nido
Education Limited

PROSPECTUS

Nido Education Limited
ACN 650 967 703

Initial Public Offer

Prospectus for the offer of up to 99.2 million fully paid ordinary shares at an offer price of $1.00 per Share to raise gross proceeds of $99.2 million.

This offer is fully underwritten.

BRINGING LEARNING TO LIFE

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cg/ Investment Banking
Canaccord Genuity

WILSONS

MA Moelis Australia

IMPORTANT INFORMATION

This is an important document which should be read in its entirety before making any investment decision. You should obtain independent advice if you have any questions about any of the matters contained in this Prospectus.

Offer

This Prospectus contains an invitation by the Company to acquire Shares. The Prospectus is issued by the Company and supports the initial public offering of the Company. This Prospectus is issued by the Company for the purpose of Chapter 6D of the Corporations Act.

Lodgement and listing

This Prospectus is dated 20 September 2023 ("**Prospectus Date**") and a copy has been lodged with the Australian Securities and Investments Commission ("**ASIC**") on that date. This is a replacement prospectus which replaces the prospectus dated 13 September 2023 relating to Shares in the Company and lodged with ASIC on that date ("**Original Prospectus**"). A summary of the material changes from the Original Prospectus include:

- additional disclosure in Section 3.3 in relation to the current NQS ratings of Nido's Centres;
- clarification of Figure 35 in relation to the manner in which AEBIDTA growth was displayed; and
- ancillary updates to this Prospectus resulting from lodgement of this replacement Prospectus.

The Company has applied to ASX Limited ("**ASX**") for admission of the Company to the official list of ASX and quotation of its Shares on ASX. Neither ASIC nor ASX takes any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates.

Expiry Date

This Prospectus expires on 12 October 2024 ("**Expiry Date**"). No Shares will be allotted, issued, transferred or sold on the basis of this Prospectus after the Expiry Date.

Note to Applicants

No person is authorised to provide any information, or to make any representation, about the Company or the Offer that is not contained in this Prospectus. Potential investors should only rely on the information contained in this Prospectus. Any information or representation which is not contained in this Prospectus may not be relied on as having been authorised by the Company or any other person in connection with the Offer. Except as required by law and only to the extent so required, neither the Company nor any person associated with the Company or the Offer guarantees or warrants the future performance of the Company, the return on an investment made under the Prospectus, the repayment of capital or the payment of dividends on the Shares.

The information in this Prospectus is not investment or financial product advice and has been prepared as general information only, without taking into account your investment objectives, financial situation or particular needs. The Company is not licensed to provide financial product advice in relation to the Shares or any other financial products.

It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company. In particular, you should consider the assumptions underlying the Pro forma Historical Financial Information and the Forecast Financial Information (see Section 4) and the risk factors that could affect the business, financial condition and financial performance of the Company. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest in the Shares. No cooling off regime (whether provided for by law or otherwise) applies in respect of the acquisition of Shares under this Prospectus. This means that, in most circumstances, you cannot withdraw your application once it has been accepted.

No person named in this Prospectus, nor any other person, guarantees the performance of the Company or the repayment of capital or any return on investment made pursuant to this Prospectus.

Statements of past performance

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance is not indicative of future performance.

Financial information presentation

Section 4 sets out in detail the financial information referred to in this Prospectus. The basis of preparation of that information is set out in Section 4 and Section 10.

Investors should note that certain financial data included in this Prospectus is not recognised under the Australian Accounting Standards and is classified as 'non-IFRS financial information' under ASIC Regulatory Guide 230 'Disclosing non-IFRS financial information'. The Company considers that this non-IFRS information provides useful information to users in measuring the financial performance and condition of the Group. The non-IFRS financial measures do not have standardised meanings under the Australian Accounting Standards and therefore may not be comparable to similarly titled measures presented by other entities, nor should they be interpreted as an alternative to other financial measures determined in accordance with the Australian Accounting Standards. Investors are cautioned therefore not to place undue reliance on any non-IFRS financial information and ratios included in this Prospectus.

All financial amounts contained in this Prospectus are expressed in Australian dollars ("**A$**") and rounded to the nearest A$0.1 million unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus may be due to rounding.

Forward looking statements and statements from third parties

This Prospectus contains forward looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that involve risks and uncertainties. The Forecast Financial Information is an example of forward looking statements.

Any forward looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. Such statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company and its Directors and Management.

Forward looking statements should therefore be read in conjunction with, and are qualified by reference to, the discussion of the Historical Financial Information and the Forecast Financial Information in Section 4, specific assumptions and general assumptions as set out in Section 4.10.1 the sensitivities as set out in Section 4.12 and other information in this Prospectus and the risk factors as set out in Section 5.

The Company cannot and does not give any assurances that the results, performance or achievements expressed or implied by the forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward looking statements. The Company has no intention of updating or revising forward looking statements, or publishing prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information, contained in this Prospectus, except where required by law.

Industry and third-party market data

This Prospectus, including the industry overview in Section 2, uses statistics, market data and third party estimates and other information (including industry forecasts and projections).

The Company has obtained portions of this information from databases and research prepared by third parties, including Frost & Sullivan. Certain information contained in this Prospectus has been extracted by the Company from these reports and are based on the Company's analysis of such information. None of the authors of the reports noted in this paragraph have authorised or approved the publication of this Prospectus.

The market and industry data has not been independently prepared or verified and neither the Company nor any other person in connection with the Offer can assure you as to its accuracy or the accuracy of the underlying assumptions used to estimate such data. Industry assumptions, estimates and forecasts involve risks and uncertainties and are subject to change based on various factors, including those described in the risk factors set out in Section 5. There is no assurance that any of the third party estimates or projections contained in this Prospectus will be achieved.

Market data and statistics are inherently subject to a range of limitations and possible errors, including errors in data collection and the possibility that relevant data has been omitted. As a result, this data is subject to uncertainty and not necessarily reflective of actual market conditions.

Disclaimer

Neither the Company nor any other person in connection with the Offer warrants or guarantees the future performance of the Company, or any return on any investment made pursuant to this Prospectus.

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Prospectus. Any information not so contained may not be relied on as having been authorised by the Company or any other person in connection with the Offer. You should rely only on information in this Prospectus.

As set out in Section 7, it is expected that the Shares will be quoted on the ASX. The Company and the Share Registry disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement.

This disclaimer does not purport to disclaim any warranty or liability which cannot be disclaimed by law.

Exposure Period

The Corporations Act prohibits the Company from processing Applications in the seven days after the date of the lodgement of the Original Prospectus with ASIC ("**Exposure Period**"). The Exposure Period may be extended by ASIC by up to a further seven days.

The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus. If material deficiencies are detected, the Company may:

- return any Application Monies that the Company has received;
- provide each Applicant with a supplementary or replacement Prospectus that corrects the deficiency, and give each Applicant the option to withdraw the Application within one month and be repaid the Application Monies; or
- provide to each Applicant the Shares applied for in the Application, provide each Applicant with a supplementary or replacement Prospectus that corrects the deficiency and give each Applicant the option to withdraw the Application within one month.

Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

During the Exposure Period, this Prospectus will be made generally available to Australian residents, without the Application Forms, at the Offer website, www.computersharecas.com.au/ndoipo.

Obtaining a copy of this Prospectus

Applications for Shares may be made on the appropriate Application Form included in, or accompanying, this Prospectus in its paper copy form, or in its electronic form which must be downloaded in its entirety from www.computersharecas.com.au/ndoipo. By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is included in, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus.

The Offer under this Prospectus in electronic form is available to persons receiving an electronic version of this Prospectus within Australia. The Company is entitled to refuse an application for Shares under this Prospectus if it believes the Applicant received the Offer in electronic form outside Australia in non-compliance with the laws of the relevant foreign jurisdictions.

Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must only access this Prospectus from within Australia, or any jurisdiction outside Australia where the distribution of the electronic version of this Prospectus is not restricted by law.

Shares to which this Prospectus relates will only be issued or transferred on receipt of an Application Form issued together with this Prospectus.

During the Offer Period any person who is not in the United States, not a US Person and is not acting for the account or benefit of any US Person may obtain a paper copy of this Prospectus by contacting the Company.

Privacy

By completing an Application Form, you are providing personal information to the Company and the Share Registry, which is contracted by the Company to manage Applications. The Company, and the Share Registry on its behalf, collect, hold and use that personal information to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

Once you become a Shareholder, the Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the Shares you hold) to be included in the Company's public share register. The information must continue to be included in the Company's public share register even if you cease to be a Shareholder.

If you do not provide all the information requested, your Application Form may not be able to be processed. The Company, and the Share Registry on its behalf, may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the *Privacy Act 1988* (Cth):

- the Share Registry for ongoing administration of the Company's public share register;
- printers and other companies for the purposes of preparation and distribution of documents and for handling mail;
- the Company and its advisers in order to assess your Application;
- market research companies for the purpose of analysing the Company's Shareholder base; and
- legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering and advising on the Shares and for associated actions.

You may request access to your personal information held by, or on behalf of, the Company. You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Company or its Share Registry. The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

In accordance with the requirements of the Corporations Act, information on the Company's share register will be accessible by members of the public. The information contained in the Company's share register must remain there even if that person ceases to be a Shareholder. Information contained in the Company's share register is also used to facilitate dividend payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements.

An Applicant has a right to gain access to the information that the Company and the Share Registry hold about that person, subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing or by telephone call to the Company's registered office or the Share Registry's office, details of which are disclosed in the Corporate Directory at the back of this Prospectus.

Photographs and diagrams

Photographs and diagrams used in this Prospectus are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

Photographs in this Prospectus may be used under licence. The downloading, republication, retransmission, reproduction or other use of those photographs other than in this Prospectus is prohibited.

Applications

By lodging an Application Form, you declare that you were given access to the entire Prospectus, together with an Application Form. The Company will not accept a completed Application Form if it has reason to believe that an Application Form lodged by an Applicant was not accompanied by, or included in, the Prospectus or if it has reason to believe that the Application Form has been altered or tampered with in any way.

Detailed instructions on completing the Application Forms can be found on the back of the Application Forms. The acceptance of an Application Form and the allocation of Shares are at the sole and absolute discretion of the Company.

No guarantee

The Shares to be issued and sold under this Prospectus carry no guarantee with respect to payment of dividends, returns of capital or the market value of those Shares.

Company website

Any references to documents included on the Company's website at www.nidoeducation.edu.au or the Offer website at www.computersharecas.com.au/ndoipo are provided for convenience only, and none of the documents or other information available on either website is incorporated by reference into this Prospectus.

Currency

References in this Prospectus to currency are to Australian dollars unless otherwise indicated.

Glossary

Certain terms and abbreviations in this Prospectus have defined meanings that are explained in the Glossary to this Prospectus. Defined terms are generally identifiable by the use of an upper case first letter.

Investigating Accountant's Report on the Financial Information and financial services guide

The provider of the Investigating Accountant's Report on the Financial Information is required to provide Australian retail investors with a financial services guide in relation to its independent review under the Corporations Act. The Investigating Accountant's Report and accompanying financial services guide are provided in Section 8.

This document is important and should be read in its entirety.

CONTENTS

KEY OFFER STATISTICS

Key Offer statistics[1]	
Offer Price per Share	$1.00
Total proceeds to be raised under the Offer	$99.2 million
Total New Shares to be issued under the Offer	99.2 million
Total Shares to be held by Existing Shareholders on Completion[2]	120.3 million
Total Shares on issue immediately after Completion of the Offer (on an undiluted basis)	219.5 million
Number of options on issue at Completion of the Offer	14.2 million
Total number of securities on issue on Completion of the Offer (on a fully diluted basis)	233.7 million
Indicative market capitalisation (at the Offer Price)[3]	$219.5 million
Pro forma net debt excluding leases[4]	$4.5 million
Enterprise Value on Completion of the Offer (at the Offer Price)[5]	$224.0 million
Enterprise Value / pro forma CY24 forecast AEBITDA[6] (excluding the impact of share option expense)	8.0x
Indicative market capitalisation (at the Offer Price) / pro forma CY24 forecast ANPAT[7] (excluding the impact of share option expense)	12.0x

1. Certain Key Offer statistics in this table contain Forecast Financial Information. The Forecast Financial Information is set out in Section 4 and has been prepared on the basis of the best estimate assumptions set out in Section 4.10 and the accounting policies set out in Section 10 and should be read in conjunction with the discussion of the Financial Information in Section 4.11 (including the sensitivities set out in Section 4.12), and the risk factors set out in Section 5. Certain Key Offer statistics in this table contain non-IFRS financial measures, which are discussed in Section 4.2.5.
2. Inclusive of Shares received in consideration for shares held by Mathew Edward's associated entities in AES but excludes approximately 4.6 million Shares (based on the Offer Price), although the actual number of Shares to be issued will depend on the VWAP of the Shares on the ASX prior to the date of issue of these Shares, that will initially be issued to the trustee of the Nido Employee Share Trust to hold on behalf of Mathew Edwards following receipt by Nido of a performance bonus described in Section 6.6 and subsequently transferred to a charitable foundation that Mathew Edwards may have influence over.
3. Calculated as the total number of Shares on issue following Completion of the Offer multiplied by the Offer Price. Shares may not trade at the Offer Price after Listing.
4. Assumes the mid-point of the expected range of cash on hand following Completion of the Offer and includes rental bonds, and deferred consideration but excludes lease liabilities.
5. Enterprise Value is calculated as the sum of market capitalisation at the Offer Price plus pro forma net debt (excluding leases).
6. AEBITDA is EBITDA with rent expense deducted to reflect the accounting treatment prior to the application of AASB16 *Leases*.
7. ANPAT is Net Profit After Tax with rent expense lease financing costs and depreciation costs for Right of Use Assets, and associated tax effects adjusted to reflect their respective accounting treatment prior to the application of AASB16 *Leases*.

KEY DATES

Key Dates	
Prospectus Date	20 September 2023
Offer opens	21 September 2023
Offer closes and Applications due	4 October 2023
Settlement	9 October 2023
Issue and allotment of Shares and Completion of Offer	10 October 2023
Expected dispatch of holding statements	11 October 2023
Shares begin ASX trading (normal settlement basis)	16 October 2023

Dates may change

The dates above are indicative only and may be subject to change without notice.

The Company, in consultation with the Joint Lead Managers, reserves the right to vary any and all of the times and dates of the Offer including (subject to the ASX Listing Rules and Corporations Act) to close the Offer early, extend the Offer, accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before Completion, in each case without notification to any recipient of this Prospectus or any Applicant. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law. If the Offer is cancelled or withdrawn before Completion, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements under the Corporations Act.

Investors are therefore encouraged to submit their Application Forms as early as possible after the Offer opens.

The admission of the Company to the Official List and the commencement of quotation of the Shares are subject to confirmation from ASX.

Unless otherwise indicated, all times are stated in Sydney time.

How to invest

Applications for Shares can only be made by completing and lodging an Application Form included in or accompanying this Prospectus.

Instructions on how to apply for Shares are set out in Section 7.10 (for applications under the Broker Firm Offer) and on the back of the Application Form.

Questions

Please call the Nido Offer Information Line on 1300 918 434 (within Australia) or +61 3 9415 4826 (outside Australia) from 8.30am until 5.00pm (AEST) Monday to Friday (excluding public holidays). If you are unclear in relation to any matter relating to the Offer or are uncertain as to whether Shares in the Company are a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.

DEAR INVESTOR

20 September 2023

On behalf of the Board of Directors of Nido Education Limited it is my great pleasure to invite you to become a shareholder of Nido.

Nido, through relevant operating subsidiaries, is an operator of long day early childhood education and care services ("**child care Centres**" or "**Centres**") across Australia. As at the Prospectus Date, Nido owns and operates 28 Centres and will acquire a further 24 Centres shortly before Listing, taking the Nido Centre portfolio to 52 owned and operated Centres on Listing.

Nido's purpose is to create an environment that supports teachers to rise and make a positive impact on the lives of children. We do this through treating people as competent and capable, providing quality learning resources and training opportunities, and supporting people to self-empower and rise.

We lend our voice and use our resources to advocate for all children's right to quality early education regardless of their families' circumstances. Nido operates and develops child care Centres in suburban Australia to high standards, delivering families with high-quality early education Centres.

Nido plans to continue expanding its Centre portfolio through its Incubator relationships. Incubators are third parties that take on the financial risk of developing Centres from greenfield sites (where the site has been developed and built from the ground up) with the assistance and management of Nido, and once they mature, Nido has an exclusive call option to acquire the Centres at a pre agreed multiple of AEBIT (based on a seasonally adjusted last six months and then annualised).

The Incubators are targeting the development of 20 to 30 new Centres per year. In addition to managing Centres for the Incubators, Nido also manages 41 Centres on behalf of third parties, see Section 3.7 for further details.

Nido's business model provides a platform which allows Nido to be an operator of mature Centres over time. With an incubation acquisition pipeline to deliver high occupancy and profitable Centres with limited exposure to development risk. Nido manages all aspects of each Centre from commencement which leads to little or no integration risk for Nido post the acquisition.

Growth in the child care industry is partly driven by growing participation of women in the workforce, the number of families with both partners at work, population growth and government funding and policy support. With families having to work, we believe we have a responsibility and obligation to support these families by providing their children with the best possible early education.

The Directors have significant experience in the Australian child care industry, as does our senior management team led by our founder and Managing Director, Mathew Edwards. Mathew has a wealth of experience owning and operating high performing child care businesses, including Think Childcare Limited which he founded and led until its privatisation in 2021.

As with any industry or investment there are associated risks and with Nido these specific risks include the close regulation of the child care industry under the national *Education and Care Services National Law Act 2010*, as administered by State or Territory based regulatory authorities; Commonwealth funding which provides significant support and assistance to the child care industry and families (approximately 59% of Nido's last twelve months' revenue was derived from this funding support) and is susceptible to change, especially in light of the current inquiries into the child care industry. Other risks include the potential unsuccessful execution of Nido's business plan, including the integration of 24 Centres acquired at Listing and financial forecasting risk, including assumptions regarding occupancy levels, fee increases, and Centre based wages and salaries and other operating expenses. Please refer to the risks outlined in section 5 of this Prospectus for further details.

Under this Prospectus, Nido is making an Offer to investors of 99.2 million Shares at $1.00 per Share to raise $99.2 million, with the Offer proceeds being principally used to acquire the 24 Centres, to fund working capital and to pay the Offer costs.

The Offer is fully underwritten by Canaccord, Moelis and Wilsons.

I strongly recommend that potential investors read this Prospectus in its entirety so that they have a comprehensive understanding of our business and the risks to our business. I look forward to welcoming you as a shareholder.

Yours faithfully

Mark Kerr

Mark Kerr
Chair
Nido Education Limited

1. INVESTMENT OVERVIEW

1. INVESTMENT OVERVIEW

1.1 Business overview

Topic	Summary	For more information
Who is Nido?	Nido Education Limited is a national owner, operator and manager of long day early childhood education and care services ("**Centres**" or "**child care Centres**"), operating under the Nido Early School brand. Nido's business strategy is to be an owner and operator of child care Centres that have a high occupancy (which Nido defines as having greater than an 80% average over the previous 6 months) and proven profitability (which Nido defines as greater than $5,500 EBIT per licensed place per annum). All Nido Centres are purpose built and designed for Nido to standards and specifications that allow Nido to provide quality education. Nido has actively chosen to locate its Centres in suburban areas, seeking to serve everyday families. As at the Prospectus Date, Nido, through relevant operating subsidiaries, owns 28 Centres, and on Listing, Nido will have acquired a further 24 Centres, taking the Nido Centre portfolio to 52 owned and operated Centres. In addition to the 52 Centres that Nido will own and operate on Listing, Nido manages 41 Centres, taking the total number of Nido owned, operated, and managed Centres to 93, with a total maximum capacity of 8,174 children per day that can be educated.	Section 3.1
When was Nido established?	Nido was founded by Managing Director Mathew Edwards, following the sale of the then ASX listed Think Childcare group ("**TNK**" or "**Think Childcare**") in October 2021. Through the Think Childcare group transaction, Busy Bees acquired the 72 operating Centres operated by TNK. Nido, then controlled by Mathew Edwards, concurrently acquired 100% of TND, consisting of 16 Centres in Trade Up, a development pipeline of sites for Centres, the TNK head office team, the 'Nido Early School' brand and all subsidiaries of TND, to form the Nido group ("**Nido Group**"). Since 2021, Nido has grown through developing Centres in its own right and in partnership with third parties and through third party incubators.	Section 3.1
What are the objectives of Nido?	**Nido's purpose** – Create an environment that supports teachers to rise and make a positive impact on the lives of children. **Nido's mission** – Create an environment where people feel happy and fulfilled in their roles, with all our schools delivering quality education that meets or exceeds, in the Nido way, the National Quality Standard ("**NQS**"). **Nido's vision** – Build the capacity of the world's teachers so they can deliver quality early education to children in all places and in all circumstances.	Section 3.1

Topic	Summary	For more information
What is Nido's incubation growth model?	Nido has a model of growth which seeks to reduce, for Nido, the inherent Trade Up risk of opening a new Centre. The Nido model seeks to target the development of 20-30 new Centres by Incubators per year, with the intent to provide Nido with a pipeline of new Centres that Nido will have an exclusive call option to acquire. The acquired purpose-built Nido Centres will be trading at an average occupancy exceeding 80% (over the previous six months) with a proven profitability at a known acquisition multiple of 4.5x AEBIT. Nido has agreements with NAED, its primary incubator. NAED is 100% externally owned, receiving equity funding of $25m from private investors through Alceon Private Equity ("**Alceon**") and by Nido providing, under a loan agreement, an interest-bearing loan facility of up to $25m. Mathew Edwards is one of three directors of NAED but he has no equity interests in NAED. The operational arrangements with NAED are documented in a Centre Management Deed ("**NAED CMD**") and the NAED Loan Agreement, which governs how sites are selected, managed and potentially acquired by Nido, which provides protection for Nido's future portfolio. NAED enters the lease, employs staff, funds the development and takes on the Trade Up risk.	Section 3.2
What is the Offer?	The Offer is an offering of 99.2 million Shares to raise proceeds of $99.2 million. The Offer Price is $1.00 per Share. Each Share issued under the Offer will rank equally with all other Shares then on issue.	Section 7.1
Is the Offer conditional?	Completion of the Offer is conditional on ASX approving Nido's application for Listing. If ASX does not approve Nido's application within three months after the date of the Original Prospectus (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.	Section 7.9
What is Nido's ASX code?	Nido's ASX code will be "**NDO**".	Section 7.9

Topic	Summary	For more information
Why is the Offer being conducted?	The Offer is expected to raise approximately $99.2 million. The purpose of the Offer is to: • provide Nido with capital to complete the Acquisitions, being the acquisition of 24 Centres from Incubators; • provide Nido with incremental capital to provide as rental bonds and for stamp duty costs related to the Acquisitions; • provide Nido with capital to provide the first tranche of the NAED Loan; • provide Nido with capital for working capital purposes and costs of the Offer; • provide Nido with the benefits of an increased profile that arises from being a publicly listed entity; • provide Nido with a market for the Shares and an opportunity for others to invest in the Company; and • assist Nido in attracting and retaining quality employees.	Section 7.4

1.2 The industry

Topic	Summary	For more information
In which industry does Nido operate?	Nido operates in the Australian child care industry, which provides care and early-stage education to children aged 0 to 12 years of age. The formal types of child care services provided in the industry include: • **centre-based day care** – child care that is provided in licensed or registered Centres; • **family day care** – child care that is usually in the residence of an approved educator; and • **outside school hours care** – child care before and after school hours and during school vacations for children who normally attend school. In the September quarter of 2022, approximately 1.4 million children were using child care services in Australia, which represents an increase of 37% over the September quarter of 2012. Nido specialises in the ownership and operation of long day care Centres, and in the September quarter of 2022, 57% of all children in Australian child care were in Centre-based day care.	Section 2.1, 2.3.2 and 2.4

