19 August 2022

Mayfield Childcare Limited
Financial Results for the Half Year ended 30 June 2022

Mayfield Childcare Limited (ASX:MFD) is pleased to announce its results for the first half of Calendar Year 2022.

Statutory revenue for the consolidated Mayfield Group, including the 14 Genius Learning centres acquired in CY 2021, was $32.4m (up 91.6%). Allowing for $0.6m in COVID-19 government subsidies received in 1Q CY 2021, total revenue for the Group was up 85.0%, delivering Statutory Net Profit After Tax (NPAT) of $2.5m (up 97.8%).

Reversing the application of AASB 16 *Leases*, Consolidated Underlying Results are as follows:

1H CY 2022 Consolidated First Half Underlying Results:

	1H CY 2022	1H CY 2021	PCP Variance %
Revenue from continuing operations	**$32.4m**	**$16.9m**	**+91.6%**
COVID-19 Industry Subsidies	$0.0m	$0.6m	(100.0%)
Total Revenue	**$32.4m**	**$17.5m**	**+85.0%**
Centre EBITDA	$6.8m	$3.8m	+81.0%
EBITDA	$5.2m	$2.6m	+97.1%
EBIT	$4.7m	$2.3m	+102.8%
NPAT	**$3.5m**	**$1.6m**	**+122.3%**

Separating the existing Mayfield Group from the 14 acquired Genius Learning centres, results are as follows:

1H CY 2022 Mayfield and Genius First Half Underlying Results:

	MFD 1H CY 22	MFD 1H CY 21	PCP Var %	GEN 1H CY 22	Cons 1H CY 22
Revenue from continuing operations	**$18.8m**	**$16.9m**	**+11.2%**	**$13.6m**	**$32.4m**
COVID-19 Government Subsidies	$0.0m	$0.6m	(100.0%)	$0.0m	$0.0m
Total Revenue	**$18.8m**	**$17.5m**	**+7.4%**	**$13.6m**	**$32.4m**
Centre EBITDA	$4.4m	$3.8m	+18.3%	$2.4m	$6.8m
Group EBITDA	$3.0m	$2.6m	+12.8%	$2.2m	$5.2m
Group EBIT	$2.6m	$2.3m	+11.3%	$2.1m	$4.7m
Group NPAT	**$1.9m**	**$1.6m**	**+17.7%**	**$1.6m**	**$3.5m**

The core Mayfield Group has performed well despite 2Q occupancy challenges, with total revenue of $18.8m (up 7.4%), on the back of CY 21 non-Genius acquisitions, and price increases. This coupled with tight cost control has flowed through to MFD EBITDA of $3.0m (up 12.8%), delivering MFD NPAT of $1.9m (up 17.7%). The 14 acquired Genius Learning Centres generated total revenues of $13.6m, resulting in GEN EBITDA of $2.2m and GEN NPAT of $1.6m

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1H CY 2022 occupancy for the core Mayfield Group (excl Genius) has been impacted by sector challenges in 2Q, down 0.4% against pcp to 67.6%, though up 1.1% up on pre-covid levels. While there is no comparative data for the 14 Genius Learning centres, occupancy for the 1H CY 2022 was 65.6%.

1H CY 2022 In Review

It has been a transformational time for the Mayfield business as it builds its day-to-day operational knowledge of the 14 Genius Learning centres, embracing the management challenges associated with working across borders, all the while, planning and developing for implementation, the operational processes and systems platforms, for a whole of business transition in 4Q CY 2022.

While this has been an exciting change of pace for the business, the ongoing COVID-19 pandemic has presented a new set of challenges throughout 1H CY 22, with the effects being felt in every community in which we operate. The emergence of the omicron strain and the significant increase in infection rates and/or household close contacts, resulted in a substantial number of our educators isolating. In response, the business introduced staggered operational hours, engaged large numbers of 3rd party Agency staff, and in some cases closed centres for 1-2 days at a time.

The impacts of the omicron outbreak experienced in 1Q, moderated some during 2Q, though the underlying sector wide issues of educator shortages continued, coupled with above average levels of sick leave, significantly increased costs from the need to use agency staff, while hampering new enrolments as services are constrained in meeting child-educator ratios.

1H CY 2022 Underlying Operational Results:

	Core Mayfield Group	**Genius Group**
Occupancy	• 67.6%, down 0.4% vs pcp • Trended from 67.8% in Jan to 70.9% in June	• 65.6% • Trended from 60.6% in Jan to 71.5% in June
Revenue	• $18.8m up 7.4% vs PCP • Underlying revenue is up 11.2% from acquisitions, price & reduced discounts	• $13.6m reflecting slower occupancy performance in 1Q CY22
Wages	• $10.3m down 0.7% vs pcp • Gains offset by cost of Agency Staff	• $7.7m with wage to revenue ratio steady at 57.0%
EBITDA	• $3.0m up 12.8% vs pcp • Tight cost control and margin strength of CY 21 acquisitions	• $2.2m with lower margins resulting from higher leasehold costs and lower occupancy
EBIT	• $2.6m up 11.3% vs pcp • Depreciation up 23.1% driven by capital improvement program	• $2.1m reflecting assets acquired as part of the acquisition
NPAT	• $1.9m up 17.7% vs pcp	• $1.6m
Net Debt	• $2.3m down $3.9m or 63.0%, with cash holdings of $2.8m and available loan facilities of approx. $25.0m	
Net Assets	• $70.2m up $3.1m or 4.7%	

ACECQA Rating	• No change - 90% of services rated Meeting or Exceeding the National Quality Framework	• 64% up from 57% of services rated Meeting or Exceeding the National Quality Framework

The Board is pleased to announce a fully franked interim dividend of 2.76 cents per share (cps) payable in September 2022. The Board recommends your consideration of the Dividend Reinvestment Plan (DRP), Shareholders who elect to take shares instead of cash under the DRP will receive a 5% discount to the VWAP share price over the pricing period.

