scheme in cleared funds to the Trust Account in accordance with, and subject to, the provisions of the Scheme including that the Covenantor shall not be required to deposit the Scheme Consideration into the Trust Account until TNK has provided the written consent referred to in clause 8.6(c)(iii) of the Scheme.

## 5. Warranties

The Covenantor represents and warrants to each Scheme Shareholder that:

- (a) **(status)** it is a corporation duly incorporated and validly existing under the laws of the place of its incorporation;
- (b) **(power)** it has the power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) **(corporate authorisations)** it has taken all necessary corporate action to authorise the entry into and performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) **(documents binding)** this deed poll is its valid and binding obligation enforceable in accordance with its terms;
- (e) **(transactions permitted)** the execution and performance by it of this deed poll and each transaction contemplated by this deed poll did not and will not violate in any respect a provision of:
  - (i) a law or treaty or a judgment, ruling, order or decree of a Governmental Agency binding on it;
  - (ii) its constitution or other constituent documents; or
  - (iii) any other document which is binding on it or its assets; and
- (f) **(solvency)** it is solvent and no resolutions have been passed nor has any other step been taken or legal action or proceedings commenced or threatened against it for its winding up, deregistration or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets.

## 6. Continuing Obligations

### 6.1 Deed poll irrevocable

This deed poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:

- (a) the Covenantor having fully performed its obligations under this deed poll; and
- (b) termination of this deed poll under clause 3.2.

### 6.2 Variation

A provision of this deed poll may not be varied without the agreement of the Covenantor and unless:

- (a) before the Second Court Date, the variation is agreed to in writing by Think Group; or
- (b) on or after the Second Court Date, the variation is agreed to in writing by Think Group and is approved by the Court,

in which event the Covenantor will enter into a further deed poll in favour of each Scheme Shareholder giving effect to the amendment.

## 7. Notices

Any notice, demand or other communication (**Notice**) to the Covenantor in respect of this deed poll:

- (a) must be in writing and signed by the sender or a person duly authorised by it;
- (b) must be delivered to the intended recipient by prepaid post (if posted to an address in another country, by registered airmail) or by hand, email or to the address or email address specified in the Details;
- (c) will be conclusively taken to be duly given or made:
  - (i) **(in the case of delivery in hand)**, when delivered at the address of the addressee as provided in the Details, unless that delivery is not made on a Business Day, or is made after 5.00pm on a Business Day, in which case that Notice will be deemed to be received at 9.00am on the next Business Day;
  - (ii) **(in the case of delivery by post)**, on the third Business Days after the date of posting (if posted from an address within Australia) or the fifth Business Days after the date of posting (if posted from an address outside Australia); or
  - (iii) **(in the case of email)**, on the earlier of:
    - (A) when the sending party's email system confirms delivery of the email by way of a delivery notification; or
    - (B) when the recipient party confirms receipt to the sending party via email or telephone.

## 8. General Provisions

### 8.1 Assignment

- (a) The rights and obligations of the Covenantor and Think Group and each Scheme Shareholder under this deed poll are personal. They cannot be assigned, charged, encumbered or otherwise dealt with at law or in equity without the prior written consent of the Covenantor and Think Group.
- (b) Any purported dealing in contravention of clause 8.1(a) is invalid.

## 8.2 Cumulative rights

The rights, powers and remedies of the Covenantor, Think Group and each Scheme Shareholder under this deed poll are cumulative with and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

## 8.3 No waiver

- (a) The Covenantor may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.
- (b) If a Scheme Shareholder does not exercise a right arising from a breach of this deed poll at a given time, it may, unless it has waived that right in writing, exercise the right at a later point in time.
- (c) No Scheme Shareholder may rely on words or conduct of the Covenantor as a waiver of any right unless the waiver is in writing and signed by the Covenantor.
- (d) The meanings of the terms used in this clause 8.4 are set out below.

**conduct** includes delay in the exercise of a right.

**right** means any right arising under or in connection with this deed poll and includes the right to rely on this clause.

**waiver** includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

## 8.4 Stamp duty

The Covenantor:

- (a) must pay or procure the payment of all stamp duty (if any) any related fines, penalties and interest in respect of the Scheme and this deed poll (including the acquisition or transfer of Scheme Shares pursuant to the Scheme), the performance of this deed poll and each transaction effected by or made under or pursuant to the Scheme and this deed poll; and
- (b) indemnify and undertake to keep indemnified each Scheme Shareholder against any liability arising from a failure to comply with clause 8.4(a).

## 8.5 Further assurances

The Covenantor will, at its own expense, do all things reasonably required of it to give full effect to this deed poll.

## 8.6 Governing law and jurisdiction

This deed poll is governed by the laws of the State of New South Wales. In relation to it and related non-contractual matters the Covenantor irrevocably:

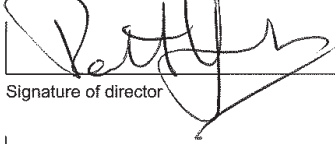
- (a) submit to the non-exclusive jurisdiction of courts with jurisdiction there; and
- (b) waive any right to object to the venue on any ground.



# Signing page

EXECUTED and delivered as a deed poll.

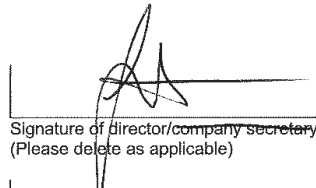
Executed by **Busy Bees Early Learning  
Australia Pty Ltd ACN 168 187 979** in  
accordance with Section 127 of the *Corporations  
Act 2001*



Signature of director

ROBERT ANTHONY HUGHES

Name of director (print)



Signature of director/company secretary  
(Please delete as applicable)

Fiona May Alston

Name of director/company secretary (print)



# TND Deed poll

—  
FEL Child Care Developments Pty Ltd ACN 619 686 181  
(**Covenantor**)  
—

# Deed poll

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# Details

Date 17 August 2021

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## Deed poll made by

Name	FEL Child Care Developments Pty Ltd ACN 619 686 181
Short form name	<b>Covenantor</b>
Address	34 Station Street, Nundah Qld 4012 Email: Robert.H@busybees.edu.au
Notice details	Attention: Robert Hughes

in favour of each person registered in the Share Register as a holder of fully paid ordinary shares in Think Childcare Development Limited ACN 635 178 166 as at the Scheme Record Date (other than the MGE Entities).

---

## Background

- A On 16 June 2021, Think Group and Busy Bees entered into the Implementation Agreement to provide for (among other matters) the implementation of the Scheme.
- B The effect of the Scheme will be to transfer all Scheme Shares to the Covenantor in return for the Scheme Consideration.
- C The Covenantor enters this deed poll to covenant in favour of Scheme Shareholders to:
  - (i) perform the actions attributed to it under the Scheme; and
  - (ii) provide the Scheme Consideration in accordance with the Scheme.

# Agreed terms

## 1. Defined terms & interpretation

### 1.1 Defined terms

In this deed poll:

**Busy Bees** means Busy Bees Early Learning Australia Pty Ltd ACN 168 187 979.

**Implementation Agreement** means the Implementation Agreement dated 16 June 2021 between Think Group and Busy Bees.

**Scheme** means the TND Scheme.

**Scheme Consideration** has the meaning given in the Scheme.

**Scheme Share** has the meaning given in the Scheme.

**Scheme Shareholder** has the meaning given in the Scheme.

**Share Register** has the meaning given in the Scheme.

**Think Group** means Think Childcare Limited ACN 600 793 388 and Think Childcare Development Limited ACN 635 178 166.

**Trust Account** has the meaning given in the Scheme.

### 1.2 Terms defined in Implementation Agreement

Subject to clause 1.1, words and phrases defined in the Implementation Agreement have the same meaning in this deed poll unless they are otherwise defined in this deed poll or the context requires otherwise.

### 1.3 Incorporation by reference

The provisions of clauses 1.2, 1.3 and 1.4 of the Implementation Agreement form part of this deed poll as if set out at length in this deed poll but with *deed poll* substituted for *agreement* and with any reference to *party* being taken to include the Scheme Shareholders (as the context requires or permits).

## 2. Nature of this deed poll

The Covenantor agrees that this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not a party to it.

## 3. Conditions

### 3.1 Conditions

Each of the Covenantor's obligations under this deed poll are subject to the Scheme becoming Effective.

### 3.2 Termination

This deed poll and the obligations of the Covenantor under this deed poll will automatically terminate and this deed poll will be of no further force or effect if:

- (a) the Implementation Agreement is terminated in accordance with its terms; or
- (b) the Scheme is not Effective on or before the End Date or any later date as the Court, with the consent of Busy Bees and Think Group, may order,

unless Think Group and the Covenantor otherwise agree in writing.

### 3.3 Consequences of termination

If this deed poll terminates under clause 3.2, in addition and without prejudice to any other rights, powers or remedies available to them:

- (a) the Covenantor is released from its obligations to further perform this deed poll; and
- (b) each Scheme Shareholder retains the rights they have against the Covenantor in respect of any breach of this deed poll which occurred before it terminated.

## 4. Performance of obligations

### 4.1 Generally

Subject to clause 3, the Covenantor covenants in favour of Scheme Shareholders to perform the actions attributed to it under, and otherwise comply with, the Scheme as if the Covenantor was a party to the Scheme.

### 4.2 Provision of Scheme Consideration

- (a) Subject to clause 3, the Covenantor undertakes in favour of each Scheme Shareholder to provide or procure the provision of the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme.
- (b) The obligations of the Covenantor under clause 4.2(a) will be satisfied if, in respect of the Scheme Consideration the Covenantor deposits, no later than the Business Day before the Implementation Date, an amount equal to the aggregate amount of the Scheme Consideration payable to Scheme Shareholders who are entitled to the Scheme Consideration under the Scheme in cleared funds to the Trust Account in accordance with, and subject to, the provisions of the Scheme.

## 5. Warranties

The Covenantor represents and warrants to each Scheme Shareholder that:

- (a) **(status)** it is a corporation duly incorporated and validly existing under the laws of the place of its incorporation;
- (b) **(power)** it has the power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) **(corporate authorisations)** it has taken all necessary corporate action to authorise the entry into and performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) **(documents binding)** this deed poll is its valid and binding obligation enforceable in accordance with its terms;
- (e) **(transactions permitted)** the execution and performance by it of this deed poll and each transaction contemplated by this deed poll did not and will not violate in any respect a provision of:
  - (i) a law or treaty or a judgment, ruling, order or decree of a Governmental Agency binding on it;
  - (ii) its constitution or other constituent documents; or
  - (iii) any other document which is binding on it or its assets; and
- (f) **(solvency)** it is solvent and no resolutions have been passed nor has any other step been taken or legal action or proceedings commenced or threatened against it for its winding up, deregistration or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets.

## 6. Continuing Obligations

### 6.1 Deed poll irrevocable

This deed poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:

- (a) the Covenantor having fully performed its obligations under this deed poll; and
- (b) termination of this deed poll under clause 3.2.

### 6.2 Variation

A provision of this deed poll may not be varied without the agreement of the Covenantor and unless:

- (a) before the Second Court Date, the variation is agreed to in writing by Think Group; or
- (b) on or after the Second Court Date, the variation is agreed to in writing by Think Group and is approved by the Court,

in which event the Covenantor will enter into a further deed poll in favour of each Scheme Shareholder giving effect to the amendment.

## 7. Notices

Any notice, demand or other communication (**Notice**) to the Covenantor in respect of this deed poll:

- (a) must be in writing and signed by the sender or a person duly authorised by it;
- (b) must be delivered to the intended recipient by prepaid post (if posted to an address in another country, by registered airmail) or by hand, email or to the address or email address specified in the Details;
- (c) will be conclusively taken to be duly given or made:
  - (i) **(in the case of delivery in hand)**, when delivered at the address of the addressee as provided in the Details, unless that delivery is not made on a Business Day, or is made after 5.00pm on a Business Day, in which case that Notice will be deemed to be received at 9.00am on the next Business Day;
  - (ii) **(in the case of delivery by post)**, on the third Business Days after the date of posting (if posted from an address within Australia) or the fifth Business Days after the date of posting (if posted from an address outside Australia); or
  - (iii) **(in the case of email)**, on the earlier of:
    - (A) when the sending party's email system confirms delivery of the email by way of a delivery notification; or
    - (B) when the recipient party confirms receipt to the sending party via email or telephone.

## 8. General Provisions

### 8.1 Assignment

- (a) The rights and obligations of the Covenantor and Think Group and each Scheme Shareholder under this deed poll are personal. They cannot be assigned, charged, encumbered or otherwise dealt with at law or in equity without the prior written consent of the Covenantor and Think Group.
- (b) Any purported dealing in contravention of clause 8.1(a) is invalid.

## 8.2 Cumulative rights

The rights, powers and remedies of the Covenantor, Think Group and each Scheme Shareholder under this deed poll are cumulative with and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

## 8.3 No waiver

- (a) The Covenantor may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.
- (b) If a Scheme Shareholder does not exercise a right arising from a breach of this deed poll at a given time, it may, unless it has waived that right in writing, exercise the right at a later point in time.
- (c) No Scheme Shareholder may rely on words or conduct of the Covenantor as a waiver of any right unless the waiver is in writing and signed by the Covenantor.
- (d) The meanings of the terms used in this clause 8.4 are set out below.

**conduct** includes delay in the exercise of a right.

**right** means any right arising under or in connection with this deed poll and includes the right to rely on this clause.

**waiver** includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

## 8.4 Stamp duty

The Covenantor:

- (a) must pay or procure the payment of all stamp duty (if any) any related fines, penalties and interest in respect of the Scheme and this deed poll (including the acquisition or transfer of Scheme Shares pursuant to the Scheme), the performance of this deed poll and each transaction effected by or made under or pursuant to the Scheme and this deed poll; and
- (b) indemnify and undertake to keep indemnified each Scheme Shareholder against any liability arising from a failure to comply with clause 8.4(a).

## 8.5 Further assurances

The Covenantor will, at its own expense, do all things reasonably required of it to give full effect to this deed poll.

## 8.6 Governing law and jurisdiction

This deed poll is governed by the laws of the State of New South Wales. In relation to it and related non-contractual matters the Covenantor irrevocably:

- (a) submit to the non-exclusive jurisdiction of courts with jurisdiction there; and
- (b) waive any right to object to the venue on any ground.



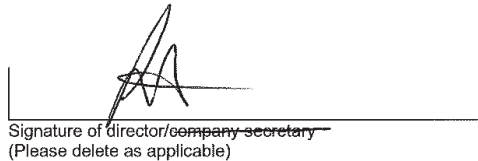
# Signing page

EXECUTED and delivered as a deed poll.

Executed by **FEL Child Care Developments Pty Ltd ACN 619 686 181** in accordance with Section 127 of the *Corporations Act 2001*

  
Signature of director

**ROBERT ANTHONY HUGHES**  
Name of director (print)

  
Signature of director/~~company secretary~~  
(Please delete as applicable)

**Fiona May Alston**  
Name of director/~~company secretary~~ (print)



# TNK Scheme of Arrangement

—  
Think Childcare Limited ACN 600 793 388  
Scheme Shareholders  
—

Level 20 Collins Arch 447 Collins Street  
Melbourne Vic 3000 Australia DX 204 Melbourne  
T +61 3 8608 2000 F +61 3 8608 1000  
[minterellison.com](http://minterellison.com)

**MinterEllison**

# Scheme of Arrangement

Think Childcare Limited ACN 600 793 388

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## Details

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth).

Between the parties

Think Childcare Limited ACN 600 793 388 of Suite 3, 1 Park Avenue, Drummoyne, NSW 2047 (**Scheme Company**)

and

**Each Scheme Shareholder**

# Agreed terms

## 1. Defined terms & interpretation

### 1.1 Definitions

In this Scheme, unless the context requires otherwise:

**Acquirer** means Busy Bees.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited ACN 008 624 691, or as the context requires or permits, the financial market known as the Australian Securities Exchange operated by it.

**Appointor Structure Approval Resolutions** has the meaning given in the Implementation Agreement.

**Business Day** means a day on which banks are open for general banking business in Melbourne, Victoria and Sydney, New South Wales (not being a Saturday, Sunday or public holiday).

**Busy Bees** means Busy Bees Early Learning Australia Pty Ltd ACN 168 187 979.

**CHES** means the clearing house electronic subregister system of share transfers operated by ASX Settlement Pty Limited ABN 49 008 504 532.

**CHES Holding** has the meaning given in the Settlement Rules.

**Component Entity** means Think Childcare Development Limited ACN 635 178 166.

**Component Scheme** means the scheme of arrangement under Part 5.1 of the Corporations Act between the Component Entity and the Component Scheme Shareholders, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to in writing by the Component Entity and Busy Bees.

**Component Scheme Share** means a Component Share as at the Scheme Record Date, other than a Component Share held by an MGE Entity.

**Component Scheme Shareholder** means a person who is registered in the Component Share Register as the holder of one or more Component Scheme Shares at the Scheme Record Date.