Topic	Summary	For more information
Who are the market participants?	As of 1 April 2023, there were 17,278 Centres in Australia, with long day care accounting for 51% of the total, followed by outside school hours care at 29%. The child care industry is highly fragmented, which is evident by the fact that as of 1 April 2023, operators with only one Centre accounted for 79% of the total number of operators in the industry, but only a third of total Centres provided. In the multi-centre child care Centre segment, the market is comprised of: • not-for-profit owned services, including Goodstart Early Learning, C&K, and KU Children's Services; • private equity owned services, including Affinity Education, Guardian Child care & Education and Busy Bees; and • publicly listed services, including G8 Education, Mayfield Childcare, and Embark Education Group.	Section 2.5
What are the key drivers of the industry in which Nido operates?	The key factors which the Company believes are driving increased demand for child care are: • **Increasing participation of women in the workforce** – the percentage of women in the working age population in the labour force has risen from 43.3% in March 1978 to 62.5% in March 2023. • **Growth in the number of families with both partners at work** – as of June 2022, the majority (71.4%) of couple families with dependants had both parents employed. Between 2005 and 2022, this population group has grown 46%. • **Population growth in Australia** – the population in the 0–5 year age group has grown from 1.77 million in June 2012 to 2.03 million in June 2022 and is projected to grow to 2.30 million by June 2032. • **Government funding and policy support** – the child care industry is viewed by the Australian Government as a critical constituent of the country's economic and social infrastructure. Families who meet the eligibility requirements can access the Child Care Subsidy ("**CCS**"). • **Efforts to improve quality of care** – since 2013, the proportion of child care services that are 'Meeting or Exceeding' the National Quality Standard has increased from around 55% to 88%. • **Higher fee for services and higher utilisation** – the average hourly fee that a Centre-based day care receives has shown a strong upward trend, growing by 16% between the September quarter 2018 and the June quarter 2022.	Section 2.3

Topic	Summary	For more information
What are the key drivers of the industry in which Nido operates? *continued*	• **Efforts to reduce the skilled workforce shortage** – recent efforts include more university places and fee-free Technical and Further Education and vocational education places for child care; introduction of accelerated degrees; ACECQA's extension of the timeframe for recognition of qualifications considered to be equivalent to an early childhood teacher; and increased immigration levels. • **Increased awareness and appreciation of the benefits of structured early learning** – analysis of data from the Longitudinal Study of Australian Children ("**LSAC**") shows that greater hours in Centre-based child care have been shown to have positive effects on children's fluid intelligence at age seven.	Section 2.3

1.3 Key features of Nido's business model

Topic	Summary	For more information
How does Nido generate revenue?	Nido derives its revenue from fees paid by parents and government subsidies for long day child care services provided at Centres. The Company's revenue is principally determined by three main factors: • the number of licensed child places within a given Centre; • the occupancy rate of the Centre; and • the Centres' daily fee in a period. Additionally, Nido provides establishment and management services to NAED and receives fees for these services. In addition, Nido, through a group entity, Nest Management Pty Ltd ("**Nest Management**"), has a Centre Management Agreement in place with Busy Bees Australia Operations Pty Ltd ("**Busy Bees Australia**") to manage a further 34 Centres ("**Busy Bees CMA**"). In addition to the CMA with Busy Bees Australia, Nido also has Centre management agreements in place with four third party Incubators to manage an additional four Centres.	Section 3.4 and 3.7
Where are Nido Centres located?	As at the Prospectus Date, Nido owns and operates 28 Centres and immediately after the issue of the Shares under the IPO will complete the acquisition of a further 24 Centres, taking the total Nido Centre portfolio to 52 owned and operated Centres. Nido's competitive advantage is its business model of strategically operated Centres in locations where child care is deemed a necessity rather than a luxury, this allows Nido to establish a consistent customer base with long-term business growth.	Section 3.3

Topic	Summary	For more information
What is Nido's growth strategy?	Nido's management team's deep industry expertise and capabilities, combined with its Incubator arrangements, position Nido to successfully execute on its key growth opportunities: • **Improving profitability of Nido's Centres** – Nido will leverage the strength of its management team and Centre leadership structure to deliver organic growth opportunities including driving growth through increasing occupancy of Nido's portfolio at completion, average daily fee increases, and the efficient management of wages and general operational expenditure; and • **Growth through acquisition** – Nido's relationships with Incubators provides a direct pipeline of purpose-built high occupancy Centres, with proven profitability for Nido to acquire. Nido's acquisition growth strategy will focus on its Incubator arrangement with NAED. Nido will work strategically with property development partners to target areas of interest to continue building a portfolio of purpose-built Centres achieved through Nido's relationship with NAED, which provides an exclusive pipeline of Nido specific Centres.	Section 3.2.6
What is the Company's integration strategy?	Nido's incubation growth model seeks to reduce, for Nido, the inherent Trade Up risk of opening a brand-new Centre. One of the key benefits of the Incubation strategy is that Centre employees and families experience little to no change in their day-to-day activities post-acquisition by Nido, limiting integration risk. Nido believes the integration risks of mature Centres into the Nido portfolio are significantly reduced by the fact that Nido has oversight throughout the development process, including site selection and fit-out together with ongoing Centre management. All employee relationships and interactions with families and suppliers are through Nido. At the point of acquisition, there are no material changes operationally at the Centre level, ensuring a smooth transition into Nido's ownership.	Section 3.5
What is Nido's occupancy profile?	Occupancy is a key driver for child care operators and is a term which represents the number of enrolled children (and, therefore paying a daily fee), as a percentage of a Centre's licensed places. Centre occupancy is a key determinant of a Centre's revenue. As at 18 August 2023, the occupancy for the Nido portfolio of 52 IPO Centres is 77%. See below a table which provides a cohort breakdown of the IPOs Centres and occupancy.	Section 3.4

Occupancy	80%-100%	60% to 79%	59% and below
# Centres	30	14	8

1.4 Financial information

Topic	Summary	For more information
What is the Nido pro forma historical and pro forma forecast financial information?	(see table below)	Section 4.3

	Historical period			Forecast period	
$M	CY20	CY21	CY22	CY23F	CY24F
Revenue	17.5	52.6	87.2	131.9	168.3
EBITDA	(5.7)	2.6	4.4	12.9	45.9
AEBITDA[8]	(8.1)	(5.2)	(9.0)	(5.6)	26.7
NPAT	(11.0)	(9.8)	(15.1)	(13.2)	12.8
ANPAT[9]	(9.3)	(5.7)	(9.0)	(6.8)	16.9

The information presented above contains non-Australian equivalents to International Financial Reporting Standards ("**IFRS**") financial measures, and is intended as a summary only and should be read in conjunction with the more detailed discussion on the Financial Information disclosed in Section 4, as well as the risk factors set out in Section 5.

Investors should read Section 4.3 for the full details of Nido's pro forma and statutory Financial Information, including the pro forma adjustments in Section 4.3.4.

Topic	Summary	For more information
Will Nido have any debt facilities?	Nido is currently partly financed by a loan from ISAMAX Pty Ltd as trustee for the Edwards Family Trust, an associated entity of Mathew Edwards. The loan agreement is dated 19 August 2022, has a facility limit of $15m and a maturity date on 21 October 2026. The Director's Loan is secured by a general security deed. Nido has entered into a loan agreement on or about the Prospectus Date with an institutional lender to ensure that it is compliant with the ASX listing requirement to have a minimum working capital surplus of $1.5 million. The loan has a facility limit of $17.5 million and a term of 18 months with full repayment on maturity. The $17.5 million will be drawn down and held in a bank account at IPO prior to Listing.	Section 4.8
What are Nido's key cost drivers?	Nido's main expenses are related to the remuneration of employees, the periodic payment of rent, other direct costs of providing Centres, general and administrative costs and the payment for the acquisition of mature Nido branded Centres from NAED.	Section 3.4
What is Nido's dividend policy?	Nido's dividend policy is to pay out up to 65% of net profit after tax, subject to retention of sufficient funds to support the growth objective of Nido and any other future financial commitments.	Section 4.13

8. AEBITDA refers to EBITDA with rent expense added back to reflect the accounting treatment prior to the application of AASB16 *Leases*.
9. ANPAT refers to net profit after tax with rent expense lease financing costs and depreciation costs for right-of-use assets, and associated tax effects adjusted to reflect their respective accounting treatment prior to the application of AASB16 *Leases*.

1.5 Key investment highlights

Topic	Summary	For more information
Arrangements with Incubators, developing a growth pipeline of Nido curated Centres	By partnering with external Incubators, Nido is able to mitigate most of the risks associated with the development of new Centres underpinning its growth pipeline of curated Centres. This approach limits Trade Up risks, set-up costs, and early operating losses, as the Incubators assume the risk until the Centre reaches maturity and has been acquired by Nido.	Section 3.5
High level of consistency and quality across Centres providing of scale benefits	Through its Incubator agreements, Nido provides input across all aspects of Centre development and operations. This ensures that new Centres are already aligned in appearance, processes, workflows and culture with the existing Nido portfolio. As a result, it provides scalable benefits and ensures consistency and quality when incorporating new Centres into Nido Group's portfolio.	Section 3.6
Management experienced at developing new child care Centres	Nido's management team is also able to use its expertise in developing and opening greenfield Centres to determine the most appropriate locations. Over the past five years the management team have opened 65 Centres.	Section 3.6

1.6 Summary of key risks

The business, assets and operations of the Group are subject to certain risk factors that have the potential to influence operating and financial performance in the future. These risks can impact on the value of an investment in Shares.

The Board aims to manage these risks by carefully planning its activities and implementing mitigating risk control measures. Some risks are unforeseen and so the extent to which these risks can be effectively managed is somewhat limited.

Set out below are some specific key risks to which the Group is exposed. Further general risks associated with an investment in the Group are outlined in Section 5.3.

Topic	Summary	For more information
Regulatory risk, compliance and legislative change	Changes to the wording, administration or interpretation of the relevant legislation, regulations and policy governing the child care industry may have adverse effects on the Group's business and financial position.	Section 5.2.1
Government funding changes	Changes to current Commonwealth government assistance in the child care industry may have adverse effects on the Group's business and financial position.	Section 5.2.2

Topic	Summary	For more information
Registration, assessment and rating of child care Centres	The ability of the Group to operate its Centres is dependent on having the requisite regulatory approvals. If the relevant regulatory approval is withdrawn, or not obtained when sought, the Group will not be permitted to operate the relevant Centre. This could materially impact Nido's future earnings.	Section 5.2.3
Nido's business plan	Nido's ability to achieve its objectives depends on the ability of its Directors and management team to implement the proposed business plans and to respond to unforeseen circumstances. Despite the considerable experience that the Directors and Nido's management team have in business, management and the child care industry, there is a risk that Nido may not be able to successfully execute the proposed business plans outlined in Section 3.2.	Section 5.2.4
AES, David Lyons & other acquisitions	The relevant acquisition agreements relating to the proposed acquisitions of Centres from AES, David Lyons and other Incubators have been entered into prior to the Prospectus Date. However, if these proposed acquisitions are not completed, the portfolio composition of the Company will change. These acquisitions are expected to be completed by the Listing Date, but there can be no guarantee that this will occur due to failure to satisfy conditions precedent (including material adverse change clauses or breach of warranties), breach of contract or failure to obtain necessary third-party consents. To achieve the results set out in the Forecast Financial Information, Nido will need to effectively integrate the Centres. There is a risk that the integration may take longer or cost more than expected by Nido. There is no guarantee the Centres will operate as profitably after integration as they did prior to their acquisition by Nido. The performance of the Centres may be adversely affected by changes such as an increase in overheads, or reduction in revenue from parents who do not view the acquisition of the Centres by Nido favourably despite the Company managing these Centres previously. The above circumstances could materially impact the Company's future earnings.	Section 5.2.5
Acquisitions and expansion strategy	There is no guarantee that acquired Centres will be or remain profitable, increase in profitability or contribute to Nido's profit growth once acquired by Nido.	Section 5.2.6
Due diligence risk	Nido's management team has performed and will perform certain pre-acquisition due diligence on each of the Centres Nido acquires. There is a risk that due diligence conducted has not identified issues that would have been material to the decision to acquire the Centres. A material adverse issue which was not identified prior to completion of the acquisition could have an adverse impact on Nido's earnings and financial position.	Section 5.2.7

Topic	Summary	For more information
Forecast Financial information	The Forecast Financial Information represents management's estimates of the future performance of the Centres and events based on the information available at the Prospectus Date. However, investors should appreciate that forecasts by their very nature are subject to uncertainties which may be outside of Nido's control or may not be capable of being foreseen or accurately predicted. As such, actual results may differ from the Forecast Financial Information and such differences may be material.	Section 5.2.8
Failure to meet forecasts	There can be no guarantee that Nido will achieve its stated objectives or that any forward-looking statement or forecast will eventuate.	Section 5.2.9
Impairment of intangible assets	As a result of the acquisitions occurring at IPO, Nido will recognise a material value of intangible assets on its balance sheet principally relating to goodwill. If impaired, Nido would need to write down the value of the intangible assets, which would result in an expense in the income statement and could have a material adverse impact on Nido's earnings and financial position.	Section 5.2.10
Increased market competition and disintermediation	If Nido fails to adequately address the competitive environment, this will likely have an adverse effect on Nido's financial position and performance.	Section 5.2.11
ACCC child care inquiry	In the absence of the Productivity Commission's reports or any recommendations by the ACCC, particularly in relation to regulatory reform, it is difficult to discern any potential impact on Nido and its business of the current inquiries into the child care industry by the Productivity Commission and the ACCC. However, it is foreseeable that there may be recommendations with respect to fee levels or caps which could have a material adverse impact on Nido's business and financial position.	Section 5.2.12
Availability of funding	The ability of Nido to raise further debt and equity funding on similar terms to those in place for future refinancing and acquisitions depends on a number of factors including general economic, political, capital and credit market conditions.	Section 5.2.13
External financing	Investors are exposed to the risk that Nido may not be able to repay or refinance its debt facilities as they fall due or that refinancing is only available on terms materially worse than the current terms. The ability to repay or refinance and the terms of any refinancing may affect the value of and returns from an investment in the Shares. Refer to Section 4.8 for a high level summary of Nido's existing and proposed debt facilities.	Section 5.2.14

Topic	Summary	For more information
Concentration of shareholding	Following Completion of the Offer, Mathew Edwards or his associated entities[10] will hold 50.8% of the Shares. Accordingly, Mathew Edwards will continue to be in a position to exert significant influence over the outcome of matters relating to Nido, including the election of Directors. Although the interests of Nido, Mathew Edwards and other Shareholders are likely to be aligned in most cases, there may be instances where their respective interests diverge. The sale of Shares in the future by Mathew Edwards or his associated entities, Non-Executive Directors and/or certain employees, or the perception that such sales might occur, could adversely affect the market price of the Shares. Future material sales of shares by Mathew Edwards and/or his associated entities after the Prospectus Date may have change of control consequences in respect of the Group's contracting arrangements. Further, a material dilution of Mathew Edwards's and his associated entities shareholding percentage as at the Prospectus Date, for example, as a result of an issue of additional shares to third parties, may have change of control consequences in respect of the Group's contracting arrangements. Also, the concentration of ownership may affect the liquidity of the market for Shares on ASX, limiting the likelihood of Nido's entry into relevant indices in due course (such as the S&P ASX 300).	Section 5.2.15
Reputation and brand risk	Performance of Centres – The ability of the Group to sustain and grow occupancy rates and earnings at its Centres will be heavily influenced by its ability to develop and maintain a reputation as a provider of high quality child care services. Any factors which undermine the strength of Nido's reputation and its portfolio of brands may impact on the Company's competitiveness, growth and profitability. Conflicts of Interest – Failure to deal appropriately with actual, potential or perceived conflicts of interest could damage Nido's reputation and materially adversely affect its business. Employee misconduct – Employee misconduct, which is difficult to detect and deter, could harm Nido by impairing its ability to attract and retain clients and by subjecting it to legal liability and reputational harm.	Section 5.2.16
Suitably qualified management and staff	Any difficulty in attracting or retaining suitably qualified management and employees could disrupt and materially affect the operations of Nido in the short to medium term. This may adversely affect the Company's business and financial position, should the Company need to increase wages beyond that budgeted.	Section 5.2.17

10. Mathew Edwards' associated entities exclude certain discretionary trusts whose trustee is an entity controlled by Mathew Edwards as at the Prospectus Date as it is intended that the trustee of these discretionary trusts be replaced in December 2023. The result of this replacement of trustee is that Mathew Edwards and his related entities would no longer control or have any interests in these discretionary trusts and their shareholdings in Nido.

Topic	Summary	For more information
No industry diversification	The Group operates in the child care industry. The Company's performance will be predominantly dictated by the performance of the market for child care services and therefore if the market performs poorly, it is likely that Nido will be negatively impacted.	Section 5.2.18
Operation systems, processing and controls may fail	As a result of the increased pressure on the Group's business operations from its growth, along with the increased complexity of its business resulting from advancements in its technology or changes to its product suite (including as a result of the introduction of new clients), there is a risk that process and execution errors which occur from time to time may increase. Such failures or errors may have a material adverse effect on Nido's reputation, and its ability to retain or attract clients and employees.	Section 5.2.19
Information systems and cyber risk	Any loss, damage or interruption to the Group's networks, systems, data or services, or a data breach affecting the Group, whether arising from hardware, software or systems failures, computer viruses or other harmful code, third party service failures, or cyber-attacks or other cyber incidents, could impair the ability of the Group to deliver services to its clients; expose Nido to reputation damage; result in a loss of confidence in the services it provides; result in claims by clients or a loss of clients; and give rise to regulatory scrutiny and legal action. Any of these events could adversely impact Nido's reputation, business, financial condition and financial performance.	Section 5.2.20
Leases	Nido may be at risk of being unable to renegotiate a lease on similar terms to lease contracts currently in place. Increases in rental rates could have an adverse impact on the Company's business and financial position, as it may not be in a position to pass increased operational expenses on to its customers.	Section 5.2.21
Industrial relations	Any labour reform which reduces the flexibility of Nido in relation to its employees may cause higher labour and compliance costs, industrial disputes and complications with compliance. These changes may affect the ability of Nido to retain and attract quality staff.	Section 5.2.22
Insurance	Adequate insurance policies may not always be available or be able to indemnify Nido against all risks or liabilities. Where insurance does not fully cover Nido's loss or liability, this could have an adverse impact on its financial position and business. Nido cannot guarantee that any insurance it has will fully cover the Group in all circumstances.	Section 5.2.23

Topic	Summary	For more information
Insurance arrangements may not compensate for all loss	While Nido has in place insurance policies for a range of liabilities (including cyber security risks), not all liabilities may be covered and the policy limits for liabilities that are covered may not be adequate to cover all financial exposures that may arise. If insurance is either not available to cover a claim, or the quantum of any relevant claim exceeds the applicable policy limit, Nido will be required to use its reserves or otherwise itself be exposed to the financial impact of the liability (and, as such, it could have an adverse impact on its business strategy, financial condition or financial performance).	Section 5.2.24
Exposure to potential litigation, claims and disputes	Nido may from time to time be subject to litigation and other claims and disputes in the course of the Group's business. There is a risk that such litigation, claims and disputes, including the costs of settling claims and operational impacts, could materially adversely affect Nido's business, operating and financial position and performance.	Section 5.2.25
Failure to increase fees	Market conditions and changes in regulations may cause changes to fees passed on to customers. As a result, Nido's Forecast Financial Information may differ from actual financial outcomes.	Section 5.2.26
NAED Loan	The NAED Loan should be fully repaid at or before maturity however there is a risk that NAED will be unable to make repayments as required or may make delayed payments on the NAED Loan or not repay the loan at or only in part.	Section 5.2.27
Unfair contract terms regime changes	The Company is currently updating the terms of its core consumer agreements to minimise the risk of its terms being interpreted or determined as 'unfair'. There is a risk that the Australian Competition and Consumer Commission ("**ACCC**") or a customer(s) (i.e. parent(s)) of the Company may bring an action claiming that the terms of those agreements are still 'unfair' and if an action is successful, the penalties and remedies that could be awarded against or imposed on the Company could be significant.	Section 5.2.28
Decline in workforce participation	Any relative decline in the birth to six years age bracket of the Australian population could reduce the profitability of Nido. As the underlying demand for child care is driven by the numbers of children in this age bracket, changes in the expected number of children in this bracket will have an impact on the industry and on Nido's profitability.	Section 5.2.29
Other key risks	A number of other key risks are included in Section 5, including other commercial, operational and general risks.	Section 5

1.7 Directors, proposed Directors and key management

Topic	Summary	For more information
Who are the Directors?	The Directors of Nido are: • Mark Kerr, Independent Chair • Mathew Edwards, Managing Director • Joe Dicks, Non-Executive Director • Vanessa Porter, Non-Executive Director	Section 6.1
Who are the key management of Nido?	• Mathew Edwards, Managing Director • Renee Bowman, Chief Executive Officer • Tom Herring, Chief Financial Officer	Section 6.2

1.8 Interests, benefits and related party transactions

Topic	Summary	For more information
Who are the Existing Owners, Directors and proposed Directors of the Company and what will be their interest in the Company at Completion of the Offer?	On Completion of the Offer, the Shareholdings will be as follows:	Section 6.3

	Shares		Options[11]	
Shareholder	Number (m)	%	Number (m)	Fully diluted %
Mathew Edwards[12]	111.6	50.8%	1.2	48.3%
Mark Kerr	2.0	0.9%	0.7	1.2%
Other Existing Shareholders	7.7	3.5%	1.2	3.8%
Other Directors[13]	0.2	0.1%	0.3	0.2%
Other Employees	–	–	10.8	4.6%
New Shareholders under the Offer	98.0	44.7%	–	41.9%
Total Securities on Issue	**219.5**	**100.0%**	**14.2**	**100.0%**

Topic	Summary	For more information
Will any Shareholders have a voting power of 20% or more?	Mathew Edwards and entities controlled by Mathew Edwards will in aggregate control or have influence over approximately 50.8%[12] of the voting shares on issue.	Section 6.3

11. Includes free options and Premium Options, refer to Section 6.7 for more information.
12. Represents direct holding, associated entities (excluding certain discretionary trusts), Shares received in consideration for shares held by Mathew Edward's associated entities in AES but excludes approximately 4.6 million Shares (based on the Offer Price, although the actual number of Shares to be issued will depend on the VWAP of Shares on the ASX prior to the date of issue of these Shares) that will initially be issued to the trustee of the Nido Employee Share Trust to hold on behalf of Mathew Edwards following receipt by Nido of a performance bonus described in Section 6.6 and subsequently transferred to a charitable foundation that Mathew Edwards may have influence over.
13. Represents the shareholdings of Vanessa Porter and Joe Dicks following Completion of the Offer as it is intended that both Vanessa Porter and Joe Dicks or their related entities participate in the Priority Offer.

