Mayfield Childcare Limited
1H 2023 Half Year Results

Investor Presentation
31 August 2023

mayfield

Important notices and disclaimer

This Presentation contains summary information about the current activities of Mayfield Childcare Limited (Mayfield). It should be read in conjunction with Mayfield's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (ASX), which are available at www.asx.com.au.

No employee or member of Mayfield gives any warranties in relation to the statements or information contained in this Presentation. The information contained in this Presentation is of a general nature and has been prepared by Mayfield in good faith and with due care but no representation or warranty, express or implied, is provided in relation to the accuracy or completeness of the information.

This Presentation is for information purposes only and is not a prospectus, product disclosure statement or other disclosure or offering document under Australian or any other law. This Presentation does not constitute an offer, invitation or recommendation to subscribe for or purchase any security and neither this Presentation nor anything contained in it shall form the basis of any contract or commitment.

This Presentation is not a recommendation to acquire Mayfield shares. The information provided in this Presentation is not financial product advice and has been prepared without taking into account any recipient's investment objectives, financial circumstances or particular needs, and should not be considered to be comprehensive or to comprise all the information which recipients may require in order to make an investment decision regarding Mayfield shares.

All dollar values are in Australian dollars (A$) unless otherwise stated.

Neither Mayfield nor any other person warrants or guarantees the future performance of Mayfield shares or any return on any investment made in Mayfield shares. This Presentation may contain certain 'forward-looking statements'. The words 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, financial position and performance are also forward-looking statements. Any forecasts or other forward looking statements contained in this Presentation are subject to known and unknown risks and uncertainties and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Mayfield that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. You are cautioned not to place undue reliance on forward looking statements. Except as required by law or regulation (including the ASX Listing Rules), Mayfield undertakes no obligation to update these forward-looking statements.

Past performance information given in this Presentation is given for illustrative purposes only and should not be relied upon as it is not an indication of future performance.

Note from CEO

"As one of three listed childcare operators in Australia, supported by strong tier 1 banking support and access to capital markets, we have our sights set on significant growth – through controlled, strategic acquisitions, we have aspirations for Mayfield Early Education to become a top 5 operator in the Country within the next 5 years. It's an ambitious goal, but having rebuilt our foundations from the ground up, coupled with a strong pipeline and an exceptional team behind us, we're confident about the future."

– CEO, Ashok Naveinthiran

Contents

The past, present and future

IPO

Mayfield IPO with 16 centres from various family operators.

2016

Post-IPO

Mayfield commences work to refresh and integrate a disparate group of centres

2016–2020

Acquisition

Transformative acquisition of 14 new centres; Mayfield becomes a multi State operator.

2021 – 2022

Management changes

New CEO, Chair and Directors appointed. Board increases to 4 members and no longer contains any related parties.

2022

Remediation

Management review uncovers prior periods of misappropriations, misallocations and underinvestment. Board undertakes further review and remediation actions.

2023

Growth

Strong outlook with foundations strengthened by remediation and portfolio optimisation. Growth pipeline and balance sheet ready to facilitate significant growth

2024 onwards

01 Highlights:

Snapshot
New Acquisitions

1H 2023 Snapshot

- Group Childcare Revenue increased 14.9% to $35.7M.
- Core portfolio occupancy improved to 70.6%, benefiting from effective rebranding and remediation. Portfolio including centres planned for divestments, improved 1.2% to 63.9%, with spot occupancy as at the week beginning 31 July 2023 of 68.8%.
- Family engagement metrics improved, with more days utilised per family and lower enrolment churn.
- Staff turnover decreased to 4.5%, reflecting improved job satisfaction and culture.
- Successful expansion with three strong-performing acquisitions completed in 1H23. Agreement executed to acquire a fourth in 2H23.

3
Centre acquisitions completed

-2.9%
Enrolment churn down to 6.0%

$35.7M
Childcare Revenue up 14.9%

-0.8%
Staff turnover down to 4.5%

100%
Centre rebranding satisfaction

70.6%
Core occupancy up 3.6%

New acquisitions

We were pleased to announce 3 centre acquisitions completed in the first half, all of which continued to perform strongly, with spot occupancy as at the week beginning 31 July 2023 of 82.9% and a post-acquisition trading multiple of 4.5x (acquired at 5x).

- **Sandringham, VIC:** Strengthens Mayfield's Bayside operations with a 60-place centre at nearly full capacity.
- **Home Hill, QLD:** Extends Mayfield's reach south of Townsville, adding an 80-place centre with strong occupancy, aligning well with existing Wulguru and Cannonvale centres.
- **Gordonvale, QLD:** Increases Mayfield's Cairns presence to five centres, collectively offering 417 licensed places, enhancing regional presence.
- **Enoggera, QLD:** Marks Mayfield's strategic entry into Brisbane, adding operational scale and access to a larger talent pool for regional growth.

"I feel that Mayfield takes the time to listen to employees without judgement and heard my voice as a centre manager. Autonomy and trust is important to me as an employee,
its empowering to feel heard and supported in giving feedback."