**Component Share** means a fully paid ordinary share on issue in the capital of the Component Entity.

**Component Share Register** means the register of members of the Component Entity maintained by or on behalf of the Component Entity in accordance with the Corporations Act.

**Constitutions** means the constitution of the Scheme Company and the constitution of the Component Entity.

**Control** has the meaning given in the Implementation Agreement.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Court** means the Federal Court of Australia (Victorian registry) or such other court of competent jurisdiction under the Corporations Act agreed in writing between Think Group and Busy Bees.

**Deed Poll** means the Deed Poll, dated 17 August 2021, entered into by the Acquirer under which the Acquirer (among other things) covenants in favour of the Scheme Shareholders to perform the actions attributed to it under the Scheme.

**Delivery Time** means 8:00am (Melbourne time) on the Second Court Date or, if the hearing on the Second Court Date is adjourned to a later day, the day on which the adjourned hearing occurs.

**Effective** means the coming into effect under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act, in relation to the Scheme.

**Effective Date** means the date on which the Schemes become Effective.

**End Date** has the meaning given to it in the Implementation Agreement.

**Implementation Agreement** means the Implementation Agreement, dated 16 June 2021, entered into between the Scheme Company, the Component Entity and Busy Bees.

**Implementation Date** means the fifth Business Day after the Scheme Record Date or such other Business Day after the Scheme Record Date agreed to in writing between the relevant parties to the Implementation Agreement.

**Issuer Sponsored Holding** has the meaning given in the Settlement Rules.

**Listing Rules** means the official listing rules of ASX as amended from time to time.

**Market Integrity Rules** means any rules made by ASIC under section 798G of the Corporations Act that apply to ASX or any other prescribed financial market on which the Shares are quoted.

**MGE Entities** means:

- (a) Mathew Graeme Edwards;
- (b) Isamax Pty Ltd ACN 156 123 241 as trustee for the Edwards Family Trust;
- (c) Sues Tpywg Pty Ltd ACN 608 961 637 as trustee for EDSUPER; and
- (d) any other entity that is Controlled by Mathew Graeme Edwards that holds Shares, each being an **MGE Entity**.

**MGE Share Acquisition Agreement** has the meaning given in the Implementation Agreement.

**Performance Rights** has the meaning given in the Implementation Agreement.

**Permitted Dividend** has the meaning given in the Implementation Agreement.

**Registered Address** means, in relation to a Scheme Shareholder, the address shown in the Scheme Company Share Register as at the Scheme Record Date.

**Regulatory Authority** means:

- (a) any government or governmental, semi-governmental, administrative, monetary, fiscal or judicial body, tribunal, agency or entity;
- (b) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; or
- (c) any regulatory organisation established under statute, in Australia, whether federal, state, territorial or local.

**Scheme** means this scheme of arrangement under Part 5.1 of the Corporations Act between the Scheme Company and the Scheme Shareholders, subject to any alterations or conditions that are:

- (a) agreed to in writing by Think Group and Busy Bees, and approved by the Court; or
- (b) made or required by the Court under section 411(6) of the Corporations Act and agreed to in writing by the Scheme Company and Busy Bees.

**Scheme Company Share Register** means the register of members of the Scheme Company maintained by or on behalf of the Scheme Company in accordance with the Corporations Act.

**Scheme Consideration** means A\$3.1999 for each Scheme Share less the amount of any Permitted Dividend).

**Scheme Meeting** means the meeting of shareholders of the Scheme Company (other than the MGE Entities) ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting.

**Scheme Record Date** means 7.00pm (Melbourne time) on the fifth Business Day after the Effective Date, or such other Business Day (after the Effective Date) agreed to in writing by the Scheme Company and Busy Bees.

**Scheme Share** means a Share as at the Scheme Record Date, other than a Share held by an MGE Entity.

**Scheme Shareholder** means a person who is registered in the Scheme Company Share Register as the holder of one or more Scheme Shares at the Scheme Record Date.

**Scheme Transfer** means a duly completed and executed proper instrument of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, in favour of the Acquirer as transferee, which may be a master transfer of the Scheme Shares.

**Schemes** means this Scheme and the Component Scheme.

**Second Court Date** means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Schemes is heard or scheduled to be heard or, if the application is adjourned for any reason, means the date on which the adjourned application is heard or scheduled to be heard.

**Separate Account** has the meaning given in clause 5.2(c).

**Settlement Rules** means the ASX Settlement Operating Rules.

**Share** means a fully paid ordinary share in the capital of the Scheme Company.

**Share Registry** means Computershare Investor Services Pty Limited.

**Stapled** has the meaning given in the Stapling Deed.

**Stapled Security** means one Share and one Component Share which are Stapled.

**Stapled Securityholder** means a person who is registered in the Scheme Company Share Register and the Component Share Register as the holder of one or more Stapled Securities.

**Stapling Deed** means the deed of that name dated 28 October 2019 between the Scheme Company and the Component Entity.

**Trust Account** means an Australian dollar denominated trust account operated by the Scheme Company as trustee for the benefit of Scheme Shareholders.

**Think Group** means the Scheme Company and the Component Entity.

**Unclaimed Money** has the meaning given to it in section 7(1) of the Unclaimed Money Act.

**Unclaimed Money Act** means *Unclaimed Money Act 1995* (NSW).

**Unstapling** has the meaning given to it in clause 2.1(d).

**Unstapling Resolutions** has the meaning given to it in the Implementation Agreement.

**Withholding Amount** has the meaning given in clause 5.3(a).

## 1.2 Interpretation

Headings are for convenience only and do not affect interpretation. In this Scheme, the following rules apply unless the context requires otherwise.

- (a) The singular includes the plural, and the converse also applies.
- (b) A gender includes all genders.

- (c) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.
- (e) A reference to a clause or schedule is a reference to a clause of or schedule to this Scheme.
- (f) A reference to an **agreement** or **document** (including a reference to this Scheme) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this Scheme or that other agreement or document, and includes, except to the extent this Scheme expressly provides otherwise the recitals, schedules and annexures to that agreement or document.
- (g) A reference to a party to this Scheme, an agreement or document includes the party's executors, administrators, successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives).
- (h) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (i) A reference to conduct includes an omission, statement or undertaking, whether or not in writing.
- (j) A reference to an agreement includes any undertaking, deed, agreement and legally enforceable arrangement, whether or not in writing, and a reference to a document includes an agreement (as so defined) in writing and any certificate, notice, instrument and document of any kind.
- (k) A reference to **dollars, A\$** or **\$** is to Australian currency.
- (l) A reference to time is to Melbourne, Australia time.
- (m) Mentioning anything after *includes, including, for example*, or similar expressions, does not limit what else might be included.
- (n) A reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity.

### 1.3 Business Day

Where the day on or by which any act, matter or thing under this Scheme is to be done is not a Business Day, that act, matter or thing must be done on or by the next Business Day.

### 1.4 Listing requirements included as law

A listing rule or operating rule of a financial market and a Market Integrity Rule will be regarded as a law and a reference to legislation (as appropriate), and a reference to such a rule is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

## 2. Preliminary

### 2.1 Scheme Company

- (a) The Scheme Company is a public company limited by shares, registered in Victoria, Australia.
- (b) The Scheme Company and the Component Entity are together included in the official list of ASX. Each share in the Scheme Company is Stapled together with one share in the Component Company and are quoted on the ASX as Stapled Securities.
- (c) As at the date of the Implementation Agreement:
  - (i) 61,557,633 Stapled Securities were on issue; and



- (ii) 478,638 Performance Rights were on issue, but were not quoted on any financial market.
- (d) Subject to the Unstapling Resolutions being approved by Stapled Securityholders and the Schemes becoming Effective, on the Implementation Date, immediately after payment of the Scheme Consideration to Scheme Shareholders in accordance with clause 5.2(b) of this Scheme and prior to the transfer of Scheme Shares to the Acquirer, the Scheme Company and the Component Entity will be unstapled (**Unstapling**), such that the Shares and the Component Shares may be transferred or otherwise dealt with without the other, in accordance with the Unstapling Resolutions.
- (e) Subject to the Appointor Structure Approval Resolutions being approved by shareholders of the Scheme Company and the Schemes becoming Effective, on the Implementation Date, immediately after payment of the Scheme Consideration to Scheme Shareholders in accordance with clause 5.2(b) of this Scheme and prior to the transfer of Scheme Shares to the Acquirer, the Appointor Structure Approval Resolutions will take effect with the result that all rights attaching to Shares to vote on the appointment, election and/or removal of persons as directors of the Scheme Company will be removed and a person identified in the Constitution of the Scheme Company will be appointed to appoint and remove all directors of the Scheme Company.

## 2.2 Acquirer

The Acquirer is a proprietary company limited by shares registered in Queensland.

## 2.3 General

- (a) The Scheme attributes certain actions to the Acquirer but does not impose an obligation on the Acquirer to perform those actions.
- (b) The Acquirer has agreed, by entering into the Deed Poll for the purpose of covenanting in favour of Scheme Shareholders to pay or procure payment of the Scheme Consideration to the Scheme Shareholders and otherwise performing the actions attributed to it under the Scheme.

## 2.4 Consequence of the Schemes

If the Scheme becomes Effective, then subject to the terms of the Scheme, on the Implementation Date:

- (a) the Acquirer will provide or procure the payment of the Scheme Consideration in accordance with the Scheme and the Deed Poll; and
- (b) all the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, after the Unstapling occurs and the Appointor Structure Approval Resolutions take effect, will be transferred to the Acquirer, and the Scheme Company will enter the Acquirer in the Scheme Company Share Register as the holder of the Scheme Shares.

## 3. Conditions

### 3.1 Conditions precedent

This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) all the conditions precedent in clause 3.1 of the Implementation Agreement (other than the condition in clause 3.1(h) (Court approval)) having been satisfied or waived in accordance with the terms of the Implementation Agreement by no later than the Delivery Time;

- (b) neither the Implementation Agreement nor the Deed Poll having been terminated in accordance with their terms by the Delivery Time;
- (c) approval of this Scheme by the Court under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act and agreed or consented to in writing by the Scheme Company and Busy Bees (such agreement or consent not to be unreasonably withheld or delayed);
- (d) approval of the Component Scheme by the Court under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act and agreed or consented to in writing by the Component Entity and Busy Bees;
- (e) such other conditions imposed by the Court under section 411(6) of the Corporations Act in relation to this Scheme, as are agreed or consented to in writing by the Scheme Company and Busy Bees, having been satisfied;
- (f) such other conditions imposed by the Court under section 411(6) of the Corporations Act in relation to the Component Scheme, as are agreed or consented to in writing by the Component Entity and Busy Bees, having been satisfied; and
- (g) the orders of the Court made under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving the Schemes coming into effect, under section 411(10) of the Corporations Act, on or before the End Date.

### **3.2 Effect of conditions precedent**

The satisfaction of the conditions referred to in clause 3.1 is a condition precedent to the operation of clauses 4.2 and 5, and the binding effect of this Scheme.

## **4. Implementation of this Scheme**

### **4.1 Lodgement of Court orders**

If the conditions set out in clause 3.1(a) to 3.1(f) (inclusive) are satisfied, the Scheme Company must lodge with ASIC an office copy of the orders made by the Court under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving this Scheme as soon as reasonably practicable after the Court approves this Scheme, and in any event no later than by 5.00pm (Melbourne time) on the first Business Day after the Court approves this Scheme or such other Business Day as the Scheme Company and Busy Bees agree in writing.

### **4.2 Transfer of Scheme Shares**

On the Implementation Date:

- (a) subject to the payment of the Scheme Consideration in the manner contemplated by clause 5.2(b), and the Unstapling occurring and the implementation of the appointor structure in accordance with the Appointor Structure Approval Resolutions taking effect, the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, will be transferred to the Acquirer, without the need for any further act by any Scheme Shareholder (other than acts performed by the Scheme Company or its officers as agent and attorney of the Scheme Shareholders under clause 8.6 or otherwise), by:
  - (i) the Scheme Company delivering a duly completed and executed Scheme Transfer to the Acquirer, executed on behalf of the Scheme Shareholders by the Scheme Company (or any of its officers) as agent and attorney of the Scheme Shareholders; and

- (ii) the Acquirer duly executing the Scheme Transfer and delivering it to the Scheme Company for registration; and
- (b) immediately after receipt of the Scheme Transfer in accordance with clause 4.2(a)(ii), the Scheme Company must enter, or procure the entry of, the name of the Acquirer in the Scheme Company Share Register in respect of all Scheme Shares in accordance with this Scheme.

## 5. Scheme Consideration

### 5.1 Amount of Scheme Consideration

Subject to the terms of this Scheme, each Scheme Shareholder is entitled to receive the Scheme Consideration in respect of each Scheme Share held by that Scheme Shareholder.

### 5.2 Payment of Scheme Consideration

- (a) Subject to clauses 5.3(a) and 5.7, the obligation of the Acquirer to provide the Scheme Consideration under this Scheme and the Deed Poll will be satisfied by the Acquirer, by no later than the Business Day before the Implementation Date, depositing (or procuring the deposit of) in cleared funds an amount equal to the aggregate amount of the Scheme Consideration payable to each Scheme Shareholder who is entitled to the Scheme Consideration under this Scheme, into the Trust Account, such amount to be held by the Scheme Company on trust for the Scheme Shareholders and for the purpose of paying the aggregate amount of the Scheme Consideration to the Scheme Shareholders (except that any interest on the amount will be for the account of the Acquirer), provided that the Acquirer shall not be required to deposit the Scheme Consideration into the Trust Account, until the Scheme Company has provided the written consent referred to in clause 8.6(c)(iii).
- (b) On the Implementation Date and subject to funds having been deposited into the Trust Account in accordance with clause 5.2(a), the Scheme Company must pay (or procure the payment) from the Trust Account the Scheme Consideration to each Scheme Shareholder based on the number of Scheme Shares held by such Scheme Shareholder as set out in the Scheme Company Share Register on the Scheme Record Date, less any amounts retained by the Scheme Company or the Acquirer under clauses 5.3 or 5.7, which obligation will be satisfied by:
  - (i) where a Scheme Shareholder has, before the Scheme Record Date, submitted a valid notification in accordance with the requirements of the Share Registry to receive payments from the Scheme Company by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying (or procuring the payment) of the relevant amount in Australian currency by electronic means in accordance with that notification; and
  - (ii) otherwise, dispatching (or procuring the dispatch of) a cheque, drawn from the Trust Account in the name of the relevant Scheme Shareholder (or in the case of joint holders in accordance with the procedures set out in clause 5.4), for the relevant amount in Australian currency to the Scheme Shareholder by prepaid post to the Scheme Shareholder's Registered Address.
- (c) If either:
  - (i) a Scheme Shareholder does not have a Registered Address and no account has been notified in accordance with clause 5.2(b)(i) or a deposit into such an account is rejected or refunded; or
  - (ii) a cheque issued under this clause 5 has been cancelled in accordance with clause 5.6(a),

the Scheme Company as the trustee for the Scheme Shareholders may credit the amount payable to the relevant Scheme Shareholder to a separate bank account of the Scheme Company (**Separate Account**) to be held until the Scheme Shareholder claims the amount or the amount is dealt with as Unclaimed Money in accordance with clause 5.6. under the Unclaimed Money Act. To avoid doubt, if the amount is not credited to a Separate Account, the amount will continue to be held in the Trust Account until the Scheme Shareholder claims the amount or the amount is dealt with as Unclaimed Money in accordance with clause 5.6. Until such time as the amount is dealt with as Unclaimed Money in accordance with clause 5.6, Scheme Company must hold the amount on trust for the relevant Scheme Shareholder, but any interest or other benefit accruing from the amount will be to the benefit of the Acquirer. The Scheme Company must maintain records of the amounts paid, the people who are entitled to the amount and any transfers of the amount(s).

- (d) To the extent that, following satisfaction of Think Group's obligations under clause 5.2(b), there is a surplus in the amount held by the Scheme Company as trustee for the Scheme Shareholders in the Trust Account, that surplus must be paid by the Scheme Company to the Acquirer.
- (e) If this Scheme lapses after the Acquirer has provided some or all of the Scheme Consideration in accordance with clause 5.2(a), but prior to the Acquirer being entered into the Scheme Company Share Register as the holder of the Scheme Shares in accordance with clause 4.2(b), the Scheme Company must refund (or procure the refund) to the Acquirer of the amount deposited into the Trust Account in accordance with 5.2(a), together with any interest thereon (less bank fees and charges).