Topic	Summary	For more information
What benefits and interests are payable to Directors and other persons connected with Nido or the Offer, and what interest will that have on Completion of the Offer?	<table><tr><th>Key People</th><th>Interest or benefit</th><th>For more information</th></tr><tr><td>Non-Executive Directors</td><td>Directors' fees payments Options under the Equity Incentive Plan</td><td>Section 6.5</td></tr><tr><td>Managing Director</td><td>Fixed remuneration Options under the Equity Incentive Plan Performance bonus</td><td>Section 6.6</td></tr><tr><td>Executives</td><td>Fixed remuneration Options under the Equity Incentive Plan</td><td>Section 6.6</td></tr><tr><td>Other advisers and service providers</td><td>Fees for services</td><td>Section 6.4</td></tr></table>	Section 6.3, 6.4, 6.5 and 6.6
Are there any related party transactions?	Mathew Edwards (through an associated entity) owns approximately 40% of the shares in AES. As disclosed in Section 9.4.8, a Group Member intends to acquire all the shares in AES on or just prior to Listing. The consideration Mathew will receive for the sale of his shares in AES is 29,271,418 Shares.[14] As disclosed in Section 9.4.4, an entity controlled by Mathew Edwards has an outstanding loan to a Group Member of $15,000,000, which has an interest rate of 3% per annum accruing daily, with all amounts drawn down together with accrued and unpaid interest repayable on maturity which is expected to be on 21 October 2026. The purpose of this loan was and is to assist with the funding and ancillary requirements of Nido. This loan has been secured by a general security deed granted by Nido. On the Prospectus Date, the balance of the loan is $10.5 million, including accrued interest. Mathew's siblings own a 50% interest in three Centres (of the 24 Centres) proposed to be acquired by Nido at Listing. These Centres are being acquired on similar terms to other similar Centres being acquired by Nido at Listing. Mathew has no personal interest in these three Centres. Mathew is also one of three directors of NAED but holds no equity interests in NAED. Please refer to Section 9.4.2 regarding Nido's relationship with NAED.	Section 6.5.5

14. Prior to the acquisition of the shares in AES by a Group Member, AES proposes to make a capital return to its shareholders of approximately $12.0 million, of which Mathew Edwards' associated entity will receive approximately $5.0 million.

Topic	Summary	For more information
Are there any related party transactions? *continued*	Mark Kerr and/or entities controlled by him currently have the following business dealings directly or indirectly with the Nido Group: • owns a freehold and a Centre in which Nido operates under a Centre Management Agreement on generally customary Nido terms ("**MK CMA**"); and • has an interest in a leasehold of a Centre owned by Busy Bees, which is managed by Nido under the Busy Bees CMA. Co-Company Secretary, Tony Amato, has a 30% interest in one Centre proposed to be acquired by Nido at Listing. This Centre is being acquired on similar terms to other similar Centres being acquired by Nido at Listing.	Section 6.6
What Share escrow arrangements are in place?	Mathew Edwards and certain Directors, management team executives and existing Shareholders and, collectively, their related entities ("**Escrowed Shareholders**") have agreed to continue to hold their Shares after Listing under escrow agreements ("**Escrow Arrangements**"). Under the Escrow Arrangements, Escrowed Shareholders have undertaken not to dispose of any interest in or to grant any security held by them during the Escrow Period: • Mathew Edwards (and all associated entities)[15], certain directors and other existing Shareholders[16] have 100% of their Shares subject to the Escrow Arrangements for 24 months from the Listing Date; and • Management team executives will have their Shares subject to the Escrow Arrangements until the release of Nido's full year CY24 financial statements (expected to be February 2025). At Completion of the Offer, it is expected that 52.1% of the Shares on issue will be held under Escrow Arrangements until their stated Escrow Period.	Section 7.6

15. The shareholdings of certain discretionary trusts whose trustee is an entity controlled by Mathew Edwards as at the Prospectus Date have been excluded from the Escrow Arrangements as it is intended that the trustee of these discretionary trusts be replaced in December 2023. The result of this replacement of trustee is that Mathew Edwards and his related entities would no longer control or have any interests in these discretionary trusts and their shareholdings in Nido.
16. Excluding Shares subscribed for under the Offer by Existing Shareholders.

1.9 Summary of the Offer

Topic	Summary	For more information
Who is the issuer of this Prospectus?	Nido Education Limited ACN 650 967 703.	Important Information
What is the Offer?	The Offer contained in this Prospectus is an invitation to apply for 99.2 million New Shares offered for issue by the Company ("**Offer**"). All Shares issued under this Prospectus will, from the time they are issued, rank equally with all Existing Shares. The Offer is to be conducted in Australia and only residents of Australia are eligible to participate in the Offer.	Section 7.1
What are the key Offer statistics?[17]	Offer Price per Share: $1.00 Total proceeds to be raised under the Offer: $99.2 million Total number of New Shares to be issued under the Offer: 99.2 million Number of Shares to be held by Existing Shareholders at Completion of the Offer[18]: 120.3 million Total Shares on issue immediately after Completion of the Offer (undiluted basis): 219.5 million Indicative market capitalisation at the Offer Price[19]: $219.5 million Pro forma Net Debt excluding leases[20]: $4.5 million Enterprise Value at the Offer Price[21]: $224.0 million	Important Information
What are the key investment metrics?	Enterprise Value/pro forma CY24 forecast AEBITDA[22] (excluding the impact of share option expense): 8.0x Indicative market capitalisation/pro forma CY24 forecast ANPAT[23] (excluding the impact of share option expense): 12.0x	Important Information

17. Certain Key Offer statistics in this table contain Forecast Financial Information. The Forecast Financial Information is set out in Section 4.10 and has been prepared on the basis of the best estimate assumptions set out in Section 4.2.3 and the accounting policies set out in Section 10 and should be read in conjunction with the discussion of the Financial Information in Section 4.11 (including the sensitivities set out in Section 4.12), and the risk factors set out in Section 5. Certain Key Offer statistics in this table contain non-IFRS financial measures, which are discussed in Section 4.2.5.
18. Inclusive of Shares received in consideration for shares held by Mathew Edwards' associated entities in AES but excludes approximately 4.6 million Shares (based on the Offer Price, although the actual number of Shares to be issued will depend on the VWAP of Shares on the ASX prior to the date of issue of these Shares) that will initially be issued to the trustee of the Nido Employee Share Trust to hold on behalf of Mathew Edwards following receipt by Nido of a performance bonus described in Section 6.6 and subsequently transferred to a charitable foundation that Mathew Edwards may have influence over.
19. Calculated as the total number of Shares on issue following Completion of the Offer multiplied by the Offer Price. Shares may not trade at the Offer Price after Listing.
20. Assumes the mid-point of the expected range of cash on hand following Completion of the Offer and includes Rental Bonds, and Deferred Consideration, and excludes Lease Liabilities.
21. Enterprise Value is calculated as the sum of market capitalisation at the Offer Price plus pro forma net debt (excluding leases).
22. AEBITDA is EBITDA with rent expense added back to reflect the accounting treatment prior to the application of AASB16 *Leases*.
23. ANPAT is Net Profit After Tax with rent expense lease financing costs and depreciation costs for Right of Use Assets, and associated tax effects adjusted to reflect their respective accounting treatment prior to the application of AASB16 *Leases*.

Topic	Summary	For more information
How is the Offer structured?	The Offer comprises: • the Broker Firm Offer, which is open to persons who have received a firm allocation from their Broker and who have a registered address in Australia; • the Priority Offer, which is open to selected investors in Australia who have received an invitation under the Priority Offer; and • the Institutional Offer, which consists of an offer to certain Institutional Investors in Australia and certain other eligible foreign jurisdictions.	Section 7.2
What is the allocation policy?	The allocation of Shares between the Broker Firm Offer, Priority Offer and Institutional Offer will be determined by agreement between the Joint Lead Managers and the Company. The Company and the Joint Lead Managers reserve the right to reject any Application or to allocate a lesser number of Shares than that applied for.	Section 7.10.5 and 7.12.2
How will the proceeds of the Offer be used?	The Offer is expected to raise $99.2 million. The proceeds from the Offer will be used as follows: • $73.0 million to complete the Acquisitions; • $2.0 million to pay stamp duty costs related to the Acquisitions; • $6.0 million for the first tranche of the NAED Loan; • $5.1 million to be provided as rental bonds; • $5.0 million for general working capital purposes; and • $8.1 million to pay the costs of the Offer.	Section 7.4
Will the Shares be listed?	The Company has applied to the ASX for admission to the Official List and Official Quotation of Shares under the code "**NDO**". Completion of the Offer is conditional on the ASX approving this application. If approval is not given within three months after the date of the Original Prospectus (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.	Section 7.16
Who are the Joint Lead Managers?	The Joint Lead Managers are Canaccord Genuity (Australia) Limited, Wilsons Corporate Finance Limited and MA Moelis Australia Advisory Pty Limited.	Section 6.4

Topic	Summary	For more information
Is the Offer underwritten?	Yes, the Offer will be fully underwritten by the Joint Lead Managers in accordance with the Underwriting Agreement.	Section 9.4.1
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants under the Offer.	Section 7.9
What are the tax implications of investing in the Shares?	An overview of the Australian tax treatment for Australian tax resident investors is included in Section 9.8. The tax consequences of any investment in the Shares will depend on an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.	Section 7.9
When will I receive confirmation that my Application has been successful?	It is expected that holding statements will be dispatched by standard post on or around 11 October 2023.	Section 7.9
How can I apply?	You may apply for Shares by completing a valid Application Form (included in or accompanying this Prospectus). To the extent permissible by law, an Application by an Applicant under the Offer is irrevocable.	Section 7.10
Can the Offer be withdrawn?	The Company reserves the right not to proceed with the Offer at any time before the issue of Shares to successful Applicants. If the Offer does not proceed, your Application Monies will be refunded without interest as soon as practicable.	Section 7.13
Where can I find more information?	If you require assistance to complete the Application Form, require additional copies of this Prospectus or have any questions in relation to the Offer, please call the Nido Offer Information Line on 1300 918 434 (within Australia) or +61 3 9415 4826 (outside Australia) from 8.30am until 5.00pm (AEST), Monday to Friday (excluding public holidays). If you are unclear in relation to any matter or are uncertain as to whether obtaining Shares is a suitable investment for you, you should seek professional advice from your solicitor, stock broker, accountant, tax advisor or other independent and qualified professional advisor before deciding whether or not to invest.	Section 7.9

2. INDUSTRY OVERVIEW

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Market Report

Industry Overview

The Australian Child Care Market Opportunity

1. Introduction

This report describes the Australian child care market opportunity for the Company.

The Company is an operator of Centre-based long day care in Australia, with its expected portfolio post-IPO to comprise 52 Centres. The Company's growth strategy is based on a managed incubator model whereby new Centres are initially owned by an external incubator,[1] with Nido in control of all aspects of development (site selection, licensing, opening, and operations) and with an option for Nido to acquire the Centre once performance metrics have been achieved.[2]

2. Scope and Definitions

Child care services are approved by the Australian Government to receive the child care subsidy **("CCS")**, which is a payment made by the Australian Government to families to assist with the cost of child care. These services typically focus on the 0–12-year age group.

Child care services are provided in three types of setting, as summarised below:

Figure 1: Types of Child Care Services, Australia

Centre Based Day Care	Family Day Care	Outside School Hours Care
• Child care that is provided in licensed or registered centres.	• Child care that is usually provided in the home of an educator.	• Service that provides care before and after school hours and during school vacations for children who normally attend school.

Source: Department of Education
Centre based day care may also provide preschool/kindergarten services.

The actual CCS (paid directly to approved operators and passed on to families as a fee reduction) depends on the family's income, the number of children a family has in care, the age of the children in care, the family's activity[3] level, and the type of care a family uses. Approved operators are free to set their fee, but they are required to report their fee, which the Department of Education publishes on the Starting Blocks[4] website. Families may also be eligible for the additional child care subsidy **("ACCS")** (again paid to operators to pass on to families as a fee reduction). The ACCS is for families who care for a child at risk of serious abuse or neglect, for grandparents on income support who are the primary carer of their grandchild, for families experiencing significant financial stress, or for parents or carers transitioning to work from income support.

[1] The external incubator entity owns the Centre, but pays Nido to open and manage the Centre
[2] Nido
[3] Recognised activities include work (including being self-employed), leave, undertaking study/training, looking for work, volunteering, etc.
[4] https://www.startingblocks.gov.au/

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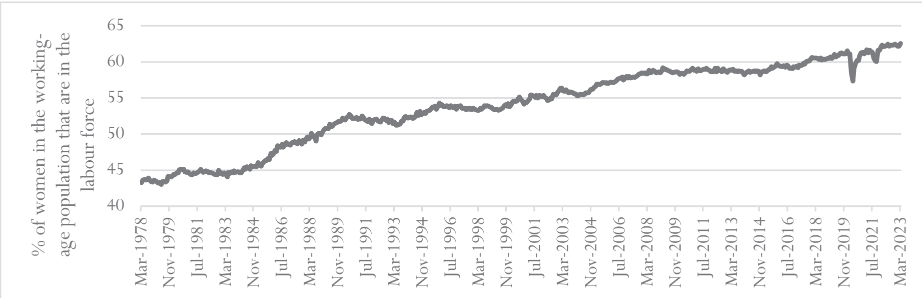
3. Market Drivers

The factors driving demand for child care services in Australia are the following.

3.1 Increasing participation of women in the workforce

The **percentage of women in the working-age population in the labour force has risen** from 43.3% in March 1978 to 62.5% in March 2023.[5]

Figure 2: Female Participation in the Labour Force, Australia, March 1978 to Mar 2023



Source: Labour Force, Australia, ABS, April 2023, Seasonally Adjusted

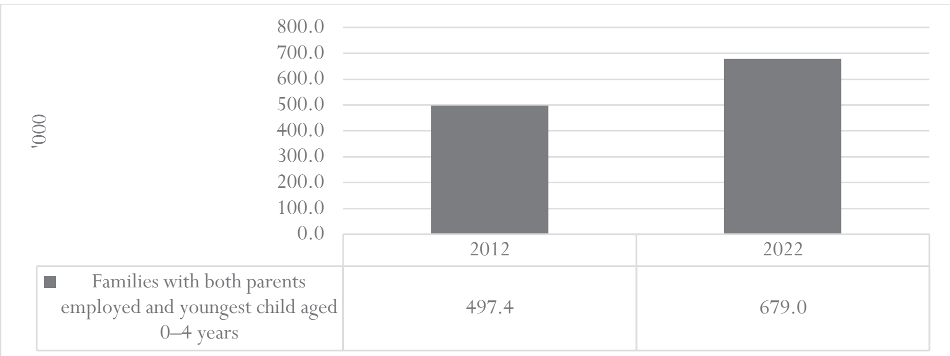
At the same time, the main reason women were unavailable to start work i.e., on account of "caring for children" decreased from 46% in 2004-05 to 25% in 2020-21.[6] This growing level of female labour force participation (and the **significant barrier to working that "caring for children" represents**) underpins demand for child care services.

3.2 Growth in the number of families with both partners at work

The long-term increase in female labour force participation is driving an **increasing percentage of households where both parents work**.

Between 2012 and 2022, the total number of couple families with dependants with both partners employed and the youngest child aged 0-4 years has grown 37%.[7]

Figure 3: Couple Families with both Partners Employed and Youngest Child Aged 0-4 Years, Australia, 2012 to 2022



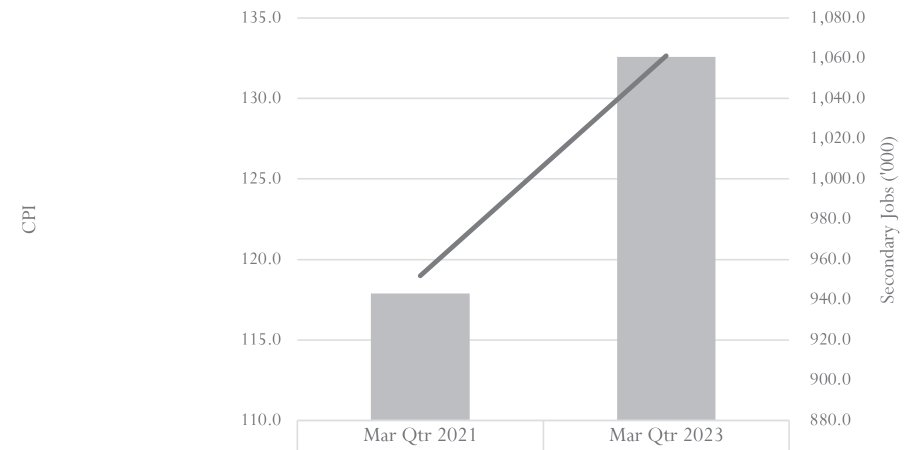
Source: Labour Force Status of Families, ABS, 2015 and 2022

[5] Labour Force, Australia, Australian Bureau of Statistics (ABS), April 2023
[6] Barriers and Incentives to Labour Force Participation, Australia, ABS, February 2006 and November 2022
[7] Labour Force Status of Families, ABS, 2015 and 2022

2

In addition, the recent surge in inflation (over the two years to the March 2023 quarter, the consumer price index **("CPI")** rose 12.0%)[8] is prompting more workers to seek additional income through secondary jobs.[9] Over the two years to the March 2023 quarter, the number of secondary jobs has risen over 11%.[10] Increasingly, with both partners working in families with young dependants and with more multiple job holders, demand for child care services is likely to grow.

Figure 4: CPI and Number of Secondary Jobs, Australia, Mar Quarter 2022 and Mar Quarter 2023



	Mar Qtr 2021	Mar Qtr 2023
CPI	117.9	132.6
Number of secondary jobs ('000)	951.9	1,061.2

Source: Consumer Price Index and Labour Account Australia, ABS

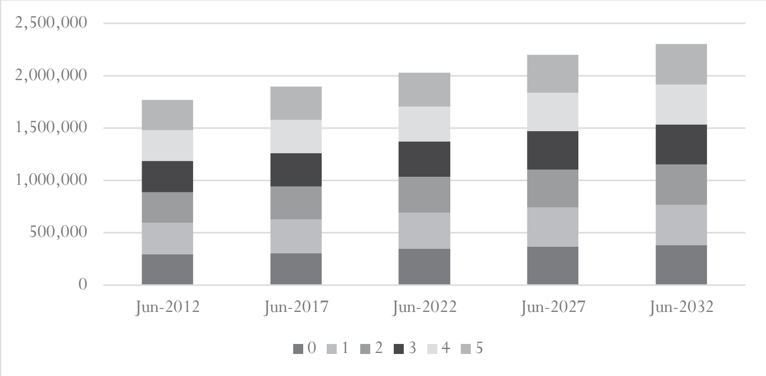
3.3 Population growth

Growth in the population of children in the 0-5-year age group (which is the largest segment in the addressable market for child care services) is a key driver.

The population in the 0–5-year age group has grown from 1.77 million in June 2012 to 2.03 million in June 2022[11] and is projected to grow to 2.30 million by June 2032.[12]

[8] Consumer Price Index, Australia, April 2023
[9] Secondary jobs are where a person is working more than one job at the same time in the same or a different industry.
[10] Labour Account Australia, ABS, June 2023
[11] ABS, National, state and territory population
[12] ABS Population Projections, Australia

Figure 5: Population in the 0–5-year Age Group, Australia, 2012, 2017, 2022, 2027 and 2032



Source: ABS, National, state and territory population and Population Projections, Australia

In addition, the Government has projected that its **new immigration policy** (announced in the May 2023 budget) will result in a net increase of 1.5 million people between 2022 and 2027.[13] This may translate into demand for child care services from migrant families needing such services for their children in the 0-5 year age group.

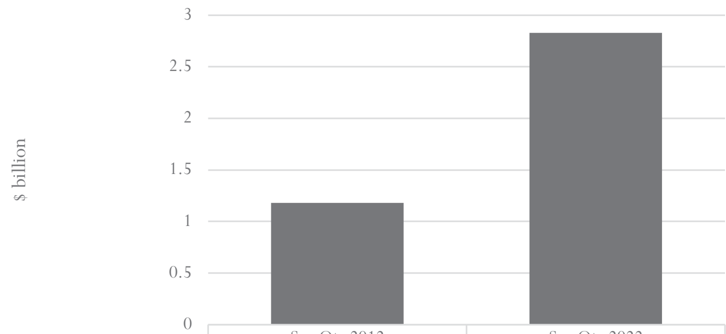
3.4 Government funding and policy support

The child care sector is viewed by the Australian Government as a critical constituent of the country's economic and social infrastructure.[14] Families who meet the following broad eligibility requirements can access the CCS[15]: (1) care for a child aged 13 or younger who is not attending secondary school, unless an exemption applies; (2) use an approved child care service; (3) are responsible for paying the child care fees; and (4) meet residency and immunisation requirements.[16]

The total Australian Government expenditure on the CCS in the September quarter 2022 was $2.83 billion, a 140% increase from the September quarter 2012.

[13] Budget 2023-24: population projections, Australia, 2022-23 to 2033-34, Centre for Population Projections
[14] *"Our Plan for Cheaper Child Care will support families and deliver an economic dividend….will cut the cost of early education and care for around 1.26 million Australian families easing cost-of-living pressures, giving children access to critical early education and giving parents the opportunity to work and earn more if they want to."*- Delivering better early education, schools and universities, The Hon Jason Clare MP, Minister for Education, The Hon Dr Anne Aly MP, Minister for Early Childhood Education, Minister for Youth, 25 October 2022
[15] Paid to childcare service providers and resulting in a fee reduction for families
[16] Services Australia

Figure 6: Total Child Care Subsidy, Australia, Sep Quarter 2012 to Sep Quarter 2022[17]



	Sep Qtr 2012	Sep Qtr 2022
Total Childcare Subsidy	1.18	2.83

Source: Department of Education, Child Care Quarterly Report

Australian Government funding changes that will reduce out-of-pocket expenses for families and are likely to stimulate demand for child care include the following:

- In December 2021, the **CCS annual cap** of $10,655 per child for families earning over $190,015 was **removed;**[18]
- In March 2022, **CCS rates for families using care for two or more children aged five or under increased** by 30% for their second child and younger children, up to a maximum subsidy rate of 95%;[19]
- As of 10 July 2023, **the income limit to access the maximum CCS increased**. Families earning up to $80,000 now get an increased maximum CCS amount, from 85% to 90%. Families earning over $80,000 can access a subsidy starting from 90%; going down by 1% for each $5,000 of income earned (up to a maximum limit of $530,000 family income earned).[20] This is part of the **Australian Government's Cheaper Child Care legislation** which will see the Australian Government spending $4.5 billion on the child care sector between July 2023 and July 2027;[21] and
- Finally, a number of state governments have introduced **state-based funding changes to make kindergarten and preschool more affordable** for families; thus spurring use of services that deliver 'early learning'. For example, the Victorian Government's Best Start, Best Life and Three-Year-Old Kinder programmes include $1.6 billion of spending for three-year-old kinder and building new kindergarten facilities; $1.4 billion of spending for free kinder to give Victorian parents – especially mothers – the choice to return to work if they want to; and $1.3 billion of spending to build up to 100 new kindergartens.[22]

3.5 Efforts to improve quality of care

Improvement in the quality of care provided raises public confidence in the sector and families are less likely to seek alternative care (such as in-home care by other family members). A voluntary

[17] Due to the temporary measures implemented as part of the Australian Government's Early Childhood Education and Care (ECEC) COVID-19 relief package, data for June quarter 2020 is not available.
[18] Department of Education Annual Report 2021/22
[19] Ibid
[20] Services Australia, https://www.servicesaustralia.gov.au/changes-if-you-get-family-payments?context=41186#a1, accessed 20 April 2023
[21] Cheaper Child Care, Department of Education, https://www.education.gov.au/early-childhood/cheaper-child-care, accessed 20 April 2023
[22] Victorian Government Budget 2023/24, https://www.budget.vic.gov.au/doing-what-matters-victorian-women, accessed 23 April 2023

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survey of parents and guardians undertaken by the ACCC for their ongoing inquiry into child care showed that quality was a factor more commonly considered than price for selecting Centre-based day care.[23] The same survey showed that the most common reason parents and guardians switched Centre-based day care site was because they were not happy with the quality.[24]

Child care services operate under the **National Quality Framework ("NQF")**, with quality ratings given to services against the **National Quality Standard ("NQS")**, administered by the Australian Children's Education and Care Quality Authority **("ACECQA")**. Services are assessed and rated against the NQS by the relevant state or territory regulatory authority, with a typical assessment and rating completed in 10 weeks. The frequency of rating varies based on the previous quality rating of the service (services with a lower quality rating will be re-rated more frequently), any significant change in operations (e.g., change in operator or management team, serious incidents, complaints, and non-compliance). The quality areas which are assessed and rated under the NQF are: (1) Educational program and practice; (2) Children's health and safety; (3) Physical environment; (4) Staffing arrangements; (5) Relationships with children; (6) Collaborative partnerships with families and communities; and (7) Governance and leadership.