100%

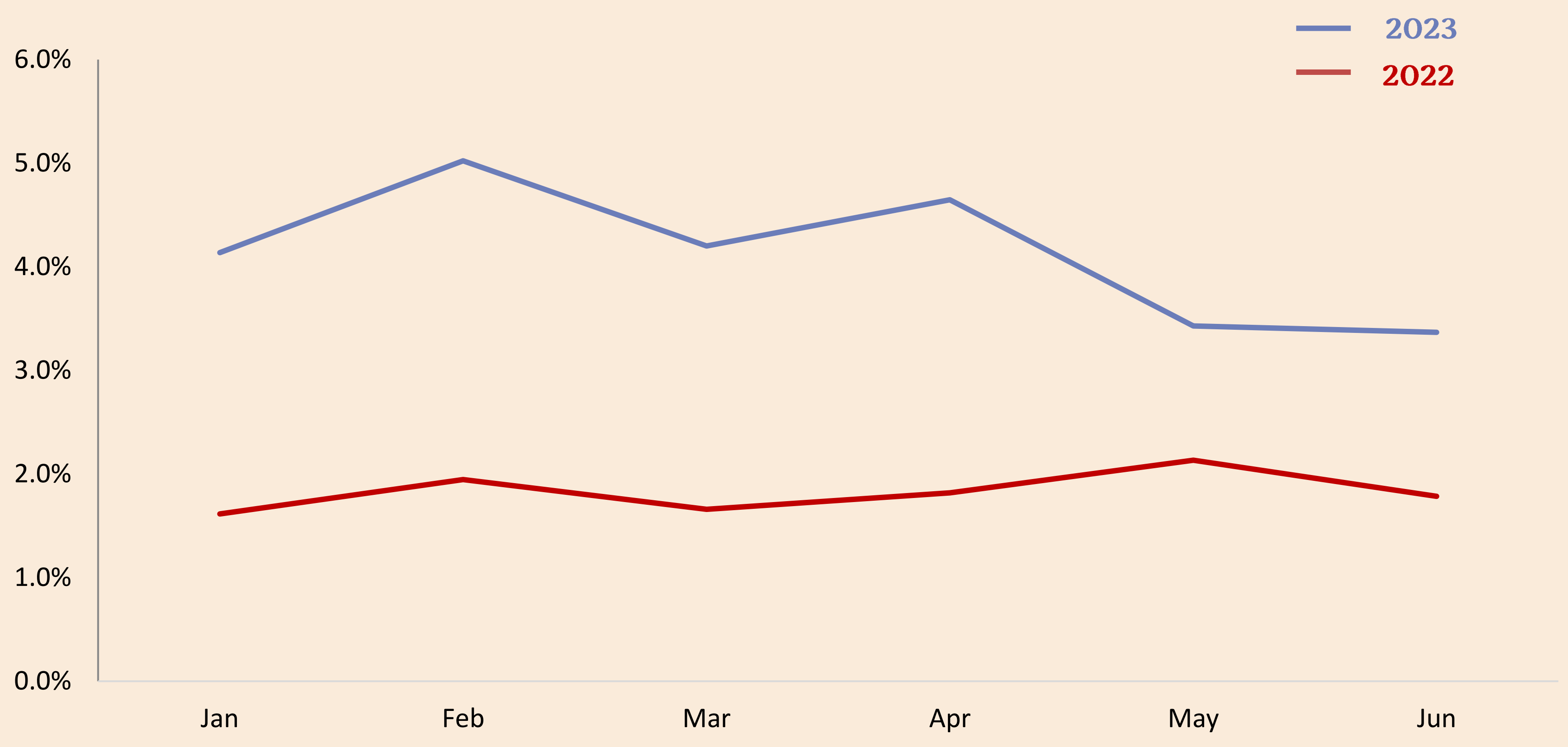
Centre rebranding staff satisfaction

02 Remediation work

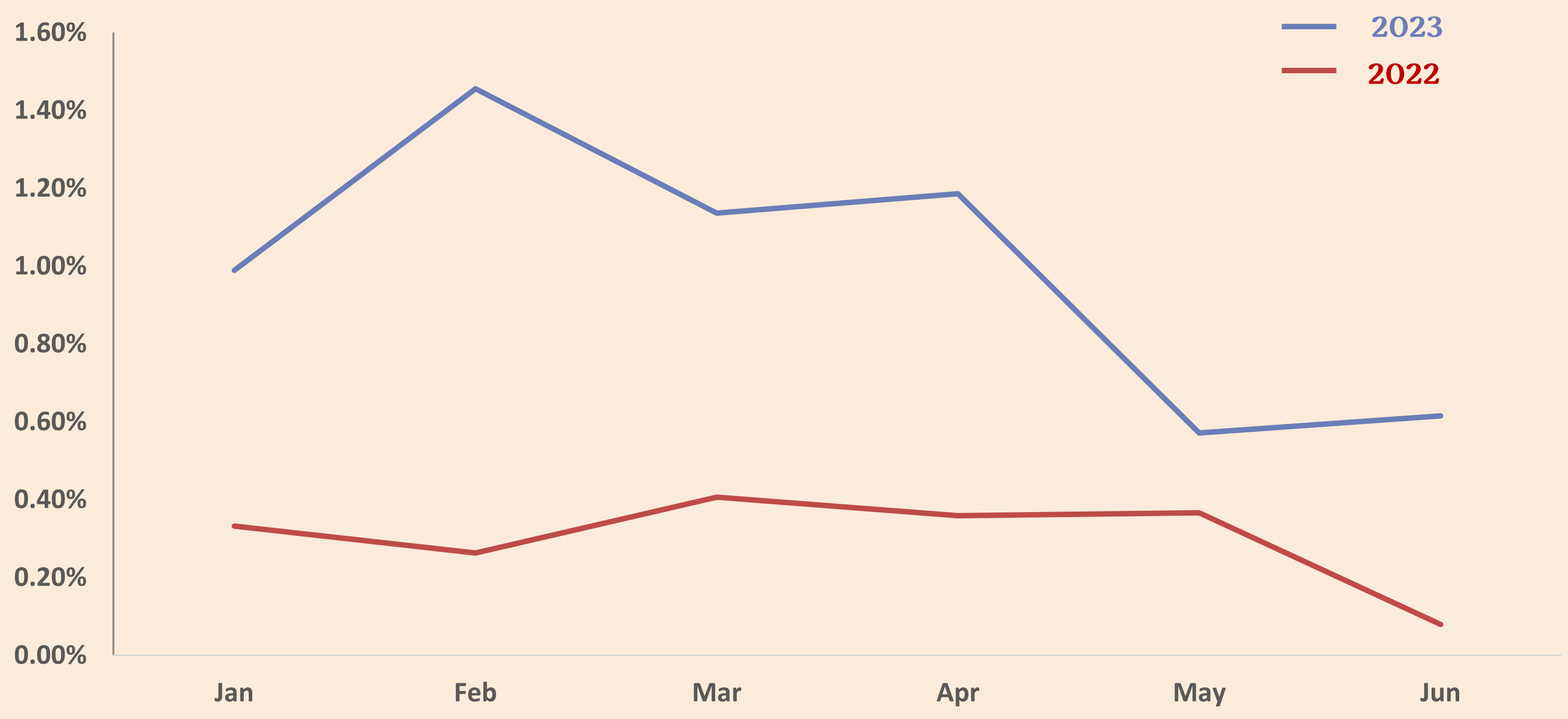
Centre remediation
Portfolio review
Compliance review