### 5.3 Foreign resident capital gains withholdings

- (a) If the Acquirer determines, having regard to professional advice, that the Acquirer is required by law to withhold any amount from a payment to a Scheme Shareholder or is liable to pay an amount to the Commissioner of Taxation under Subdivision 14-D of Schedule 1 to the *Taxation Administration Act 1953* (Cth) in respect of the acquisition of Scheme Shares from a Scheme Shareholder (the **Relevant Amount**), then:
  - (i) the Acquirer shall be entitled to withhold an amount, in Australian dollars, equal to the amount of the Relevant Amount from the amount otherwise required to be paid into the Trust Account under clause 5.2(a) (**Withholding Amount**); or
  - (ii) if the Acquirer does not withhold the amount otherwise required to be paid into the Trust Account, the Acquirer by notice to the Scheme Company may direct the Scheme Company to withhold the Withholding Amount from the amount to be paid to the Scheme Shareholder under clause 5.2(b) and return the Withholding Amount to the Acquirer and the Scheme Company must comply with the direction, in which case payment of the reduced amount by the Acquirer into the Trust Account in accordance with clause 5.2(a) or by the Scheme Company to the Scheme Shareholder in accordance with clause 5.2(b) as applicable, will constitute the full discharge of each of the Acquirer's and the Scheme Company's obligations under clause 5.2(a) and 5.2(b) with respect to payment of Scheme Consideration to the relevant Scheme Shareholder, subject to the Acquirer paying the Withholding Amount to the relevant taxation authority.
- (b) the Acquirer must pay any Withholding Amount so withheld to the relevant taxation authority, and, if requested in writing by the relevant Scheme Shareholder, provide a receipt or other appropriate evidence (or procure the provision of such receipt or other evidence) of such payment to the relevant Scheme Shareholder.

### 5.4 Joint holders

In the case of Scheme Shares held in joint names:

- (a) any Scheme Consideration payable in respect of those Scheme Shares is payable to the joint holders and any cheque required to be sent under this Scheme will be made payable to the joint holders and sent, at the sole discretion of the Scheme Company, either to the

holder whose name appears first in the Scheme Company Share Register as at the Scheme Record Date or to the joint holders; and

- (b) any other document required to be sent under this Scheme, will be forwarded, at the sole discretion of the Scheme Company, either to the holder whose name appears first in the Scheme Company Register as at the Scheme Record Date or to the joint holders.

#### **5.5 Fractional entitlements**

Where the calculation of the Scheme Consideration to be provided to a Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent, that fractional entitlement will be rounded down to the nearest whole cent.

#### **5.6 Unclaimed monies**

- (a) The Scheme Company may cancel (or procure the cancellation of) a cheque sent under this clause 5 if the cheque:
  - (i) is returned to the Scheme Company (or the Share Registry); or
  - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to the Scheme Company (or the Share Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), the Scheme Company must reissue a cheque that was previously cancelled under clause 5.6(a).
- (c) The Unclaimed Money Act will apply in relation to any Scheme Consideration which becomes Unclaimed Money.
- (d) Any interest or other benefit accruing from unclaimed Scheme Consideration will be to the benefit of the Acquirer.

#### **5.7 Order of a court or Regulatory Authority**

If written notice is given to the Scheme Company, the Acquirer (or the Share Registry) of an order or direction made by a court of competent jurisdiction or by another Regulatory Authority that:

- (a) requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable to that Scheme Shareholder in accordance with this clause 5, then:
  - (i) the Acquirer shall be entitled to retain an amount, in Australian dollars, equal to the amount of the relevant payment from the amount otherwise required to be paid into the Trust Account in accordance with clause 5.2(a) and pay (or procure the provision of) that amount in accordance with that order or direction; or
  - (ii) if the Acquirer does not retain an amount from the amount otherwise required to be paid into the Trust Account under clause 5.7(a)(i), the Scheme Company must pay (procure that payment is made) in accordance with that order or direction from the amount paid into the Trust Account by the Acquirer; or
- (b) prevents the Acquirer from making payment into the Trust Account in accordance with clause 5.2(a) or the Scheme Company from making a payment to any particular Scheme Shareholder in accordance with clause 5.2(b), or such payment is otherwise prohibited by applicable law:
  - (i) the Acquirer may retain an amount, in Australian dollars, equal to the amount of the relevant payment from the amount otherwise required to be paid into the Trust Account in accordance with clause 5.2(a) until such time as payment in accordance with this clause 5 is permitted by that order or direction or otherwise by law; or

- (ii) the Scheme Company must retain an amount, in Australian dollars, equal to the amount of the relevant payment until such time as payment in accordance with this clause 5 is permitted by that order or direction or otherwise by law,

and the payment or retention by either of the Acquirer or the Scheme Company (or the Share Registry, as applicable), as applicable, will constitute the full discharge of each of the Acquirer's and the Scheme Company's (or the Share Registry's, as applicable) obligations under clauses 5.2(a) and 5.2(b) with respect of the amount so paid or retained until, in the case of clause 5.6(b), it is no longer required to be retained.

## 6. Dealings in Scheme Shares

### 6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in Shares or other alterations to the Scheme Company Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Scheme Company Share Register as the holder of the relevant Shares before the Scheme Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in respect of those dealings are received before 5.00pm (Melbourne time) on the date on which the Scheme Record Date occurs at the place where the Scheme Company Share Register is kept,

and the Scheme Company will not accept for registration, nor recognise for any purpose (except a transfer to the Acquirer under this Scheme and any subsequent transfer by the Acquirer or its successors in title or by the MGE Entities under the MGE Share Acquisition Agreement), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate. .

### 6.2 Register

- (a) **(Registration of transfers)** The Scheme Company must register registrable transmission applications or transfers of the kind referred to in clause 6.1(b) by or as soon as reasonably practicable after 5.00pm (Melbourne time) on the Scheme Record Date.
- (b) **(No registration after Scheme Record Date)** The Scheme Company will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Shares received after 5.00pm (Melbourne time) (or 7.00pm (Melbourne time) in the case of dealings of the type effected using CHESS) on the date on which the Scheme Record Date occurs, other than to the Acquirer in accordance with this Scheme and any subsequent transfer by the Acquirer or its successors in title or by the MGE Entities under the MGE Share Acquisition Agreement.
- (c) **(Maintenance of Scheme Company Share Register)** For the purpose of determining entitlements to the Scheme Consideration, the Scheme Company must maintain the Scheme Company Share Register in accordance with the provisions of this clause until the Scheme Consideration has been delivered to the Scheme Shareholder. The Scheme Company Share Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) **(No disposal after Scheme Record Date)** From the Scheme Record Date until registration of the Acquirer in respect of all Scheme Shares under clause 4, no Scheme Shareholder may dispose or otherwise deal with Shares (or purport to do so) in any way except as set out in this Scheme and any attempt to do so will have no effect and the Scheme Company will be entitled to disregard any such disposal or dealing.
- (e) **(Statements of holding from Scheme Record Date)** All statements of holding for Scheme Shares will cease to have effect from the Scheme Record Date as documents of title in respect of those Scheme Shares. As from the Scheme Record Date, each entry

current at that date on the Scheme Company Share Register (other than entries in respect of the MGE Entities) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Scheme Shares relating to that entry.

- (f) **(Provision of Scheme Shareholder details)** As soon as practicable on or after the Scheme Record Date and in any event within one Business Day after the Scheme Record Date, the Scheme Company will ensure that details of the names, Registered Addresses and holdings of Shares for each Scheme Shareholder are available to the Acquirer in the form the Acquirer reasonably requires.

## 7. Suspension

The Scheme Company will, together with the Component Entity, apply to ASX to suspend trading on the ASX in Stapled Securities with effect from the close of trading on the Effective Date.

## 8. General Scheme provisions

### 8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) the Scheme Company may, by its counsel or solicitors, consent on behalf of all persons concerned to those alterations or conditions to which Busy Bees has agreed or consented to in writing; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions to which counsel for the Scheme Company has consented.

### 8.2 Binding effect of Scheme

This Scheme binds the Scheme Company and all Scheme Shareholders (including those who did not attend the Scheme Meeting, those who did not vote at that meeting, or voted against this Scheme at that meeting) and, to the extent of any inconsistency, overrides the Constitution of the Scheme Company and the Stapling Deed.

### 8.3 Scheme Shareholders' agreements and acknowledgment

Each Scheme Shareholder:

- (a) agrees to the transfer of their Scheme Shares together with all rights and entitlements attaching to those Scheme Shares in accordance with this Scheme;
- (b) who holds their Scheme Shares in a CHESS Holding, agrees to the conversion of those Scheme Shares to an Issuer Sponsored Holding and irrevocably authorises the Scheme Company to do anything necessary or expedient (whether required by the Settlement Rules or otherwise) to effect or facilitate such conversion;
- (c) agrees to any variation, cancellation or modification of the rights attached to their Scheme Shares constituted by or resulting from this Scheme; and
- (d) agrees to, on the direction of the Acquirer, destroy any holding statements or security certificates relating to their Scheme Shares.

### 8.4 Warranties by Scheme Shareholder

- (a) Each Scheme Shareholder is deemed to have warranted to the Scheme Company, in its own right and for the benefit of the Acquirer, that as at the Implementation Date:
- (i) all of its Scheme Shares which are transferred to the Acquirer under this Scheme, including any rights and entitlements attaching to those Scheme Shares, will, at the time of transfer, be free from all mortgages, charges, liens, encumbrances,



pledges, security interests (including any "security interests" within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;

- (ii) all of its Scheme Shares which are transferred to the Acquirer under this Scheme will, on the date on which they are transferred to the Acquirer, be fully paid;
  - (iii) it has full power and capacity to transfer its Scheme Shares to the Acquirer together with any rights attaching to those Scheme Shares; and
  - (iv) it has no existing right to be issued any Shares, options or rights exercisable into Scheme Shares, Scheme Company convertible notes or any other Scheme Company securities.
- (b) The Scheme Company undertakes that it will provide the warranties in clause 8.4(a) to the Acquirer as agent and attorney of each Scheme Shareholder.

#### **8.5 Title to and rights in Scheme Shares**

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attached to Scheme Shares) transferred under this Scheme will be transferred free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any "security interests" within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind.
- (b) On and from the Implementation Date, subject to the payment of the Scheme Consideration by the Scheme Company to each Scheme Shareholder in the manner contemplated by clause 5.2(b) and the implementation of the appointor structure in accordance with the Appointor Structure Approval Resolutions taking effect, the Acquirer will be beneficially entitled to the Scheme Shares transferred to it under this Scheme pending registration by the Scheme Company (or the Share Registry) of the Acquirer in the Scheme Company Share Register as the holder of the Scheme Shares in accordance with clause 4.2(b).

#### **8.6 Authority given to Scheme Company**

- (a) Scheme Shareholders will be deemed to have authorised the Scheme Company to do and execute all acts, matters, things and documents on the part of each Scheme Shareholder necessary for or incidental to the implementation of this Scheme, including executing and delivering, as agent and attorney of each Scheme Shareholder one or more Scheme Transfers as contemplated by clause 4.2.
- (b) Each Scheme Shareholder, without the need for any further act, irrevocably appoints the Scheme Company and all of its directors, secretaries and officers (jointly and severally) as its attorney and agent for the purpose of:
  - (i) enforcing the Deed Poll against the Acquirer, and the Scheme Company accepts such appointment; and
  - (ii) executing any document necessary to give effect to this Scheme including, the Scheme Transfer to be delivered under clause 4.2(a) and the Scheme Company accepts such appointment.
- (c) Subject to the Appointor Structure Approval Resolutions being passed by shareholders of the Scheme Company and the Schemes becoming Effective:
  - (i) each Scheme Shareholder by force of this clause agrees to any variation or cancellation of its rights as a shareholder of the Scheme Company as a result of the Appointor Structure Approval Resolutions taking effect; and



- (ii) each Scheme Shareholder without the need for any further act, irrevocably appoints the Scheme Company and all of its directors, secretaries and officers (jointly and severally) as its attorney and agent for the purpose of executing a written consent to any variation or cancellation of its rights as a shareholder of the Scheme Company as a result of the Appointor Structure Approval Resolutions taking effect; and
- (iii) the Scheme Company must no later than 2 Business Days prior to the Implementation Date, deliver to the Acquirer the written consent satisfying the requirements of section 246E of the Corporations Act, of all members of the Scheme Company to the variation or cancellation of its rights as a shareholder of the Scheme Company as a result of the Appointor Structure Approval Resolutions taking effect on the Implementation Date in accordance with the terms of the Appointor Structure Approval Resolutions.

## **8.7 Appointment of sole proxy**

Immediately after the payment of the Scheme Consideration to each Scheme Shareholder by the Scheme Company in the manner contemplated by clause 5.2(b) until the Scheme Company registers (or procures the registration of) the Acquirer as the holder of all Scheme Shares in the Scheme Company Share Register, each Scheme Shareholder:

- (a) is deemed to have irrevocably appointed the Acquirer as its attorney and agent (and directed the Acquirer in such capacity) to appoint any director, officer, secretary or agent nominated by the Acquirer as its sole proxy and, where applicable, corporate representative to attend Shareholders' meetings of the Scheme Company, exercise the votes attaching to the Scheme Shares registered in its name and sign any Shareholders' resolution, whether in person, by proxy or by corporate representative;
- (b) undertakes not to otherwise attend Shareholders' meetings, whether in person, by proxy or by corporate representative, exercise the votes attaching to Scheme Shares registered in their names or sign or vote on any resolutions (whether in person, by proxy or by corporate representative) other than pursuant to clause 8.7(a);
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as the Acquirer reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 8.7(a), the Acquirer and any director, officer, secretary or agent nominated by the Acquirer under clause 8.7(a) may act in the best interests of the Acquirer as the intended registered holder of the Scheme Shares.

## **8.8 Instructions and elections**

If not prohibited by law (and including where permitted or facilitated by relief granted by a Regulatory Authority), all instructions, notifications or elections by a Scheme Shareholder to the Scheme Company (or Share Registry) binding or deemed binding between the Scheme Shareholder and the Scheme Company relating to the Scheme Company or Shares (including any email addresses, instructions relating to communications from the Scheme Company, whether dividends are to be paid by cheque or into a specific bank account, notices of meetings or other communications from the Scheme Company) will be deemed from the Implementation Date (except to the extent determined otherwise by the Acquirer and in its sole discretion), by reason of this Scheme, to be made by the Scheme Shareholder to the Acquirer, and will be accepted by the Acquirer until that instruction, notification or election is revoked or amended in writing addressed to the Acquirer at the Share Registry.

## **9. General**

### **9.1 Stamp duty**

The Acquirer must pay all stamp duty payable in connection with the transfer of the Scheme Shares to the Acquirer under this Scheme.

## **9.2 Notices**

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to the Scheme Company (or Share Registry), it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at the Scheme Company's registered office or at the office of the Share Registry.
- (b) An accidental omission to give notice of the Scheme Meeting to any Stapled Securityholder, or the non-receipt of such a notice by any Stapled Securityholder may not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

## **9.3 Further assurances**

- (a) The Scheme Company must, and must procure the Component Entity to, do anything necessary (including executing agreements and documents) or incidental to give full effect to this Scheme and the transactions contemplated by it.
- (b) Each Scheme Shareholder consents to the Scheme Company and the Component Entity doing all things necessary or incidental to give full effect to this Scheme and the transactions contemplated by it.

## **9.4 Governing law and jurisdiction**

- (a) This Scheme is governed by the laws of New South Wales.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme.

## **9.5 No liability when acting in good faith**

None of the Scheme Company, the Component Entity or the Acquirer, nor any of their respective directors, officers, secretaries or employees, will be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.



# TND Scheme of Arrangement

—  
Think Childcare Development Limited ACN 635 178 166  
Scheme Shareholders  
—

Level 20 Collins Arch 447 Collins Street  
Melbourne Vic 3000 Australia DX 204 Melbourne  
T +61 3 8608 2000 F +61 3 8608 1000  
[minterellison.com](http://minterellison.com)

MinterEllison

# Scheme of Arrangement

Think Childcare Development Limited ACN 635 178 166

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## Details

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth).

Between the parties

Think Childcare Development Limited ACN 635 178 166 of Suite 3, 1 Park Avenue, Drummoyne, NSW 2047 (**Scheme Company**)

and

**Each Scheme Shareholder**

# Agreed terms

## 1. Defined terms & interpretation

### 1.1 Definitions

In this Scheme, unless the context requires otherwise:

**Acquirer** means FEL Child Care Developments Pty Ltd ACN 619 686 181.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited ACN 008 624 691, or as the context requires or permits, the financial market known as the Australian Securities Exchange operated by it.

**Business Day** means a day on which banks are open for general banking business in Melbourne, Victoria and Sydney, New South Wales (not being a Saturday, Sunday or public holiday).

**Busy Bees** means Busy Bees Early Learning Australia Pty Ltd ACN 168 187 979.

**CHES** means the clearing house electronic subregister system of share transfers operated by ASX Settlement Pty Limited ABN 49 008 504 532.

**CHES Holding** has the meaning given in the Settlement Rules.

**Component Entity** means Think Childcare Limited ACN 600 793 388.

**Component Scheme** means the scheme of arrangement under Part 5.1 of the Corporations Act between the Component Entity and the Component Scheme Shareholders, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to in writing by the Component Entity and Busy Bees.

**Component Scheme Share** means a Component Share as at the Scheme Record Date, other than a Component Share held by an MGE Entity.

**Component Scheme Shareholder** means a person who is registered in the Component Share Register as the holder of one or more Component Scheme Shares at the Scheme Record Date.