Genius Learning Acquisition

The 14 Genius Learning centres have in the main performed well, though the broader pandemic, operational and cost challenges that have characterised the first half of CY 2022 for the sector, have impacted results.

The issues associated with the outbreak of omicron have been hardest felt in our Far North Queensland centres and communities, where until this year, there had been little to no presence of covid, resulting in occupancy being below expectations.

With the ongoing high costs associated with labour shortages and the need for agency staff, the flow through of both a higher than anticipated mid-year wage increase of 4.6%, and inflationary environment, the CY 22F EBITDA target of $8.0m will not be met.

The Genius acquisition agreement provided for a 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, 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.

As a result, Mayfield has determined that no earn-out will be payable to Genius Learning. Further, 100% of the Consideration Shares paid as part of the initial transaction will remain in escrow for the full 24 months.

CY 2022 Outlook

The Board is pleased with the first half performance of the business despite the challenges that the 2022 year has presented. Occupancy across the group continues to strengthen though will be tempered due to staffing shortages, and continued management of costs will deliver favourable results.

As indicated previously, the business expects educator shortages and the high use of agency staff to remain throughout the second half and remain an issue in the near term. The business has implemented solid price increases reflecting the higher cost environment, which will provide some offset.

The 2022 year has heralded a significant step change in the size and scale of the business, positioning Mayfield as a leading Australian childcare operator with a portfolio of premium centres and a strong growth pipeline.

Please direct any further enquiries to:

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CY 2022 First Half Results

Investor Presentation

19 August 2022

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1H CY 2022 Highlights

The ongoing COVID-19 pandemic has presented a new set of challenges throughout 1H CY 22, with the effects being felt in every community in which we operate. The emergence of the omicron strain and the significant increase in infection rates and/or household close contacts, resulted in a substantial number of our educators isolating.

The underlying sector wide issues of educator shortages, coupled with above average levels of sick leave, significantly increased costs from the need to use agency staff, while hampering new enrolments as services are constrained in meeting child-educator ratios.

- **Business delivers solid performance**
  - Revenue for the core Mayfield group was up 7.4% on the back of CY 21 acquisitions, price increases and reduced parent gap waivers.
  - Genius contributed a further $13.6m in revenue, resulting in the consolidated group being up 85.0% vs pcp.
  - Mayfield operating EBITDA margins improved by 2.5%, and the business held wage to revenue ratios across the group to 57.0%.
  - The consolidated business absorbed $0.5m in Agency costs, up 100% vs pcp, resulting from sector wide labour shortages.

- **Attractive earnings and dividends.**
  - Underlying NPAT for the Group was $3.5m, up 122.3%, including $1.6m contributed from the Genius acquisition.
  - Core Mayfield business contributed NPAT of $1.9m, up 17.7%.
  - Fully franked interim dividend for 1H CY 2022 of 2.76c.

- **Genius performance impacted but recovering**
  - The 14 Genius Learning centres have in the main performed well, though pandemic, operational and cost challenges have impacted results.
  - The issues associated with the outbreak of omicron have been hardest felt in our Far North Queensland centres and communities, resulting in occupancy being below expectations.
  - Ongoing high costs associated with labour shortages and the need for agency staff, the flow through of both a higher than anticipated mid-year wage increase of 4.6%, and inflationary environment, the CY 22F EBITDA target of $8.0m will not be met.
  - As a result, Mayfield has determined that no earn-out will be payable to Genius Learning. Further, 100% of the Consideration Shares paid as part of the initial transaction will remain in escrow for the full 24 months.

1H CY 2022 Highlights

- **Occupancy performance**
  - 1H CY 2022 occupancy for Mayfield was 67.6%, down 0.4% vs pcp, though 1.1% up on pre covid levels.
  - 1H Cy 2022 occupancy for Genius was 65.6% and recovering from 1Q shortfalls.

- **Quality recognition.**
  - Quality Improvement Program continues to deliver results for the business.
  - 90% of the Mayfield portfolio is rated Meeting or Exceeding the National Quality Standard.
  - Genius has improved from 57% to 64% of the portfolio rated Meeting or Exceeding the National Quality Standard.

- **Balance sheet strength bolstered.**
  - Net debt is $2.3m down $3.9m or 63.0%, with cash holdings of $2.8m.
  - Available loan facilities of approx. $25.0m.