Centre Remediation

Repairs & maintenance vs Revenue



Centre resources vs Revenue

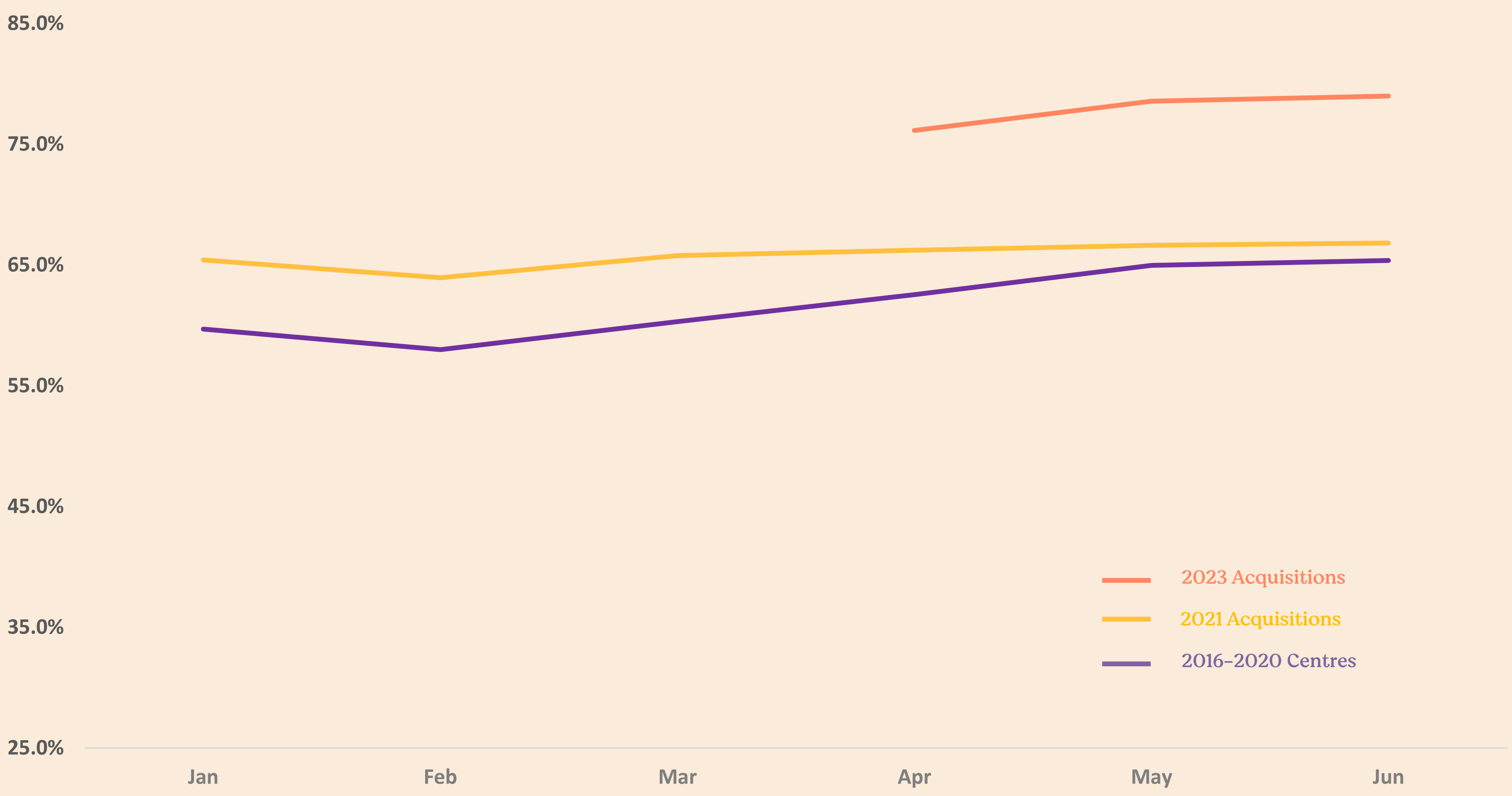


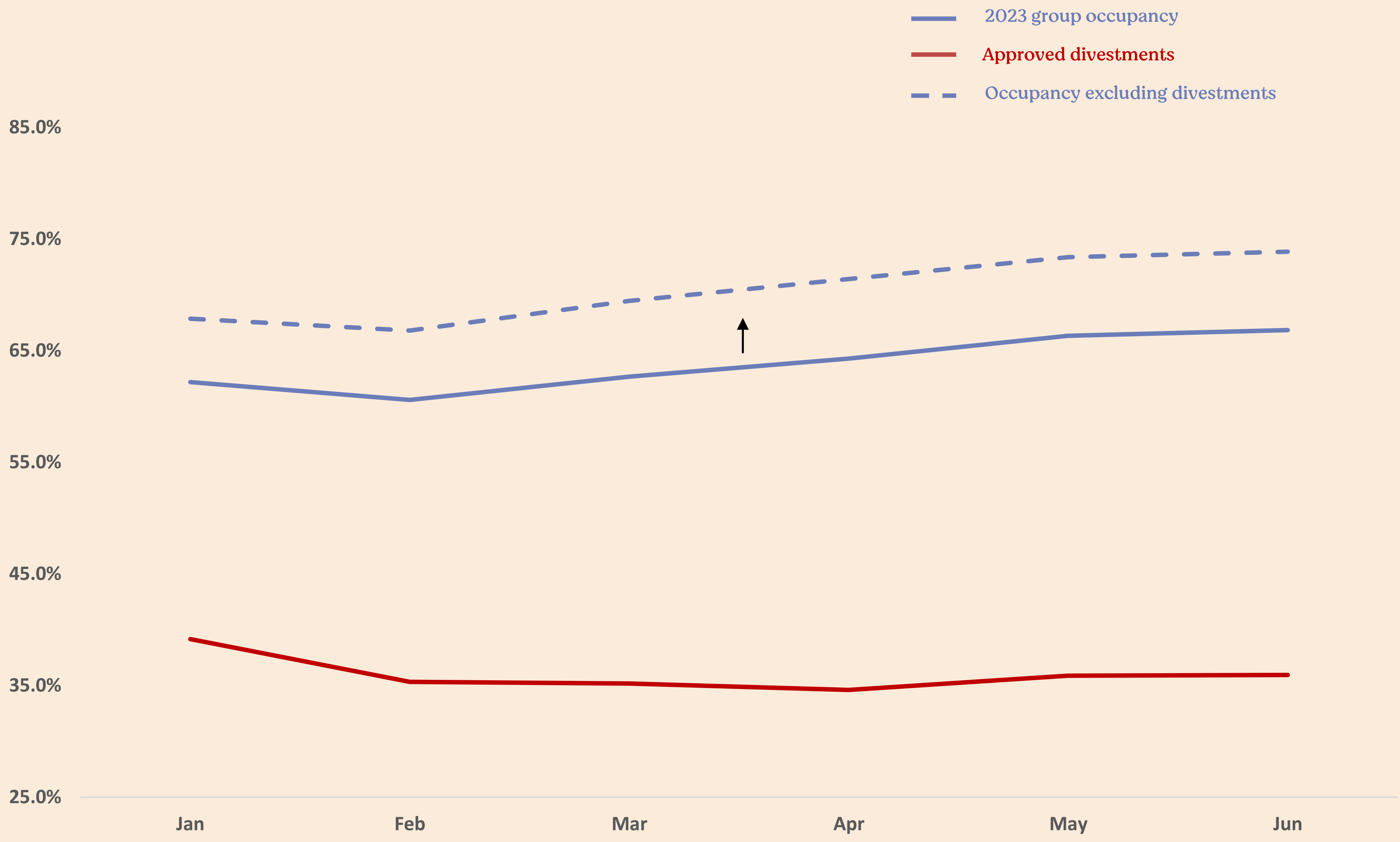
To remediate underinvestment in prior periods, the Company increased budget allocation into essential facility repairs, overseen by a new facilities manager, to ensure safety, quality, and regulatory compliance across all our centres.

- Remediation costs were driven by $0.6M in facilities maintenance work and $0.3M in required centre resources. Essential centre remediation expenditure has substantially completed.
- Expenditure reflects our commitment to enhancing the quality and safety of our centres, addressing long-standing issues identified.
- A dedicated facilities manager has been appointed to ensure separation of duties and oversee all facilities expenditure, to ensure that work is completed as expected, on time and within budget.
- Several non-compliant environments have been remediated to ensure that all centres meet or exceed industry standards and regulatory requirements.

Portfolio Review

Monthly Occupancy





- The occupancy of 2021 acquisitions was 66.5% in 1H23, reflecting 0.7% growth from the prior comparable period (pcp), the 2016-2020 portfolio delivered occupancy in 1H23 of 61.9%, up 1.5% on pcp. Both cohorts were constrained by underperforming centres.
- 2023 acquisitions continued to perform well with 1H23 occupancy of 77.9% and spot occupancy as at 31 July 2023 of 82.9% reflecting the effectiveness of management's revised acquisition approach.

- As at 1H23, centres approved for divestment delivered occupancy of 36.0% (1H22: 44.6%; 1H21: 37.9%), with 1H23 underlying negative EBITDA contribution of ($0.7M). Core centre occupancy, excluding centres approved for divestments was 70.6% in 1H23, reflecting a potential 6.7% improvement in 1H23 group occupancy of 63.9%.