Since 2013, **the proportion of child care services that are 'Meeting or Exceeding' the NQS has increased from around 55% to 88%** (underlining the importance of the NQS in driving quality improvement).[25]

Whilst the child care industry is already highly regulated, ongoing sector reform is aiming to improve child care outcomes through improvements in quality-of-service delivery and related processes. Some of the key reform efforts include:

Table 1: Key Reform Initiatives – Child care, Australia

Reform Initiative	Scope	Timeframe
Australian Competition and Consumer Commission ("ACCC") Childcare Inquiry 2023[26]	Costs and availability of labour; the use of land and related costs; finance and administrative costs; regulatory compliance costs; the costs of consumables; and the prices charged since 2018 and how these have changed following changes in child care policy settings.	Commenced 1 January 2023, with an interim report published 5 July 2023, and a final report due by 31 December 2023
Productivity Commission Early Childhood Education and Care Inquiry[27]	Affordability of, and access to, quality services' developmental and educational outcomes for children; economic growth, including through enabling workforce participation, particularly for women, and contributing to productivity; outcomes for children and families experiencing vulnerability and/or disadvantage, First Nations children and families, and children and families experiencing disability; and the efficiency and effectiveness of government investment in the sector.	Commenced 1 March 2023, with a draft report due late November 2023, and a final report due by 30 June 2024
South Australian Royal Commission into Early Childhood Education and Care[28]	The extent to which South Australian families are supported in the first 1,000 days of a child's life (focused on opportunities to further leverage early childhood education and care); how universal quality preschool programs for three- and four-year-olds can be delivered in South Australia; and accessibility, affordability and quality of out of school hours care.	Interim Report released in April 2023. Final Report due in August 2023

[23] Childcare inquiry, Interim Report, ACCC, June 2023
[24] Ibid
[25] ACECQA Annual Report 2021/22
[26] Childcare Inquiry 2023, ACCC, https://www.accc.gov.au/inquiries-and-consultations/childcare-inquiry-2023, accessed 20 April 2023
[27] Early Childhood Education and Care Inquiry, Productivity Commission, https://www.pc.gov.au/inquiries/current/childhood#issues, accessed 20 April 2023
[28] Royal Commission into Early Childhood Education and Care, https://www.royalcommissionecec.sa.gov.au/, accessed 20 April 2023

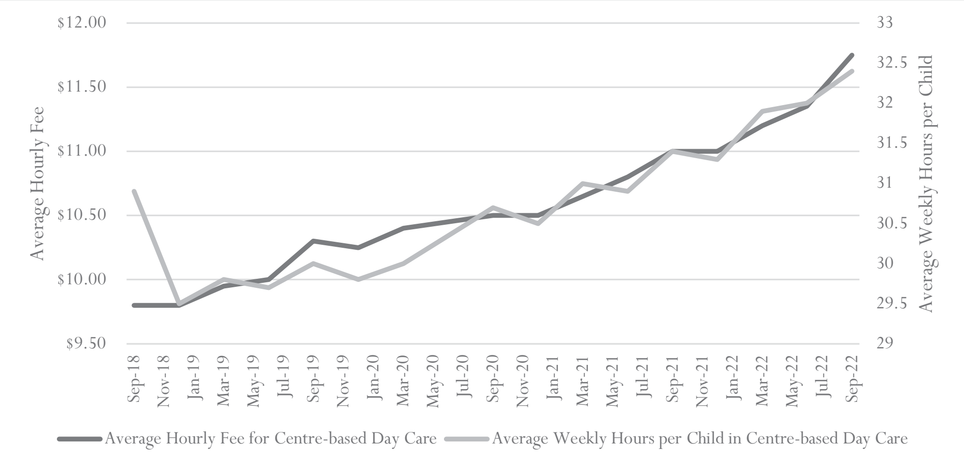
Reform Initiative	Scope	Timeframe
NSW Independent Pricing and Regulatory Tribunal ("IPART") Review into Early childhood education and care affordability, accessibility and consumer choice[29]	Affordability, accessibility and consumer choice improvements that could be made through NSW state government initiatives and investment.	Started in December 2022; with final report due in December 2023

Sources: Various; as cited

3.6 Higher fee for services and higher utilisation

Despite high levels of government subsidisation in the sector, the government has allowed **pricing of services** to be **market-driven**. The **average hourly fee** (comprised of Government subsidy and out-of-pocket spend by families) that a Centre-based day care receives **has shown a strong upward trend**, growing by 16% from $9.80/child in the September quarter 2018 to $11.35/child in the June quarter 2022.[30] This rise in average hourly fee drives revenue growth for Centre-based day care operators. In addition to service fees, utilisation rates also impact total revenues. The **average weekly hours per child in Centre-based day care has risen** from 30.9 hours in September 2018 to 32.4 hours in September 2022.[31]

Figure 7: Average Hourly Fee and Weekly Hours per Child for Centre-based Day Care, Australia, Sep-18 to Jun-22



Source: Department of Education, Child Care Quarterly Reports

3.7 Efforts to reduce the skilled workforce shortage

Recent **efforts to address the skilled workforce shortage**[32] include (1) more university places and fee-free Technical and Further Education **("TAFE")** and vocational education places for child care, (2) introduction of accelerated degrees (that leverage the existing experience and capabilities of applicants through integrated work-based placement and online course delivery), (3) ACECQA's extension of the

[29] Early childhood education and care affordability, accessibility and consumer choice, IPART NSW, https://www.ipart.nsw.gov.au/Home/Industries/Other/Reviews/Early_childhood_education_and_care_affordability%2C_accessibility_and_consumer_choice, accessed 20 April 2023
[30] Department of Education, Child Care Quarterly Reports
[31] Ibid
[32] Australia will need 10,000 additional educators to deliver the extra places available due to the reforms of the Cheaper Child Care programme - Goodstart Early Learning, Senate Select Committee on Work and Care, Final Report, March 2023

timeframe for recognition of qualifications considered to be equivalent to an early childhood teacher, and (4) increased immigration levels. In addition, the budget allocates $72.4 million across five years to support early childhood educators to pursue professional development and provide financial assistance to educators and teachers to complete the practical component of a Bachelor or Master's Degree in Early Childhood Education.[33] This is expected to reduce pressure on operators to cap enrolments due to staff shortages, and so address the full extent of demand.

3.8 Increased awareness and appreciation of the benefits of structured early learning

There is a **growing awareness and appreciation of the benefits of structured early learning for the child's development**. For example, a study in NSW by the NSW Department of Education showed that 64% of parents see the acquisition of social skills as the most important benefit of attending early childhood education, 60% cited school readiness as a key benefit, 56% felt that the development of their child's confidence and identity was a benefit, and 47% identified learning routines as a key benefit.[34]

The benefits include building cognitive skills, developing social skills, learning to express/articulate and listen, learning to follow daily routines and bring consistency to healthy habits, facilitating greater independence and emotional maturity. These outcomes help not only with at-home behaviour, but also improve readiness for school. For example, analysis of data from the Longitudinal Study of Australian Children **("LSAC")** shows that greater hours in Centre-based child care has positive effects on children's fluid intelligence (comprehension, reasoning, and problem solving) at age seven.[35] This analysis also shows that higher quality carer-child relationships in Centre-based child care settings were linked to better regulation of attention and emotion in children at ages 4-5 years, which remained at age 6-7 years.[36]

4. Australian Child Care Market Size, Segmentation, and Growth

The **number of children in child care services** totalled **1.41 million** in the September quarter 2022, an increase of 37% over the September quarter 2012.[37] Of this total number of children in child care services, the **proportion in Centre-based day care was 57%** of the total in the September quarter 2022.

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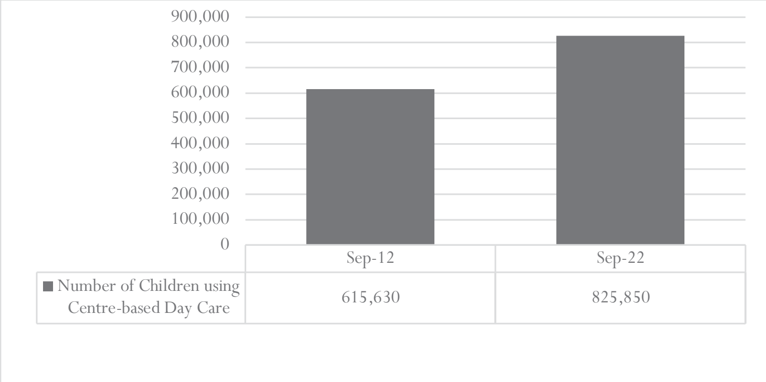
[33] Budget 2023-24, Commonwealth of Australia 2023
[34] Early Childhood Education Families Research, NSW Department of Education, 25 July 2022 - 1,143 online survey responses, 12 focus groups and 19 in-depth interviews
[35] The relationship between early childhood education and care and children's development, Research Snapshot, Australian Early Development Census (AEDC), 2020
[36] Ibid
[37] Department of Education, Child Care Quarterly Reports

Figure 8: Number of Children using Centre-based Day Care, Australia, Sep-12 and Sep-22

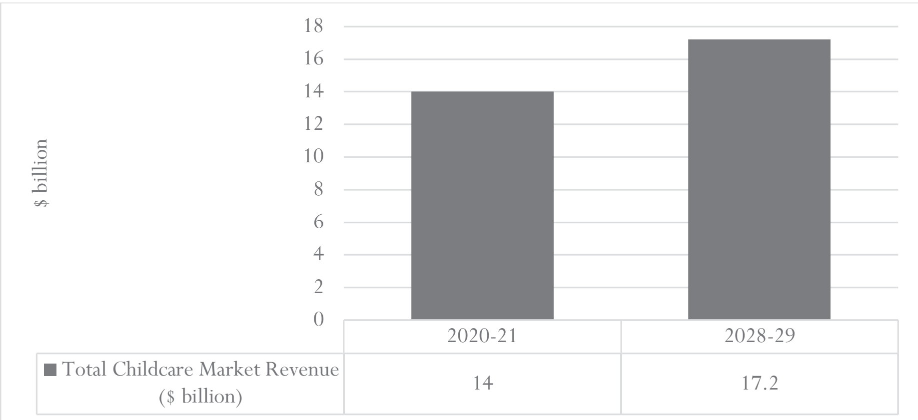


Source: Department of Education, Child Care Quarterly Reports

In the September quarter 2022, the number of families using child care services totalled 990,760 (of which Centre-based day care accounted for 674,650).[38] In the September quarter 2012, this was 726,130 for total families and 499,470 for families using Centre-based day care.[39]

The **Australian child care industry's total market revenue** (comprising fees paid by families and government subsidies) is projected **to grow from $14.0 billion in 2020-21 to $17.2 billion in 2028-29**.[40] The Australian Government's Cheaper Child Care program is projected to have a stimulatory impact on demand by reducing the cost of child care for families from July 2023 onwards, incentivising families not using child care services to start, or those using child care services for a reduced number of hours per week to increase their weekly hours. In addition, across all types of areas in the country, there are under-served communities, thus offering operators the potential for further growth through opening new Centres.

Figure 9: Total Child Care Market Revenue, Australia, 2020-21 to 2028-29



Source: IBISWorld

[38] Department of Education, Child Care Quarterly Report, September Quarter 2022
[39] Department of Education, Child Care Quarterly Report, September Quarter 2012
[40] IBISWorld quoted in Child's Play: An Overview of the Australian Child Care Real Estate Investment Market, Cushman & Wakefield, 2022

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Nido's addressable opportunity is expected **to grow at a significantly higher rate than the total market** on account of the following reasons:

- The **Centre-based day care segment is expected to grow ahead of the overall market**, due to the switch from family-based care services as these operators find regulatory compliance more onerous.
- **Larger operators** are often able to grow revenue ahead of the overall market average, driven by their **operating efficiencies and economies of scale**,[41] as well as their **ability to fund the purchase or establishment of new Centres**. For example, for the year 2022, Nido was the operator with the highest number of new Centres opened.[42] This ability to operate more Centres helps address the two most commonly considered factors for parents and guardians when selecting Centre-based day care i.e., location and availability.[43] This is substantiated by the fact that families tend to consider and use Centre-based day care close to home (for example, the median distance a child travelled to a Centre-based day care site in major cities in 2022 was around 2 kms, and in inner regional and outer regional Australia, 3.25 to 3.5 kms).[44]
- Nido's **strategic site selection**[45] – which includes addressing the needs of **underserved communities** – will provide further opportunities for growth.

5. Competitive Landscape

5.1 Industry Structure

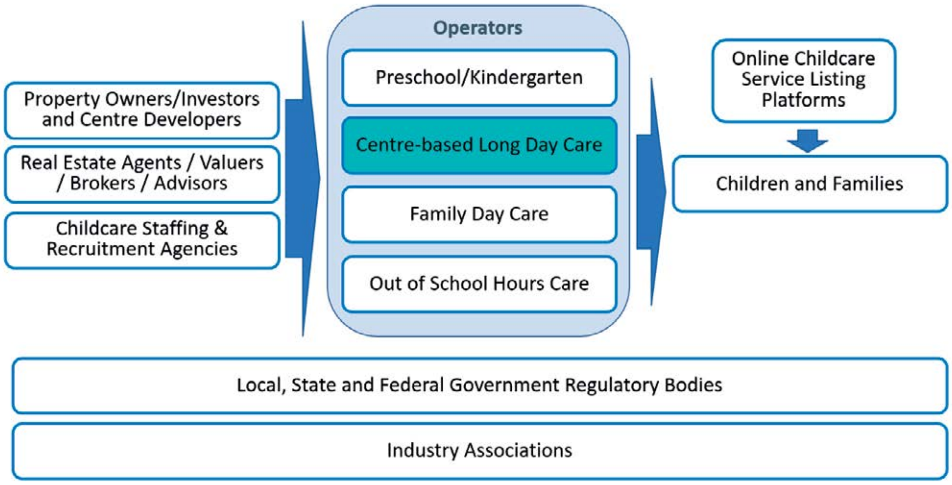
Figure 10 below outlines the main stakeholders in the child care industry. In terms of investors in the industry, the stable growth in demand for child care and the strong government funding has attracted private equity funding for some for-profit operators and resulted in other for-profit operators becoming publicly listed entities. While some competitors adopt a capital-light, service-based business model, others may choose to be the real estate owners as well.

Pure play asset owners include high-net-worth individuals, as well as social infrastructure real estate investment trusts **("REITs")** such as Arena, Charter Hall, Australian Unity's Childcare Property Fund, etc. Real estate agents facilitate asset sale and/or lease arrangements. Valuers/brokers/advisors provide child care business appraisals, forecast operator financial benchmarking, benchmarking on rent, transaction advisory services, region/demographic research services, etc. Staffing and recruitment agencies help operators fill permanent, as well as casual/relief staffing vacancies.

Online child care service listing platforms allow families to identify, compare, read reviews on, shortlist, and enquire on child care Centres in their neighbourhoods. Industry associations include organisations such as Early Learning and Care Council of Australia **("ELACCA")**, Early Learning Association Australia **("ELAA")**, Australian Childcare Alliance **("ACA")**, etc.

[41] The ACCC Childcare Inquiry Interim report (June 2023) finds that many large providers share costs across all their services to enable cost recovery at a provider-group level
[42] Analysis of the ACECQA Register data, https://www.acecqa.gov.au/resources/national-registers, accessed 02 May 2023
[43] Survey of parents and guardians undertaken by the ACCC for their ongoing inquiry into child care, Childcare inquiry, Interim Report, ACCC, June 2023
[44] Ibid
[45] This is done by analysing data from GapMaps (https://www.gapmaps.com/) to estimate the number of children, population growth rate and demand in each catchment area

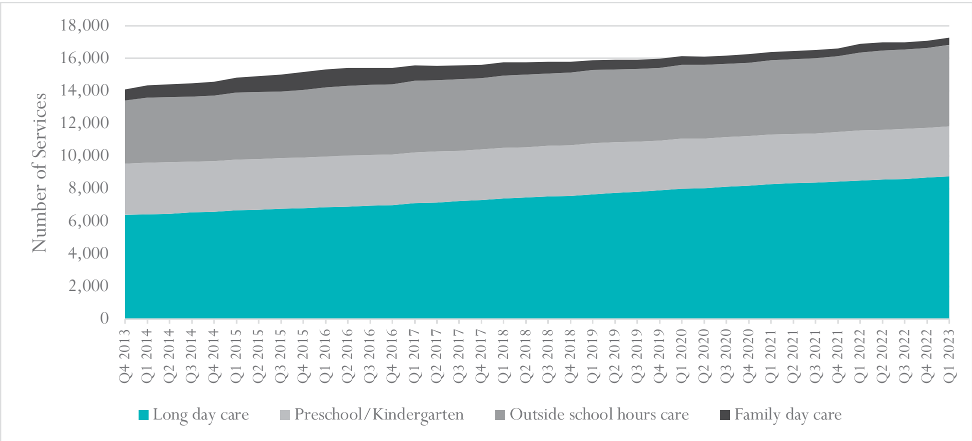
Figure 10: Child Care Industry Structure, Australia, 2023



Source: Frost & Sullivan

As of 1 April 2023, there were **17,278 child care Centres in Australia**, with **long day care accounting for 51% of the total**, followed by outside school hours care at 29%.[46] Over time, the number of family day care Centres has declined (dropping 34% between Q4 2013 and Q1 2023)[47] as their small scale has proved challenging (especially given the more stringent compliance obligations in place).

Figure 11: Number of Child Care Centres by Type, Australia, 2013 to 2023



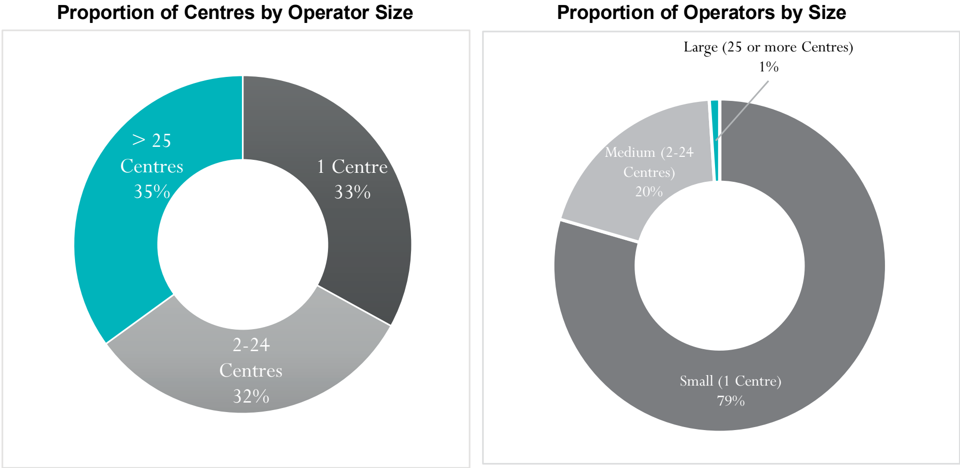
Source: NQF Snapshot, State of the sector, ACECQA, April 2023

The fragmented nature of the child care industry is evident in the fact that as of 1 April 2023, **operators with only one Centre accounted for 79% of the total number of operators** in the sector, **but only a third of total Centres provided**.[48] With increasing compliance requirements, new smaller operators

[46] NQF Snapshot, State of the sector, ACECQA, April 2023
[47] NQF Snapshot, State of the sector, ACECQA, April 2023
[48] Ibid

will face higher barriers to entry, and active smaller operators may find it more difficult to remain competitive and profitable when compared to larger operators (who have the resources and systems to operate profitably even as they successfully address compliance obligations).

Figure 12: Proportion of Centres by Operator Size and Proportion of Operators by Size, Australia, April 2023

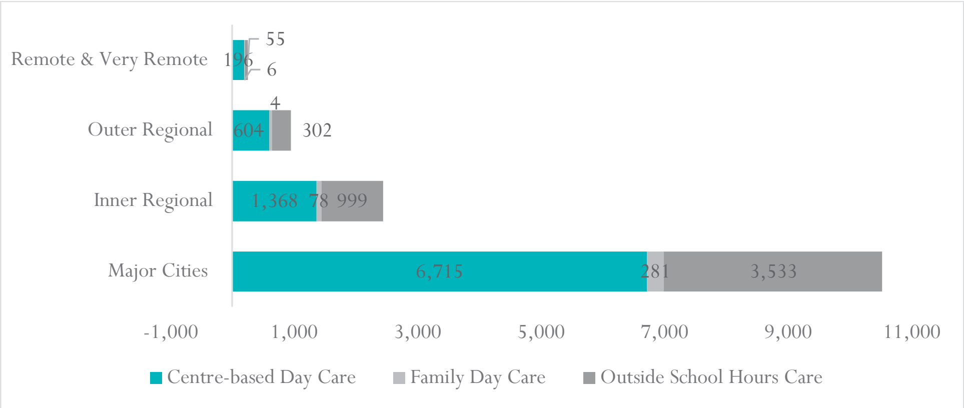


Source: NQF Snapshot, State of the sector, ACECQA, April 2023

The geographic distribution of Centres follows the spread of the wider population, with the state of NSW having the largest number of Centres, followed by Victoria and Queensland.[49]

Whilst the major cities and inner regional areas are the primary focus of child care services (as evident in the figure below), around 1.1 million people live in areas within regional and remote Australia that do not have Centre-based day care.[50]

Figure 13: Number of Centres by Region, Australia, September Quarter 2022

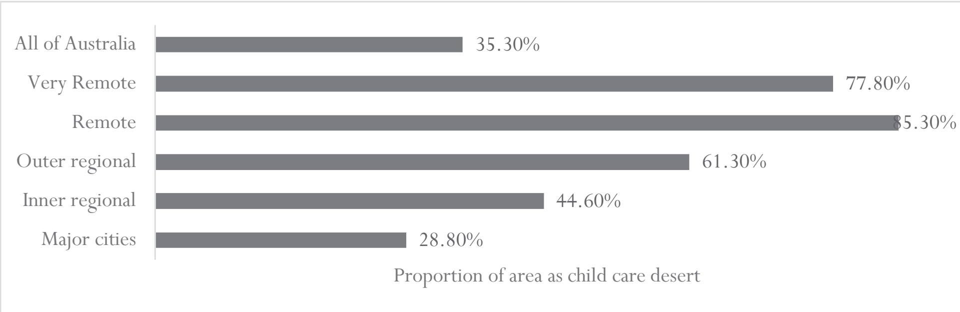


Source: Department of Education, Child Care Quarterly Report, September Quarter 2022

[49] NQF Snapshot, State of the sector, ACECQA, April 2023
[50] Deserts and oases: How accessible is childcare in Australia?, Mitchell Institute, Victoria University, March 2022

A nationwide study by Mitchell Institute in 2022 found that while nine million Australians, or **35% of the population, live in neighbourhoods that can be termed 'child care deserts'** (a populated area where there are more than three children per Centre-based day care place), this number was 29% for major cities, but 85% for remote areas.[51] This suggests that across all types of areas – from major cities to remote/very remote areas – there are **under-served communities**, offering operators the opportunity for establishing new Centres. In recognition of this gap, the Federal Budget 2023-24 allows operators to apply for up to $900,000 to build services in child care deserts.[52]

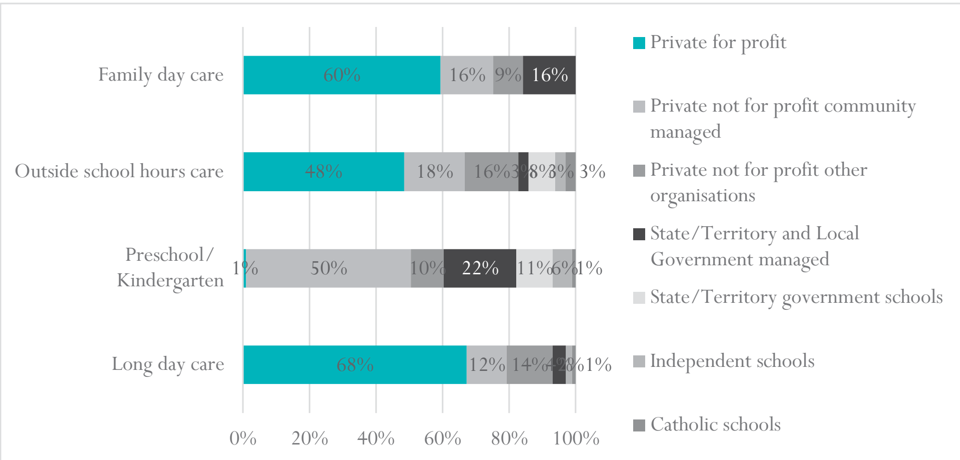
Figure 14: Proportion of Area as Child Care Desert, Australia, 2022



Source: Deserts and oases: How accessible is childcare in Australia?, Mitchell Institute, Victoria University, March 2022

The long day care segment is dominated by private for-profit organisations, whilst not-for-profit organisations (that dominate the preschool/kindergarten segment) are less prevalent in the long day care segment.