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02 FINANCIAL PERFORMANCE:

REVENUE & EBIT RECONCILIATION

OPERATING PERFORMANCE

BALANCE SHEET

CASH FLOW

1H CY 2022 Revenue Bridge

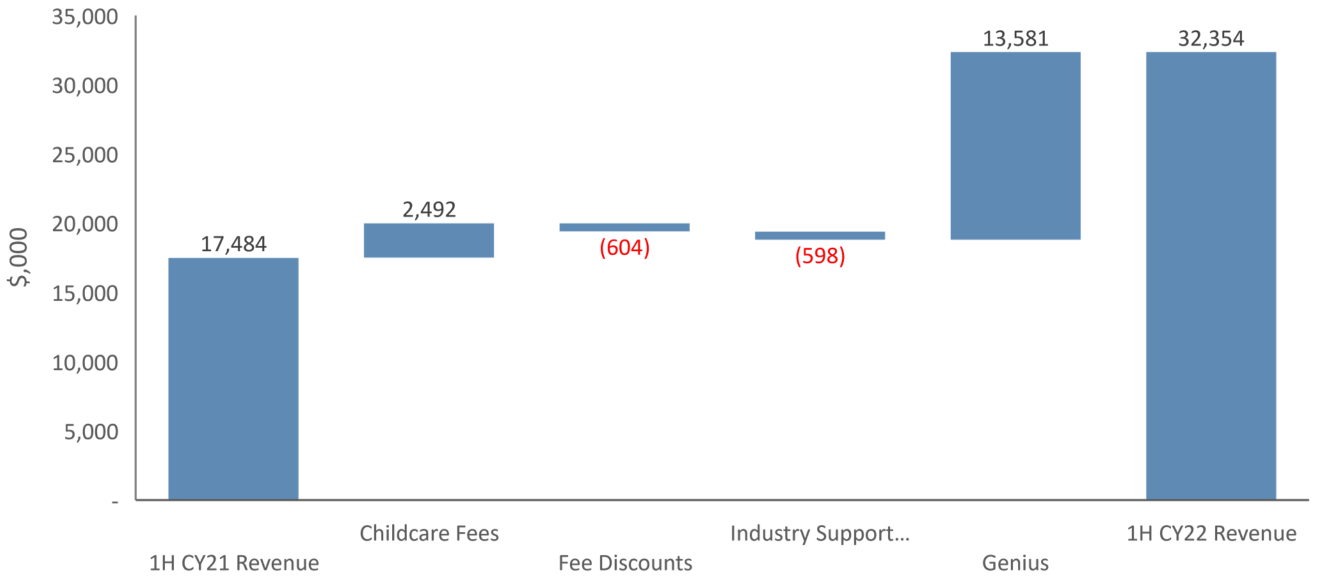
- Underlying Revenue was $32.4, up 85.0% vs pcp.
- The core Mayfield business grew by $2.5m driven acquisitions and price, which was further supplemented by a reduction in discounting of $0.6m, as the business reduced the level of parent gap payment waivers associated with covid.
- The 14 Genius centres contributed $13.6m.

1H CY 2022 EBITDA Bridge

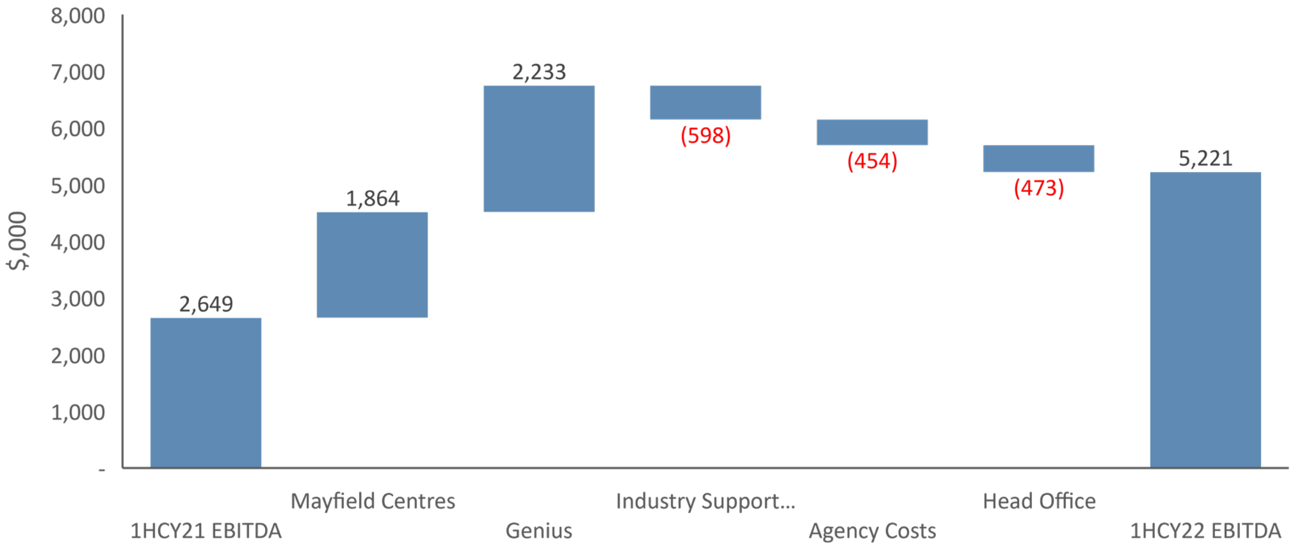
- Underlying EBITDA of $5.2m, up 97.1%.
- Core Mayfield centres contributed an incremental $1.9m, and the 1H CY22 result for Genius was $2.2m.
- Offsetting this was $0.6m received in Jan 2021, reflecting the last of the covid Industry Recovery payments.
- Labour shortages and the use of Agency staff eroded results by $0.5m.
- Head office costs associated with expansion of the business increased by $0.5m.