**Component Share** means a fully paid ordinary share on issue in the capital of the Component Entity.

**Component Share Register** means the register of members of the Component Entity maintained by or on behalf of the Component Entity in accordance with the Corporations Act.

**Constitutions** means the constitution of the Scheme Company and the constitution of the Component Entity.

**Control** has the meaning given in the Implementation Agreement.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Court** means the Federal Court of Australia (Victorian registry) or such other court of competent jurisdiction under the Corporations Act agreed in writing between Think Group and Busy Bees.

**Deed Poll** means the Deed Poll, dated 17 August 2021, entered into by the Acquirer under which the Acquirer (among other things) covenants in favour of the Scheme Shareholders to perform the actions attributed to it under the Scheme.

**Delivery Time** means 8:00am (Melbourne time) on the Second Court Date or, if the hearing on the Second Court Date is adjourned to a later day, the day on which the adjourned hearing occurs.

**Effective** means the coming into effect under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act, in relation to the Scheme.

**Effective Date** means the date on which the Schemes become Effective.

**End Date** has the meaning given to it in the Implementation Agreement.

**Implementation Agreement** means the Implementation Agreement, dated 16 June 2021, entered into between the Scheme Company, the Component Entity and Busy Bees.

**Implementation Date** means the fifth Business Day after the Scheme Record Date or such other Business Day after the Scheme Record Date agreed to in writing between the relevant parties to the Implementation Agreement.

**Issuer Sponsored Holding** has the meaning given in the Settlement Rules.

**Listing Rules** means the official listing rules of ASX as amended from time to time.

**Market Integrity Rules** means any rules made by ASIC under section 798G of the Corporations Act that apply to ASX or any other prescribed financial market on which the Shares are quoted.

**MGE Entities** means:

- (a) Mathew Graeme Edwards;
- (b) Isamax Pty Ltd ACN 156 123 241 as trustee for the Edwards Family Trust;
- (c) Sues Tpywg Pty Ltd ACN 608 961 637 as trustee for EDSUPER; and
- (d) any other entity that is Controlled by Mathew Graeme Edwards that holds Shares, each being an **MGE Entity**.

**Performance Rights** has the meaning given in the Implementation Agreement.

**Registered Address** means, in relation to a Scheme Shareholder, the address shown in the Scheme Company Share Register as at the Scheme Record Date.

**Regulatory Authority** means:

- (a) any government or governmental, semi-governmental, administrative, monetary, fiscal or judicial body, tribunal, agency or entity;
- (b) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; or
- (c) any regulatory organisation established under statute, in Australia, whether federal, state, territorial or local.

**Scheme** means this scheme of arrangement under Part 5.1 of the Corporations Act between the Scheme Company and the Scheme Shareholders, subject to any alterations or conditions that are:

- (a) agreed to in writing by Think Group and Busy Bees, and approved by the Court; or
- (b) made or required by the Court under section 411(6) of the Corporations Act and agreed to in writing by the Scheme Company and Busy Bees.

**Scheme Company Share Register** means the register of members of the Scheme Company maintained by or on behalf of the Scheme Company in accordance with the Corporations Act.

**Scheme Consideration** means A\$0.0001 for each Scheme Share.

**Scheme Meeting** means the meeting of shareholders of the Scheme Company (other than the MGE Entities) ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting.

**Scheme Record Date** means 7.00pm (Melbourne time) on the fifth Business Day after the Effective Date, or such other Business Day (after the Effective Date) agreed to in writing by the Scheme Company and Busy Bees.

**Scheme Share** means a Share as at the Scheme Record Date, other than a Share held by an MGE Entity.

**Scheme Shareholder** means a person who is registered in the Scheme Company Share Register as the holder of one or more Scheme Shares at the Scheme Record Date.

**Scheme Transfer** means a duly completed and executed proper instrument of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, in favour of the Acquirer as transferee, which may be a master transfer of the Scheme Shares.

**Schemes** means this Scheme and the Component Scheme.

**Second Court Date** means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Schemes is heard or scheduled to be heard or, if the application is adjourned for any reason, means the date on which the adjourned application is heard or scheduled to be heard.

**Separate Account** has the meaning given in clause 5.2(c).

**Settlement Rules** means the ASX Settlement Operating Rules.

**Share** means a fully paid ordinary share in the capital of the Scheme Company.

**Share Registry** means Computershare Investor Services Pty Limited.

**Stapled** has the meaning given in the Stapling Deed.

**Stapled Security** means one Share and one Component Share which are Stapled.

**Stapled Securityholder** means a person who is registered in the Scheme Company Share Register and the Component Share Register as the holder of one or more Stapled Securities.

**Stapling Deed** means the deed of that name dated 28 October 2019 between the Scheme Company and the Component Entity.

**Trust Account** means an Australian dollar denominated trust account operated by the Scheme Company as trustee for the benefit of Scheme Shareholders.

**Think Group** means the Scheme Company and the Component Entity.

**Unclaimed Money** has the meaning given to it in section 7(1) of the Unclaimed Money Act.

**Unclaimed Money Act** means *Unclaimed Money Act 1995* (NSW).

**Unstapling** has the meaning given to it in clause 2.1(d).

**Unstapling Resolutions** has the meaning given to it in the Implementation Agreement.

**Withholding Amount** has the meaning given in clause 5.3(a).

## 1.2 Interpretation

Headings are for convenience only and do not affect interpretation. In this Scheme, the following rules apply unless the context requires otherwise.

- (a) The singular includes the plural, and the converse also applies.
- (b) A gender includes all genders.
- (c) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.



- (e) A reference to a clause or schedule is a reference to a clause of or schedule to this Scheme.
- (f) A reference to an **agreement** or **document** (including a reference to this Scheme) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this Scheme or that other agreement or document, and includes, except to the extent this Scheme expressly provides otherwise the recitals, schedules and annexures to that agreement or document.
- (g) A reference to a party to this Scheme, an agreement or document includes the party's executors, administrators, successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives).
- (h) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (i) A reference to conduct includes an omission, statement or undertaking, whether or not in writing.
- (j) A reference to an agreement includes any undertaking, deed, agreement and legally enforceable arrangement, whether or not in writing, and a reference to a document includes an agreement (as so defined) in writing and any certificate, notice, instrument and document of any kind.
- (k) A reference to **dollars, A\$ or \$** is to Australian currency.
- (l) A reference to time is to Melbourne, Australia time.
- (m) Mentioning anything after *includes, including, for example*, or similar expressions, does not limit what else might be included.
- (n) A reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity.

### **1.3 Business Day**

Where the day on or by which any act, matter or thing under this Scheme is to be done is not a Business Day, that act, matter or thing must be done on or by the next Business Day.

### **1.4 Listing requirements included as law**

A listing rule or operating rule of a financial market and a Market Integrity Rule will be regarded as a law and a reference to legislation (as appropriate), and a reference to such a rule is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

## **2. Preliminary**

### **2.1 Scheme Company**

- (a) The Scheme Company is a public company limited by shares, registered in Victoria, Australia.
- (b) The Scheme Company and the Component Entity are together included in the official list of ASX. Each share in the Scheme Company is Stapled together with one share in the Component Company and are quoted on the ASX as Stapled Securities.
- (c) As at the date of the Implementation Agreement:
  - (i) 61,557,633 Stapled Securities were on issue; and
  - (ii) 478,638 Performance Rights were on issue, but were not quoted on any financial market.
- (d) Subject to the Unstapling Resolutions being approved by Stapled Securityholders and the Schemes becoming Effective, on the Implementation Date, immediately after payment of

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the Scheme Consideration to Scheme Shareholders in accordance with clause 5.2(b) of this Scheme and prior to the transfer of Scheme Shares to the Acquirer, the Scheme Company and the Component Entity will be unstapled (**Unstapling**), such that the Shares and the Component Shares may be transferred or otherwise dealt with without the other, in accordance with the Unstapling Resolutions.

## **2.2 Acquirer**

The Acquirer is a proprietary company limited by shares registered in Queensland.

## **2.3 General**

- (a) The Scheme attributes certain actions to the Acquirer but does not impose an obligation on the Acquirer to perform those actions.
- (b) The Acquirer has agreed, by entering into the Deed Poll for the purpose of covenanting in favour of Scheme Shareholders to pay or procure payment of the Scheme Consideration to the Scheme Shareholders and otherwise performing the actions attributed to it under the Scheme.

## **2.4 Consequence of the Schemes**

If the Scheme becomes Effective, then subject to the terms of the Scheme, on the Implementation Date:

- (a) the Acquirer will provide or procure the payment of the Scheme Consideration in accordance with the Scheme and the Deed Poll; and
- (b) all the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, after the Unstapling occurs, will be transferred to the Acquirer, and the Scheme Company will enter the Acquirer in the Scheme Company Share Register as the holder of the Scheme Shares.

## **3. Conditions**

### **3.1 Conditions precedent**

This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) all the conditions precedent in clause 3.1 of the Implementation Agreement (other than the condition in clause 3.1(h) (Court approval)) having been satisfied or waived in accordance with the terms of the Implementation Agreement by no later than the Delivery Time;
- (b) neither the Implementation Agreement nor the Deed Poll having been terminated in accordance with their terms by the Delivery Time;
- (c) approval of this Scheme by the Court under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act and agreed or consented to in writing by the Scheme Company and Busy Bees (such agreement or consent not to be unreasonably withheld or delayed);
- (d) approval of the Component Scheme by the Court under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act and agreed or consented to in writing by the Component Entity and Busy Bees;
- (e) such other conditions imposed by the Court under section 411(6) of the Corporations Act in relation to this Scheme, as are agreed or consented to in writing by the Scheme Company and Busy Bees, having been satisfied;

- (f) such other conditions imposed by the Court under section 411(6) of the Corporations Act in relation to the Component Scheme, as are agreed or consented to in writing by the Component Entity and Busy Bees, having been satisfied; and
- (g) the orders of the Court made under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving the Schemes coming into effect, under section 411(10) of the Corporations Act, on or before the End Date.

### **3.2 Effect of conditions precedent**

The satisfaction of the conditions referred to in clause 3.1 is a condition precedent to the operation of clauses 4.2 and 5, and the binding effect of this Scheme.

## **4. Implementation of this Scheme**

### **4.1 Lodgement of Court orders**

If the conditions set out in clause 3.1(a) to 3.1(f) (inclusive) are satisfied, the Scheme Company must lodge with ASIC an office copy of the orders made by the Court under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving this Scheme as soon as reasonably practicable after the Court approves this Scheme, and in any event no later than by 5.00pm (Melbourne time) on the first Business Day after the Court approves this Scheme or such other Business Day as the Scheme Company and Busy Bees agree in writing.

### **4.2 Transfer of Scheme Shares**

On the Implementation Date:

- (a) subject to the payment of the Scheme Consideration in the manner contemplated by clause 5.2(b), and the Unstapling occurring, the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, will be transferred to the Acquirer, without the need for any further act by any Scheme Shareholder (other than acts performed by the Scheme Company or its officers as agent and attorney of the Scheme Shareholders under clause 8.6 or otherwise), by:
  - (i) the Scheme Company delivering a duly completed and executed Scheme Transfer to the Acquirer, executed on behalf of the Scheme Shareholders by the Scheme Company (or any of its officers) as agent and attorney of the Scheme Shareholders; and
  - (ii) the Acquirer duly executing the Scheme Transfer and delivering it to the Scheme Company for registration; and
- (b) immediately after receipt of the Scheme Transfer in accordance with clause 4.2(a)(ii), the Scheme Company must enter, or procure the entry of, the name of the Acquirer in the Scheme Company Share Register in respect of all Scheme Shares in accordance with this Scheme.

## **5. Scheme Consideration**

### **5.1 Amount of Scheme Consideration**

Subject to the terms of this Scheme, each Scheme Shareholder is entitled to receive the Scheme Consideration in respect of each Scheme Share held by that Scheme Shareholder.

### **5.2 Payment of Scheme Consideration**

- (a) Subject to clauses 5.3(a) and 5.7, the obligation of the Acquirer to provide the Scheme Consideration under this Scheme and the Deed Poll will be satisfied by the Acquirer, by

no later than the Business Day before the Implementation Date, depositing (or procuring the deposit of) in cleared funds an amount equal to the aggregate amount of the Scheme Consideration payable to each Scheme Shareholder who is entitled to the Scheme Consideration under this Scheme, into the Trust Account, such amount to be held by the Scheme Company on trust for the Scheme Shareholders and for the purpose of paying the aggregate amount of the Scheme Consideration to the Scheme Shareholders (except that any interest on the amount will be for the account of the Acquirer).

- (b) On the Implementation Date and subject to funds having been deposited into the Trust Account in accordance with clause 5.2(a), the Scheme Company must pay (or procure the payment) from the Trust Account the Scheme Consideration to each Scheme Shareholder based on the number of Scheme Shares held by such Scheme Shareholder as set out in the Scheme Company Share Register on the Scheme Record Date, less any amounts retained by the Scheme Company or the Acquirer under clauses 5.3 or 5.7, which obligation will be satisfied by:
- (i) where a Scheme Shareholder has, before the Scheme Record Date, submitted a valid notification in accordance with the requirements of the Share Registry to receive payments from the Scheme Company by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying (or procuring the payment) of the relevant amount in Australian currency by electronic means in accordance with that notification; and
  - (ii) otherwise, dispatching (or procuring the dispatch of) a cheque, drawn from the Trust Account in the name of the relevant Scheme Shareholder (or in the case of joint holders in accordance with the procedures set out in clause 5.4), for the relevant amount in Australian currency to the Scheme Shareholder by prepaid post to the Scheme Shareholder's Registered Address.
- (c) If either:
- (i) a Scheme Shareholder does not have a Registered Address and no account has been notified in accordance with clause 5.2(b)(i) or a deposit into such an account is rejected or refunded; or
  - (ii) a cheque issued under this clause 5 has been cancelled in accordance with clause 5.6(a),

the Scheme Company as the trustee for the Scheme Shareholders may credit the amount payable to the relevant Scheme Shareholder to a separate bank account of the Scheme Company (**Separate Account**) to be held until the Scheme Shareholder claims the amount or the amount is dealt with as Unclaimed Money in accordance with clause 5.6. under the Unclaimed Money Act. To avoid doubt, if the amount is not credited to a Separate Account, the amount will continue to be held in the Trust Account until the Scheme Shareholder claims the amount or the amount is dealt with as Unclaimed Money in accordance with clause 5.6. Until such time as the amount is dealt with as Unclaimed Money in accordance with clause 5.6, Scheme Company must hold the amount on trust for the relevant Scheme Shareholder, but any interest or other benefit accruing from the amount will be to the benefit of the Acquirer. The Scheme Company must maintain records of the amounts paid, the people who are entitled to the amount and any transfers of the amount(s).

- (d) To the extent that, following satisfaction of Think Group's obligations under clause 5.2(b), there is a surplus in the amount held by the Scheme Company as trustee for the Scheme Shareholders in the Trust Account, that surplus must be paid by the Scheme Company to the Acquirer.
- (e) If this Scheme lapses after the Acquirer has provided some or all of the Scheme Consideration in accordance with clause 5.2(a), but prior to the Acquirer being entered into the Scheme Company Share Register as the holder of the Scheme Shares in accordance with clause 4.2(b), the Scheme Company must refund (or procure the refund)

to the Acquirer of the amount deposited into the Trust Account in accordance with 5.2(a), together with any interest thereon (less bank fees and charges).

### 5.3 Foreign resident capital gains withholdings

- (a) If the Acquirer determines, having regard to professional advice, that the Acquirer is required by law to withhold any amount from a payment to a Scheme Shareholder or is liable to pay an amount to the Commissioner of Taxation under Subdivision 14-D of Schedule 1 to the *Taxation Administration Act 1953* (Cth) in respect of the acquisition of Scheme Shares from a Scheme Shareholder (the **Relevant Amount**), then:
- (i) the Acquirer shall be entitled to withhold an amount, in Australian dollars, equal to the amount of the Relevant Amount from the amount otherwise required to be paid into the Trust Account under clause 5.2(a) (**Withholding Amount**); or
  - (ii) if the Acquirer does not withhold the amount otherwise required to be paid into the Trust Account, the Acquirer by notice to the Scheme Company may direct the Scheme Company to withhold the Withholding Amount from the amount to be paid to the Scheme Shareholder under clause 5.2(b) and return the Withholding Amount to the Acquirer and the Scheme Company must comply with the direction, in which case payment of the reduced amount by the Acquirer into the Trust Account in accordance with clause 5.2(a) or by the Scheme Company to the Scheme Shareholder in accordance with clause 5.2(b) as applicable, will constitute the full discharge of each of the Acquirer's and the Scheme Company's obligations under clause 5.2(a) and 5.2(b) with respect to payment of Scheme Consideration to the relevant Scheme Shareholder, subject to the Acquirer paying the Withholding Amount to the relevant taxation authority.
- (b) the Acquirer must pay any Withholding Amount so withheld to the relevant taxation authority, and, if requested in writing by the relevant Scheme Shareholder, provide a receipt or other appropriate evidence (or procure the provision of such receipt or other evidence) of such payment to the relevant Scheme Shareholder.

