

1 November 2021

Mayfield Childcare Limited – Acquisition and Capital Raising Announcement

The Board of Mayfield Childcare Limited (ASX:MFD) is pleased to announce a transformational acquisition and incubator partnership for the business, along with an associated capital raising.

Key Highlights:

- Mayfield has entered into an agreement to acquire 14 premium childcare centres across Victoria, Queensland and South Australia, from Genius Childcare.
- The acquisition transforms the size and scale of the business to 36 centres, positioning Mayfield as a leading Australian childcare operator.
- In addition to the acquisition, Mayfield has entered into a 5-year incubator agreement with Genius Childcare, which should provide Mayfield with a pipeline of premium centres for future growth.
- The total acquisition price of up to \$39.2m or 4.9x CY22F EBITDA of \$8.0m, including earn-out of 1.0x CY22F EBITDA (excl. costs).
- Firm commitments have been secured to raise approximately \$8.0m by way of an Institutional Placement from new and existing institutional investors.
- A non-underwritten share purchase plan to existing eligible shareholders of the Company to raise up to approximately \$1.0m.

Genius Childcare:

Genius Childcare is an innovative and holistic provider of premium, early education for preschool aged care with a portfolio of over 30 state-of-the-art, purpose built premium childcare centres Australia wide.

The Genius offering targets families searching for a premium and holistic education experience, with centres featuring interactive spaces and outdoor environments rich in plant life and natural materials.

For some time, Mayfield has sought to secure the right acquisition growth opportunities for the business. The acquisition of the 14 Genius Childcare group of centers, represents a significant step change in the business, both physically and economically, and when coupled with the incubator arrangements provides a strategic platform to significantly grow the business.

Strategic Rationale:

- **Transforms size and scale of Mayfield:** Re-positions Mayfield from a small Victorian based operator to a leading Australian childcare operator with a portfolio of premium centres and strong growth pipeline.
- **Diversifies geographic footprint:** Significantly broadens and diversifies Mayfield's existing footprint to 36 centres (8 in Queensland, 1 in South Australia and 27 in Victoria).
- **Provides significant growth pipeline:** Delivers a clear vision for growth for the enlarged Mayfield business through the provision of ongoing access to a pipeline of premium, high-performing centres, underpinning future growth.

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- **Provides access to the premium Genius brand and IP:** Innovative and holistic provider of premium early education for preschool aged children, with a well-respected and recognised national brand.

Acquisition Consideration:

Total consideration for the acquisition of the 14 Genius Childcare centres is up to \$39.2m, or 4.9x CY22F EBITDA of \$8.0 million, comprised of:

- Initial purchase price of \$31.2m, or 3.9x CY22F EBITDA of \$8.0 million, comprising 21.7m fully paid ordinary shares in Mayfield to be issued at \$1.15 per share ("**Consideration Shares**") and \$6.24m to be paid in cash.
- Potential earn-out price of \$8.0m, or 1.0x CY22F EBITDA of \$8.0m, only payable on the 14 Genius centres achieving CY22F EBITDA of \$8.0m ("**Earn-out Hurdle**"), and payable as to 80% in fully paid ordinary shares in Mayfield to be issued at \$1.15 per share and 20% to be paid in cash.

100% of Consideration Shares are escrowed for 24 months from date of completion of the acquisition, with 50% to be released if the Earn-Out Hurdle is achieved and after CY22 audited results are released.

As part of acquisition, Genius has the right to appoint two (2) directors to the Company's board, who are expected to be David Niall and Lubna Matta.

Incubator Arrangements

In addition to the initial acquisition, Mayfield and Genius have entered into a 5-year incubator partnership whereby Genius will identify, develop and trade-up childcare centres for sale to Mayfield, on a non-exclusive basis.

Each year, Genius and Mayfield will agree a new Childcare Development Plan for the year. The Childcare Development Plan will be a plan for the identification and development of childcare centres (including any childcare centres under development) and their sale by Genius to Mayfield, including general and desired lease parameters (including in relation to the type of premises, the type of landlord, the duration of the term and further terms, the rent and increases or market reviews, the outgoings, and the guarantees or other security) and potential transfer dates for completion of a sale from Genius to Mayfield.