Figure 15: Proportion of Services by Type and Operator Management, Australia, April 2023



Source: NQF Snapshot, State of the sector, ACECQA, April 2023

[51] Ibid

[52] Budget 2023-24, Commonwealth of Australia 2023

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Market Report

5.2 Key Competitors

The table below highlights some of the leading long day care service operators in Australia:

Table 2: Key Long Day Care Service Operators, Australia, 2023

Child Care Operator	Year Established	Number of Centres* (approx.)	Number of Staff* (approx.)	Company Type	Geographic Coverage
Goodstart Early Learning	2010	660	15,000	Not-for-profit	National
G8 Education	2006	450	8,000	ASX-listed	ACT, NSW, Qld, SA, Vic, WA
C&K	1907	330	3,140	Not-for-profit	Qld
Affinity Education	2013	225	3,000	Private equity owned	ACT, NSW, NT, Qld, Vic, WA
KU Children's Services	1895	128	2,000	Not-for-profit	ACT, NSW, Qld, Vic
Guardian Childcare & Education	2004	110	N.A.	Private equity owned	ACT, NSW, Qld, SA, Vic
Busy Bees	1983	109	1,690	Private equity owned	ACT, NSW, Qld, SA, Vic, WA
Only About Children	2002	75	2,000	Owned by US-based publicly listed company	NSW, Qld, Vic
Green Leaves Early Learning	2012	57	1,500	Privately owned	NSW, Qld, SA, Tas, Vic, WA
Sparrow Early Learning	2017	54	N.A.	Owned by Hong Kong-based publicly listed company	Qld, Vic, WA
Sparkways	1883	45	N.A.	Not-for-profit	Vic
Story House Early Learning	2017	40	N.A.	Privately owned	NSW, Qld, Vic
Mayfield Childcare	2016	36	875	ASX-listed	Qld, SA, Vic
SDN Children Services	1905	34	700	Not-for-profit	ACT, NSW
Embark Education Group	2014	24	620	NZE and ASX-listed	NSW, Qld, SA, Tas, Vic

Source: Company Sources

**Approximate number of Centres refers to all services provided (and not to long day care services only); approximate number of staff refers to the whole organisation*

5.3 Competitive Tools

The key factors that can provide competitive advantage to different child care operators and centres include:

Location: Since a child care service caters to a specific local community, site selection needs to be based on accurate demographic data. Whilst Centres located close to central business districts (CBDs) and other large population hubs tend to enjoy higher demand (and ability to price higher), they also face more competition.

Occupancy rates: Oversupply of child care places in specific regions (owing to the fragmented nature of the industry) results in weaker occupancy (which has a consequent negative impact on pricing). Occupancy is also lower in underperforming Centres. On the other hand, high performing Centres enjoy the benefit of waitlists.

Workforce management: Staff costs account for the single largest operational costs for child care services. Higher staff-to-child ratios that the industry is expected to meet and higher staff qualifications are driving staff costs up. Therefore, effective recruitment, retention, rostering, as well as an improved employee value proposition through training and development are critical competitive tools in the industry. Staff shortages result in Centres being unable to accept new enrolments or, in extreme cases, Centre closures. Ineffective workforce management also lead to elevated levels of staff stress or burnout. In response to this challenge, operators are offering staff above award pay, discounts for staff who have children attending the service, annual professional learning allowance, qualification upskilling pathways, health and wellness benefits, etc.

Premises: Child-safe and purpose-built learning and play areas are critical to delivering quality outcomes. In this regard, newer Centres are preferred by parents. Also, older Centres tend to require further capital expenditure by the property owner/Centre operator.

Quality: The NQS rating (Excellent, Exceeding NQS, Meeting NQS, Working Toward NQS, Significant Improvement Required) has become a useful ready reckoner for families comparing various services.

Table 3: Child Care Services by Quality Ratings, Australia, Q4 2022

Quality Rating	Number of Services
Excellent	34
Exceeding NQS	4,053
Meeting NQS	9,764
Working Towards NQS	1,730
Significant Improvement Required	7

NQF Snapshot Q4 2022, ACECQA, February 2023

Expansion in the number of Centres: A key component of growth strategy in the industry is the pipeline of high performing Centres added to the network via acquisition/new development/incubator models, as well as the ability to scale up and operate rapidly. Whilst bolt-on acquisitions offer a pathway to scale rapidly, several operators who have adopted this growth model have faced disruption from management changes, employee churn, and integration challenges that compromise care outcomes and the experience of staff and children. On the other hand, directly developing a new Centre comes with fewer integration risks, but the operator carries the ownership, setup, and operating costs and scale-up risks directly. The incubation model (adopted by Nido) ensures that the external incubator carries the ownership and setup costs and scale-up risks, whilst the operator manages all aspects of site identification, licensing, opening, and operations. In this context, Nido's ability to rapidly rollout and scale new Centres is a key competitive advantage (for the year 2022, Nido was the operator with the highest number of new Centres opened, with more than double the number of new services opened than the second or third operators on the list).[53]

Consistency: Given that the child care industry is extremely fragmented, with a high proportion of small or single service operators, achieving consistency in quality, service, and early education approach is a challenge. With close to 40% of people changing address every five years in the country, operators with scale and consistency can better ensure that families that do move can access a consistent level of quality, service, and early education approach irrespective of their location.[54]

Marketing: Competitors that have multiple brands face the challenge of creating brand synergies or raising overall brand awareness. For all competitors, digital marketing for customer acquisition is critical.

[53] Analysis of the ACECQA Register data, https://www.acecqa.gov.au/resources/national-registers, accessed 02 May 2023
[54] Why do people move? A quick guide to understanding internal migration in Australia, Centre for Population, https://population.gov.au/research/research-understanding-internal-migration#:~:text=Australia%20has%20a%20very%20mobile,changing%20address%20every%20five%20years., accessed 31 May 2023

6. Conclusions

Increasing female workforce participation rates, the growth in dual working parent arrangements, growth in the 0-5 year old age group, government funding (particularly the Cheaper Child Care reform with increasing CCS from July 2023) and policy support for the sector (in recognition of the wide social and economic benefits that are derived from a strong child care sector), quality improvement initiatives, the higher fee for services and utilisation rate, efforts to reduce the skilled workforce shortage, as well as the overall improvement in awareness and appreciation of the benefits of structured early learning are factors that will continue to drive demand in the Australian child care services market. The Government's financial commitment to the child care sector has increased significantly over time and the latest changes to funding suggest a continuation of this trend.

The total number of children in child care services totalled 1.41 million in September quarter 2022, up 37% over the September quarter 2012.[55] Of this total number of children in child care services, the proportion in Centre-based day care was 57% of the total in the September quarter 2022.[56]

As of 1 April 2023, there were 17,278 child care Centres in Australia, with long day care accounting for 51% of the total, followed by outside school hours care at 29%.[57]

The Australian child care industry's total market revenue is projected to grow from $14.0 billion in 2020-21 to $17.2 billion in 2028-29.[58]

7. Disclosure

This is an independent report prepared by Frost & Sullivan. Save for the preparation of this report and services rendered in connection with this report for which normal professional fees will be received, Frost & Sullivan has no interest in Nido Education Limited and no interest in the outcome of any fund raising. Payment of these fees to Frost & Sullivan is not contingent on the outcome of any fundraising. Frost & Sullivan has not and will not receive any other benefits (including any commissions) and there are no factors which may reasonably be assumed to have influenced the contents of this report nor which may be assumed to have provided bias or influence. Frost & Sullivan consents to the inclusion of this report in the Prospectus in the form and context in which it is included. As at the date of this report, this consent has not been withdrawn. Frost & Sullivan does not hold a dealer's license or Financial Services License. This report does not constitute advice in respect of fund raising.

[55] Department of Education, Child Care Quarterly Reports
[56] Ibid
[57] NQF Snapshot, State of the sector, ACECQA, April 2023
[58] IBISWorld quoted in Child's Play: An Overview of the Australian Child Care Real Estate Investment Market, Cushman & Wakefield, 2022

3. COMPANY OVERVIEW

3. COMPANY OVERVIEW

*Nido notes that this Prospectus uses terms that are more familiar with the general public instead of terms that are used within the early childhood education and care industry. Centre, long day child care or child care centre are often used as the descriptors of early education services or early schools ("**Centre**" or "**child care Centre**").*

Nido is Italian for 'Nest', a structure or place in which you nurture and educate, a place where you feel at home, protected and safe.

3.1 Overview of Nido

3.1.1 Introduction

Nido Education Limited is a national owner, operator and manager of long day early childhood education and care services ("**Centres**" or "**child care Centres**"), operating under the Nido Early School brand.

As at the Prospectus Date, the Group owns 28 Centres and as a function of the IPO, the Group has contracted to acquire, and immediately after IPO will commence settling the acquisition of a further 24 Centres, taking the Nido Centre portfolio to 52 owned and operated Centres.

Nido's business strategy is for the Group to be an owner and operator of Centres that have a high occupancy (greater than 80% occupancy average over the previous 6 months) and proven profitability (greater than $5,500 EBIT per licensed place per annum). All Nido Centres are purpose built and designed for Nido to standards and specifications that allow Nido to provide quality education. Nido has actively chosen to locate its Centres in suburban areas, seeking to serve everyday families.

Nido is able to leverage its experienced management team that has a track record of driving shareholder value in listed markets, with members of its management team having been involved in leading the previously listed Think Childcare Limited ("**TNK**"), including the operation of TNK prior to its listing in 2014. The team has an extensive understanding of integrating and delivering quality, high occupancy Centres.

As a purpose led business focused on operational excellence, Nido has invested in the development of its Centre management strategy. Nido's decentralised structure, as detailed in Section 3.9, enables employees to maintain focus on delivering quality educational outcomes for children, which Nido believes results in higher occupancy. Nido's employee centric approach, which supports teachers in their development, is also evident through the equity alignment of all Nido employees through participation in the Nido equity incentive plan ("**Nest Egg**" or "**EIP**").

3.1.2 Nido History

The Nido story began with TNK in October 2014, when TNK was listed on the ASX at A$1.00 per share, with a portfolio of 30 Centres.

In 2017, TNK acquired three Centres and the 'Nido Early School' brand (which was established in Perth in 2014).

In 2019, TNK implemented a stapled security structure, where TNK shares were stapled to shares in Think Childcare Development Limited ("**TND**") ("**Think Group**"). TND was focused on developing leasehold greenfield Centres which once 'traded up' (meaning Centres that had achieved the requisite occupancy and financial performance ("**Trade Up**")), were sold to TNK. TND became the primary incubator for TNK, which saw the shift from external incubators to the purpose built, internal incubation model.

In October 2021, TNK, consisting of 72 operating Centres, was privatised through the sale of 100% of the equity in TNK to Busy Bees Early Learning Australia Pty Ltd ("**Busy Bees**") for total consideration of $3.28 a share, implying an enterprise value of $251m.

Nido, then controlled by Mathew Edwards, concurrently acquired 100% of TND, consisting of 16 Centres in Trade Up, a development pipeline of sites for Centres, the Think Group head office team, the 'Nido Early School' brand, and all subsidiaries of TND, to form the Nido group of companies ("**Nido Group**").

As a function of this transaction, Nido contracted an arrangement with Busy Bees for Nido to manage 35 Nido branded Centres, refer to Section 3.7 for details on the Centre management agreement between Nido and Busy Bees.

Since October 2021, Nido has developed 8 greenfield Centres, of which Nido has retained ownership, and a further 21 greenfield Centres on behalf of incubators including Alceon Private Equity ("**Alceon**") backed AES Pty Ltd.

Figure 16 Timeline of select Nido milestones

Year	History
2017	TNK acquired three Centres and the 'Nido Early School' brand.
2021	TND (and the 'Nido Early School' brand) privatised and acquired by Nido, which was then controlled by Mathew Edwards.
2022	Establishment of a joint venture between Alceon and an entity controlled by Mathew Edwards to fund the development of new Centres through AES Pty Ltd.
2023	At the Prospectus Date, Nido owns and operates 28 Centres, and at Listing, will have expanded its Centre portfolio by an additional 24 Centres (through acquisitions outlined in Section 9.4.8, 9.4.9 and 9.4.10). In addition, Nido manages 41 Centres on behalf of third parties under Centre Management Agreements.

3.1.3 Purpose, Mission, and Vision

Nido believes that all children, regardless of their circumstances, have a right to quality early education. Consistent with this belief, Nido's strategy focuses on owning and developing new Centres in suburban Australian areas. Nido seeks to deliver a quality of early education in facilities that are designed to be the best in their markets.

Nido's purpose

Create an environment that supports teachers to rise and make a positive impact on the lives of children.

Nido's mission

*Create an environment where people feel happy and fulfilled in their roles, with all our schools delivering quality education that meets or exceeds, in the Nido way, the National Quality Standard ("**NQS**").*

Nido's vision

Build the capacity of the worlds teachers so they can deliver quality early education to children in all places and in all circumstances.

3.2 Nido's business model

3.2.1 Overview

Nido, through wholly owned subsidiaries, is an owner, operator and manager of Nido Early School branded Centres. The Group currently owns and operates 28 Centres and on Listing, Nido will acquire a further 24 Centres (as outlined in detail in Section 3.3), taking the Nido owned and operated portfolio to 52 Centres. The Group also manages Centres for third parties, for which it receives management fees. As at the Prospectus Date, the Group manages 41 Centres on behalf of third parties including Incubator partners, (refer to Section 3.7 for further information).

Following the Listing, Nido intends to grow through its arrangements with Incubators, which are responsible for developing the Centres from greenfield sites, with all facets of the development managed by Nido to ensure they are developed and operated consistent with Nido's required standards. Nido intends that the Group acquire Centres from Incubators that have met the prescribed Nido acquisition criteria, being an average occupancy above 80% (over the last six months) and maintained profitability above $5,500 EBIT per licensed place per annum (over the last six months seasonally adjusted and annualised), refer to Section 3.5 for further detail.

Figure 17 Nido and NAED Holdings Pty Ltd ("NAED") operating framework

The incubator partner bears most of the development and trade-up risk during the incubator phase whilst paying Nido to manage the Centres to the standards expected for a Nido branded Centre

Once reaching agreed acquisition metric, Nido exercises its call option to acquire the Centre with little to no change experienced from the family's perspective

Establishment and Trade-up				Ongoing Management	
Developer builds Nido designed Centre	NAED opens Centre	Centre achieves acquisition metrics and triggers call option	Call Option (active for 12 months)	Call Option (Exercise by Nido)	Earn out
	Incubator pays Nido: • $250k establishment fee for opening • $120k per annum management fee • Incurs trade up losses • Assumes most of the business risk	**Metrics include:** • 80% average occupancy for 6 months • $5,500 EBIT per licensed place per annum (based on a seasonally adjusted last 6 months and then annualised ("AEBIT"))	**Nido has a call option (no put option):** • Acquisition multiple of 4.5x AEBIT **Examples:** • 72 place annual AEBIT $396k • 82 place annual AEBIT $451k • 92 place annual AEBIT $506k	**Nido acquires Centre and pays 4.5x EBIT:** • 72 place AEBIT of $396k pays $1.78m to acquire • 82 place AEBIT of $451k pays $2.03m to acquire • 92 place AEBIT of $506k pays $2.27m	**De-risking the acquisition:** • earnout and claw-back of 10% based on the difference between actual EBIT of the Centre post Nido's acquisition compared to the AEBIT on acquisition

3.2.2 Size of Centres

Nido typically targets sites for Centres with between 62 and 92 licensed places, being the number of children that a Centre can care for at any one time under the regulatory approval issued to each individual Centre. Nido targets Centres of this size, as it affords Nido the ability to deliver a boutique experience for the benefit of its teachers, children and families.

3.2.3 Locations and demographics

Child care is a vehicle that allows greater workforce participation. Nido looks for sites in areas where there is high workforce participation, typically in areas that are often referred to as the 'mortgage belt'.

3.2.4 Key site selection criteria

The assessment of key criteria for site selection of a Nido Centre is integral in the greenfield development process. Table 4 below sets out the key site selection criteria that Nido considers in this process. Nido has a dedicated site selection team that actively assesses new sites with approximately 30 to 50 sites presented every month for consideration.

Nido's business model is to locate Centres where Nido considers child care to be a necessity rather than a luxury. This allows Nido to establish a consistent customer base with long term business growth. Nido actively seeks to serve families in areas that are more mature and possibly going through a regeneration.

Nido also incorporates data analysis to identify areas of high demand for child care services. Nido uses several platforms and data sources to make informed decisions on site selection for new Centres for establishment by its Incubators. Nido targets the following key indicators:

Table 4 Nido site selection criteria

General Criteria	Key Acquisition Criteria
Children in the area and demand-supply metrics	Locations with high demand for child care services and locations with future growth opportunities. Nido targets a supply-demand ratio of 3.5+ children per licensed place, post the Nido Centre opening, within the catchment area. Nido targets areas to create efficiencies through operational clusters of its Centres.
Population growth rates	The area population demographics including positive growth rates.
Proximate infrastructure	Located next to schools, hospitals, train stations, supermarkets or on a main thoroughfare.
Site access	Easily accessible for families including appropriate infrastructure to access the Centre.
Competition	Assessment of competition within the relevant area including current and planned new Centres for development.
Lease terms	Minimum 15-year lease term.
Ratio of rent and wages to revenue	Net wages (excluding on-costs) and rent combined not to exceed 60% of revenue at 90% occupancy.
Maturity of suburb	The more mature, the more stable the area and the less change in roads and infrastructure. As Nido looks for 20 to 40 year leases, it takes a long view of an area.
Convenience of location	This is the number one factor for families in selecting a Centre. Nido considers access, egress, busyness, parking and traffic volumes and exposure.
Size of the proposed Centre	As demographics change and Nido is looking long term it is important not to build a Centre for today but for longevity.
Fees in the area	Nido does not set its fees by competitors, but these do provide Nido with what people are paying for what quality in an area.

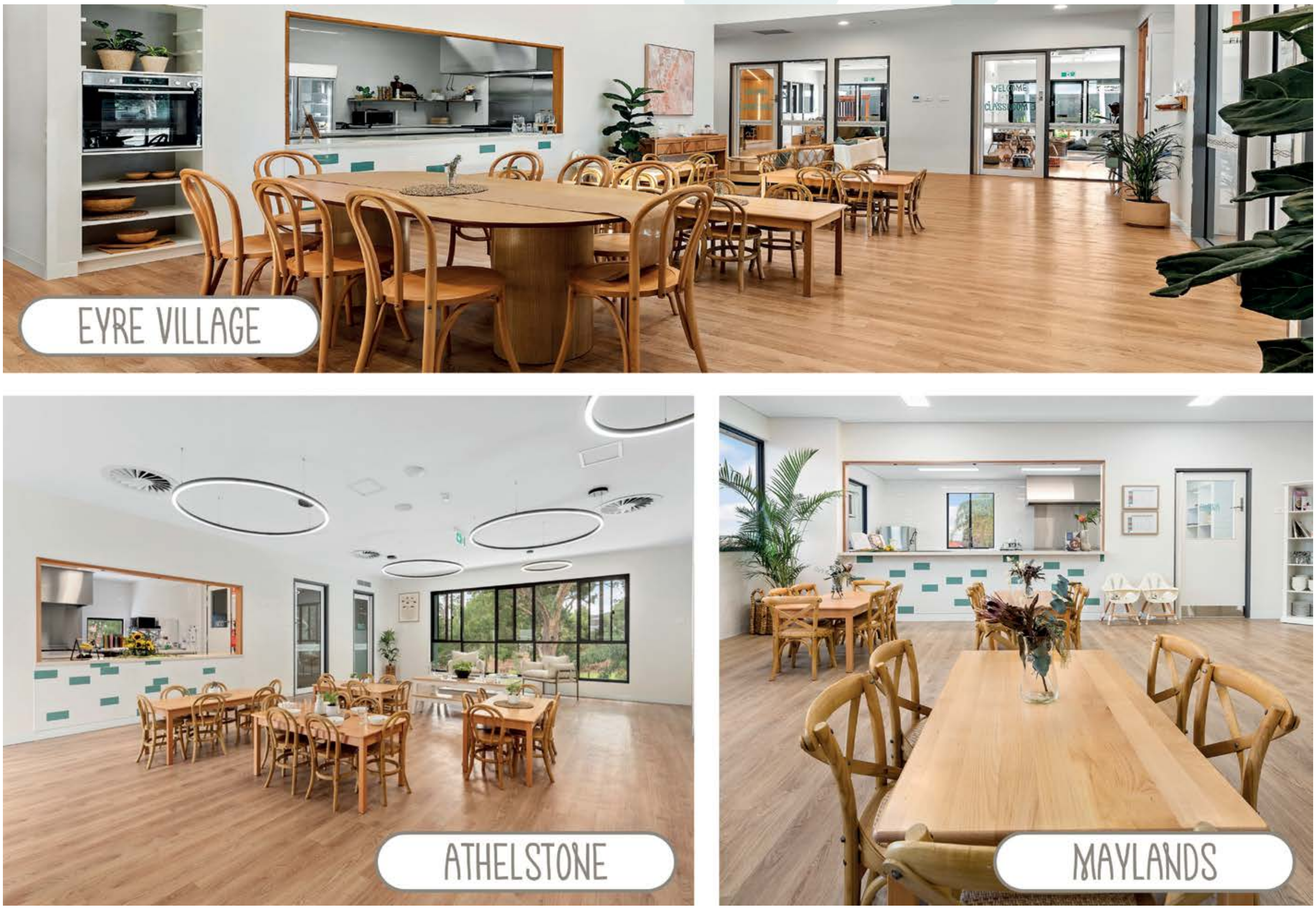
3.2.5 Quality – Purpose built, custom designed

All of Nido's Centres are designed with a focus on quality and with Nido's oversight, are purpose built to Nido's standards. The intention is that each Centre looks and feels similar despite changes in location and size.