### 5.4 Joint holders

In the case of Scheme Shares held in joint names:

- (a) any Scheme Consideration payable in respect of those Scheme Shares is payable to the joint holders and any cheque required to be sent under this Scheme will be made payable to the joint holders and sent, at the sole discretion of the Scheme Company, either to the holder whose name appears first in the Scheme Company Share Register as at the Scheme Record Date or to the joint holders; and
- (b) any other document required to be sent under this Scheme, will be forwarded, at the sole discretion of the Scheme Company, either to the holder whose name appears first in the Scheme Company Register as at the Scheme Record Date or to the joint holders.

### 5.5 Fractional entitlements

Where the calculation of the Scheme Consideration to be provided to a Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent, that fractional entitlement will be rounded down to the nearest whole cent.

### 5.6 Unclaimed monies

- (a) The Scheme Company may cancel (or procure the cancellation of) a cheque sent under this clause 5 if the cheque:
- (i) is returned to the Scheme Company (or the Share Registry); or
  - (ii) has not been presented for payment within six months after the date on which the cheque was sent.

- (b) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to the Scheme Company (or the Share Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), the Scheme Company must reissue a cheque that was previously cancelled under clause 5.6(a).
- (c) The Unclaimed Money Act will apply in relation to any Scheme Consideration which becomes Unclaimed Money.
- (d) Any interest or other benefit accruing from unclaimed Scheme Consideration will be to the benefit of the Acquirer.

## **5.7 Order of a court or Regulatory Authority**

If written notice is given to the Scheme Company, the Acquirer (or the Share Registry) of an order or direction made by a court of competent jurisdiction or by another Regulatory Authority that:

- (a) requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable to that Scheme Shareholder in accordance with this clause 5, then:
  - (i) the Acquirer shall be entitled to retain an amount, in Australian dollars, equal to the amount of the relevant payment from the amount otherwise required to be paid into the Trust Account in accordance with clause 5.2(a) and pay (or procure the provision of) that amount in accordance with that order or direction; or
  - (ii) if the Acquirer does not retain an amount from the amount otherwise required to be paid into the Trust Account under clause 5.7(a)(i), the Scheme Company must pay (procure that payment is made) in accordance with that order or direction from the amount paid into the Trust Account by the Acquirer; or
- (b) prevents the Acquirer from making payment into the Trust Account in accordance with clause 5.2(a) or the Scheme Company from making a payment to any particular Scheme Shareholder in accordance with clause 5.2(b), or such payment is otherwise prohibited by applicable law:
  - (i) the Acquirer may retain an amount, in Australian dollars, equal to the amount of the relevant payment from the amount otherwise required to be paid into the Trust Account in accordance with clause 5.2(a) until such time as payment in accordance with this clause 5 is permitted by that order or direction or otherwise by law; or
  - (ii) the Scheme Company must retain an amount, in Australian dollars, equal to the amount of the relevant payment until such time as payment in accordance with this clause 5 is permitted by that order or direction or otherwise by law,

and the payment or retention by either of the Acquirer or the Scheme Company (or the Share Registry, as applicable), as applicable, will constitute the full discharge of each of the Acquirer's and the Scheme Company's (or the Share Registry's, as applicable) obligations under clauses 5.2(a) and 5.2(b) with respect of the amount so paid or retained until, in the case of clause 5.6(b), it is no longer required to be retained.

## **6. Dealings in Scheme Shares**

### **6.1 Determination of Scheme Shareholders**

To establish the identity of the Scheme Shareholders, dealings in Shares or other alterations to the Scheme Company Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Scheme Company Share Register as the holder of the relevant Shares before the Scheme Record Date; and

- (b) in all other cases, registrable transmission applications or transfers in respect of those dealings are received before 5.00pm (Melbourne time) on the date on which the Scheme Record Date occurs at the place where the Scheme Company Share Register is kept, and the Scheme Company will not accept for registration, nor recognise for any purpose (except a transfer to the Acquirer under this Scheme and any subsequent transfer by the Acquirer or its successors in title or by the MGE Entities), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate. .

## 6.2 Register

- (a) **(Registration of transfers)** The Scheme Company must register registrable transmission applications or transfers of the kind referred to in clause 6.1(b) by or as soon as reasonably practicable after 5.00pm (Melbourne time) on the Scheme Record Date.
- (b) **(No registration after Scheme Record Date)** The Scheme Company will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Shares received after 5.00pm (Melbourne time) (or 7.00pm (Melbourne time) in the case of dealings of the type effected using CHESS) on the date on which the Scheme Record Date occurs, other than to the Acquirer in accordance with this Scheme and any subsequent transfer by the Acquirer or its successors in title or by the MGE Entities.
- (c) **(Maintenance of Scheme Company Share Register)** For the purpose of determining entitlements to the Scheme Consideration, the Scheme Company must maintain the Scheme Company Share Register in accordance with the provisions of this clause until the Scheme Consideration has been delivered to the Scheme Shareholder. The Scheme Company Share Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) **(No disposal after Scheme Record Date)** From the Scheme Record Date until registration of the Acquirer in respect of all Scheme Shares under clause 4, no Scheme Shareholder may dispose or otherwise deal with Shares (or purport to do so) in any way except as set out in this Scheme and any attempt to do so will have no effect and the Scheme Company will be entitled to disregard any such disposal or dealing.
- (e) **(Statements of holding from Scheme Record Date)** All statements of holding for Scheme Shares will cease to have effect from the Scheme Record Date as documents of title in respect of those Scheme Shares. As from the Scheme Record Date, each entry current at that date on the Scheme Company Share Register (other than entries in respect of the MGE Entities) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Scheme Shares relating to that entry.
- (f) **(Provision of Scheme Shareholder details)** As soon as practicable on or after the Scheme Record Date and in any event within one Business Day after the Scheme Record Date, the Scheme Company will ensure that details of the names, Registered Addresses and holdings of Shares for each Scheme Shareholder are available to the Acquirer in the form the Acquirer reasonably requires.

## 7. Suspension

The Scheme Company will, together with the Component Entity, apply to ASX to suspend trading on the ASX in Stapled Securities with effect from the close of trading on the Effective Date.

## 8. General Scheme provisions

### 8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) the Scheme Company may, by its counsel or solicitors, consent on behalf of all persons concerned to those alterations or conditions to which Busy Bees has agreed or consented to in writing; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions to which counsel for the Scheme Company has consented.

### 8.2 Binding effect of Scheme

This Scheme binds the Scheme Company and all Scheme Shareholders (including those who did not attend the Scheme Meeting, those who did not vote at that meeting, or voted against this Scheme at that meeting) and, to the extent of any inconsistency, overrides the Constitution of the Scheme Company and the Stapling Deed.

### 8.3 Scheme Shareholders' agreements and acknowledgment

Each Scheme Shareholder:

- (a) agrees to the transfer of their Scheme Shares together with all rights and entitlements attaching to those Scheme Shares in accordance with this Scheme;
- (b) who holds their Scheme Shares in a CHESS Holding, agrees to the conversion of those Scheme Shares to an Issuer Sponsored Holding and irrevocably authorises the Scheme Company to do anything necessary or expedient (whether required by the Settlement Rules or otherwise) to effect or facilitate such conversion;
- (c) agrees to any variation, cancellation or modification of the rights attached to their Scheme Shares constituted by or resulting from this Scheme; and
- (d) agrees to, on the direction of the Acquirer, destroy any holding statements or security certificates relating to their Scheme Shares.

### 8.4 Warranties by Scheme Shareholder

- (a) Each Scheme Shareholder is deemed to have warranted to the Scheme Company, in its own right and for the benefit of the Acquirer, that as at the Implementation Date:
  - (i) all of its Scheme Shares which are transferred to the Acquirer under this Scheme, including any rights and entitlements attaching to those Scheme Shares, will, at the time of transfer, be free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any "security interests" within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;
  - (ii) all of its Scheme Shares which are transferred to the Acquirer under this Scheme will, on the date on which they are transferred to the Acquirer, be fully paid;
  - (iii) it has full power and capacity to transfer its Scheme Shares to the Acquirer together with any rights attaching to those Scheme Shares; and
  - (iv) it has no existing right to be issued any Shares, options or rights exercisable into Scheme Shares, Scheme Company convertible notes or any other Scheme Company securities.



- (b) The Scheme Company undertakes that it will provide the warranties in clause 8.4(a) to the Acquirer as agent and attorney of each Scheme Shareholder.

#### **8.5 Title to and rights in Scheme Shares**

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attached to Scheme Shares) transferred under this Scheme will be transferred free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any “security interests” within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind.
- (b) On and from the Implementation Date, subject to the payment of the Scheme Consideration by the Scheme Company to each Scheme Shareholder in the manner contemplated by clause 5.2(b), the Acquirer will be beneficially entitled to the Scheme Shares transferred to it under this Scheme pending registration by the Scheme Company (or the Share Registry) of the Acquirer in the Scheme Company Share Register as the holder of the Scheme Shares in accordance with clause 4.2(b).

#### **8.6 Authority given to Scheme Company**

- (a) Scheme Shareholders will be deemed to have authorised the Scheme Company to do and execute all acts, matters, things and documents on the part of each Scheme Shareholder necessary for or incidental to the implementation of this Scheme, including executing and delivering, as agent and attorney of each Scheme Shareholder one or more Scheme Transfers as contemplated by clause 4.2.
- (b) Each Scheme Shareholder, without the need for any further act, irrevocably appoints the Scheme Company and all of its directors, secretaries and officers (jointly and severally) as its attorney and agent for the purpose of:
  - (i) enforcing the Deed Poll against the Acquirer, and the Scheme Company accepts such appointment; and
  - (ii) executing any document necessary to give effect to this Scheme including, the Scheme Transfer to be delivered under clause 4.2(a) and the Scheme Company accepts such appointment.

#### **8.7 Appointment of sole proxy**

Immediately after the payment of the Scheme Consideration to each Scheme Shareholder by the Scheme Company in the manner contemplated by clause 5.2(b) until the Scheme Company registers (or procures the registration of) the Acquirer as the holder of all Scheme Shares in the Scheme Company Share Register, each Scheme Shareholder:

- (a) is deemed to have irrevocably appointed the Acquirer as its attorney and agent (and directed the Acquirer in such capacity) to appoint any director, officer, secretary or agent nominated by the Acquirer as its sole proxy and, where applicable, corporate representative to attend Shareholders' meetings of the Scheme Company, exercise the votes attaching to the Scheme Shares registered in its name and sign any Shareholders' resolution, whether in person, by proxy or by corporate representative;
- (b) undertakes not to otherwise attend Shareholders' meetings, whether in person, by proxy or by corporate representative, exercise the votes attaching to Scheme Shares registered in their names or sign or vote on any resolutions (whether in person, by proxy or by corporate representative) other than pursuant to clause 8.7(a);
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as the Acquirer reasonably directs; and

- (d) acknowledges and agrees that in exercising the powers referred to in clause 8.7(a), the Acquirer and any director, officer, secretary or agent nominated by the Acquirer under clause 8.7(a) may act in the best interests of the Acquirer as the intended registered holder of the Scheme Shares.

## **8.8 Instructions and elections**

If not prohibited by law (and including where permitted or facilitated by relief granted by a Regulatory Authority), all instructions, notifications or elections by a Scheme Shareholder to the Scheme Company (or Share Registry) binding or deemed binding between the Scheme Shareholder and the Scheme Company relating to the Scheme Company or Shares (including any email addresses, instructions relating to communications from the Scheme Company, whether dividends are to be paid by cheque or into a specific bank account, notices of meetings or other communications from the Scheme Company) will be deemed from the Implementation Date (except to the extent determined otherwise by the Acquirer and in its sole discretion), by reason of this Scheme, to be made by the Scheme Shareholder to the Acquirer, and will be accepted by the Acquirer until that instruction, notification or election is revoked or amended in writing addressed to the Acquirer at the Share Registry.

## **9. General**

### **9.1 Stamp duty**

The Acquirer must pay all stamp duty payable in connection with the transfer of the Scheme Shares to the Acquirer under this Scheme.

### **9.2 Notices**

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to the Scheme Company (or Share Registry), it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at the Scheme Company's registered office or at the office of the Share Registry.
- (b) An accidental omission to give notice of the Scheme Meeting to any Stapled Securityholder, or the non-receipt of such a notice by any Stapled Securityholder may not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

### **9.3 Further assurances**

- (a) The Scheme Company must, and must procure the Component Entity to, do anything necessary (including executing agreements and documents) or incidental to give full effect to this Scheme and the transactions contemplated by it.
- (b) Each Scheme Shareholder consents to the Scheme Company and the Component Entity doing all things necessary or incidental to give full effect to this Scheme and the transactions contemplated by it.

### **9.4 Governing law and jurisdiction**

- (a) This Scheme is governed by the laws of New South Wales.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme.

### **9.5 No liability when acting in good faith**

None of the Scheme Company, the Component Entity or the Acquirer, nor any of their respective directors, officers, secretaries or employees, will be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

# Appendix 6 – Notice of TNK Scheme Meeting

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**THINK CHILDCARE LIMITED**  
**ACN 600 793 388**  
**NOTICE OF COURT ORDERED**  
**MEETING OF THINK CHILDCARE LIMITED SHAREHOLDERS**

**Notice is given** that, by an Order of the Federal Court of Australia (**Court**) made on 18 August 2021 under sections 411(1) and 1319 of the Corporations Act, the Court has directed that a meeting of the holders of fully paid ordinary shares of TNK (other than those held by the MGE Entities) be held at 11.00am (Melbourne time) on Wednesday, 29 September 2021.

The Court has also directed that Mark Kerr or, if he is unable or unwilling to participate in the meeting, Joe Dicks, act as Chairperson of the meeting.

## **PURPOSE OF THE MEETING**

The purpose of the meeting is to consider and, if thought fit, to agree (with or without any alterations or conditions agreed to in writing between TNK and Busy Bees or any alterations or conditions required by the Court to which TNK and Busy Bees agree) to a scheme of arrangement proposed to be made between TNK and the holders of its ordinary shares (other than MGE Entities) (**TNK Scheme**).

A copy of the TNK Scheme and a copy of the Explanatory Statement required by section 412 of the Corporations Act in relation to the TNK Scheme are contained in the Explanatory Booklet of which this notice forms part.

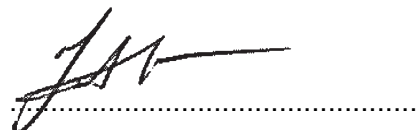
## **RESOLUTION**

The meeting will be asked to consider and, if thought fit, pass the following resolution:

*That under and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the members agree to the arrangement proposed between TNK and the holders of its fully paid ordinary shares (other than the MGE Entities), designated the **TNK Scheme**, as contained in and more particularly described in the Explanatory Booklet accompanying the notice convening this meeting (with or without any alterations or conditions agreed or any alterations or conditions required by the Court) and the Board of Directors of TNK is authorised to implement the TNK Scheme with any such alterations or conditions.*

**DATED** 19 August 2021

BY ORDER OF THE COURT



Trinh Bui  
Joint Company Secretary

# Explanatory notes for the TNK Scheme Meeting

## 1. General

- (a) Capitalised words and phrases contained in this Notice of Meeting (including the proposed resolution) have the same meaning as set out in the Glossary in Section 13 of the Explanatory Booklet, of which this notice forms part.
- (b) This notice should be read in conjunction with the entire Explanatory Booklet of which this notice forms part. The Explanatory Booklet contains important information to assist you in determining how to vote on the proposed resolution. The Explanatory Booklet includes a copy of the TNK Scheme (refer to Appendix 4) and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the TNK Scheme (the explanatory statement being all Sections of this Explanatory Booklet, other than the Appendices).

## 2. Voting entitlements

For the purposes of the TNK Scheme Meeting, only those persons registered in the Securities Register as a holder of TNK Shares at 7.00pm (Melbourne time) on Monday, 27 September 2021 (other than the MGE Entities) are entitled to participate and vote at the TNK Scheme Meeting in respect of each TNK Share held by them at that time, either personally, by proxy or attorney or, in the case of a TNK Shareholder or proxy who is a corporation, by corporate representative.

## 3. Required voting majority

- (a) The resolution to approve the TNK Scheme is subject to approval by the majorities required under section 411(4)(a)(ii) of the Corporations Act.
- (b) The resolution to approve the TNK Scheme must be passed by:
  - (i) unless the Court orders otherwise, a majority in number (more than 50%) of TNK Shareholders (other than the MGE Entities) present and voting at the TNK Scheme Meeting (whether personally, by proxy, attorney or, in the case of a TNK Shareholder or a proxy who is a corporation, by corporate representative); and
  - (ii) at least 75% of the total number of votes which are cast at the TNK Scheme Meeting by TNK Shareholders (other than the MGE Entities) (whether personally or by proxy, attorney, or in the case of a TNK Shareholder or a proxy who is a corporation, corporate representative).
- (c) The vote at the TNK Scheme Meeting will be conducted by poll.