Note: Statutory Reports have been adjusted to reverse the impact of AASB 16 Leases

Underlying Revenue Movement from 1H CY 2021 to 1H CY 2022



Underlying EBITDA Movement from 1H CY 2021 to 1H CY 2022



Operating Performance

<u>Core Mayfield Business</u>

- Childcare Fees of $18.8m, after allowing for government payments received in 1H CY21 is up 7.4%, driven by non-Genius CY21 acquisitions, fee increases and reductions in discounts.
- Centre labour costs are up 2.6%, with a wages to revenue ratio of 56.9%, down 2.6%.
- Increases in centre Operating & Facility costs reflect in the main the flow though of CY 21 acquisitions.
- MFD EBITDA of $3.0m is up 12.8%, delivering NPAT of $1.9m, up 17.7%.

<u>Genius Centres</u>

- The 14 acquired Genius centres have generated revenues of $13.6m, with occupancy recovering.
- Centre labour costs of $7.7m, reflect a wage to revenue ratio of 57.0% in line with the overall business.
- Higher Facility costs reflect a more sophisticated landlord base.
- GEN EBITDA is $2.2m, delivering NPAT of $1.6m.

<u>Group</u>

- In light of labour shortages and the need to use Agency staff, the group has absorbed YTD, $0.5m in additional costs.
- Overall EBITDA is $5.2m, up 97.1%, delivering NPAT of $3.5m, up 122.3%.

A$ 000's	MFD 1H CY 22	MFD 1H CY 21	Var %	GEN 1H CY 22	Group 1H CY 22	Var %
Childcare fees	18,773	16,886	11.2	13,581	32,354	91.6
Industry Support Payments	-	598	(100.0)	-	-	(100.0)
Total Revenue	**18,773**	**17,484**	**7.4**	**13,581**	**32,354**	**85.0**
Labour costs	10,695	10,428	(2.6)	7,740	18,435	(76.8)
Operating expenses	855	792	(8.0)	698	1,553	(96.1)
Facilities costs	2,774	2,502	(10.9)	2,785	5,559	(122.2)
Centre EBITDA	**4,449**	**3,762**	**18.3**	**2,358**	**6,807**	**81.0**
HO Staff & related costs	871	732	(19.0)	49	920	(25.7)
Other corporate overheads	590	381	(54.9)	76	666	(74.8)
Group EBITDA	**2,988**	**2,649**	**12.8**	**2,233**	**5,221**	**97.1**
Depreciation	405	329	(23.1)	112	517	(57.1)
Group EBIT	**2,583**	**2,320**	**11.3**	**2,121**	**4,704**	**102.8**
Finance costs	195	146	(33.6)	-	195	(33.6)
Tax	515	583	11.7	458	973	(66.9)
NPAT from Continuing Operations	**1,873**	**1,591**	**17.7**	**1,663**	**3,536**	**122.3**
Centre EBITDA margin	23.7%	21.5%	2.2	17.4%	21.0%	(0.5)
Wages to Revenue %	57.0%	59.5%	2.5	57.0%	57.0%	2.5

Balance Sheet

- Significant cash position of $2.8m, improved by a further $0.5m over the period, while extinguishing current debt.
- Movement in Intangibles reflects write back of earn-out provision associated with the Genius Acquisition.
- Further reductions in borrowing, provides Mayfield access to approx. $25.0m in loan facilities to support acquisitions

Note: Statutory Reports have been adjusted to reverse the impact of AASB 16 Leases

A$ 000's	30 Jun 22 Statutory	AASB 16 *Leases*	30 Jun 22 Underlying	31 Dec 21 Underlying	Var $
Cash and cash equivalents	2,776		2,776	2,265	511
Trade and other receivables	3,267		3,267	2,826	441
Current Assets	**6,043**		**6,043**	**5,091**	**952**
Plant and equipment	3,871		3,871	3,781	90
Deferred tax	2,137	(991)	1,146	1,026	120
Right of use assets	134,270	(134,270)			
Intangibles	73,511		73,511	82,612	(9,101)
Non-current assets	**213,789**	**(135,261)**	**78,528**	**87,419**	**(8,891)**
Total Assets	**219,832**	**(135,261)**	**84,571**	**92,510**	**(7,939)**
Trade and other payables	5,978		5,978	4,584	1,394
Borrowings				409	(409)
Leases	6,130	(6,130)			
Tax liabilities	506		506	576	(70)
Provisions	2,630		2,630	2,606	24
Current liabilities	**15,244**	**(6,130)**	**9,114**	**8,175**	**939**
Borrowings	5,077		5,077	8,077	(3,000)
Leases	131,720	(131,720)			
Provisions	160		160	9,160	(9,000)
Non-current liabilities	**136,957**	**(131,720)**	**5,237**	**17,237**	**(12,000)**
Total Liabilities	**152,201**	**(137,850)**	**14,351**	**25,412**	**(11,061)**
Net Assets	**67,631**	**2,589**	**70,220**	**67,098**	**3,122**

Coverage & Gearing Ratios

- Net debt further reduced by $3.9m or 63.0% to $2.3m.
- Shareholder equity net movements reflect increased debt reduction during 1H CY 22.
- Debt metrics demonstrate the strength of the business to meets its obligations, while low gearing provides strong capacity to support future acquisitions.
- The business continues to maintain significant headroom in relations to its banking covenants and goodwill valuations.