- Divestment centres were identified based on: financial trends, with consistently unprofitable centres flagged; low occupancy rates; ongoing compliance issues; those unable to compete effectively in their markets; and those incurring high costs for facility, compliance, or staffing fixes. These factors indicated that such centres were not viable long-term investments and potentially more valuable if divested.

Compliance Review

1. Policies	▪ **Holistic Policy Review:** Management completed a thorough review of all existing policies, ensuring alignment with regulatory requirements across various jurisdictions. Key policies on child safety and well-being have been updated, distributed and acknowledged by all staff.
2. Training	▪ **Focused Employee Training:** Development and rollout of specialised training programs tailored to different levels within the organisation. From child safety standards to managerial consultations, robust training modules have significantly boosted incident and complaint management capabilities.
3. Procedures	▪ **Cross-Centre Alignment:** Harmonised procedures and documentation across the Group with a unified Mayfield framework. This was achieved through active consultation with centre and area managers, and the development of new resources to meet diverse needs.
4. Quality & Curriculum	▪ **NQS Excellence:** Introduction of Educational Leader targeted training has resulted in marked improvements in National Quality Standard (NQS) assessments. In January, the Group received its first "Exceeding" rating and has since had other positive assessments, with results pending. The Company strives to achieve an “Exceeding” rating for all its centres.