## 4. Court approval

In accordance with section 411(4)(b) of the Corporations Act, to become Effective, the TNK Scheme (with or without any alterations or conditions agreed between TNK and Busy Bees or any alterations or conditions required by the Court to which TNK and Busy Bees agree) must also be approved by an order of the Court and an office copy of the orders must be lodged with ASIC. If the TNK Scheme is approved by the requisite majorities of TNK Shareholders at the TNK Scheme Meeting, TNK intends to apply to the Court for orders approving the TNK Scheme.

## 5. How to vote

TNK Shareholders who are entitled to vote at the TNK Scheme Meeting may vote:

- (a) by participating in the meeting and voting personally (by attending virtually), or by appointing an attorney to participate in the virtual meeting and vote on their behalf or, in the case of a TNK Shareholder or proxy who is a corporation, a corporate representative to attend the meeting and vote on its behalf; or
- (b) by appointing a proxy to participate and vote on their behalf, using the TNK Scheme Meeting Proxy Form accompanying this notice or by appointing a proxy online. A proxy may be an individual or a body corporate.

## 6. Jointly held TNK Shares

If you hold TNK Shares jointly with one or more other persons, only one of you may vote. If more than one of you attempts to vote in person at the TNK Scheme Meeting, only the vote of the holder whose name appears first on the Securities Register will be counted.

## 7. Voting virtually (or by attorney or corporate representative)

- (a) Eligible TNK Shareholders wishing to vote personally or their attorneys or, in the case of a TNK Shareholder or proxy who is a corporation, corporate representatives must log in online to participate in the TNK Scheme Meeting by using the following link: <https://web.lumiagm.com>. Please refer to Section 4.3 of the Explanatory Booklet for further details on how to watch and participate in the TNK Scheme Meeting online.
- (b) The relevant parties who plan to participate in the TNK Scheme Meeting are asked to log in online 15 minutes prior to the time designated for the commencement of the TNK Scheme Meeting, if possible, to register.
- (c) The power of attorney appointing your attorney to participate in and vote at the TNK Scheme Meeting must be duly executed by you in the presence of at least one witness, and specify your name, the company (that is, TNK), and the attorney, and also specify the meeting at which the appointment may be used. The appointment may be a standing one.
- (d) To vote by attorney at this meeting, the original or a certified copy of the power of attorney or other authority (if any) under which the instrument is signed must be received by the Securities Registry before the TNK Scheme Meeting in any of the following ways:
  - (i) **By post** in the provided reply-paid envelope (or the self-addressed envelope, for Shareholders whose registered address is outside Australia) to the Securities Registry:  
  
Think Childcare Limited  
C/- Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia
  - (ii) **By fax** to the Securities Registry on 1800 783 447 (within Australia) and + 61 3 9473 2555 (outside Australia)

- (e) Your appointment of an attorney does not preclude you from participating and voting at the TNK Scheme Meeting. The appointment of your attorney is not revoked merely by your participation and taking part in the TNK Scheme Meeting, but if you vote on a resolution, the attorney is not entitled to vote, and must not vote, as your attorney on that resolution.
- (f) To vote at the TNK Scheme Meeting, you or your attorney or, in the case of a TNK Shareholder or proxy who is a corporation, corporate representative must log in online to participate in the TNK Scheme Meeting to be held at 11.00am (Melbourne time) on Wednesday, 29 September 2021 by using the following link: <https://web.lumiagm.com> and using the following Meeting ID: 326-746-944.
- (g) A vote cast in accordance with the appointment of a power of attorney is valid even if before the vote was cast the appointor:
  - (i) died;
  - (ii) became mentally incapacitated;
  - (iii) revoked the power; or
  - (iv) transferred the shares in respect of which the vote was cast,
 unless TNK received written notification of the death, mental incapacity, revocation or transfer before the meeting or, if applicable, the resumption of any adjourned meeting.
- (h) To vote by corporate representative at the meeting, a TNK Shareholder or proxy who is a corporation should obtain a *Certificate of Appointment of Corporate Representative* from the Securities Registry, complete and sign the form in accordance with the instructions on it. The completed appointment form should be lodged with the Securities Registry before the TNK Scheme Meeting.
- (i) The appointment of a representative may set out restrictions on the representative's powers.
- (j) The original *Certificate of Appointment of Corporate Representative*, a certified copy of the *Certificate of Appointment of Corporate Representative*, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed.

## 8. Voting by proxy

Eligible TNK Shareholders wishing to appoint a proxy to vote on their behalf at the TNK Scheme Meeting must:

- (a) complete and sign or validly authenticate the TNK Scheme Meeting Proxy Form accompanying the Explanatory Booklet and deliver the signed and completed Proxy Form (and an original or certified copy of any power of attorney under which it is signed, unless already provided) to the Securities Registry by 11.00am (Melbourne time) on Monday, 27 September 2021; or
- (b) appoint a proxy online by 11.00am (Melbourne time) on Monday, 27 September 2021,

in accordance with the instructions below.

## 9. Submitting proxies

Eligible TNK Shareholders wishing to appoint a proxy to participate and vote on their behalf at the TNK Scheme Meeting must return the provided TNK Scheme Meeting Proxy Form to the Securities Registry in any of the following ways:

- (a) **By post** in the enclosed reply-paid envelope (or the self-addressed envelope, for Securityholders whose registered address is outside Australia) provided to the Securities Registry:

Think Childcare Limited  
C/- Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

- (b) **By fax** to the Securities Registry on 1800 783 447 (within Australia) and + 61 3 9473 2555 (outside Australia).

As the cut-off date for receipt of proxies is 11.00am (Melbourne time) on Monday, 27 September 2021 you should ensure that it is posted, delivered or lodged online in sufficient time for it to be received by the Securities Registry by that time.

Alternatively, TNK Shareholders may choose to appoint a proxy online as follows:

- (c) **Online:** if you wish to appoint your proxy online, you should do so by visiting [www.investorvote.com.au](http://www.investorvote.com.au) and by following the instructions on that website. Online appointments of proxies must be done by 11.00am (Melbourne time) on Monday, 27 September 2021.

## 10. Notes for proxy appointments

- (a) Proxies participating in the TNK Scheme Meeting will need to enter the unique username and password that will be provided by Computershare prior to the TNK Scheme Meeting and select login.
- (b) A TNK Shareholder entitled to participate in and vote at the meeting is entitled to appoint not more than two proxies to participate in and vote at the meeting on behalf of that TNK Shareholder.
- (c) A proxy need not be a TNK Shareholder.
- (d) You are entitled to appoint up to two proxies to participate in the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy you must specify the names of each proxy and the percentage of votes or number of securities for each proxy on the TNK Scheme Meeting Proxy Form. Replacement TNK Scheme Meeting Proxy Forms can also be obtained from the Securities Registry.
- (e) If you hold TNK Shares jointly with one or more other persons, in order for your proxy appointment to be valid, each of you must sign the TNK Scheme Meeting Proxy Form.
- (f) Your appointment of a proxy does not preclude you from attending the TNK Scheme Meeting personally. The appointment of your proxy is not suspended merely by attending the TNK Scheme Meeting, but if you vote on a resolution, the proxy is not entitled to vote, and must not vote, as your proxy on that resolution.



- (g) A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on the resolution. If an appointment directs the way the proxy is to vote on the resolution:
- (i) if the proxy is the chair - the proxy must vote on the poll and must vote in the way directed; and
  - (ii) if the proxy is not the chair - the proxy need not vote on the poll, but if the proxy does so, the proxy must vote in the way directed. In circumstances where the proxy does not vote on the poll or does not attend the meeting, the chair will act in place of the nominated proxy and will vote in accordance with any directions on the proxy form.
- (h) If a proxy appointment is signed or validly authenticated by a TNK Shareholder but does not name the proxy or proxies in whose favour it is given, the Chairman or any other director of TNK or the company secretary, as nominated by the Chairman, will act as proxy in respect of the resolution to be considered at the TNK Scheme Meeting.
- (i) If:
- (i) a TNK Shareholder nominates the Chairman of the meeting as their proxy; or
  - (ii) the Chairman is otherwise appointed to act as proxy,
- then the person acting as Chairman in respect of an item of business at the meeting must act as proxy in respect of the resolution to be considered at the TNK Scheme Meeting.
- (j) The Chairman intends to vote undirected proxies of which he is appointed as proxy in favour of the resolution to approve the TNK Scheme (in the absence of a Superior Proposal from another party prior to the date of the TNK Scheme Meeting). If the Chairman of the meeting changes his voting intention on the resolution, an ASX announcement will be made.
- (k) A vote cast in accordance with the appointment of a proxy is valid even if before the vote was cast the appointor:
- (i) died;
  - (ii) became mentally incapacitated;
  - (iii) revoked the proxy; or
  - (iv) transferred the shares in respect of which the vote was cast,
- unless TNK received written notification of the death, mental incapacity, revocation or transfer before the meeting or, if applicable, before the resumption of any adjourned meeting.

## 11. Advertisement

Where this notice of meeting is advertised unaccompanied by the Explanatory Booklet, a copy of the Explanatory Booklet can be obtained by anyone entitled to participate in the TNK Scheme Meeting from Think Group's website [www.thinkchildcare.com.au](http://www.thinkchildcare.com.au) or by contacting the Company Secretaries of TNK or the Securities Registry.



# Appendix 7 – Notice of TND Scheme Meeting

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**THINK CHILDCARE DEVELOPMENT LIMITED**  
**ACN 635 178 166**  
**NOTICE OF COURT ORDERED**  
**MEETING OF THINK CHILDCARE DEVELOPMENT LIMITED SHAREHOLDERS**

**Notice is given** that, by an Order of the Federal Court of Australia (**Court**) made on 18 August 2021 under sections 411(1) and 1319 of the Corporations Act, the Court has directed that a meeting of the holders of fully paid ordinary shares of TND (other than those held by the MGE Entities) be held at 11.30am (Melbourne time) on Wednesday, 29 September 2021, or as soon as reasonably practicable after the conclusion or adjournment of the TNK Scheme Meeting (whichever time is later).

The Court has also directed that Mark Kerr or, if he is unable or unwilling to participate in the meeting, Joe Dicks, act as Chairperson of the meeting.

## **PURPOSE OF THE MEETING**

The purpose of the meeting is to consider and, if thought fit, to agree (with or without any alterations or conditions agreed to in writing between TND and Busy Bees or any alterations or conditions required by the Court to which TND and Busy Bees agree) to a scheme of arrangement proposed to be made between TND and the holders of its ordinary shares (other than MGE Entities) (**TND Scheme**).

A copy of the TND Scheme and a copy of the Explanatory Statement required by section 412 of the Corporations Act in relation to the TND Scheme are contained in the Explanatory Booklet of which this notice forms part.

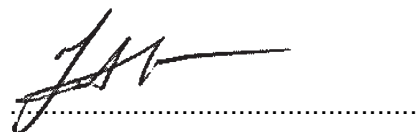
## **RESOLUTION**

The meeting will be asked to consider and, if thought fit, pass the following resolution:

*That under and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the members agree to the arrangement proposed between TND and the holders of its fully paid ordinary shares (other than the MGE Entities), designated the **TND Scheme**, as contained in and more particularly described in the Explanatory Booklet accompanying the notice convening this meeting (with or without any alterations or conditions agreed or any alterations or conditions required by the Court) and the Board of Directors of TND is authorised to implement the TND Scheme with any such alterations or conditions.*

**DATED** 19 August 2021

BY ORDER OF THE COURT



Trinh Bui  
Company Secretary

# Explanatory notes for the TND Scheme Meeting

## 1. General

- (a) Capitalised words and phrases contained in this Notice of Meeting (including the proposed resolution) have the same meaning as set out in the Glossary in Section 13 of the Explanatory Booklet, of which this notice forms part.
- (b) This notice should be read in conjunction with the entire Explanatory Booklet of which this notice forms part. The Explanatory Booklet contains important information to assist you in determining how to vote on the proposed resolution. The Explanatory Booklet includes a copy of the TND Scheme (refer to Appendix 5) and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the TND Scheme (the explanatory statement being all Sections of this Explanatory Booklet, other than the Appendices).

## 2. Voting entitlements

For the purposes of the TND Scheme Meeting, only those persons registered in the Securities Register as a holder of TND Shares at 7.00pm (Melbourne time) on Monday, 27 September 2021 (other than the MGE Entities) are entitled to participate and vote at the TND Scheme Meeting in respect of each TND Share held by them at that time, either personally, by proxy or attorney or, in the case of a TND Shareholder or proxy who is a corporation, by corporate representative.

## 3. Required voting majority

- (a) The resolution to approve the TND Scheme is subject to approval by the majorities required under section 411(4)(a)(ii) of the Corporations Act.
- (b) The resolution to approve the TND Scheme must be passed by:
  - (i) unless the Court orders otherwise, a majority in number (more than 50%) of TND Shareholders (other than the MGE Entities) present and voting at the TND Scheme Meeting (whether personally, by proxy, attorney or, in the case of a TND Shareholder or a proxy who is a corporation, by corporate representative); and
  - (ii) at least 75% of the total number of votes which are cast at the TND Scheme Meeting by TND Shareholders (other than the MGE Entities) (whether personally or by proxy, attorney, or in the case of a TND Shareholder or a proxy who is a corporation, corporate representative).
- (c) The vote at the TND Scheme Meeting will be conducted by poll.

## 4. Court approval

In accordance with section 411(4)(b) of the Corporations Act, to become Effective, the TND Scheme (with or without any alterations or conditions agreed between TND and Busy Bees or any alterations or conditions required by the Court to which TND and Busy Bees agree) must also be approved by an order of the Court and an office copy of the orders must be lodged with ASIC. If the TND Scheme is approved by the requisite majorities of TND Shareholders at the TND Scheme Meeting, TND intends to apply to the Court for orders approving the TND Scheme.

## 5. How to vote

TND Shareholders who are entitled to vote at the TND Scheme Meeting may vote:

- (a) by participating in the meeting and voting personally (by attending virtually), or by appointing an attorney to participate in the virtual meeting and vote on their behalf or, in the case of a TND Shareholder or proxy who is a corporation, a corporate representative to attend the meeting and vote on its behalf; or
- (b) by appointing a proxy to participate and vote on their behalf, using the TND Scheme Meeting Proxy Form accompanying this notice or by appointing a proxy online. A proxy may be an individual or a body corporate.

## 6. Jointly held TND Shares

If you hold TND Shares jointly with one or more other persons, only one of you may vote. If more than one of you attempts to vote in person at the TND Scheme Meeting, only the vote of the holder whose name appears first on the Securities Register will be counted.

## 7. Voting virtually (or by attorney or corporate representative)

- (a) Eligible TND Shareholders wishing to vote personally or their attorneys or, in the case of a TND Shareholder or proxy who is a corporation, corporate representatives must log in online to participate in the TND Scheme Meeting by using the following link: <https://web.lumiagm.com>. Please refer to Section 4.3 of the Explanatory Booklet for further details on how to watch and participate in the TND Scheme Meeting online.
- (b) The relevant parties who plan to participate in the TND Scheme Meeting are asked to log in online 15 minutes prior to the time designated for the commencement of the TND Scheme Meeting, if possible, to register.
- (c) The power of attorney appointing your attorney to participate in and vote at the TND Scheme Meeting must be duly executed by you in the presence of at least one witness, and specify your name, the company (that is, TND), and the attorney, and also specify the meeting at which the appointment may be used. The appointment may be a standing one.
- (d) To vote by attorney at this meeting, the original or a certified copy of the power of attorney or other authority (if any) under which the instrument is signed must be received by the Securities Registry before the TND Meeting in any of the following ways:
  - (i) **By post** in the provided reply-paid envelope (or the self-addressed envelope, for Shareholders whose registered address is outside Australia) to the Securities Registry:  
  
Think Childcare Development Limited  
C/- Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia
  - (ii) **By fax** to the Securities Registry on 1800 783 447 (within Australia) and + 61 3 9473 2555 (outside Australia)

- (e) Your appointment of an attorney does not preclude you from participating and voting at the TND Scheme Meeting. The appointment of your attorney is not revoked merely by your participation and taking part in the TND Scheme Meeting, but if you vote on a resolution, the attorney is not entitled to vote, and must not vote, as your attorney on that resolution.
- (f) To vote at the TND Scheme Meeting, you or your attorney or, in the case of a TND Shareholder or proxy who is a corporation, corporate representative must log in online to participate in the TND Scheme Meeting to be held at 11.30am (Melbourne time) on Wednesday, 29 September 2021 by using the following link: <https://web.lumiagm.com> and using the following Meeting ID: 326-746-944.
- (g) A vote cast in accordance with the appointment of a power of attorney is valid even if before the vote was cast the appointor:
  - (i) died;
  - (ii) became mentally incapacitated;
  - (iii) revoked the power; or
  - (iv) transferred the shares in respect of which the vote was cast,
 unless TND received written notification of the death, mental incapacity, revocation or transfer before the meeting or, if applicable, the resumption of any adjourned meeting.
- (h) To vote by corporate representative at the meeting, a TND Shareholder or proxy who is a corporation should obtain a *Certificate of Appointment of Corporate Representative* from the Securities Registry, complete and sign the form in accordance with the instructions on it. The completed appointment form should be lodged with the Securities Registry before the TND Scheme Meeting.
- (i) The appointment of a representative may set out restrictions on the representative's powers.
- (j) The original *Certificate of Appointment of Corporate Representative*, a certified copy of the *Certificate of Appointment of Corporate Representative*, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed.