Note: Statutory Reports have been adjusted to reverse the impact of AASB 16 Leases

A$ 000's	Group 1H CY 22	Group CY 2021	MFD CY 2020	MFD CY 2019
Current Borrowings		409	1,632	1,329
Non-Current Borrowings	5,077	8,077	8,297	11,493
Cash & Cash Equivalents	(2,776)	(2,265)	(1,569)	(649)
Net Debt	**2,301**	**6,221**	**8,360**	**12,172**
Shareholder Equity	**70,220**	**67,098**	**30,980**	**28,989**
Underlying EBITDA	**5,221**	**7,020**	**6,770**	**6,103**
Net Debt / EBITDA (x)	0.44	0.89	1.23	1.99
Debt / Equity (%)	7.2	12.6	32.1	44.2
Net Interest	**195**	**354**	**402**	**661**
EBITDA / Net Interest (x)	26.8x	19.8x	16.8x	9.2x
Fixed Coverage Charge (x)	2.1x	2.4x	2.5x	2.2x
Gearing Ratio (%)	3.2%	8.5%	21.3%	29.6%

Cash Flow

- Positive net operating cash flows reflects the contribution to the business of the CY 2021 acquisitions.
- Movement in net investing cash flows reflects increased capital improvement program and the disposal of one centre during the period.
- Movements in financing cash flows reflects continued pay down of debt

Note: Statutory Reports have been adjusted to reverse the impact of AASB 16 Leases

A$ 000's	1H CY 2022 Statutory	AASB 16 *Leases*	1H CY 2022 Underlying	1H CY 2021 Underlying
Operating cash flows				
Customer & Government funds	32,443		32,443	17,489
Industry Support Payments				598
Operating expenses	(21,801)	(4,354)	(26,155)	(14,569)
Interest on borrowings	(196)		(196)	(144)
Interest on leases	(1,527)	1,527		
Income tax	(1,117)		(1,117)	(1,307)
Net operating cash flows	**7,802**	**(2,827)**	**4,975**	**2,067**
Investing cash flows				
Plant & equipment	(800)		(800)	(499)
Centre disposals	246		246	(45)
Centre acquisitions	(60)		(60)	(237)
Net investing cash flows	**(614)**		**(614)**	**(781)**
Financing cash flows				
Borrowings (net)	(3,409)		(3,409)	(687)
Repayment of Leases	(2,827)	2,827		
Dividends paid	(401)		(401)	(511)
Share issue costs	(40)		(40)	(2)
Net financing cash flows	**(6,677)**	**2,827**	**(3,850)**	**(1,200)**
Net increase / (decrease)	511		511	86
Cash & cash equivalents	**2,776**		**2,265**	**1,569**

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03 OPERATIONAL PERFORMANCE:

OCCUPANCY

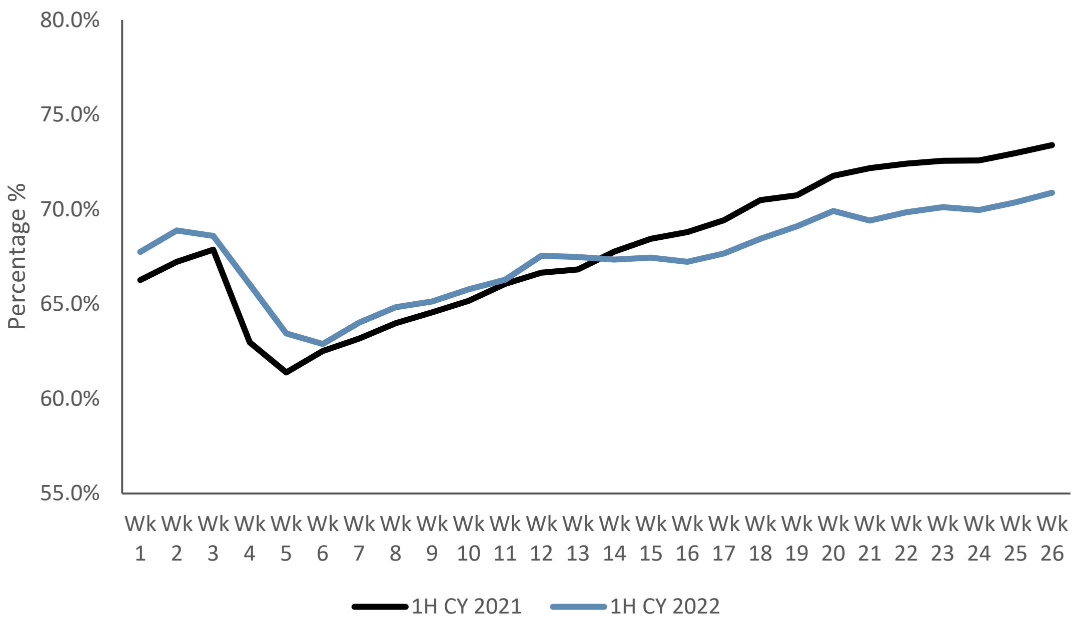
REVENUE & WAGE PERFORMANCE

CHILDCARE FEES & ACECQA RATING

OPERATIONAL METRICS

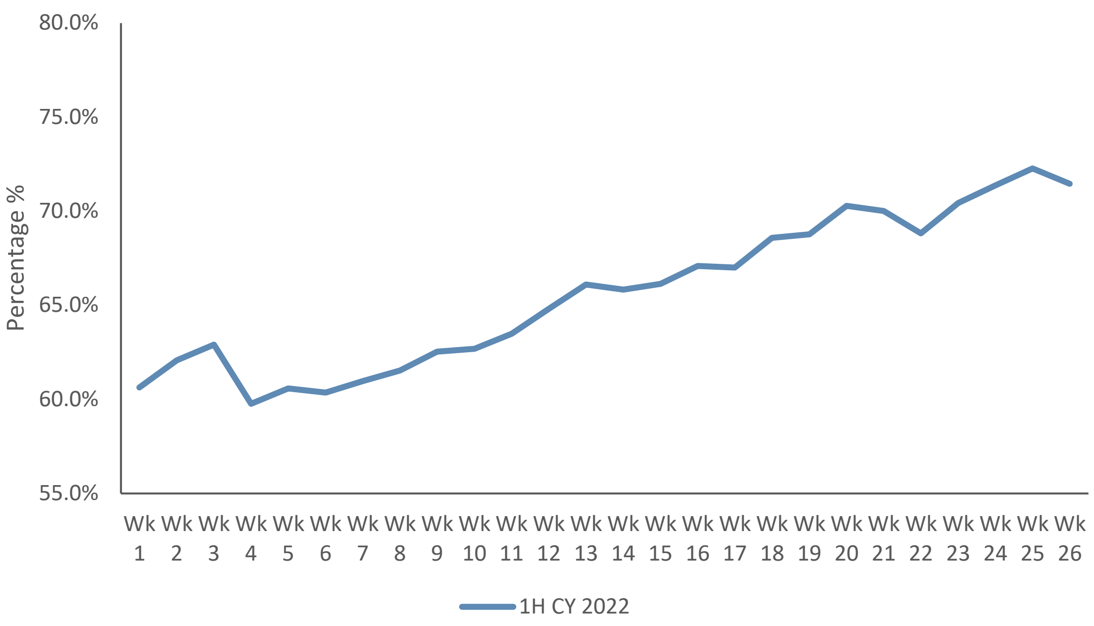
1H CY 2021 Occupancy

Core Mayfield - Weekly Like for Like Occupancy



- 1H CY 2022 occupancy was 67.6%, down 0.4% against pcp, though up 1.1% on pre covid levels.
- Weekly occupancy trended from 67.8% at the start of January to 70.9% at the end of June.
- Second quarter performance has been impact by labour shortages hampering new enrolments as services are constrained in meeting child-educator ratios.

Genius - Weekly Occupancy

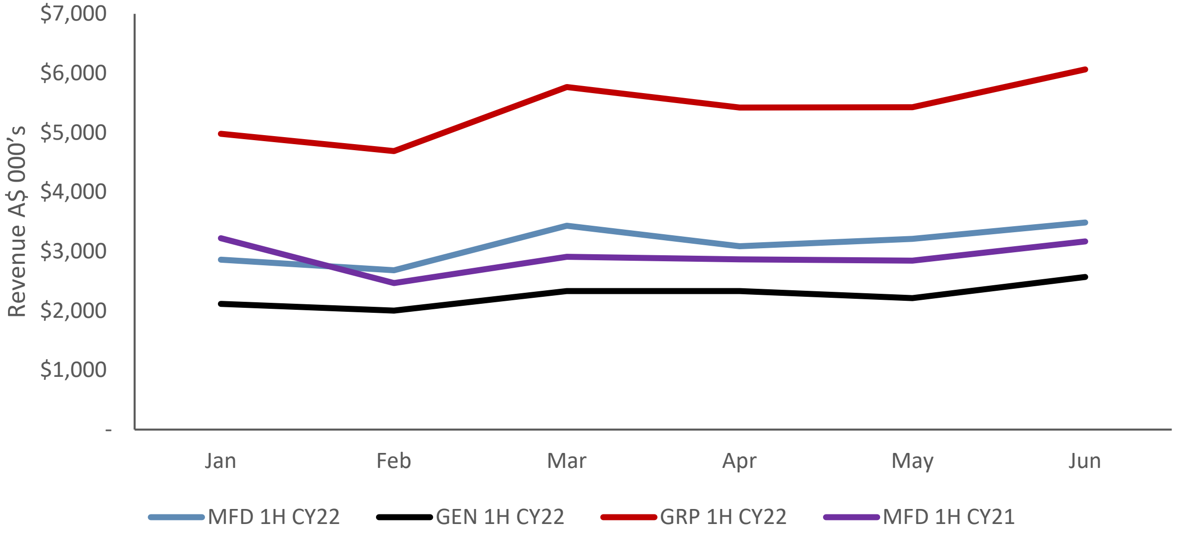


- 1H CY 2022 occupancy was 65.6%.
- Weekly occupancy trended from 60.6% at the start of January to 71.5% at the end of June.
- The spread of omicron particularly in Qld impacted first quarter results