03 Financial Snapshot

Earnings Summary
EBITDA Drivers

Earnings Summary

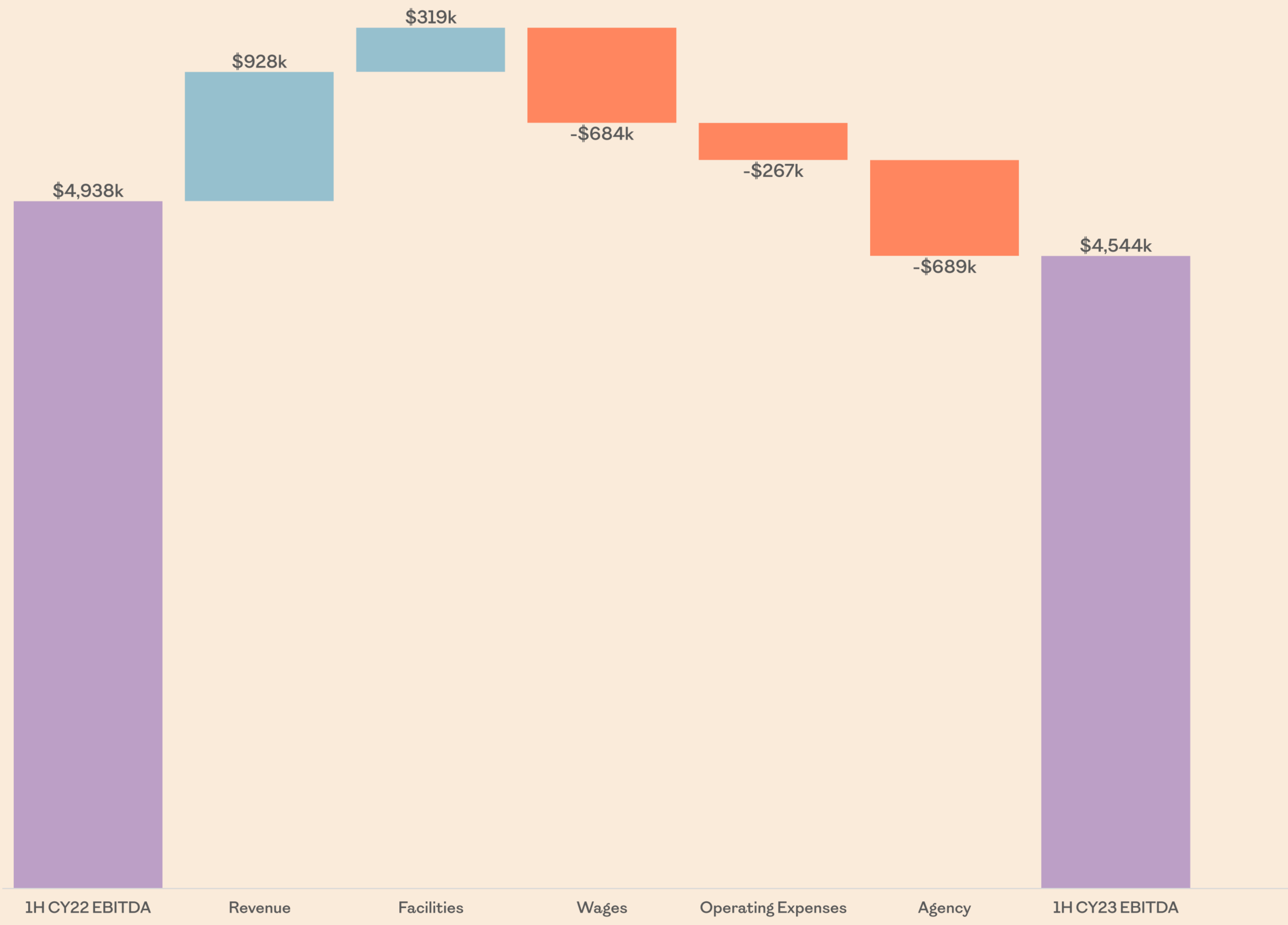
- **Childcare Revenue Growth:** A significant uptick from $31.0M to $35.7M, driven by improved occupancy rates across the Group, increased family utilization, and revenue from new acquisitions.
- **Underlying Centre EBITDA:** A $0.4M decrease to $4.5M year-over-year, primarily due to underperforming centres approved for divestment, which impacted EBITDA by ($0.7M) along with a $0.6M increase in agency staff costs at two Victorian locations.
- **Abnormal Expenses Impacting EBITDA:** Notable expenses of $0.6M for investigating prior financial misconduct and $1.3M for remedial actions related to past issues, including facility maintenance and additional administrative costs.
- **Other Income:** A decline in non-Long Day Care income, partially offset by the cessation of benefits from the terminated Genius Learning Transitional Services Agreement.
- **Financial Governance:** Investments in head office staff and governance capabilities contributing to increased operational costs but fortifying financial oversight and capability.
- **Recovery and Warranty Plans:** An ongoing effort to recover approximately $1.1M in investigation and related costs, while securing warranties against potential unidentified future misconduct.