## 8. Voting by proxy

Eligible TND Shareholders wishing to appoint a proxy to vote on their behalf at the TND Scheme Meeting must:

- (a) complete and sign or validly authenticate the TND Scheme Meeting Proxy Form accompanying the Explanatory Booklet and deliver the signed and completed Proxy Form (and an original or certified copy of any power of attorney under which it is signed, unless already provided) to the Securities Registry by 11.00am (Melbourne time) on Monday, 27 September 2021; or
- (b) appoint a proxy online by 11.00am (Melbourne time) on Monday, 27 September 2021,

in accordance with the instructions below.

## 9. Submitting proxies

Eligible TND Shareholders wishing to appoint a proxy to participate and vote on their behalf at the TND Scheme Meeting must return the provided TND Scheme Meeting Proxy Form to the Securities Registry in any of the following ways:

- (a) **By post** in the enclosed reply-paid envelope (or the self-addressed envelope, for Securityholders whose registered address is outside Australia) provided to the Securities Registry:

Think Childcare Development Limited  
C/- Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

- (b) **By fax** to the Securities Registry on 1800 783 447 (within Australia) and + 61 3 9473 2555 (outside Australia).

As the cut-off date for receipt of proxies is 11.00am (Melbourne time) on Monday, 27 September 2021 you should ensure that it is posted, delivered or lodged online in sufficient time for it to be received by the Securities Registry by that time.

Alternatively, TND Shareholders may choose to appoint a proxy online as follows:

- (c) **Online:** if you wish to appoint your proxy online, you should do so by visiting [www.investorvote.com.au](http://www.investorvote.com.au) and by following the instructions on that website. Online appointments of proxies must be done by 11.00am (Melbourne time) on Monday, 27 September 2021.

## 10. Notes for proxy appointments

- (a) Proxies participating in the TND Scheme Meeting will need to enter the unique username and password that will be provided by Computershare prior to the TND Scheme Meeting and select login.
- (b) A TND Shareholder entitled to participate in and vote at the meeting is entitled to appoint not more than two proxies to participate in and vote at the meeting on behalf of that TND Shareholder.
- (c) A proxy need not be a TND Shareholder.
- (d) You are entitled to appoint up to two proxies to participate in the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy you must specify the names of each proxy and the percentage of votes or number of securities for each proxy on the TND Scheme Meeting Proxy Form. Replacement TND Scheme Meeting Proxy Forms can also be obtained from the Securities Registry.
- (e) If you hold TND Shares jointly with one or more other persons, in order for your proxy appointment to be valid, each of you must sign the TND Scheme Meeting Proxy Form.
- (f) Your appointment of a proxy does not preclude you from attending the TND Scheme Meeting personally. The appointment of your proxy is not suspended merely by attending the TND Scheme Meeting, but if you vote on a resolution, the proxy is not entitled to vote, and must not vote, as your proxy on that resolution.

- (g) A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on the resolution. If an appointment directs the way the proxy is to vote on the resolution:
  - (i) if the proxy is the chair - the proxy must vote on the poll and must vote in the way directed; and
  - (ii) if the proxy is not the chair - the proxy need not vote on the poll, but if the proxy does so, the proxy must vote in the way directed. In circumstances where the proxy does not vote on the poll or does not attend the meeting, the chair will act in place of the nominated proxy and will vote in accordance with any directions on the proxy form.
- (h) If a proxy appointment is signed or validly authenticated by a TND Shareholder but does not name the proxy or proxies in whose favour it is given, the Chairman or any other director of TND or the company secretary, as nominated by the Chairman, will act as proxy in respect of the resolution to be considered at the TND Scheme Meeting.
- (i) If:
  - (i) a TND Shareholder nominates the Chairman of the meeting as their proxy; or
  - (ii) the Chairman is otherwise appointed to act as proxy,
 then the person acting as Chairman in respect of an item of business at the meeting must act as proxy in respect of the resolution to be considered at the TND Scheme Meeting.
- (j) The Chairman intends to vote undirected proxies of which he is appointed as proxy in favour of the resolution to approve the TND Scheme (in the absence of a Superior Proposal from another party prior to the date of the TND Scheme Meeting). If the Chairman of the meeting changes his voting intention on the resolution, an ASX announcement will be made.
- (k) A vote cast in accordance with the appointment of a proxy is valid even if before the vote was cast the appointor:
  - (i) died;
  - (ii) became mentally incapacitated;
  - (iii) revoked the proxy; or
  - (iv) transferred the shares in respect of which the vote was cast,
 unless TND received written notification of the death, mental incapacity, revocation or transfer before the meeting or, if applicable, before the resumption of any adjourned meeting.

## 11. Advertisement

Where this notice of meeting is advertised unaccompanied by the Explanatory Booklet, a copy of the Explanatory Booklet can be obtained by anyone entitled to participate in the TND Scheme Meeting from Think Group's website [www.thinkchildcare.com.au](http://www.thinkchildcare.com.au) or by contacting the Company Secretary of TND or the Securities Registry.



# Appendix 8 – Notice of General Meeting

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**THINK CHILDCARE LIMITED**

**ACN 600 793 388**

**THINK CHILDCARE DEVELOPMENT LIMITED**

**ACN 635 178 166**

## **NOTICE OF GENERAL MEETING OF THINK GROUP SECURITYHOLDERS**

**Notice is given** that general meetings of Think Group (being a combined general meeting of Think Childcare Limited ACN 600 793 388 (**TNK**) and a general meeting of Think Childcare Development Limited ACN 635 178 166 (**TND**)) will be held at 12.00 noon (Melbourne time) on Wednesday, 29 September 2021, or as soon as reasonably practicable after the conclusion or adjournment of the TND Scheme Meeting (whichever time is later), for the purpose of considering and if thought fit passing the following proposed resolutions.

### **PURPOSE OF THE MEETING**

The purpose of the meeting is to consider and, if thought fit, to approve the MGE Acquisition Approval Resolutions and, for TNK Shareholders only, the Appointor Structure Approval Resolution.

The explanatory statement and information required by each of sections 200E(2), 218 and 219 of the Corporations Act and Listing Rule 10.5 in relation to Resolution 1 are contained in the Explanatory Booklet of which this notice forms part.

### **RESOLUTIONS**

#### **Resolution 1 – MGE Acquisition Resolution**

To consider and, if thought fit, pass the following resolution as a resolution of each of TNK and TND:

*That, subject to, and interdependent with the schemes of arrangement set out in Appendices 4 and 5 to the Explanatory Booklet becoming effective in accordance with section 411(10) of the Corporations Act 2001 (Cth) and each other General Meeting Resolution being passed by the requisite majority of Think Group Securityholders, approval is given for the purposes of sections 200B, 200C and 200E and Chapter 2E of the Corporations Act 2001 (Cth), ASX Listing Rules 10.1 and 10.19, and all other purposes, for the MGE Acquisition described in the Explanatory Booklet and the arrangements under the MGE Agreements between the MGE Entities and TNK and its related bodies corporate to give effect to the MGE Acquisition.*

Note: This resolution requires approval by a simple majority (more than 50%) of the votes cast by Think Group Securityholders on the resolution.

#### **Resolution 2 – Unstapling Resolution**

To consider and, if thought fit, pass the following special resolution as a special resolution of each of TNK and TND:

*That, subject to and interdependent with the schemes of arrangement set out in Appendices 4 and 5 to the Explanatory Booklet (**Schemes**) becoming effective in accordance with section 411(10) of the Corporations Act 2001 (Cth) and each other General Meeting Resolution being passed by the requisite majority of Think Group Securityholders, for the purposes of clause 39 of the TNK Constitution, clause 40 of the TND Constitution and clause 10.1 of the Stapling Deed and for all other purposes, approval is given for the determination that the stapling provisions of the TNK Constitution and the TND Constitution will cease to apply with effect on and from the Implementation Date immediately following payment of the Scheme Consideration to Scheme Shareholders and prior to the transfer of the TNK Scheme Shares to Busy Bees and the transfer of the TND Scheme Shares to FEL Dev under the Schemes.*

Note: This resolution requires approval by a special majority (75% or more) of the votes cast by Think Group Securityholders on the resolution.

### Resolution 3 – Appointor Structure Approval Resolution

To consider and, if thought fit, pass the following special resolution as a special resolution of TNK only:

*That, subject to, and interdependent with the schemes of arrangement set out in Appendices 4 and 5 to the Explanatory Booklet becoming effective in accordance with section 411(10) of the Corporations Act 2001 (Cth) and each other General Meeting Resolution being passed by the requisite majority of Think Group Securityholders, approval is given for the purposes of sections 136(2) and 246B of the Corporations Act and all other purposes, such that, with effect on and from the Implementation Date immediately following the payment of the Scheme Consideration to Scheme Shareholders and prior to the transfer of the TNK Scheme Shares to Busy Bees, the constitution of TNK is amended as follows:*

- (a) In clause 1.1:
  - i. The definition of “Executive Director” is deleted.
  - ii. The definition of “Managing Director” is deleted.
  - iii. The definition of “Non-Executive Director” is deleted.
  - iv. Following the definition of “Non-Marketable Parcel”, the following definition is inserted:

***OTPP*** means *Ontario Teachers’ Pension Plan Board*.
- (b) In clause 53.1, the words “, including the procedure for the conduct of the election of Directors” are deleted.
- (c) In clause 66.3, the words “or by the chairperson and the Managing Director” are deleted.
- (d) Clause 71.3 is deleted.
- (e) Clause 73 is deleted in its entirety and replaced with the following:

#### **73. METHODS OF APPOINTING AND REMOVING DIRECTORS**

- 73.1 *Subject to the Corporations Act, clause 72 and clause 73.4, any person who is willing to act as a Director, and is permitted by law to do so, may be appointed to be a director by Global Appointer Corp. (Ontario Corporation Number: 2710549) (the “Appointor”) as evidenced in writing, and any Director may be removed by the Appointor in the same manner. This shall be the sole method for the appointment or removal of Directors.*
- 73.2 *Subject to clause 73.4, the right to vote to elect or remove the Directors shall not attach to any Shares or other securities issued by the Company. Members shall not have the right to appoint or remove Directors.*
- 73.3 *Subject to clause 73.4, the provisions in this clause 73 are for the benefit of the Appointor and may not be directly or indirectly changed or removed without the prior written consent of the Appointor or court approval.*
- 73.4 *The provisions of clause 73.1 to 73.3 shall remain in place as the method for appointing and removing Directors only for so long as OTPP holds a direct or indirect legal, beneficial or economic interest in the Company. On OTPP ceasing to hold such an interest, the rights of the Appointor under this clause 73 shall be automatically terminated and section 201G of the Corporations Act will apply with respect to the appointment of Directors and section 203D of the Corporations Act will apply with respect to the removal of Directors.*



(f) Clause 74 is deleted in its entirety and replaced with the following:

**74. NOT USED**

(g) Clause 75 is deleted in its entirety and replaced with the following:

**75. TERMINATION OF DIRECTOR'S APPOINTMENT**

*75.1 Subject to clause 73, a person ceases to be a Director as soon as he or she is removed from office as evidenced in writing under clause 73.1.*

(h) Clause 76 is deleted in its entirety and replaced with the following:

**76. NOT USED**

(i) Clause 78 is deleted in its entirety and replaced with the following:

**78. NOT USED**

(j) Clause 79 is deleted in its entirety and replaced with the following:

**79. NOT USED**

(k) Clause 92 is deleted in its entirety and replaced with the following:

**92. NOT USED**

(l) Clause 93 is deleted in its entirety and replaced with the following:

**93. NOT USED**

Note: This resolution requires approval by a special majority (75% or more) of the votes cast by TNK Shareholders on the resolution.

### **VOTING EXCLUSION STATEMENT – MATHEW EDWARDS**

In accordance with sections 200E(2A) and 224(1) of the Corporations Act, no votes may be cast (in any capacity) on Resolution 1 by or on behalf of the MGE Entities or any of their respective associates. However, this does not prevent the casting of a vote if:

- it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on Resolution 1; and
- it is not cast on behalf of the MGE Entities or any of their respective associates.


In accordance with Listing Rule 14.11.1, Think Group will disregard any votes cast in favour of Resolution 1 by or on behalf of the MGE Entities or any of their respective associates. However, this does not apply to a vote cast in favour of Resolution 1 by:

- a person as proxy or attorney for a person who is entitled to vote on Resolution 1, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way;
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on Resolution 1, in accordance with a direction given to the chair to vote on Resolution 1 as the chair decides; or

- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on Resolution 1; and
  - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

**DATED** 19 August 2021

BY ORDER OF THE BOARD



.....

Trinh Bui  
Joint Company Secretary

# Explanatory notes for the General Meeting

## 1. General

- (a) Capitalised words and phrases contained in this Notice of Meeting (including the proposed resolution) have the same meaning as set out in the Glossary in Section 13 of the Explanatory Booklet, of which this notice forms part.
- (b) This notice should be read in conjunction with the entire Explanatory Booklet of which this notice forms part. The Explanatory Booklet contains important information to assist you in determining how to vote on the General Meeting Resolutions (noting the General Meeting Resolutions are intrinsically tied to the implementation of the Schemes). The Explanatory Booklet includes information regarding the General Meeting Resolutions including a copy of the explanatory statement or information required by each of sections 200E(2), 218 and 219 of the Corporations Act and Listing Rule 10.5 in relation to Resolution 1 (the explanatory statement being, and the information being set out in, all Sections of this Explanatory Booklet, other than this Appendix 8).

## 2. Voting entitlements

For the purposes of the General Meeting, only those persons registered in the Securities Register as a holder of Think Group Securities at 7.00pm (Melbourne time) on Monday, 27 September 2021 are entitled to participate and vote at the General Meeting in respect of each Think Group Security held by them at that time, either personally, by proxy or attorney or, in the case of a Think Group Securityholder or proxy who is a corporation, by corporate representative.

## 3. Required voting majority

Resolution 1 is a general resolution of Think Group, and therefore requires a simple majority (more than 50%) of the votes cast by Think Group Securityholders present and voting at the meeting, whether in person, by proxy or attorney or, in the case of a corporate Think Group Securityholder or proxy, by a representative to pass.

Resolution 2 is a special resolution of Think Group, and therefore requires a majority of 75% or more of the votes cast by Think Group Securityholders present and voting at the meeting, whether in person, by proxy or attorney or, in the case of a corporate Think Group Securityholder or proxy, by a representative to pass.

Resolution 3 is a special resolution of TNK, and therefore requires a majority of 75% or more of the votes cast by TNK Shareholders present and voting at the meeting, whether in person, by proxy or attorney or, in the case of a corporate TNK Shareholder or proxy, by a representative to pass.

## 4. How to vote

Think Group Securityholders who are entitled to vote at the General Meeting may vote:

- (a) by participating in the meeting and voting personally (by attending virtually), or by appointing an attorney to participate in the virtual meeting and vote on their behalf or, in the case of a Think Group Securityholder or proxy who is a corporation, a corporate representative to attend the meeting and vote on its behalf; or

- (b) by appointing a proxy to participate and vote on their behalf, using the Proxy Form accompanying this notice or by appointing a proxy online. A proxy may be an individual or a body corporate.

## 5. Jointly held Think Group Securities

If you hold Think Group Securities jointly with one or more other persons, only one of you may vote. If more than one of you attempts to vote in person at the General Meeting, only the vote of the holder whose name appears first on the Securities Register will be counted.

## 6. Voting virtually (or by attorney or corporate representative)

- (a) Eligible Think Group Securityholders wishing to vote personally or their attorneys or, in the case of a Think Group Securityholder or proxy who is a corporation, corporate representatives must log in online to participate in the General Meeting by using the following link: <https://web.lumiagm.com>. Please refer to Section 4.3 of the Explanatory Booklet for further details on how to watch and participate in the General Meeting online.
- (b) The relevant parties who plan to participate in the General Meeting are asked to log in online 15 minutes prior to the time designated for the commencement of the General Meeting, if possible, to register or if already logged in from the TNK Scheme Meeting or TND Scheme Meeting (as applicable), remain logged in.
- (c) The power of attorney appointing your attorney to participate in and vote at the General Meeting must be duly executed by you in the presence of at least one witness, and specify your name, the company (that is, Think Group), and the attorney, and also specify the meeting at which the appointment may be used. The appointment may be a standing one.
- (d) To vote by attorney at this meeting, the original or a certified copy of the power of attorney or other authority (if any) under which the instrument is signed must be received by the Securities Registry before the General Meeting in any of the following ways:
  - (i) **By post** in the provided reply-paid envelope (or the self-addressed envelope, for Shareholders whose registered address is outside Australia) to the Share Registry:

Think Childcare Limited and Think Childcare Development Limited  
C/- Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia
  - (ii) **By fax** to the Securities Registry on 1800 783 447 (within Australia) and + 61 3 9473 2555 (outside Australia)
- (e) Your appointment of an attorney does not preclude you from participating and voting at the General Meeting. The appointment of your attorney is not revoked merely by your participation and taking part in the General Meeting, but if you vote on a resolution, the attorney is not entitled to vote, and must not vote, as your attorney on that resolution.