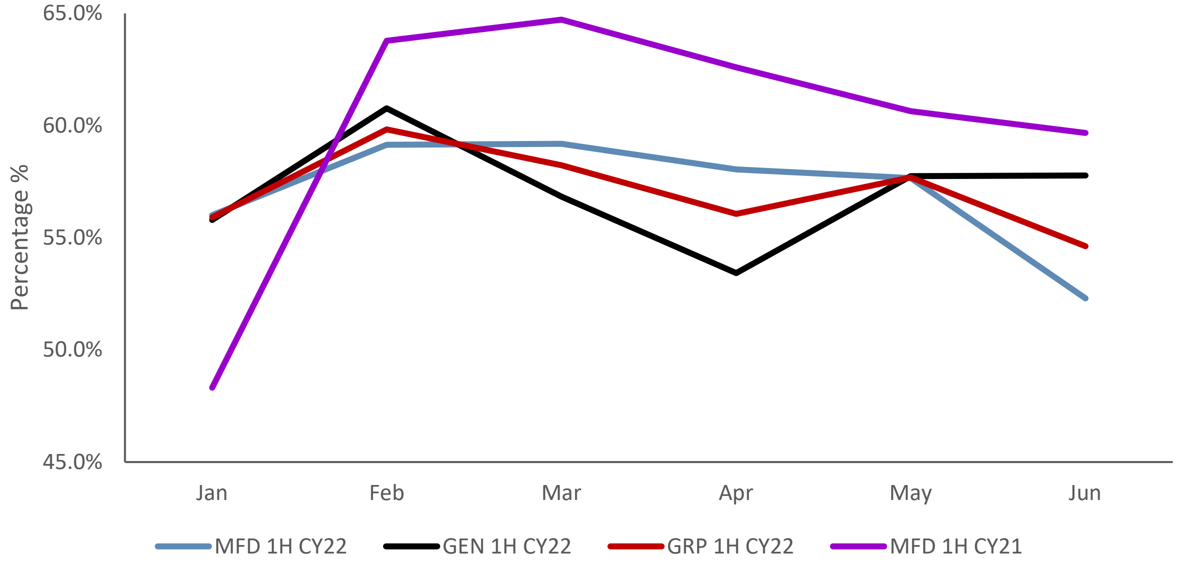
Revenue & Wage Performance

- In the main, MFD revenue continues to grow reflecting 1Q occupancy growth, acquisitions and price movements
- GEN revenue has been stable over 1Q with growth in late 2Q reflecting the pick up in occupancy
- Wages to Revenue was 57.0% for both the MFD and Gen portfolio and is down 2.5% compared to 1H CY 2021