Figure 18 Images of Nido Centre yards

Nido's Centres typically contain extensive multi use external learning areas, often featuring a car, providing a vehicle that sparks the imagination of the children and teachers.

Figure 19 Nido Centre's Piazza and Cucina Images



Internally the Centres have café style Cucinas (Kitchens) opening onto a multi-purpose piazza that can serve as a dining space, yoga room, martial arts dojo, and breakfast space where parents and children can spend time in the morning together, among a myriad of uses.

Figure 20 Images of Nido Ateliers, Classrooms and Cubbies

Nido Centres have been referred to as having a day spa feel by parents and educators. The intent of the design is to offer a calming space for children and teachers. A place where children can just be, a place where they feel at home, free to explore and discover. Nido designs its Centres with natural resources and equipment and offers spaces such as cubbies and nooks in which children can have some time to themselves or with a few friends.

The children in the older rooms (3+ years of age), have access to Ateliers (Art studios) that adjoin their classroom. This allows for a space where learning can be continuous and projects can take a life of their own and not be disrupted by the need to clean off tables.

3.2.6 Growth strategy summary

Nido's management expertise, combined with its Incubator relationships, positions Nido to successfully capitalise on its key growth opportunities. These opportunities will focus on organic growth to drive profitability improvements in Nido's current Centres, in addition to inorganic growth opportunities through the acquisition of new Centres.

(a) Improving profitability of Nido's Centres

- Nido will leverage the strength of its management team and Centre leadership structure to deliver organic growth opportunities, including driving growth through increasing occupancy of Nido's portfolio at completion, fee per day increases, efficient management of wages and general operational expenditure.

(b) Growth through acquisition

- Nido's relationships with Incubators provide a direct pipeline of Nido specific Centres, for Nido to acquire at its option when they meet the acquisition thresholds noted in Section 3.2.1. Nido will continue to implement its site selection process consistent with the criteria identified in Section 3.2.4.
- Nido's acquisition growth strategy will focus primarily on its Incubator arrangement with NAED. Nido will work strategically with property development partners to target areas of interest to continue building a portfolio of Nido specific Centres.

3.2.7 Incubation summary

Nido's Incubation growth model seeks to reduce, for Nido, the inherent trade-up risk of opening a brand-new Centre. One of the key benefits of the Incubation strategy is that Centre employees and families experience no change in their day-to-day activities post-acquisition by Nido, ensuring minimal integration risk.

Nido believes the integration risks of mature Centres into the Nido portfolio are significantly reduced by the fact that Nido has oversight throughout the development process, including site selection and fit-out, together with Centre management. All employee relationships and interactions with families and suppliers are through Nido. At the point of acquisition, there are no material changes operationally at the Centre level, ensuring a smooth transition into Nido's ownership.

3.3 Nido's Centre portfolio

3.3.1 Overview

Nido currently owns, through wholly owned subsidiaries, 28 Centres and as part of the IPO, Nido has contracted to acquire, and on Listing will own and operate a further 24 Centres, taking the Nido Centre portfolio to 52 owned and operated Centres. These Centres are located across Western Australia (26 Centres), South Australia (11 Centres), Victoria (14 Centres) and Australian Capital Territory (1 Centre). Figure 21 and Figure 22 below provide an overview of the Nido Centre portfolio.

In addition to the 52 Centres that Nido will own and operate following Listing, Nido also manages 41 Centres on behalf of its Incubator partners, this takes the total number of Nido owned, operated and managed Centres to 93, with a total maximum capacity of 8,174 children per day that can be educated.

3.3.2 Portfolio NQS ratings

Part of Nido's mission is to deliver quality education that meets or exceeds the National Quality Standards ("**NQS**"). Table 5 sets out the NQS rating for each of the 52 Centres that Nido will own and operate following Listing. Of the Centres that Nido will own and operate following Listing that have been assessed, 92% either meet or exceed the NQS (as of 20 September 2023) in comparison to the long day care national average of 89%.

Table 5

NQS Rating	Number of Centres
Not yet assessed	27 (4 currently undertaking their assessment)
Significant Improvement Required	0
Working Towards NQS	2
Meeting NQS	22
Exceeding NQS	1
Excellent	0

As noted above, the majority of Centres that Nido will own and operate following Listing have not yet been assessed against the NQS. nor provided an NQS rating. Of the 27 Centres not yet assessed, 4 have assessment and rating underway and are anticipated to receive final ratings and reports by 31 December 2023.

Nido expects to receive NQS ratings for the remaining 23 unrated Centres within the next 18 months, however, Nido does not control this time frame, as it is controlled by the relevant State or Territory regulatory authority to assess Centres. The two Centres which have a NQS rating of 'Working Towards NQS' are in the process of applying for reassessment.

Figure 21 Geographic footprint of the 52 Nido Centres

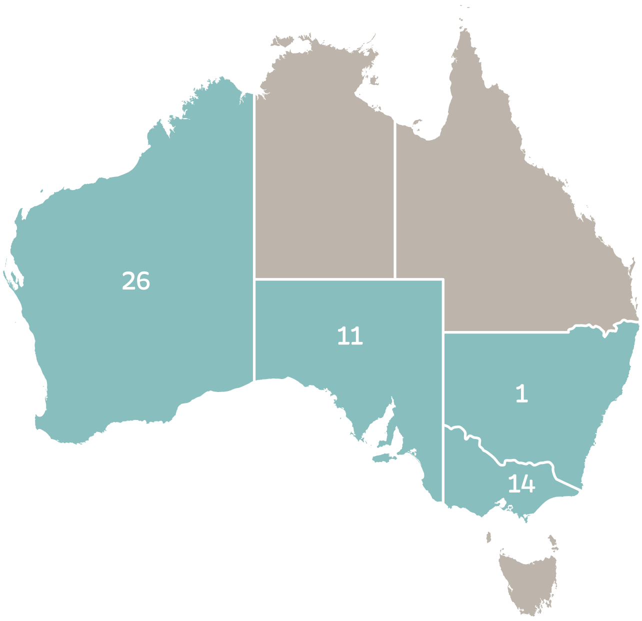


Figure 22 Nido Centre portfolio overview

Western Australia

Balcatta
Baldivis East
Bassendean
Belmont
Brabham
Canning Vale
Craigie
Duncraig
East Victoria Park
Ellenbrook
Hammond Park
Harrisdale
Hillarys
Iluka
Kingsway
Maylands
Mount Hawthorn
Padbury
Palmyra
Riverton
Scarborough
Secret Harbour
Treeby
Wembley
Wilson
Yokine

Australian Capital Territory

Franklin

Victoria

Ascot Vale
Avondale Heights
Blackburn
Chadstone
Essendon
Kingsbury
Melbourne Square
Ocean Grove
Ormond
Rosanna
Seaford
Werribee
Wyndham Vale
Yallambie

South Australia

Athelstone
Belair
Black Forest
Elizabeth Vale
Eyre Village
Fulham
Golden Grove North
Paradise
Pennington
Redwood Park
Somerton Park

3.4 Nido's key operational drivers

The financial performance of a Nido Centre is influenced by a number of key operational drivers which are described in Table 6 and Table 7 below.

Table 6 Key revenue drivers

Driver	Description
Licensed places	The number of children that a Centre can care for daily at any one time under the licence that has been issued in respect of that Centre. As at the Prospectus Date, the Group has a total of 4,614 licensed places across its portfolio of 52 Centres.
Occupancy	Represents the number of enrolled children (and, therefore paying a daily fee), as a percentage of a Centre's licensed places. Centre occupancy is a key determinant of a Centre's revenue and profitability.
Daily fees	The daily fees charged by a Centre, usually inclusive of meals and consumables such as nappies. These fees are paid by families and the Commonwealth Government through the CCS. Approximately 60% of the last twelve months revenue came from the Commonwealth Government, with the difference in child's fee to be paid by the families. Nido expects the daily fee to continue to increase over time. The capacity of a Centre to increase fees is dependent on local competition, Centre waiting lists, Centre location, the quality of education and care and the quality of the Centre's facilities, among other factors.

Figure 23 Licensed places by Centre

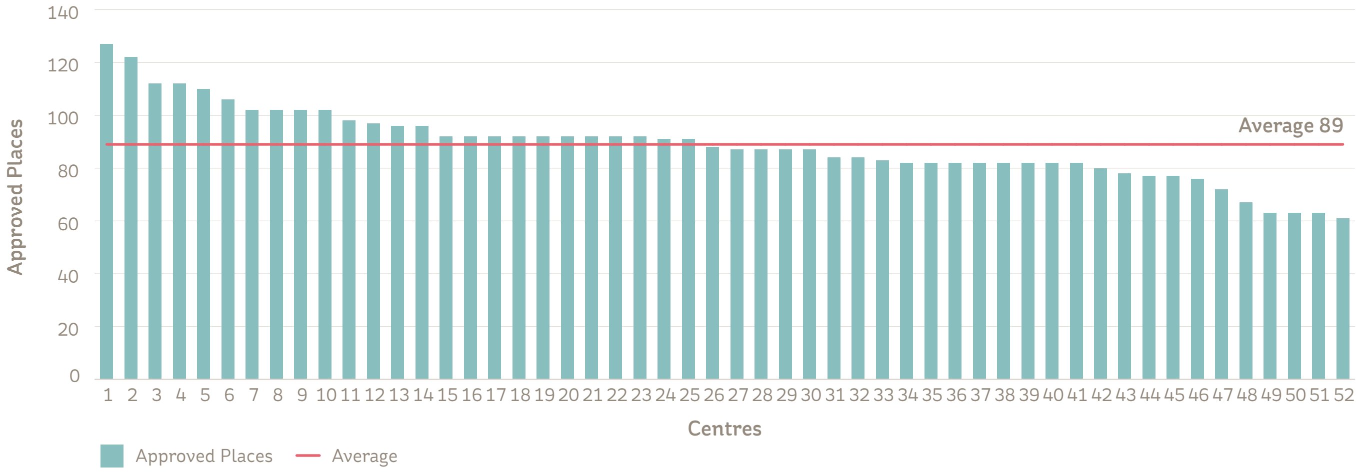
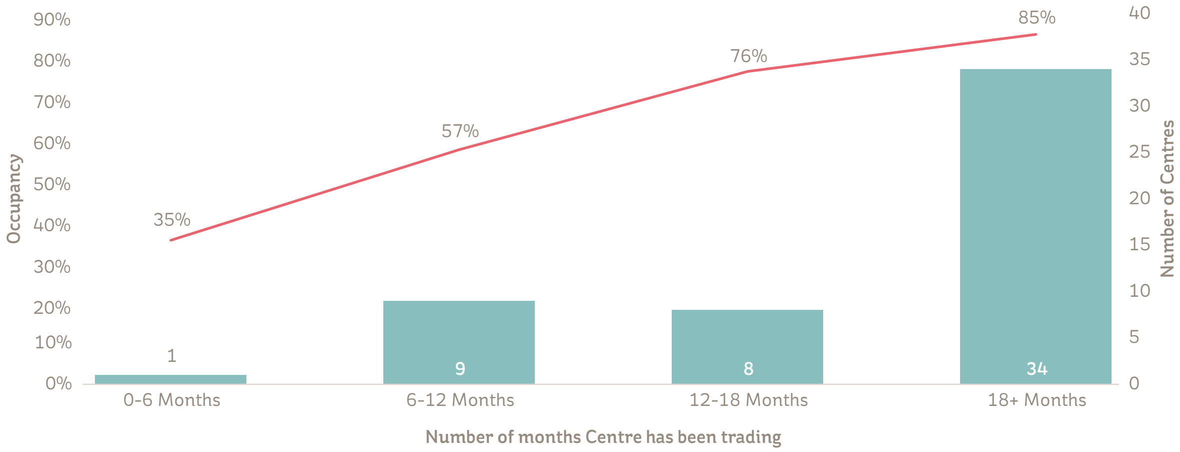


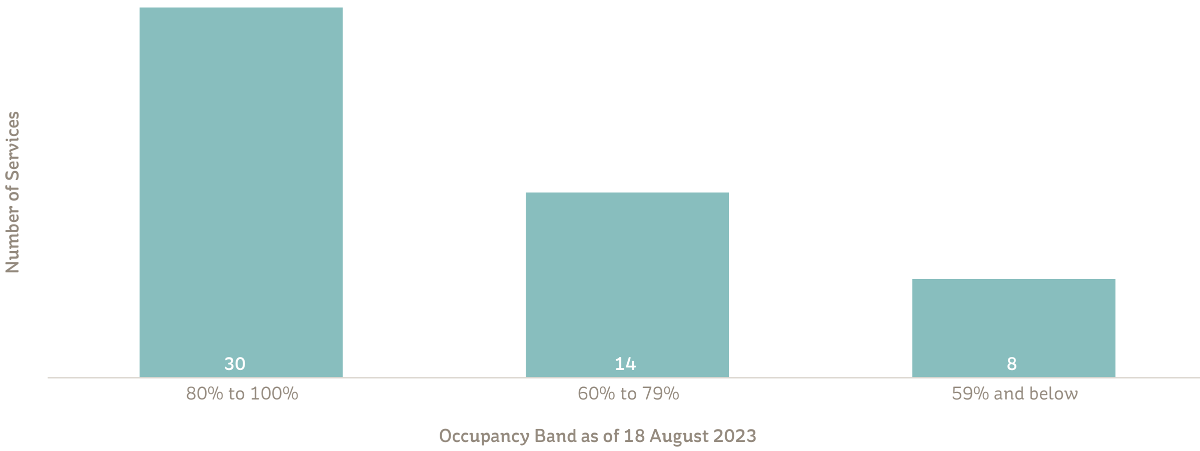
Figure 24 Nido's Centre occupancy by cohort age

Total spot occupancy for the Nido Centre portfolio is 77% as of 18 August 2023. Please see below a chart which details the occupancy by Centre age cohort.



Number of months of trading	0-6 months	6-12 months	12-18 months	18+ months
Occupancy	35%	57%	76%	85%
# of Centres	1	9	8	34

Figure 25 Number of Nido's Centres by spot occupancy band (18 August 2023)



Occupancy	80%-100%	60% to 79%	59% and below
# of Centres	30	14	8

Table 7 Key Centre expenses

Employee expenses	Employee expenses typically amount to an average of approximately 59% of a Centre's revenue. As such, efficient management of staff to children ratios and staff rostering is critical to the overall profitability of a Centre. Please refer to Figure 26 below which identifies the staff-to-children requirements for each Australian state and territory.
Occupancy/rent expenses	The Group will not own the real property on which the Centres are located as each of the Centres will be operated on property leased to the Group or the Incubator. The average lease term left across the portfolio of 52 Centres, as at 30 June 2023, will be 16.7 years. The terms of lease agreements vary across the portfolio, such as allowing for annual rent increases in line with CPI, cap and collar, and fixed rate.
Other expenses	Other expenses may include governance costs, consumables and resources, IT costs, central office insurance, marketing, travel and motor vehicle expenses, and other general and administrative costs.

Figure 26 Australian State and Territory staff-to-children ratio requirements

Age of Children	Staff to Child Ratio	Applies
Birth to 24 months	1:4	All states and territories
Over 24 months and less than 36 months	1:5	All states and territories excluding VIC
	1:4	VIC
Over 36 months up to and including preschool age	1:11	ACT, NT, QLD, VIC and SA
	1:10	NSW and WA
Over preschool age	1:15	NT, QLD, SA, TAS, VIC, NSW
	1:11	ACT
	1:13 (1:10 if kindergarten children are in attendance)	WA

Figure 27 Illustrative Nido unit economics for a 83 place Centre at 80% average occupancy

	EBIT contribution for 83 place Centre	
	$m	Revenue %
Total revenue	2.7	–
Employee costs	(1.6)	58.5%
Occupancy costs	(0.4)	14.1%
Other costs (including depreciation)	(0.3)	9.4%
Centre EBIT	**0.5**	**18.0%**

The unit economics presented in Figure 27 are based on the historical financial performance data of the 21 Centres from July 2022 to June 2023.

3.5 Nido's Incubation growth model

3.5.1 Incubation summary

Nido has a model of growth which seeks to reduce, for Nido, the inherent Trade Up risk of opening a brand new Centre. Nido's Incubators target the development of 20 to 30 new Centres per year, with the intent to provide Nido with a pipeline of new Centres that Nido will have an exclusive call option to acquire. The acquired Centres will be trading at an average occupancy rate over the last six months exceeding 80%, with proven profitability, and with the purchase price being at a known acquisition multiple of 4.5x EBIT.

Nido has an agreement with NAED, as Nido's primary Incubator. NAED is 100% externally owned, with the Incubator receiving equity funding of $25m from private investors through Alceon and by Nido providing, under a loan agreement, an interest bearing loan facility of up to $25m. Mathew Edwards is one of the three directors of NAED but he holds no equity interest in NAED. Please refer to Section 9.4.3 for a summary of the key terms of the loan agreement.

Figure 28 Nido's Incubator funding arrangements

Nido

Debt ceiling $25m

- 2023 draw down $6m
- 2024 draw down $14m

Terms

- 6 years
- 8% interest (PIK)
- Unsecured

Oversight and manage

- Cash flow
- All financial statements
- Sites
- Trading performance of NAED Centres

Alignment

- The better the Centres that Nido puts into the Incubator, the quicker they trade up, the quicker Nido acquires them, and the less exposed Nido is to the NAED debt

Nido will fund 50% of NAED with debt

NAED

Responsibilities

- Capex
- Rent bond
- Trading
- Incurs trading losses

Alecon will fund 50% of NAED with equity

Alceon Investors

Equity ceiling $25m

- 2023 draw down $6m
- 2024 draw down $14m

Terms

- Any dividend or early repayment of debt is 60% Alceon and 40% Nido

Oversight and manage

- Approves all sites

Alignment

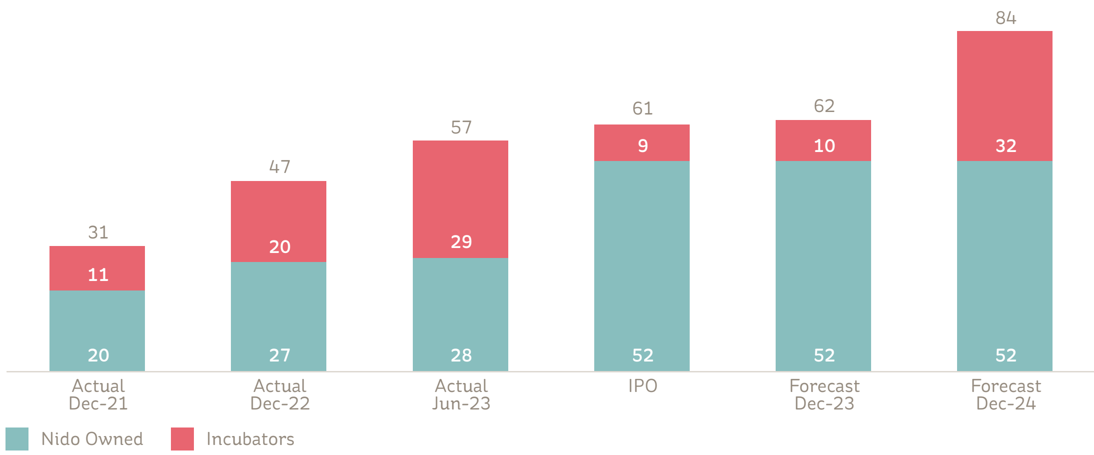
- The better the Centres that NAED approves, the quicker they trade up, the quicker they divest, the quicker there is a return for Investors

3.5.2 Nido's Incubator pipeline

Nido understands that NAED is targeting the development of 20 to 30 new Centres per year, with the intent to provide Nido with a potential pipeline of 100 new Centres over a four-to-five-year period. Post delivering this portfolio, Nido understands that NAED's intention is to wind down operations. At this point, it is Nido's expectation that it will be operating at scale, which will provide Nido with the flexibility to commence the development of its own greenfield Centres internally or to continue with the external incubation strategy or a combination of both.

In addition to the arrangements with NAED, there are a further four legacy incubators that own four Centres between them. Post these Centres trading up and meeting the specified acquisition criteria detailed in Section 3.5.3, these Centres will be acquired by Nido and these Incubators will cease to be in operation.

Figure 29 Timeline of Nido Centre build-up



Centres	Dec-21 Actual	Dec-22 Actual	Jun-23 Actual	IPO	Dec-23 Forecast	Dec-24 Forecast
Nido Owned	20	27	28	52	52	52
Incubators	11	20	29	9	10	32
Total	**31**	**47**	**57**	**61**	**62**	**84**

# Licensed Places	Dec-21 Actual	Dec-22 Actual	Jun-23 Actual	IPO	Dec-23 Forecast	Dec-24 Forecast
Total Nido Owned	1,793	2,406	2,504	4,614	4,614	4,614
Average Nido Owned	90	89	89	89	89	89
Total Incubators	923	1,727	2,533	759	850	2,680
Average Incubators	84	86	87	84	85	84
Total	**2,716**	**4,133**	**5,037**	**5,373**	**5,464**	**7,294**
Total Average	**88**	**88**	**88**	**88**	**88**	**87**

3.5.3 Roles and responsibilities of Incubator relationship

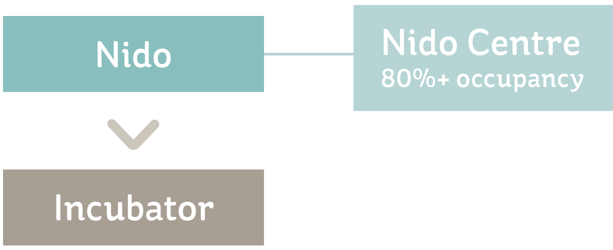
Nido is contracted for a once off establishment fee of $250,000 per Centre that NAED opens. Nido utilises its site selection criteria to identify appropriate locations for Centres. Nido manages all aspects of opening a new Centre including the design, build to the commencement of trading each Centre. Post opening, Nido is contracted to manage all day-to-day operations, managing finances and payroll for a Centre management fee of $120,000 per annum.

Nido earns $370,000 in the first 12 months of a Centre opening from all NAED Centres it opens, without any exposure to Trade Up risk.

Figure 30 Key summary terms of Incubator relationship

Nido exercising call option

- pays 4.5x AEBIT to acquire Centre
- no put option for incubator
- earnout and clawback of 10% further de-risks the acquisition by Nido



Nido acquires Centre

- lease transferred to Nido
- Centre employees offered employment with Nido
- Client families experience no change

Nido acquisition metrics

Nido has an option to acquire a Centre from NAED when that Centre exceeds 80% average occupancy (over the preceding six months) and a minimum of $5,500 EBIT per licensed place (based on an average EBIT over a period of six months and then annualised ("**AEBIT**")) ("**Acquisition Metrics**").

Nido exclusive call option

Nido has an exclusive call option ("**Call Option**") to acquire Centres once the Acquisition Metrics have been achieved ("**Call Option Start Date**"). The Call Option expires on the earliest of:

- depending on the amount drawn down on under the NAED Loan Agreement, 1, 3, 6 or 12 months after the Call Option Start Date;
- 36 months after the relevant Centre has commenced trading; and
- the date of termination of the NAED CMD.

This gives Nido time to better ensure that the timing of the acquisition is appropriate for Nido.