- (f) To vote at the General Meeting, you or your attorney or, in the case of a Think Group Securityholder or proxy who is a corporation, corporate representative must log in online to participate in the General Meeting to be held at 12.00 noon (Melbourne time) on Wednesday, 29 September 2021 by using the following link: <https://web.lumiagm.com> and using the following Meeting ID: 326-746-944.
- (g) A vote cast in accordance with the appointment of a power of attorney is valid even if before the vote was cast the appointor:
  - (i) died;
  - (ii) became mentally incapacitated;
  - (iii) revoked the power; or
  - (iv) transferred the shares in respect of which the vote was cast,
 unless Think Group received written notification of the death, mental incapacity, revocation or transfer before the meeting or, if applicable, the resumption of any adjourned meeting.
- (h) To vote by corporate representative at the meeting, a Think Group Securityholder or proxy who is a corporation should obtain a *Certificate of Appointment of Corporate Representative* from the Securities Registry, complete and sign the form in accordance with the instructions on it. The completed appointment form should be lodged with the Securities Registry before the General Meeting.
- (i) The appointment of a representative may set out restrictions on the representative's powers.
- (j) The original *Certificate of Appointment of Corporate Representative*, a certified copy of the *Certificate of Appointment of Corporate Representative*, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed.

## 7. Voting by proxy

Eligible Think Group Securityholders wishing to appoint a proxy to vote on their behalf at the General Meeting must:

- (a) complete and sign or validly authenticate the Proxy Form accompanying the Explanatory Booklet and deliver the signed and completed Proxy Form (and an original or certified copy of any power of attorney under which it is signed, unless already provided) to the Securities Registry by 11.00am (Melbourne time) on Monday, 27 September 2021; or
- (b) appoint a proxy online by 11.00am (Melbourne time) on Monday, 27 September 2021,

in accordance with the instructions below.

## 8. Submitting proxies

Eligible Think Group Securityholders wishing to appoint a proxy to participate and vote on their behalf at the General Meeting must return the provided Proxy Form to the Securities Registry in any of the following ways:

- (a) **By post** in the enclosed reply-paid envelope (or the self-addressed envelope, for Securityholders whose registered address is outside Australia) provided to the Securities Registry:

Think Childcare Limited and Think Childcare Development Limited  
C/- Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

- (b) **By fax** to the Securities Registry on 1800 783 447 (within Australia) and + 61 3 9473 2555 (outside Australia).

As the cut-off date for receipt of proxies is 11.00am (Melbourne time) on Monday, 27 September 2021 you should ensure that it is posted, delivered or lodged online in sufficient time for it to be received by the Securities Registry by that time.

Alternatively, Think Group Securityholders may choose to appoint a proxy online as follows:

- (c) **Online:** if you wish to appoint your proxy online, you should do so by visiting [www.investorvote.com.au](http://www.investorvote.com.au) and by following the instructions on that website. Online appointments of proxies must be done by 11.00am (Melbourne time) on Monday, 27 September 2021.

## 9. Notes for proxy appointments

- (a) Proxies participating in the General Meeting will need to enter the unique username and password that will be provided by Computershare prior to the General Meeting and select login.
- (b) A Think Group Securityholder entitled to participate in and vote at the meeting is entitled to appoint not more than two proxies to participate in and vote at the meeting on behalf of that Think Group Securityholder.
- (c) A proxy need not be a Think Group Securityholder.
- (d) You are entitled to appoint up to two proxies to participate in the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy you must specify the names of each proxy and the percentage of votes or number of securities for each proxy on the Proxy Form. A replacement Proxy Form can also be obtained from the Securities Registry.
- (e) If you hold Think Group Securities jointly with one or more other persons, in order for your proxy appointment to be valid, each of you must sign the Proxy Form.
- (f) Your appointment of a proxy does not preclude you from attending the General Meeting personally. However, if you appoint a proxy and you then attend the General Meeting, your proxy's authority to speak and vote for you at the General Meeting will be suspended while you are present at the General Meeting.

- (g) A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on the resolution. If an appointment directs the way the proxy is to vote on the resolution:
- (i) if the proxy is the chair - the proxy must vote on the poll and must vote in the way directed; and
  - (ii) if the proxy is not the chair - the proxy need not vote on the poll, but if the proxy does so, the proxy must vote in the way directed. In circumstances where the proxy does not vote on the poll or does not attend the meeting, the chair will act in place of the nominated proxy and will vote in accordance with any directions on the proxy form.
- (h) If a proxy appointment is signed or validly authenticated by a Think Group Securityholder but does not name the proxy or proxies in whose favour it is given, the Chairman or any other director of Think Group or the company secretary, as nominated by the Chairman, will act as proxy in respect of the resolution to be considered at the General Meeting.
- (i) If:
- (i) a Think Group Securityholder nominates the Chairman of the meeting as their proxy; or
  - (ii) the Chairman is otherwise appointed to act as proxy,
- then the person acting as Chairman in respect of an item of business at the meeting must act as proxy in respect of the resolution to be considered at the General Meeting.
- (j) The Chairman intends to vote undirected proxies of which he is appointed as proxy in favour of the MGE Agreements Approval Resolutions and the Appointor Structure Approval Resolution (in the absence of a Superior Proposal from another party prior to the date of the General Meeting). If the Chairman of the meeting changes his voting intention on a resolution, an ASX announcement will be made.
- (k) A vote cast in accordance with the appointment of a proxy is valid even if before the vote was cast the appointor:
- (i) died;
  - (ii) became mentally incapacitated;
  - (iii) revoked the proxy; or
  - (iv) transferred the shares in respect of which the vote was cast,
- unless Think Group received written notification of the death, mental incapacity, revocation or transfer before the meeting or, if applicable, before the resumption of any adjourned meeting.

## 10. Advertisement

Where this notice of meeting is advertised unaccompanied by the Explanatory Booklet, a copy of the Explanatory Booklet can be obtained by anyone entitled to participate in the General Meeting from Think Group's website [www.thinkchildcare.com.au](http://www.thinkchildcare.com.au) or by contacting the Company Secretaries of Think Group or the Securities Registry.

# Corporate Directory

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**Think Childcare Limited ACN 600 793 388  
and Think Childcare Development Limited  
ACN 635 178 166**

Suite 3, 1 Park Avenue,  
Drummoyne NSW 2047

Telephone: +61 9712 7444  
website: [www.thinkchildcare.com.au](http://www.thinkchildcare.com.au)

## Directors

Mr Mark Kerr  
(Chairman and Non-Executive Independent  
Director, TNK and TND)

Mr Mathew Edwards  
(Managing Director and Chief Executive  
Officer, TNK and Executive Director, TND)

Mr Joe Dicks  
(Non-Executive Independent Director,  
TNK and TND)

Ms Evonne Collier  
(Non-Executive Independent Director, TNK)

Mr Michael Doble  
(Non-Executive Independent Director, TND)

Mr Nick Anagnostou  
(Non-Executive Independent Director, TND)

Mr James Spenceley  
(Non-Executive Independent Director, TNK)

## Company Secretaries

Ms Trinh Bui  
Mr Mourice Garbutt (for TNK only)

## Auditor

KPMG  
Tower Three International Towers Sydney  
300 Barangaroo Avenue Sydney NSW 2000

## Legal adviser

**MinterEllison**  
Collins Arch, 447 Collins Street  
Melbourne, VIC 3000

Telephone: +61 3 8608 2000

## Financial adviser

**MA Moelis Australia**  
Level 27, Governor Phillip Tower, One Farrer  
Place, Sydney, NSW 2000

Telephone: +61 2 8288 5555

## Independent Expert

**Grant Thornton Corporate Finance Pty Ltd**  
Level 17, 383 Kent Street  
Sydney, NSW 2000

Telephone: +61 3 8320 2222

## Securities Registry

**Computershare Investor Services Pty Limited**  
Yarra Falls, 452 Johnston Street  
Abbotsford, VIC 3067

Telephone: +61 3 9415 4000











Nido Early School, Carlisle, WA

# THINK

Childcare Group

Think Childcare Limited ABN 81 600 793 388

Think Childcare Development Limited ABN 55 635 178 166

Suite 3, 1 Park Avenue Drummoyne NSW 2047

Telephone +61 2 9712 7444

[www.thinkchildcare.com.au](http://www.thinkchildcare.com.au)



TNK

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030



## Need assistance?



**Phone:**  
1300 145 425 (within Australia)  
+61 3 9415 4829 (outside Australia)



**Online:**  
[www.investorcentre.com/contact](http://www.investorcentre.com/contact)



## YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **11:00am (Melbourne time) Monday, 27 September 2021.**

## Proxy Form - TNK Scheme Meeting, TND Scheme Meeting and General Meeting

### How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

#### APPOINTMENT OF PROXY

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

#### SIGNING INSTRUCTIONS FOR POSTAL FORMS

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

#### PARTICIPATING IN THE MEETING

##### Corporate Representative

If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative" prior to the Meetings. A form may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

### Lodge your Proxy Form:

**XX**

#### Online:

Lodge your vote online at [www.investorvote.com.au](http://www.investorvote.com.au) using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



**Control Number: 999999**  
**SRN/HIN: I9999999999**  
**PIN: 99999**

For Intermediary Online subscribers (custodians) go to [www.intermediaryonline.com](http://www.intermediaryonline.com)

#### By Mail:

Computershare Investor Services Pty Limited  
GPO Box 242  
Melbourne VIC 3001  
Australia

#### By Fax:

1800 783 447 within Australia or  
+61 3 9473 2555 outside Australia



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE  
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SAMPLEVILLE VIC 3030

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



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I ND

# Proxy Form

Please mark  to indicate your directions

## Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Think Childcare Group hereby appoint

the Chairman of the Meetings **OR**

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meetings. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meetings (or any other director or the company secretary, as nominated by the Chairman of the Meetings), as my/our proxy to act generally on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Meetings to be held as virtual (online only) meetings on Wednesday, 29 September 2021 commencing with the TNK Scheme Meeting at 11:00am (Melbourne time), and at any adjournment or postponement of those Meetings.

The Chairman of the Meetings intends to vote undirected proxies in favour of each of the TNK Scheme Resolution, TND Scheme Resolution, MGE Acquisition Resolution, Unstapling Resolution and Appointor Structure Approval Resolution (in the absence of a Superior Proposal from another party prior to the date of the Meetings). If the Chairman of the Meetings changes his voting intention on a resolution, an ASX announcement will be made.

## Step 2 Items of Business

**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

**Note: All Think Group Securityholders are TNK and TND shareholders.**

	For	Against	Abstain
<b>TNK Scheme Meeting</b>			
Resolution 1 Scheme Resolution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>TND Scheme Meeting</b>			
Resolution 1 Scheme Resolution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>General Meeting</b>			
Resolution 1 MGE Acquisition Resolution - TNK and TND shareholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Unstapling Resolution - TNK and TND shareholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Appointor Structure Approval Resolution - TNK shareholders only	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**The Scheme Resolutions and the General Meeting Resolutions are inter-dependent resolutions, meaning that unless all are approved, the Schemes and the MGE Acquisition cannot proceed**

## Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1  Securityholder 2  Securityholder 3  / /  
Sole Director & Sole Company Secretary Director Director/Company Secretary Date

**Update your communication details** (Optional)

Mobile Number  Email Address  By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically





A stapled entity comprising  
Think Childcare Limited ABN 81 600 793 388 and  
Think Childcare Development Limited ABN 55 635 178 166

TNK

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Return your Form:



### By Mail:

Think Childcare Group  
c/- Computershare Investor Services Pty Limited  
GPO Box 1282 Melbourne  
Victoria 3001 Australia



### By Email:

[corpactprocessing@computershare.com.au](mailto:corpactprocessing@computershare.com.au)



### By Fax:

(within Australia) 03 9473 2093  
(outside Australia) +61 3 9473 2093

## For all enquiries:

### Phone:



(within Australia) 1300 145 425  
(outside Australia) +61 3 9415 4829

## Relevant Foreign Resident Declaration Form

Refer to Section 13 (Glossary) of the Explanatory Booklet accompanying this form for relevant defined terms used in this form.

You have received this form as you have a registered address outside Australia or Busy Bees Early Learning Australia Pty Ltd (**Busy Bees**), as the proposed acquirer of your Think Childcare Limited shares or FEL Child Care Developments Pty Ltd (**FEL Dev**), as the proposed acquirer of your Think Childcare Development Limited shares, considers or reasonably believes that you are a foreign (non-Australian) tax resident. Accordingly, you are a relevant foreign resident for the purposes of Australia's foreign resident capital gains tax withholding rules as set out in subdivision 14-D to schedule 1 of the Taxation Administration Act 1953 (Cth).

Unless an appropriately completed declaration (that Busy Bees and FEL Dev do not know to be false) regarding your tax residency or interest in Think Group (in the form outlined below) is provided to Busy Bees and FEL Dev (care of Think Group's registrar Computershare Investor Services Pty Limited) before 7:00pm on Thursday, 14 October 2021 (being the Scheme Record Date), Busy Bees and FEL Dev may withhold and remit to the Australian Taxation Office an amount equal to 12.5% (or some lesser amount approved by the Commissioner of Taxation) of your Scheme Consideration payable to you in respect of your Think Group Securities. You may provide a declaration that:

- (a) the registered holder of the relevant Think Group Securities is an Australian tax resident and will be an Australian tax resident on the Implementation Date (residency declaration); or
- (b) the registered holder of the relevant Think Group Securities, together with its associates, has not held an interest of 10% or more in Think Group as at the Implementation Date or for a 12 month period during the 2 years preceding the Implementation Date, or the interest held by the registered holder of the relevant Think Group Securities is not an indirect Australian real property interest for the period (interest declaration).

If you intend to provide a declaration, please complete the vendor declaration sections overleaf (including signing and dating the form in the spaces provided) and return the form by post to:

Think Childcare Group  
c/- Computershare Investor Services Pty Limited  
GPO Box 1282  
Melbourne VIC 3001  
Australia

For further details regarding Australia's foreign resident capital gains withholding tax rules, please refer to Section 8 ('Taxation Implications for Think Group Securityholders') of the Explanatory Booklet. If you are in doubt as to what you should do, including if you are eligible to make the residency declaration or the interest declaration, you should consult an independent and appropriately licensed professional adviser without delay. Penalties may be imposed on you for giving false and misleading statements.

**Turn over to complete the form** →



# VENDOR DECLARATION

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For your security keep your SRN/  
HIN confidential.

All parts of Sections A, B and C must be completed.

## A Think Group Securityholder Details

Place an X in the applicable box below and provide the required information:

**Individual Holding**  Provide the date of birth of the individual holder

**Joint Holding**  Provide the date of birth for each joint holder, up to the maximum of three joint holders.

Date of birth of joint holder 1

Date of birth of joint holder 2

Date of birth of joint holder 3 (if applicable)

**Company Holding**  Provide the Australian Business Number (ABN) or Australian Company Number (ACN) or overseas identification number (insert N/A if not applicable)

## B Vendor Declaration

If you wish to make a vendor declaration, please select one declaration only by placing an X in the applicable box below:

The registered holder of the relevant Think Group Securities is an Australian tax resident and will be an Australian tax resident on the Implementation Date (**residency declaration**).

OR

The registered holder of the relevant Think Group Securities, together with its associates, has not held an interest of 10% or more in Think Group as at the Implementation Date or for a 12 month period during the 2 years preceding the Implementation Date, or the interest held by the registered holder of the relevant Think Group Securities is not an indirect Australian real property interest for the period (**interest declaration**).

## C Signature of Shareholder(s) *This section must be completed.*

I/We declare as the Think Group Securityholder(s) named above or the authorised officer of the named Think Group Securityholder(s), that the information contained in this form is true and correct.

**Individual or Shareholder 1**

**Sole Director and Sole Company Secretary/ Sole Director**  
(cross out titles as applicable)

**Shareholder 2**

**Director**

**Shareholder 3**

**Director/Company Secretary**  
(cross out titles as applicable)

Contact Name  Contact Daytime Telephone  Date  /  /

Email Address

## Privacy Notice

The personal information you provide on this form is collected by CIS for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. You may elect not to receive marketing material by contacting CIS using the details provided on the front of this form or by emailing [privacy@computershare.com.au](mailto:privacy@computershare.com.au). We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to Think Group or to third parties upon direction by Think Group where related to the administration of your securityholding or as otherwise required or permitted by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at [privacy@computershare.com.au](mailto:privacy@computershare.com.au) or see our Privacy Policy at <http://www.computershare.com/au>.