Monthly Revenue



Monthly Wages to Revenue Ratio

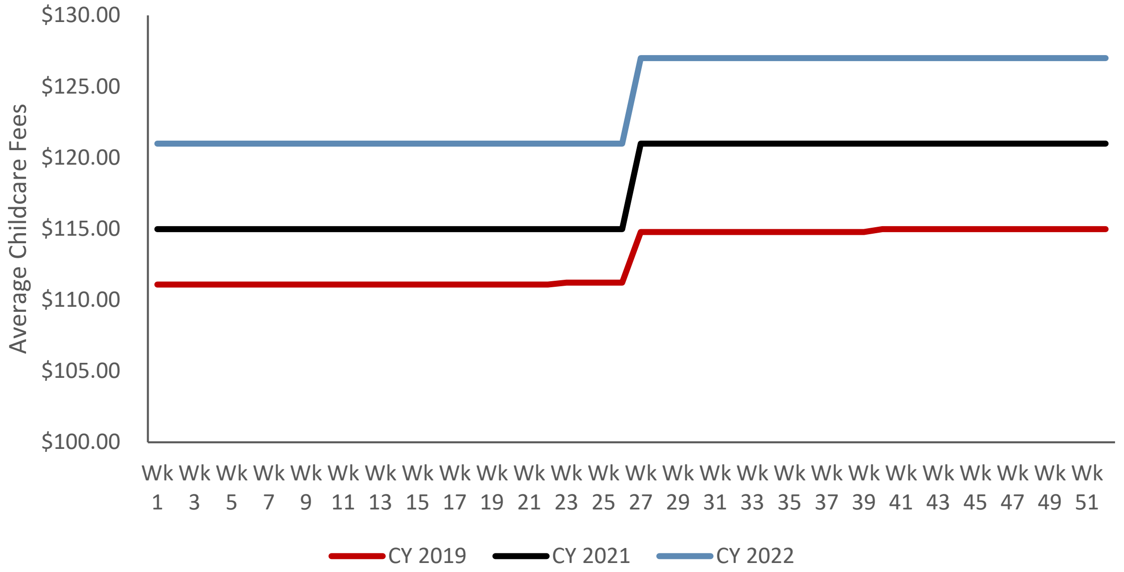


Childcare Fees & Quality Rating

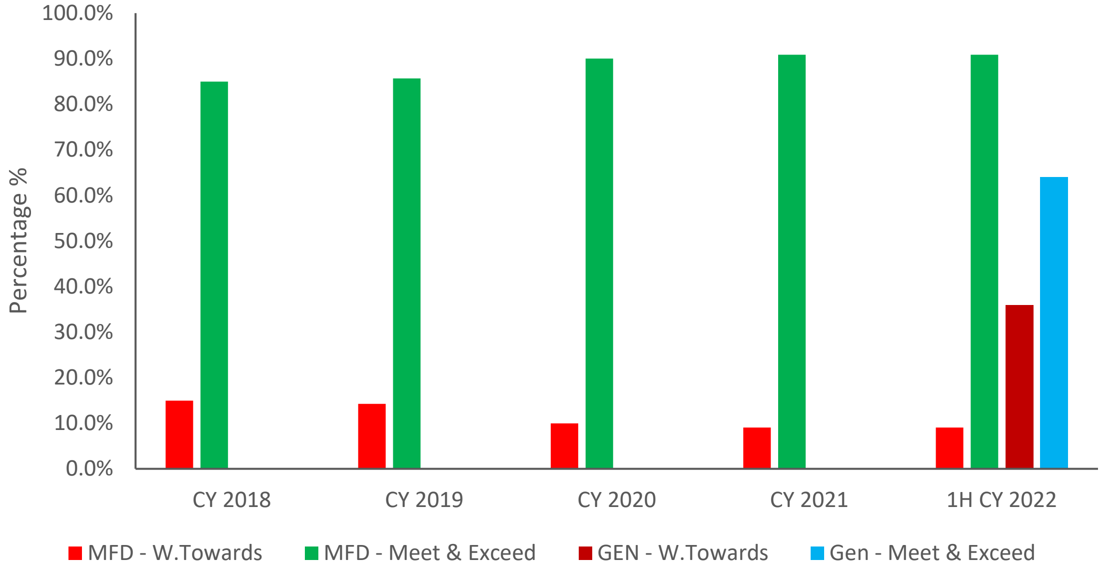
- Mid year price increase across the consolidated group represents a 5.2% increase, taking the average daily fee to approx $127/day

- 90% of Core Mayfield Centres are rated Meeting or Exceeding the ACECQA Quality Rating.
- 64% the Genius Centres are rated Meeting or Exceeding the ACECQA Quality Rating.

Average Childcare Fees



ACECQA Quality Rating



Operational Metrics

- One of the Mayfield centres was disposed of during the period
- The business implemented a 5.2% fee in June 2021.
- Wages to Revenue improved to 57.0%, while allowing for increased Agency Staff costs.
- The Children's Services Award increased by 4.6%.
- Average Lease terms increased as the Genius centres in general have longer Lease terms
- Conversely, rental rates per registered place increased as the Genius centres have a higher rental cost driven by the sophisticated profile of the Landlord base.
- Margins are down driven by lower margin levels from the Genius centres

Key Metrics	1H CY 22	CY 2021	CY 2020	CY 2019
Number of Centres	35	36	20	21
Number of Registered Places	3,109	3,199	1,671	1,771
Average Centre Size	89	89	84	84
No of Managed Services Clients	3	4	4	3
Average Fees per Day ($)	$127	$121	$115	$113
Average Daily Fee Increase (%)	5.2%	5.1%	0.0%	3.9%
Number of Educators	815	455	405	434
Wages to Revenue Ratio (%)	57.0%	56.0%	55.1%	56.3%
Average Award Rate Increase (%)	4.6%	2.5%	1.75%	3.00%
Average Lease Term (yrs)	28.8 yrs	23.1 yrs	22.5 yrs	21.7 yrs
Average Rent per Registered Place ($)	$2,812	$2,489	$2,324	$2,160
Average Rent Increase (%)	4.7%	3.0%	3.2%	2.7%
Centre EBITDA Margin (%)	21.0%	24.1%	25.0%	23.0%
Group EBIT Margin (%)	14.5%	15.8%	16.7%	16.0%
Net Debt to EBIT (x)	0.44x	0.89x	1.23x	1.99x
Gearing (%)	3.2%	8.5%	21.3%	29.6%

MAYFIELD CHILDCARE LIMITED

04 CY 2022 OUTLOOK:

CY 2022 OUTLOOK

CY 2022 Outlook

- It has been a transformational time for the Mayfield business as it builds its day-to-day operational knowledge of the 14 Genius Learning centres, embracing the management challenges associated with working across borders
- The ongoing COVID-19 pandemic has presented a new set of challenges for the 2022 year, with the effects being felt in every community in which we operate.
- The Board is pleased with the first half performance of the business despite the challenges that the 2022 year has presented. Occupancy across the group continues to strengthen though will be tempered due to staffing shortages, and continued management of costs will deliver favourable results.
- As indicated previously, the business expects educator shortages and the high use of agency staff to remain throughout the second half and remain an issue in the near term. The business has implemented solid price increases reflecting the higher cost environment, which will provide some offset.
- Despite lower trading levels of the Genius centres, the 2022 year has heralded a significant step change in the size and scale of the business, positioning Mayfield as a leading Australian childcare operator with a portfolio of premium centres and a strong growth pipeline.

MAYFIELD
CHILDCARE LIMITED

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