A$ 000's	1H23 Underlying	1H22 Underlying
Childcare Revenue	35,654	31,040
Adjusted EBITDA including abnormal items	848	5,171
Insurance and other income	(669)	(1,314)
Genius Transitional Management Benefit	-	(642)
Investigation related costs	606	-
Remediation costs	1,253	-
IP Agreement & Branding	234	-
Head office staff & related costs	1,312	920
Other corporate overheads	960	803
Underlying Centre EBITDA	4,544	4,938

1. Adjusted EBITDA reflects the reversal of the impact of AASB 16 Leases.
2. Underlying Centre EBITDA reflects the reversal of the impacts of AASB 16 Leases and additionally the impact of abnormal items during the period.
3. Adjusted EBITDA and Underlying Centre EBITDA are non-statutory financial concepts and measures which are not prescribed by Australian Accounting Standards (AAS). The Directors consider that these measures are useful in gaining an understanding of the performance of the entity, consistent with internal reporting.

Underlying Centre EBITDA Drivers

- Childcare revenue uplift of $0.9M after excluding revenue from divestment centres, driven by occupancy growth, increased family engagement and the contribution from new centre acquisitions.
- Improvement in facilities reflect the cost savings from divestment centres.
- Wage and operating expense increases result from the additional costs attributed to new centre acquisitions.
- Agency cost increases were driven by a $0.6M increase in the use of agency staff at two Victorian centres due to staff shortages, required to meet centre demand.



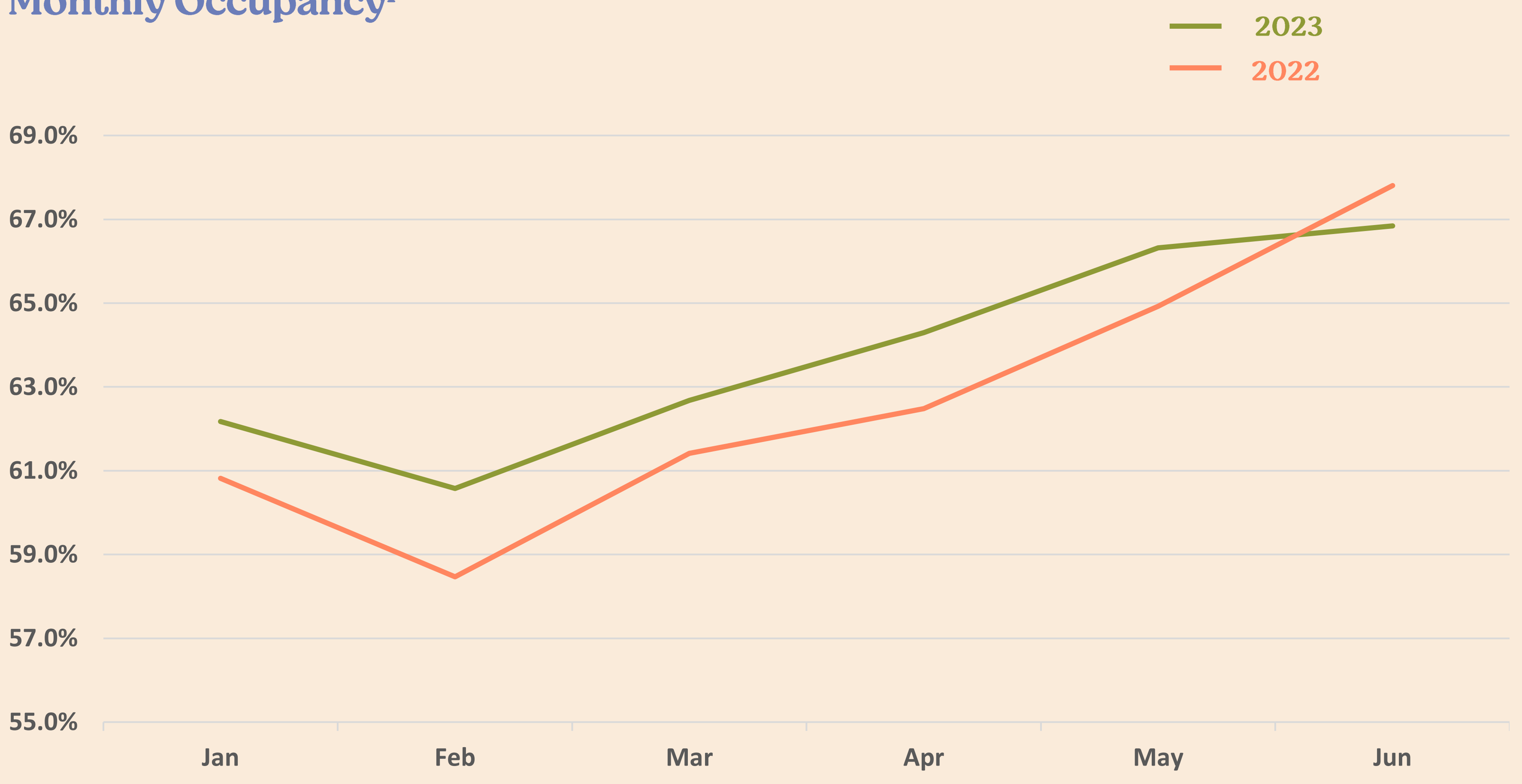
04 Operational Update:

Occupancy & Wages Outlook

mayfield

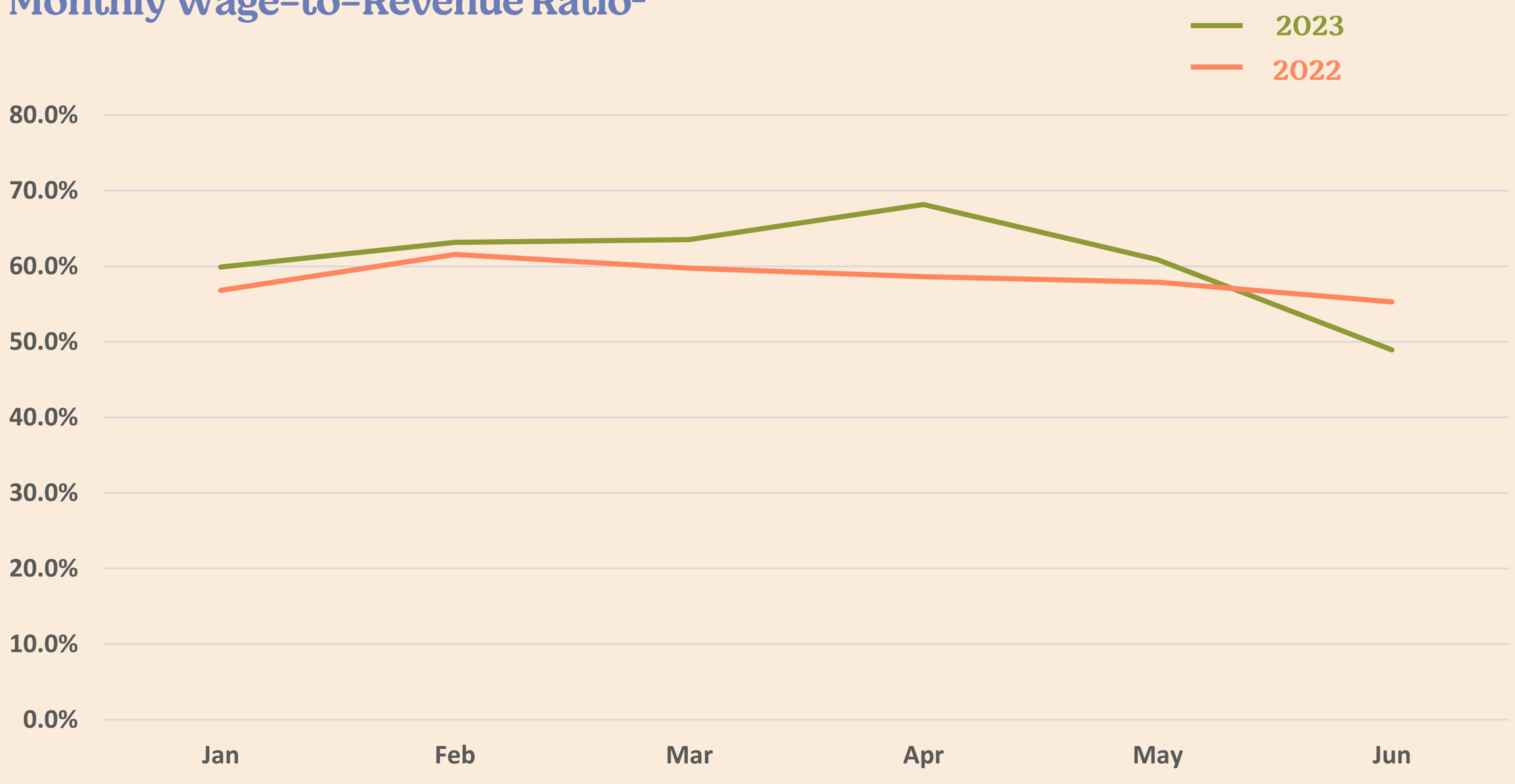
Occupancy & Wages

Monthly Occupancy[1]



- Occupancy of the Group, including planned divestments, improved 1.2% to 63.9% (1H22: 62.7%) with spot occupancy as at the week beginning 31 July 2023 of 68.8%.
- Labour shortages continued to constrain the Group's ability to maximise occupancy and leverage enrolment waitlists.

Monthly Wage-to-Revenue Ratio[2]



- Wage costs excluding agency, was marginally higher than the prior year due primarily to the underperformance of centres planned for divestment and recruitment pressures throughout the year, leading to higher wages.
- April wages were abnormally high due to incorrect PAYG payments levied by the ATO which were corrected in subsequent periods.
- A fee increase is scheduled in September to offset the 5.75% award increase which took effect on 1 July 2023.
- The Company has invested in a Talent Acquisition Specialist to reduce reliance on external recruitment and agency costs

1. Completed divestments are excluded from the 2022 data
2. Completed divestments and closed centres are excluded from the data.

CY2023 Outlook


Ryan Road, Pakenham

Outlook

- Occupancy continues to grow with core portfolio spot occupancy as at the week beginning 31 July 2023 of 76.0%.
- Cost pressures are expected to have a continued impact on 2H23. A fee increase is scheduled in September to partially offset operational cost increases and the 5.75% award increase which took effect on 1 July 2023.
- Improvements to CCS affordability in effect from 10 July 2023 is expected to have a positive flow on impact to demand. Notwithstanding this, staff shortages continue to remain a limiting factor to maximising Group occupancy, and the continued use of agency at a small number of centres will continue to compress margins in the short term.
- The Group's foundations have been strengthened by the completion of significant remediation work; coupled with 4 newly acquired high-performing centres and the planned divestment of 6 underperforming centres the Group's outlook is promising.

"Despite the significant challenges of the first half, our investment in our centres, people and brand equips us well for the road ahead. As we move into the second half of the year and look ahead to 2024, our focus turns to growth, both organic and through new acquisitions."

– CEO, Ashok Naveinthiran

Appendix – Financials:

Earnings
Cashflow
Balance Sheet

Earnings

- Childcare Revenue increased $4.6M to $35.7M driven by improved occupancy, higher family utilisation and the contribution from new centre acquisitions. After adjusting for planned divestments (core centres), childcare revenue improved $0.9M on pcp.
- Labour costs, excluding centres planned for divestment, saw a marginal $0.1M increase on pcp. Agency costs increased by $0.7M, driven largely by $0.6M usage at 2 centres in Victoria.
- Operating expenses as a percentage of revenue increased 0.3% in the core portfolio, reflecting industry wide cost pressures
- Head office staff and related costs increased by $0.4M reflecting further investment in organisational capacity and financial governance.
- Underlying EBITDA was significantly impacted by one-time expenses, resulting in a $4.3M decline on pcp.
- Wages to Revenue (WTR) ratio marginally deteriorated to 62.0% from 61.2%. When excluding agency costs WTR improved 1.3% to 58.7%.