4.5x AEBIT acquisition multiple

Nido has an agreed multiple for all acquisitions from NAED of 4.5x AEBIT.

Centre Example

100 licensed place Centre: $5,500 x 100 = $550,000 AEBIT x 4.5x ("**Acquisition Multiple**") = $2.47m.

10% earnout and clawback

12 months post exercise of the Call Option, Nido and NAED have a 10% earnout and clawback process. This means that Nido can clawback up to 10% of the total acquisition price if the Centre's EBIT underperforms as against the AEBIT, and may have to pay an earnout up to a further 10% of the acquisition price if the Centre overperforms as against the AEBIT.

With an earnout amount of 10%, and a clawback amount of 10% of the acquisition price based on the 12 months trading post settlement of the acquisition, this further reduces the risks associated with the acquisition for Nido and rewards NAED should the Centre outperform. Please refer to Section 9.4.2 for the terms of the NAED CMD.

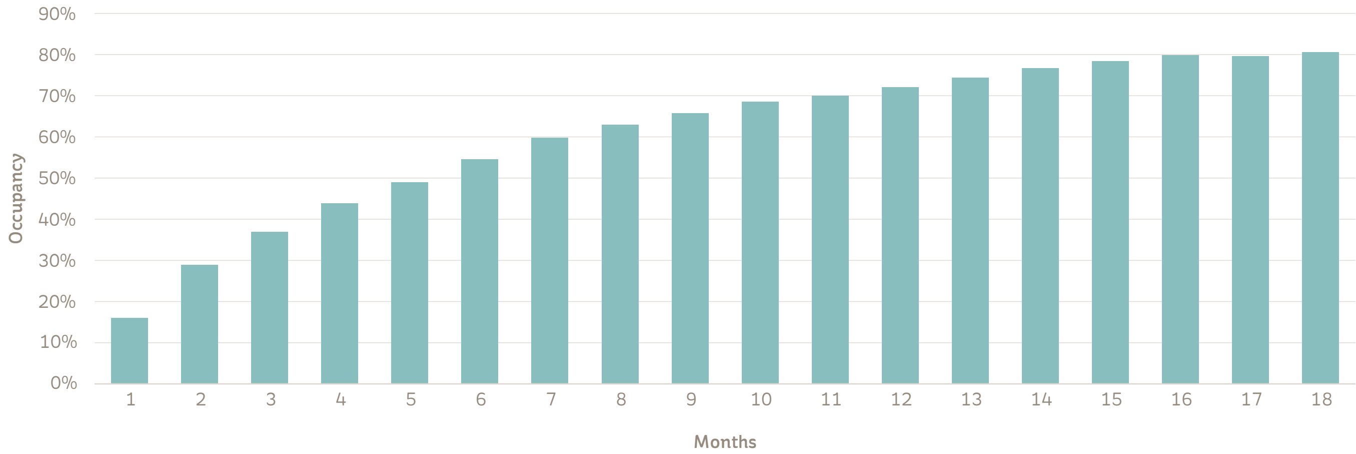
Centre Example

$550,000 AEBIT at acquisition: Actual EBIT in the 12 months post acquisition is $520,000 = $30,000 underperformance. Clawback paid by NAED to Nido is 4.5 x $30,000 = $135,000. Conversely, a $30,000 overperformance when comparing AEBIT to actual EBIT in the 12 month period post acquisition, Nido must pay to NAED a further $135,000.

Trading up and sale to Nido

Based on the historical average of Nido Centre Trade Up performance, a Nido Centre, on average, takes approximately 18 months to achieve occupancy of 80%, with a Centre taking a further two to five months to hit the average 80% occupancy for the last 6 months to trigger the Acquisition Metrics. Given this is the average Trade Up performance, some Centres will Trade Up quicker than the average 20 months, and some Centres will Trade Up slower than this average. Figure 31 demonstrates the historical monthly occupancy across all Centres in their first 18 months of operation.

Figure 31 Average Trade Up monthly occupancy profile across all the 52 Nido IPO Centres



3.5.4 Centre Management Deed

The arrangements with NAED are documented in a Centre Management Deed ("**NAED CMD**"), which governs how sites are selected, managed and potentially acquired by Nido.

The information below provides an overview of the risk-sharing framework between Nido and NAED.

Finding a new site

Nido	Sources the site, undertakes analysis regarding demand, convenience, capacity, competition and viability. Presents the site to the Incubator for approval. Nido negotiates commercial leasing terms and leasing documentation.
NAED	Using its own assessment process, approves the site and associated agreements. Enters into the agreements for lease and the lease agreement.

Opening a Centre

Nido receives $250,000 as a once off establishment fee when a Centre commences trading

Nido	Undertakes all the work from the design of the Centre, working with architects, developers and the builder. Nido markets the Centre, equips the Centre with resources, manages all recruitment of the employees, and undertakes all training and onboarding. Nido completes all works and applies for the licence to operate each Centre.
NAED	Funds all aspects of the fit out and resources for the Centre and contracts all the employees.

Managing a Centre

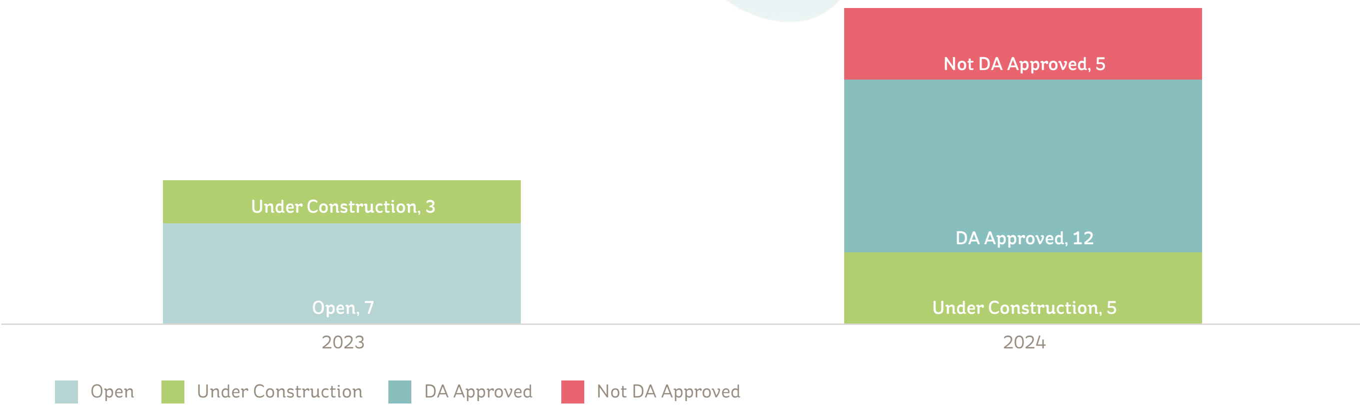
Nido receives a per Centre management fee of $120,000 annually

Nido	Manages all operational aspects of the Centre day to day. This includes human resources, financial management, payroll, operational compliance, maintenance and ensuring it meets the Nido standards. Nido reports to the Incubator through Business Intelligence dashboards, giving NAED full operational visibility.
NAED	Funds all aspects of the business, including capex, trading losses and rental bonds.

NAED current pipeline development status

NAED currently has a pipeline of 32 Centres in development expected to open in 2023 and 2024. The current status is that 7 Centres have opened, 8 Centres are under construction, 12 Centres have received DA approval and 5 Centres are waiting for DA approval.

Figure 32 the current development status of the 32 Centres that are forecast to open by the end of 2023 and 2024



3.5.5 Benefits of Nido's growth incubator model

Nido's growth strategy is driven primarily through its arrangement with NAED. There are several key benefits to this arrangement compared to a traditional business model, as set out below.

1. **Reduced development risk and Trade Up losses for Nido** – The Incubator assumes the trade-up risk, initial set up expenses, and operating losses in running the Centre. This reduces the development risks for Nido, enabling it to focus on owning and operating mature proven Centres but still maintaining a significant pipeline for potential growth and management of Centres.
2. **Little integration risk when Nido acquires** – Nido manages every aspect of Centre development through to operations, to the same extent as if it owned the Centre. The Centre is only acquired by Nido (through the exercise of the Call Option) when the required Centre achieves the Acquisition Metrics. Employees experience little change at the point of acquisition by Nido. Families feel little to no change at the point of acquisition by Nido.
3. **Guaranteed $370,000 income in first 12 months of opening a Centre for NAED** – Under the terms of the NAED CMD, Nido is paid a one-off $250,000 establishment fee on the opening of a new Centre, and an annual management fee of $120,000 for managing a Centre.
4. **Acquisition growth pipeline at an agreed multiple of 4.5x AEBIT** – The incubation model provides Nido with a pipeline of Centres for potential acquisition at a known pre-agreed multiple of 4.5x AEBIT. NAED is targeting the development of 20-30 new Centres per year. The acquisition risk is further reduced with a 10% earnout and clawback of the purchase price based on the Centre's EBIT in the first 12 months of Nido's ownership.
5. **Minimal capital expenditure and depreciation post acquisition** – The set-up costs of the Centres acquired by Nido are carried by NAED, as a result, there is minimal capital expenditure and corresponding depreciation required post-acquisition. Centres are newly built specifically for Nido, reducing the initial maintenance costs post acquisition.

3.6 Nido's competitive advantages

Nido's business strategy and operating model positions the organisation to compete in the highly fragmented child care industry. Nido has a number of competitive advantages, including:

1. Arrangements with Incubators, developing a growth pipeline of Nido curated Centres

- By partnering with external Incubators, Nido is able to mitigate most of the risks associated with the development of new Centres as the direct development costs are borne by the relevant Incubator. The Incubators provide Nido with a growth pipeline of curated Centres. This approach reduces trade-up risks, set-up costs, and early operating losses, as the Incubators assume the risk until the Centre reaches maturity and is acquired by Nido.

2. High level of consistency and quality across Centres providing scale benefits

- Through its Incubator relationships, Nido provides input across all aspects of Centre development and operations. This ensures that new Centres are already aligned in appearance, processes, workflows and culture with the existing Nido portfolio. As a result, it increases the likelihood of scalable benefits, and leads to consistency and quality when incorporating new Centres into Nido's portfolio of owned Centres.

3. Management experienced at developing new Centres

- Nido's management team is also able to use its expertise in developing and opening greenfield Centres to determine the most appropriate locations. Over the past five years the management team have opened 65 Centres.

Table 8 Annual breakdown of Centres opened by Nido

	2019	2020	2021	2022	2023 (as of 21 July)
# Centres	13	15	12	16	9

3.7 Centre Management Agreements

Further to the NAED Centre Management Deed discussed in Section 9.4.2, Nido, through its wholly owned subsidiary Nest Management Pty Ltd ("**Nest Management**"), has in place a Centre Management Agreement ("**Busy Bees CMA**") with Busy Bees Australia Operations Pty Ltd ("**Busy Bees Australia**"), under which Nest Management is appointed as the manager to operate 34 Centres owned by Busy Bees Australia 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 Busy Bees CMA commenced on 21 October 2021. For further details on the terms of the Busy Bees CMA, refer to Section 9.4.5.

In addition to the Busy Bees CMA, Nido, through wholly-owned subsidiaries, also has similar Centre management agreements in place with four Incubators to manage an additional four Centres. Refer to Section 9.4.6 for additional information on the terms of the Centre management agreements between Nido and the other Incubators.

3.8 The Nido Way – Guiding Principles

Nido's guiding principles showcase the heart of Nido and how it seeks to treat every individual as competent and capable across the organisation. Nido believes its success is driven through the success of others and only through everyone succeeding will Nido truly succeed.

These Guiding Principles unite Nido across communities, cultures and the different locations of each Centre. They serve as a guide that every employee can base taking action on, and when making decisions, both big and small.

Our people are competent and capable

Our people are competent and capable; we do it with them and never for them or to them.

The way you treat an individual will reflect in how they see themselves and treat others.

When we treat a person as "competent and capable", we actively create an environment that encourages and supports people to empower themselves.

We encourage and support our people to have agency.

Agency is recognising and supporting people's right to make choices and decisions to initiate their own development, role execution and the freedom to rise.

We actively seek the opportunity to be led, only ever taking the lead when the need exists.

We invite questions, and answer in a way that re-enforces people are capable and competent of solving the problem with the appropriate amount of input.

We are not afraid for our people to not succeed or make mistakes.

We support people to rise and grow. We focus on what is the minimum that we can do for them to ensure success or near success.

I am Nido, I am being Nido

Our success is through the success of others, and only through us all succeeding do I truly succeed.

We advocate for ourselves, for each other, for children, families, and community.

The standard we walk past is the standard we accept. No matter who, in what role and how uncomfortable we may feel in raising the issue we absolutely must. If you allow it you teach it.

We always strive to do those one percenters because we know the little things do matter.

We expect to be needed, we expect to need others, we expect to make a difference.

We hold ourselves and each other accountable in an honest and respectful way.

We are focused on the best ideas, and these may not always be the most popular ideas.

We face problems head-on, we own the decisions made, we never say "I told you so", we all own the result.

We don't accept that just because it has always been done that way that it should be done that way, we look to find a better way.

It is ok to take it personally because you care, but we are always emotionally respectful and professional.

We do it with them and never for them or to them.

We know we aren't perfect, but we strive to improve.

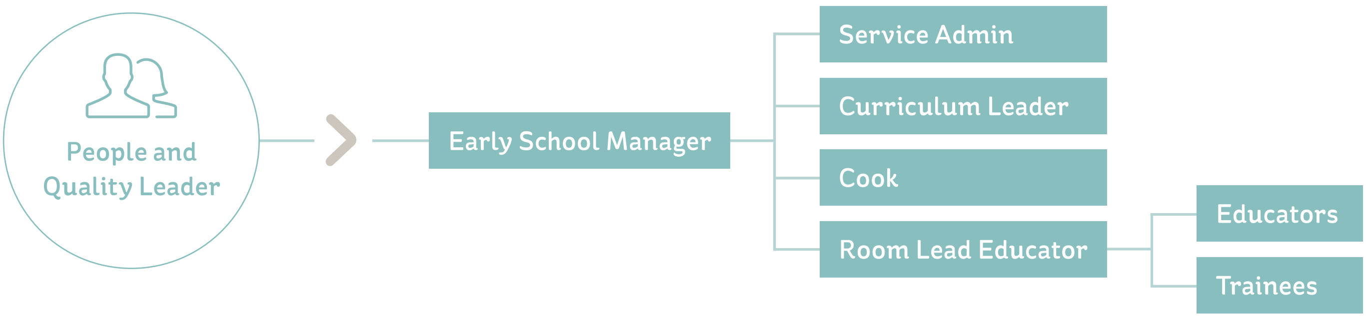
Rise.

3.9 People Strategy

Nido's Centre based leadership team (known as the "**Leadership Triangle**") has been structured to support the passions of individuals, dividing tasks between appropriately skilled people, rather than tasking one person. The Leadership Triangle is comprised of an Early School Manager ("**ESM**"), a Curriculum Leader ("**CL**") and a Service Administrator ("**SA**"). The aim of this structure is to remove the administrative tasks from the ESM and the CL, so they can focus on the development and coaching of the Centre based teams to the Nido level.

The Leadership Triangle is supported and coached by a People and Quality Leader ("**PQL**"). The PQLs are skilled in ensuring that the Centre, across all facets of quality, compliance, people, commercial, and occupancy, achieves its objectives that have been set by the Centre team. While PQLs have the capacity to undertake all the roles at a Centre, they play a coaching role to build the capacity of the Centre-based teams by treating them as competent and capable and assisting where needed.

Figure 33 Nido's Centre structure



3.9.1 Nido Operational Roles

Table 9 Nido operational roles and responsibilities

Role Title	Key Responsibilities
People and Quality Leader	• Out of the classroom approximately 80% of the time • Manages a portfolio of Centres • Coaches and supports the Leadership Triangle across their portfolio • Focuses on the quality of education and care delivered at each Centre
Early School Manager	• Out of the classroom approximately 80% of the time • Manages the Centre • Coaches and supports the Centre team • Builds relationships with families and the local community
Curriculum Leader	• Out of the classroom approximately 50% of the time • Focuses on delivering high quality education • Development of curriculum across the Centre • Mentors and coaches Educators

Role Title	Key Responsibilities
Service Administrator	• Out of the classroom 100% of the time • Responsible for local marketing, new enquiries, enrolments, and accounts • Focuses on roster optimisation and staff management
Lead Educator	• In the classroom approximately 85% of the time • Provides leadership and support to Educators to engage with children and families as well as lead and facilitate curriculum planning
Educator	• In the classroom approximately 95% of the time • Engaged with children and families, creating magical moments through Nido's educational curriculum, which inspires children to be confident and inquisitive lifelong learners
Early Childhood Teacher	• In the classroom approximately 85% of the time, primarily based in the kindergarten classroom • Develops and implements an educational curriculum to support children to learn and grow • Coaches Educators to encourage children to be confident learners and sets goals with families to provide achievable challenges for children
Cook	• Cooks are the heart of each Nido Centre, in their "Cucinas" (Italian for kitchen) • Prepares nutritiously balanced fresh food daily

3.9.2 Talent Strategy

Nido is a purpose-driven business, whose success relies heavily on its people. Great people lead to great quality education, which leads to great outcomes for children and families. Nido believes this underpins demand for places at its Centres, leading to quality educational outcomes, high occupancy, and sustainable profitability. Nido believes that fostering meaningful relationships with employees creates an environment where everyone can contribute to achieving their overall objectives, and ultimately setting it on the path for continued success.

The Group employs over 1,800 people across Australia. Table 10 below provides a breakdown of Nido's employees split across Centres and support offices.

Table 10 Overview of Nido's people as of 30 June 2023

Function	Employees (incl. casual)
IPO Centre employees	1,614
Incubator Centre employees	120
Support office employees	73
Total employees	**1,807**

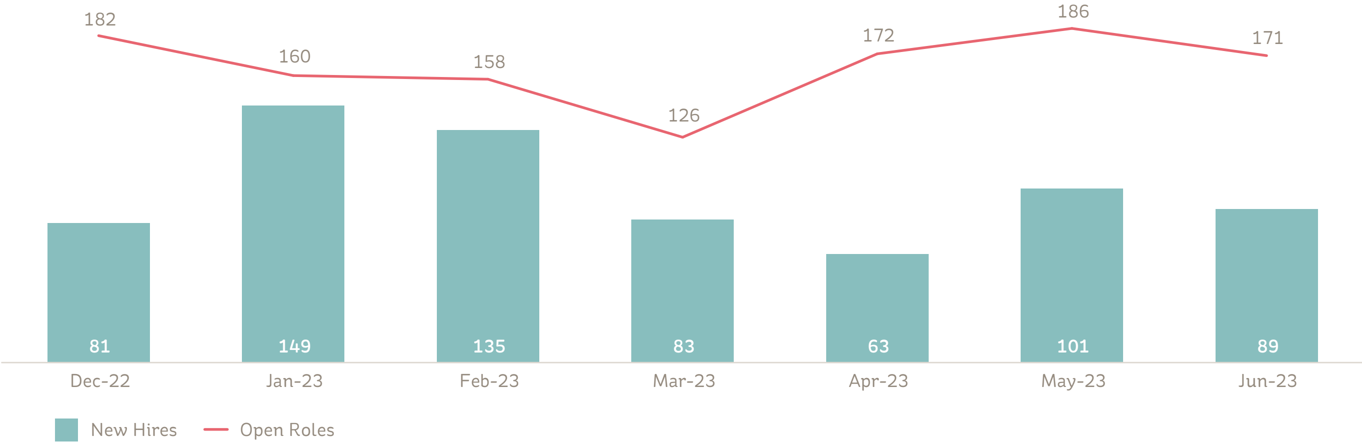
The recruitment and retention of the Group's employees is fundamental to the performance of Nido's business. Nido has streamlined its recruitment process through decentralisation and the introduction of a new applicant tracking system. Figure 34 provides a breakdown of the number of open roles and positions filled over the last seven months.

To further support the attraction and retention of talent, Nido offers the following benefits to all employees:

- 95% discount on parent contribution fees for Centre-based employees;
- above employment award rate of pay;
- opportunities for professional growth, through coaching and mentoring programs, with the dedicated support of a Centre based leadership team;
- opportunities for career progression as new Centres open, allowing employees to step into new leadership or educator roles and experience opening a new Centre; and
- Employment Assistance Programme available to staff and their families and access to psychologists and other health professionals.

Across the 52 Nido Centres, there are over 6,400 families on the waitlist as of 13 July 2023. As Nido recruits more people, they are able to offer more days of learning to families across Australia. As displayed in Figure 34, on filling role vacancies, Nido opens up new roles to bring more children into their Centres in a staged manner. This is in an attempt to satisfy the demand on Nido's current waitlists, while minimising disruption at a Centre.

Figure 34 Breakdown of new hires vs open roles across the 52 Centres



3.9.3 Learning & Development

Nido launched an online portal called 'Nido Learning'. Currently, the portal has over 100 courses, both internally and externally developed to allow educators to continue achieving their learning and personal development goals. Nido intends to continue to invest in the development of their people, delivering courses face to face, digitally live, online through Nido Learning and through external conferences. For Nido, it is critical that its people maintain their professional standards through continuous growth and development.

3.9.4 Nest Egg

Nido has put in place an equity incentive plan ("**EIP**") termed 'Nest Egg'. Refer to Section 6.7 for more details on the EIP. Awards under the Nest Egg program have been made to selected employees on one of two awards.

Offers in respect of Premium Options have been accepted by 23 employees and 3 Directors and offers in respect of Free Options have accepted by made to 372 employees.

The key terms of the Premium Options and Free Options are as follows:

Table 11 Key terms of Nido's 'Nest Egg' Incentive plan

Premium Options

Term	Description
Participants	23 eligible employees and 3 Directors
Number of Premium Options	7,772,881
Issue price	Nil
Exercise price	$0.960
Performance conditions	There are three tranches. Apart from service, Nido must meet or exceed EBITDA targets for CY24, CY25 and CY26 as per the Free Options
Expiry date	12 July 2027

Free Options

Term	Description
Participants	372 eligible employees
Number of Free Options	6,414,041 Free Options
Issue price	Nil
Exercise price	Nil
Key management personnel	A total of 551,374 Free Options have been issued to the CEO and CFO of Nido; details of their respective existing remuneration packages are disclosed in Section 6.6.2 and 6.6.3 of this Prospectus.
Reason for further remuneration or incentivisation	The Directors consider it is fair, reasonable and appropriate for employees to be rewarded for their efforts to help achieve the Listing and that they should share in the benefits of ownership and as a further incentive and retention strategy to differentiate Nido from other providers, noting the shortage of qualified employees in the child care industry.
How specific entitlements were determined and why that was considered appropriate and equitable	Each individual's allocation of Free Options was determined based on their role within Nido and their ability to directly contribute to the operational and financial results of Nido.