The Company and Genius have agreed on a centre acquisition price of 4.25x EBITDA (EBITDA of previous three months annualised), subject to the centre meeting the below performance criteria:

- Occupancy of at least 75% for three consecutive months;
- Centre forecast EBITDA greater than \$150,000 based upon an annualised last 3-month period; and
- Minimum capacity of 60 licensed places.

Mayfield anticipates that the Incubator Arrangements will deliver growth for the enlarged Mayfield business providing ongoing access to a pipeline of premium, high performing centres.

Placement Details

Canaccord Genuity (Australia) Limited has acted as financial advisor to the acquisition and Lead Manager and Bookrunner to the Placement, and Thomson Geer has acted as legal advisor.

Mayfield has secured firm commitments from new and existing investors to raise approximately \$8.0m, excluding costs. The Placement was well-supported by sophisticated, experienced, and professional investors, and will see the introduction of several new institutional investors to the Company's register.

Proceeds of the Placement will fund:

- Upfront cash consideration of the acquisition of the 14 Genius Childcare centres;
- General working capital; and
- Costs of the Offer.

Approximately 7.6m new fully paid ordinary shares in the Company ("**New Shares**") will be issued under the Placement at an issue price of \$1.05 per New Share ("**Issue Price**"). The Issue Price represents:

- A 12.5% discount to the last close price of \$1.20 (on 28 October 2021) and
- A 11.9% discount to the 5-day Volume Weighted Average Price (VWAP) of \$1.192 (up to and including 28 October 2021).

New Shares to be issued under the Placement will rank pari passu with existing shares in the Company. The Acquisition and Placement are conditional on shareholder approval being provided at the Extraordinary General Meeting ("**EGM**") expected to be held on 6 December 2021. Subject to approval being granted, settlement of the Placement will occur on 9 December 2021, and settlement of the acquisition will occur on 10 December 2021.

Share Purchase Plan Details:

Mayfield also intends to offer a non-underwritten share purchase plan ("**SPP**") to existing, eligible shareholders to raise up to approximately \$1million. The SPP allows eligible shareholders, being those shareholders that are residents of Australia or New Zealand that held Mayfield shares at 7:00pm on 31 October 2021 ("**Record Date**"), to apply for up to \$30,000 worth of New Shares without incurring any brokerage or transaction costs. New Shares will be offered under the SPP at \$1.05 per share, being the same issue price as the Placement.

The amount raised under the SPP remains subject to the Company's absolute discretion, with the Company reserving the right to accept total applications of over \$1million, or to scale back applications. The SPP will be subject to eligibility criteria and other terms and conditions which will be set out in the SPP booklet to be lodged on the ASX on or about 5 November 2021 and dispatched to shareholders following its lodgement on ASX. New Shares to be issued under the SPP will rank pari passu with existing shares in the Company.

Indicative Timetable*

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| Trading halt | Friday, 29 October 2021 |
| Placement opens | Friday, 29 October 2021 |
| Placement closes | 5pm Friday, 29 October 2021 |
| Announcement of Placement and Acquisition | Monday, 1 November 2021 |
| Trading halt lifted and shares recommence trading | Monday, 1 November 2021 |
| Notice of Meeting Distributed | Friday, 5 November 2021 |
| SPP opens | Monday, 8 November 2021 |
| SPP closes | Monday, 6 December 2021 |
| EGM to approve Acquisition and Offer | Monday, 6 December 2021 |
| Settlement of Placement and SPP | Thursday, 9 December 2021 |

Issue of New Shares under Placement and Acquisition

Friday, 10 December 2021

New Shares commence trading

Monday, 13 December 2021

*All dates and times are indicative only and subject to change. The Company reserves the right to amend any or all of these dates and times, subject to the Corporation Act 2001 (Cth), the ASX Listing Rules and other applicable laws and regulations.

Mayfield Childcare Chief Executive Officer Dean Clarke said

“This is a great step forward for the Mayfield business that substantially changes the economics and financial standing of our business, as we move into the CY22 year. Mayfield and Genius share common values and beliefs in our approach and delivery of quality early education to families, and the ongoing incubator partnership will deliver growth moving forward.”

“We are delighted for the ongoing support shown by our existing shareholders and the strong interest received from new investors. The Placement strengthens our share register with the addition of several new high quality institutional investors. We are also pleased to provide a share purchase plan to our existing shareholders on the same terms as the Placement.”

Further information in relation to the acquisition and capital raising are set out in the Investor Presentation separately lodged with the ASX today.

Please direct any further enquiries to:

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