A$ 000's	1H23 Underlying	1H22 Underlying
Childcare Revenue	35,654	31,040
Centres approved for divestment	(3,686)	-
Childcare Revenue excluding planned divestments	31,968	31,040
Labour costs	18,765	18,638
Agency costs	1,043	354
Operating expenses	1,684	1,552
Facilities costs	5,240	5,559
Centres approved for divestment	693	-
Underlying Centre EBITDA	4,544	4,938
Head office staff & related costs	(1,312)	(920)
Other corporate overheads	(960)	(803)
Adjusted EBITDA excluding abnormal items	2,272	3,215
Insurance and other income	669	1,314
Genius Transitional Management Benefit	0	642
Investigation related costs	(606)	-
Remediation costs	(1,253)	-
IP Agreement & Branding	(234)	-
Adjusted EBITDA including abnormal items	848	5,171
Underlying Centre EBITDA margin (on Childcare Revenue)	14.2%	15.9%
Wages to Revenue (%) (including Agency costs)	62.0%	61.2%
Wages to Revenue (%) (excluding Agency costs)	58.7%	60.0%

1. Adjusted EBITDA reflects the reversal of the impact of AASB 16 Leases.
2. Underlying Centre EBITDA reflects the reversal of the impacts of AASB 16 Leases and additionally the impact of abnormal items during the period.
3. Adjusted EBITDA and Underlying Centre EBITDA are non-statutory financial concepts and measures which are not prescribed by Australian Accounting Standards (AAS). The Directors consider that these measures are useful in gaining an understanding of the performance of the entity, consistent with internal reporting.

Cashflow

- Decline in operating cashflow driven by an increase in operating expenses stemming from prior period remediation work and the underperformance of centres approved for divestments.
- Increase in cash outflow from investing activities were driven by new centre acquisitions and an increase in the purchase of capitalised plant and equipment.
- Working capital drawdown for further acquisitions were partially offset by cash outflow resulting from the payment of the full year CY22 dividend.
- The Group maintains $16.5M in debt facilities available to fund further growth and as at 31 August 2023 $3.5M approved for immediate drawdown to fund past acquisitions (subject to finalisation of some facility conditions precedent).

A$ 000's	1H23 Statutory	1H22 Statutory
Cash flows from operating activities		
Customer receipts	34,920	32,088
Operating expenses	(30,846)	(21,801)
Other receipts	1,097	356
Interest paid on lease liabilities	(1,637)	(1,527)
Interest paid on borrowings	(721)	(196)
Income tax	(1,333)	(1,117)
Net cash inflow from operating activities	1,480	7,802
Cash flows from investing activities		
(Payments) for acquired centres / Proceeds from disposal of centre, net of costs	(4,342)	246
Payments for plant and equipment	(1,305)	(800)
Payments for purchases of businesses plus associated costs	-	(60)
Proceeds from return of / (payments for) security deposits	(5)	-
Proceeds from the disposal of plant and equipment	0	-
Net cash (outflow) from investing activities	(5,652)	(614)
Cash flows from financing activities		
Proceeds from / (repayment of) borrowings	7,809	(3,409)
Repayment of lease liabilities	(3,086)	(2,827)
Dividend paid	(2,861)	(401)
Share issue costs	0	(40)
Net cash inflow / (outflow) from financing activities	1,863	(6,677)
Net (decrease) / increase in cash and cash equivalents	**(2,310)**	**511**
Cash and cash equivalents at the beginning of the half-year	2,657	2,265
Cash and cash equivalents at the end of the half-year	347	2,776

mayfield

Balance Sheet

- Trade and other receivables movement driven by timing discrepancies between reporting periods.
- Current tax receivable relates to CY23 tax instalments paid in advance.
- Plant and equipment increased $0.7M reflecting the capitalisation of additional capital expenditure and acquisitions.
- Current component of Leases increased due to new centres acquired and change to current lease liability estimate.
- Increase in the Company's working capital facility, noted as non-current borrowings, were driven by the acquisition of new centres and the payment of the full year CY22 dividend.

A$ 000's	30-Jun-23 Statutory	31-Dec-22 Statutory
Cash and cash equivalents	347	2,657
Trade and other receivables	4,796	3,981
Current tax receivable	965	0
Prepayments	444	597
Total current assets	6,552	7,235
Plant and equipment	4,537	3,857
Intangibles	78,561	74,111
Right-of-use assets	136,593	131,410
Deferred tax	3,176	2,608
Total non-current assets	222,872	211,985
Total assets	229,424	219,220
Trade and other payables	4,540	4,729
Contract liabilities	1,028	812
Borrowings	0	0
Leases	10,315	6,354
Current tax liabilities	0	368
Provisions	2,680	2,434
Total current liabilities	18,563	14,697
Borrowings	11,937	4,327
Leases	133,206	130,412
Provisions	113	106
Total non-current liabilities	145,256	134,845
Total liabilities	163,819	149,541
Net assets	65,605	69,679

Mayfield Childcare Limited

Suite 2, 207–213 Waverley Road
Malvern East VIC 3145
www.mayfieldchildcare.com.au

Ashok Naveinthiran
Chief Executive Officer
anavein@mayfield.com.au
+61 3 9576 3156

Chris Hayes
Chief Financial Officer
chayes@mayfield.com.au
+61 3 9576 3156

Andrew Angus
Investor Relations
andrewangus@overlandadvisers.com.au
+61 402 823 757