Term	Description
Conversion	The Free Options are exercisable on a one for one basis into Shares subject to the applicable performance conditions being satisfied. Assuming all performance conditions are satisfied and all Free Options are exercised, the Free Options will convert into a total of 6,414,041 Shares, which will represent approximately 2.7% of total securities on issue at Listing on a fully diluted basis of 233,700,000 Shares. Nido considers that this is a reasonable and proportionate dilution if the relevant EBITDA targets are met which will benefit all Shareholders.
Performance milestones	2,539,344 of the Free Options will vest on Listing, in December 2023 and March 2024 and then 1,291,565 of the Free Options will vest after the release of Nido's audited full year financial statements on or before 31 March 2025, 31 March 2026 and 31 March 2027, subject to achieving the relevant EBITDA targets for the preceding calendar years (i.e. CY24, CY25 and CY26). Participants also have individual performance conditions that need to be satisfied before their Free Options vest. The achievement of the EBITDA targets and personal performance conditions requires employees to work and act efficiently and effectively. Additionally, and as disclosed in Section 6.6.2 and 6.6.3 of this Prospectus, a total of 551,374 Free Options have been issued the CEO and CFO which vest on Listing and have no other vesting conditions or EBITDA targets. Nido considers that these performance milestones are appropriate and demonstrate a nexus between the performance milestone and incentive purpose of the grant. If the relevant EBITDA targets are not met then the corresponding tranche of options will lapse. All Free Options lapse on the expiry date (being 12 July 2027) if not exercised. The EBITDA targets and determination of whether they are satisfied will be objectively determinable and involve calculation by reference to Nido's audited financial statements for the relevant financial years and accordingly are considered appropriate and equitable. The EBITDA target for CY24 is $28 million, with the EBITDA targets for CY25 and CY26 to be determined by the Board as part of its annual budget setting process.
Entitlements	The Free Options are not quoted, not transferable, do not confer a right to vote (except as otherwise required by law), do not confer an entitlement to a dividend or a return of capital (whether in a winding up, on a reduction of capital or otherwise), do not carry an entitlement to participate in surplus profits or assets on a winding up nor participate in a new issue of securities, until the Free Options are exercised and convert into Shares.
Expiry date	12 July 2027

In addition to the service and performance conditions, Nido must, across its Centres, meet or exceed the NQS over the life of the Award. Individuals must also meet specified individual Objectives and Key Results ("**OKRs**"). If either of these gateways is not met to the Board's satisfaction then the Board can reduce the number of options that vest, in its absolute discretion.

Further, Nido's earnings forecast for CY23 includes a provision for the allocation of exempt Shares under the Nido EIP. It is expected that 2,000 employees will be offered $1,000 worth of Shares for no monetary consideration, subject to the relevant qualifying conditions.

The Nest Egg program helps to align all employees to the goals of Nido for the benefit of all stakeholders.

3.10 Information and Technology

One of Nido's strategic priorities is to provide the necessary infrastructure and systems to streamline and simplify processes, thus enabling employees to focus on delivering quality educational outcomes for children. Since October 2021, Nido has invested in a range of new systems, including:

- 'The Nest' – an employee communication hub that fosters communication and engagement with all employees. It allows its people to share ideas, learnings and develop communities across all Centres.
- 'Nido Learning' – a learning management system, which delivers online learning and development programs on a platform that is easy, engaging and creates enjoyable experiences for learners.
- Talent applicant system to support the recruitment of educators at a Centre level, reduce friction and maximise engagement through an enhanced user experience.
- Employee rostering, time and attendance and payroll system.
- Family communication tool, which is a private online platform which allows educators to document and communicate children's learning, development, and wellbeing in collaboration with families. This platform also supports continuous quality improvement practices and the ability to create child documentation aligned with the Nido curriculum.
- Nido has also performed extensive customisation of workflows to provide real-time status updates and coordinate tasks associated with the opening of a new Centre with a customised project management system.

Nido's systems enable it to track enquires, manage waitlists, and monitor occupancy by room and undertake workforce planning analysis through a Centre dashboard that is updated daily. Nido's payroll outcomes are also updated fortnightly, with key finance reports and performance metrics measured against budgets and forecasts which are updated monthly.

Together, these systems and technologies are intended to support Centre leaders and educators to provide better visibility of performance, maximise engagement with families, remain compliant and reduce manual administrative tasks to allow time to focus on delivering quality education and care outcomes for children.

3.11 Environmental, Social and Governance ("ESG")

Nido is committed to delivering quality early education and care while upholding strong environmental, social and governance ("**ESG**") principles, particularly through protecting the environment and ensuring a sustainable future for children. Nido encourages consideration of ESG principles across all its Centres by educating children, families, and employees on the importance of being environmentally and socially responsible within everyday practice, with a strong alignment to the UN Sustainable Development Goals ("**SDGs**").

While the Board will assume overall accountability for Nido's ESG policies and procedures and are dedicated to ensuring a sustainable, inclusive and responsible approach to all aspects of its business, Nido has dedicated and passionate employees and children who lead these initiatives at a grass roots level, and Nido will continue to provide support, guidance and encouragement.

3.11.1 Environment

Nido instils environmental practices across its Centres and is committed to maintaining sustainable practices to minimise its environmental impact. All Centres have a commitment to do their utmost to maintain sustainable practices and similarly, encourage families to support Nido in this endeavour. Within its Centres, Nido implements the following programs:

- Nido advocates sustainable living across its Centres and encourages the use of recycling, reduction of single use plastic and composting to limit its impact on the environment. Some Nido Centres offer vegetable gardens, and tree planting. Nido encourages Centres to complete an SDG plan to set targets and monitor progress, in line with the 17 SDGs.
- Nido has implemented a requirement for solar generation systems to be installed on all new developments moving forward. Nido has since completed installations of photovoltaic solar generation systems at four Centres and is currently in the process of reviewing the business case to convert all other systems to ("**PV**") solar generation.
- Nido is implementing a number of additional practices across the development of new Centre builds including:
  - LED lighting and sensor lighting in areas including cupboards, staff rooms, planning rooms, laundry and staff toilets to reduce electricity usage; and
  - sustainable methods for irrigation and rainwater harvesting tanks to reduce and improve the Centre's water consumption.

3.11.2 Social

Nido is committed to advancing its social initiatives in a range of areas including:

- meaningfully advancing reconciliation through taking sustainable and strategic action. Based around the core pillars of relationships, respect and opportunities, Nido strives to have a Reconciliation Action Plan ("**RAP**") that is developed at a Centre level and will be included in its future ESG strategy. To date, Nido has drafted or implemented RAPs across 24 of its 52 Centres;
- a commitment to providing a supportive and inclusive workplace that promotes professional growth, work-life balance, and fair compensation. By fostering a positive work culture and prioritising the well-being of its employees, Nido creates an environment that allows them to rise personally and professionally. Nido is committed to providing equal employment opportunity to all people, with employment decisions based on job specifications, individual qualifications and business needs without regard to race, colour, nationality, religion, gender, age, sexual orientation or disability. Nido also remains committed to fair employment practices and maintains a no tolerance policy for harassment and discrimination;

- providing and maintaining a safe and healthy environment for its employees, children, families, contractors, students and visitors. Through its commitment to meet legislative requirements, Nido strives to make its workplaces free of foreseeable risks, seek continual improvement, and implement best practices regarding workplace health, safety and wellbeing. Nido recognises that safety is everyone's responsibility and supports employees with the appropriate systems and procedures, training and facilities to achieve this;
- proactively strengthening privacy and security of all systems and data through partnering with specialists to ensure Nido's protection measures are both current and monitored 24/7; and
- encouraging children to be involved with their local communities. For children, experiencing a sense of belonging and understanding that they are part of a community, is an enriching experience. This connectedness and social interaction also teaches collaboration, diversity and empathy through:
  - local excursions to get to know the community;
  - visits to Nido by community members;
  - getting involved in community fundraisers;
  - holding events for the community in the Centres; and
  - celebrating and embracing the culture, values and languages of all Nido families.

3.11.3 Governance

Nido is committed to adhering to high standards of corporate governance and ethical conduct. Nido has implemented a range of corporate governance initiatives and will continue to review and refine these frameworks including:

- policies that enhance and govern its corporate behaviour such as its diversity policy, anti-bribery, fraud, and corruption policy; code of conduct and whistleblower policy, each of which is summarised in Section 6.11;
- risk mitigation and management framework that is regularly reviewed and incorporated into day to day operations;
- ensuring Board diversity and fair and reasonable executive compensation packages; and
- completing a materiality assessment which will help inform Nido's ESG strategy moving forward. Nido has partnered with Ansarada Group Limited ("**Ansarada**"), an ASX listed deals and corporate governance software provider, which has recently introduced an ESG product. Nido has partnered with Ansarada as one of its first customers to use the product, which will allow Nido to measure and monitor ESG initiatives in a systematic and auditable manner moving forward.

4. FINANCIAL INFORMATION

4. FINANCIAL INFORMATION

4.1 Introduction

The financial information of Nido contained in this Section 4 includes the historical financial years ended 31 December 2020 ("**CY20**"), 31 December 2021 ("**CY21**") and 31 December 2022 ("**CY22**"), and the forecast financial information for the financial years ending 31 December 2023 ("**CY23F**") and 31 December 2024 ("**CY24F**") (collectively, the "**Financial Information**") as summarised in Table 12 below.

Table 12 Overview of Nido's Financial Information

	Statutory Financial Information	Pro Forma Financial Information
Historical Financial Information	**Statutory Historical Financial Information** comprises the: • statutory historical consolidated statements of financial performance for CY20, CY21 and CY22 ("**Statutory Historical Income Statements**"); • statutory historical consolidated statements of cash flows for CY20, CY21 and CY22 ("**Statutory Historical Cash Flows**"); and • statutory historical consolidated statement of financial position as at 31 December 2022 ("**Statutory Historical Statement of Financial Position**").	**Pro Forma Historical Financial Information** comprises the: • pro forma historical consolidated statements of financial performance for CY20, CY21 and CY22 ("**Pro Forma Historical Income Statements**"); • pro forma historical consolidated statements of cash flows for CY20, CY21 and CY22 ("**Pro Forma Historical Cash Flows**"); and • pro forma historical consolidated statement of financial position as at 31 December 2022 ("**Pro Forma Historical Statement of Financial Position**").
Forecast Financial Information	**Forecast Financial Information** comprises the: • statutory forecast consolidated statements of financial performance for CY23F and CY24F ("**Statutory Forecast Income Statements**"); and • statutory forecast consolidated statements of cash flows for CY23F and CY24F ("**Statutory Forecast Cash Flows**").	**Pro Forma Forecast Financial Information** comprises the: • pro forma forecast consolidated statements of financial performance for CY23F and CY24F ("**Pro Forma Forecast Income Statements**"); and • pro forma forecast consolidated statements of cash flows for CY23F and CY24F ("**Pro Forma Forecast Cash Flows**").

The Statutory Historical Financial Information, the Pro Forma Historical Financial Information and the Forecast Financial Information are together the Financial Information.

The Financial Information presented in this Prospectus has been reviewed by KPMG Financial Advisory Services (Australia) Pty Limited ("**Investigating Accountant**") in accordance with the Australian Standard on Assurance Engagements ("**ASAE**") 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*, as stated in its Investigating Accountant's Report. Investors should note the scope and limitations of the Investigating Accountant's Report (please refer to Section 8 of this Prospectus).

The information in this Section 4 should also be read in conjunction with the risk factors set out in Section 5, Nido's significant accounting policies set out in Section 10, and the other information contained in this Prospectus. All amounts disclosed in Section 4 are presented in Nido's functional currency, A$ and are rounded to the nearest A$0.1 million, unless otherwise noted. Some numerical tables included in this Prospectus have been subject to rounding adjustments. Any differences between totals and sums of components in Tables contained in this Prospectus may be due to rounding.

Also summarised in this Section 4 are:

- the basis of preparation and presentation of the Financial Information (refer to Section 4.2) including the statutory entities or businesses that are included within Historical Financial Information;
- the pro forma adjustments to the Statutory Historical Financial Information and the Forecast Financial Information (refer to Sections 4.3.4, 4.4.2 and 4.5);
- information regarding certain non-IFRS financial measures (refer to Section 4.2.5);
- summary of key pro forma operating and financial metrics (refer to Section 4.3.3), and Management discussion and analysis of the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information (refer to Section 4.11);
- general and specific assumptions supporting the Forecast Financial Information (refer to Section 4.10);
- details of Nido's cash and cash equivalents and expected pro forma cash position at the assumed date of Completion (refer to Section 4.6);
- information regarding liquidity, capital resources and indebtedness (refer to Section 4.7) and a description of Nido's current and forecast financial facilities (refer to Section 4.8);
- information regarding Nido's contractual obligations, commitments and contingent liabilities (refer to Section 4.9);
- an analysis of the sensitivity of the Pro Forma Forecast Financial Information to changes in certain key assumptions (refer to Section 4.12); and
- a summary of Nido's proposed dividend policy (refer to Section 4.13).

4.2 Basis of preparation and presentation of the Financial Information

4.2.1 Overview and preparation and presentation of the Financial Information

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the historical financial performance, cash flows and financial position of Nido, together with the Forecast Financial Information for CY23F and CY24F.

Subject to Section 4.2.2 below which sets out the basis of extraction of the Statutory Historical Financial Information, the Financial Information has been prepared in accordance with the recognition and measurement principles of the Australian Accounting Standards, which are consistent with the International Financial Reporting Standards ("**IFRS**") and interpretations issued by the International Accounting Standards Board. The Financial Information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures, statements or comparative information as required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act. The significant accounting policies of Nido are summarised in Section 10.

The Pro Forma Financial Information has been prepared solely for inclusion in this Prospectus and does not reflect the actual financial results and cash flows of Nido for the periods indicated. Nido believes that this information provides useful information as it permits investors to examine what it considers to be the underlying financial performance and cash flows of the business, presented on a consistent basis with the Forecast Financial Information. The Pro Forma Financial Information has been prepared in accordance with the recognition and measurement principles of the Australian Accounting Standards.

This Prospectus includes Forecast Financial Information based on the specific and general best-estimate assumptions of Nido. The Directors are responsible for the preparation and presentation of the Financial Information.

In addition to the Financial Information, this Section 4 describes certain non-IFRS financial measures that are used to manage and report on Nido's business that are not defined under or recognised under IFRS or Australian Accounting Standards.

4.2.2 Preparation of Historical Financial Information

The Statutory Historical Income Statements and Statutory Historical Cash Flows discussed in Section 4.1 above have been extracted from the combined financial statements ("**Aggregated Accounts**") of the Nido Group covering the years ended 31 December 2020, 31 December 2021 and 31 December 2022, which were audited by KPMG in accordance with Australian Auditing Standards. These Aggregated Accounts reflect the income and expenses, cash flows, and the assets and liabilities of all entities and businesses comprising the Nido Group, inclusive of AES, David Lyons and Other Centres on an aggregated basis.

Investors should note that all intercompany balances between entities comprising the Nido Group, including any unrealised profits or losses, have been eliminated on aggregation. As such, the Aggregated Accounts reflect the recognition and measurement principles of all applicable Australian Accounting Standards except for AASB 10 *Consolidated Financial Statements and* AASB 3 *Business Combinations*. KPMG issued an unmodified audit opinion on the Aggregated Accounts.

Note that the term 'Statutory Historical Financial Information' is used throughout this Section to refer to the above Aggregated Accounts. While strictly not 'Statutory' on account of the above departures from Australian Accounting Standards and the Corporations Act, the term has been used for ease of reference and naming conventions applicable to Financial Information disclosed in prospectuses.

The Statutory Historical Statement of Financial Position discussed in Section 4.1 has been extracted from the general purpose financial statements of Nido. KPMG issued an unmodified audit opinion on the general purpose financial statements of Nido.

Nido has also satisfied its reporting obligations and lodged the following accounts with ASX on Listing, which have been audited by KPMG with unmodified audit opinions in respect of each of the:

- general purpose financial statements for Nido Education Limited for the financial periods ended 31 December 2021 and 31 December 2022 (noting that Nido was not incorporated in 2020);
- special purpose financial reports for the David Lyons Group for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022. The special purpose accounts for the David Lyons Group (which did not report under a single entity) have been prepared on a basis that is consistent with the Aggregated Accounts; and
- general purpose financial statements for AES for the period ended 31 December 2022, being the sole period during which AES has been in operation.

Historical financial results in respect of the two significant acquisitions of David Lyons Group and AES Group are disclosed separately as part of the supplementary financial information in Section 4.14.

The Pro Forma Historical Financial Information has been prepared solely for inclusion in this Prospectus. The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information. The Pro Forma Historical Income Statements and Pro Forma Historical Cash Flows are adjusted for the effects of the following pro forma adjustments (as applicable):

- group structure and transaction perimeter related items including:
  - recognition of the acquisitions detailed in section 4.2.4 and inclusion of earnings of the Centres which were not within the statutory group across the historical period but are included in the proposed IPO group; and
  - removal of the costs incurred for incubator Centres which are not IPO Centres and will be transferred to NAED.
- the incremental costs of being a publicly listed company, including estimated Board and governance costs, and incremental audit, tax and compliance costs;
- exclusion of the accounting impact from historical acquisitions; and
- the income tax effect of the pro forma adjustments and application of an effective tax rate.

Section 4.3.4, Table 16 and Table 17 sets out the pro forma adjustments made to the Statutory Historical Income Statements and a reconciliation of the Statutory Historical Income Statements to the Pro Forma Historical Income Statements.

Section 4.4.2 and Table 19 set out the pro forma adjustments to the Statutory Historical Cash Flows and a reconciliation of the Statutory Historical Cash Flows to the Pro Forma Historical Cash Flows.

Section 4.5 and Table 21 set out the pro forma adjustments to the Statutory Historical Statement of Financial Position, and a reconciliation of the Statutory Historical Statement of Financial Position to the Pro Forma Historical Statement of Financial Position. Pro forma adjustments were made to the Statutory Historical Statement of Financial Position to reflect the:

- impact of the Offer as if it had occurred as at 31 December 2022;
- impact of acquisitions made as part of the Offer; and
- the capital structure that will be in place following completion of the Offer including;
- Share options vesting on completion of the Offer;
- the establishment of a $17.5 million debt facility prior to Listing; and
- a loan funding contribution made to NAED.

The Pro forma Historical Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of Nido's view on its future financial position. Investors should note that past results are not a guarantee of future performance. In preparing the Historical Financial Information, Nido's accounting policies have been applied consistently.

4.2.3 Preparation of Forecast Financial Information

The Statutory Forecast Financial Information has been prepared solely for inclusion in this Prospectus. The Forecast Financial Information is presented on both a statutory and pro forma basis for CY23F and CY24F. The basis of preparation and presentation of the Forecast Financial Information is consistent with the basis of preparation and presentation of the Pro Forma Historical Financial Information.

The Forecast Financial Information has been prepared by Nido based on an assessment of current economic and operating conditions and on the general and specific assumptions regarding future events and actions set out in Section 4.10. The disclosure of these assumptions is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and the effect on the Forecast Financial Information if they do not occur, and is not intended to be a representation that the assumptions will occur.

The Statutory Forecast Financial Information represents Nido's estimates of the financial performance and cash flows that it expects to report in its general purpose financial statements for CY23F and CY24F. The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, after adjusting for pro forma adjustments to reflect the trading impact of all acquisitions that form part of Nido on Completion from 1 January 2023 to the completion of the Offer, the reversal of the estimated stamp duty expense as a result of the acquisitions that occur in conjunction with the Offer, to eliminate Offer costs, to reflect incremental public company costs and Nido's operating and capital structure following Completion, the reversal of share based payments expenses related to a performance bonus payment upon completion detailed in Section 4.3.4 and to reflect the pro forma tax impact of the pro forma results.

Section 4.3.4, Table 16 and Table 17 set out a reconciliation of forecast revenues and NPAT to pro forma forecast revenues and NPAT for CY23F and CY24F. Section 4.4.2 and Table 19 set out a reconciliation of forecast net cash flows before financing to pro forma forecast net cash flows for CY23F.

The Forecast Financial Information is subject to the risk factors as set out in Section 5.

Nido believes the general and specific assumptions, when taken as a whole, to be reasonable at the time of preparing the Prospectus. However, the information is not fact, and investors are cautioned not to place undue reliance on the Forecast Financial Information. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information and that this may have a material positive or negative effect on Nido's actual financial performance, cash flows or financial position. In addition, the assumptions on which the Forecast Financial Information is based are by their very nature subject to significant uncertainties and contingencies, many of which will be outside the control of the Company, and its respective Directors and Management, and are not reliably predictable. Accordingly, none of, the Company, directors or management or any other person can give investors any assurance that the outcomes disclosed in the Forecast Financial Information will arise. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The Forecast Financial Information should be read in conjunction with the general and specific assumptions set out in Section 4.10, the sensitivity analysis described in Section 4.12, the risk factors described in Section 5, the significant accounting policies set out in Section 10, and the other information in this Prospectus. Nido does not intend to update or revise the Forecast Financial Information or other forward-looking statements or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law or regulation.

Due to its nature, the Pro Forma Forecast Financial Information does not represent Nido's actual or prospective financial performance or cash flows for the respective periods.

4.2.4 Acquisition of AES and the assets of the David Lyons and other Centres owned by third parties ("Other Centres")

Contemporaneously with Completion, the Nido Group will acquire a 28.6% interest in a joint venture with AES which in turn, will acquire the assets of David Lyons and the Other Centres. Subsequently, the Nido Group will acquire 100% of AES, resulting in 100% ownership of the assets of David Lyons and the Other Centres.

From the date of the Acquisitions, Nido will consolidate the financial results of AES and the assets of David Lyons and Other Centres.

In accordance with ASIC Regulatory Guide 228, Nido has assessed the Pro Forma Historical Financial Information and concluded that AES and David Lyons meet the threshold for a significant business acquisition, while the Other Centres do not meet the threshold for a significant business acquisition. Accordingly, the Prospectus includes the historical audited financial results of AES and David Lyons on a standalone basis. Refer to section 4.14.

The Statutory Historical Income Statements and Statutory Historical Cash Flows include the historical income statement from 1 January 2020 or the point of incorporation of the relevant entity to 31 December 2022 of Nido, AES and the assets of David Lyons and the Other Centres. The Pro Forma Financial Information also includes:

- the historical financial performance of TND prior to its acquisition by Nido in October 2021, noting that the results of TND have not been included within the Aggregated Accounts. The specific financial information included for TND has been extracted from the audited general purpose financial statements of TND; and
- a pro forma adjustment to the statutory forecast financial information from 1 January 2023 to the date of acquisition of AES and the assets of David Lyons and the Other Centres.

4.2.5 Explanation of certain non-IFRS financial measures

Nido uses certain measures to manage and report on its business that are not recognised under IFRS or Australian Accounting Standards ("**AAS**"). These measures are collectively referred to in this Section 4 and under Regulatory Guide 230 *Disclosing Non-IFRS Financial Information* published by ASIC as "non-IFRS financial measures". The principal non-IFRS financial measures that are referred to in this Prospectus are as follows:

- **EBITDA** is earnings or losses before interest (net finance income), taxation, depreciation and amortisation. EBITDA margin which is EBITDA as a percentage of total revenue is also presented;
- **AEBITDA** is EBITDA (as explained above) with rent expense deducted to reflect the accounting treatment prior to the application of AASB16 *Leases*. AEBITDA margin which is AEBITDA as a percentage of total revenue is also presented;
- **EBIT** is earnings or losses before interest (net finance income) and taxation;
- **NPBT** is net profit before tax;
- **NPAT** is net profit after tax;
- **ANPAT** is net profit (or loss as applicable) after tax with rent expense lease financing costs and depreciation costs for right-of-use assets, and associated tax effects adjusted to reflect their respective accounting treatment prior to the application of AASB16 *Leases*;
- **Operating cash flow** is EBITDA after the removal of non-cash items in EBITDA (e.g. share-based payment expenses), movements in rental bonds, changes in working capital and the payments of lease expenses. Nido uses operating cash flow as a measure to indicate the level of operating cash flow generated from EBITDA;
- **Working capital** is trade and other receivables and other current assets less trade and other payables, accruals, deferred revenue and other current liabilities;
- **Net debt** represents total loans and borrowings, lease liabilities and deferred consideration less cash and cash equivalents and rental bonds; and
- **Capital expenditure** is capitalised Centre costs and other costs primarily related to property, plant and equipment.

Although Nido believes that these measures provide useful information about the financial performance of the business, they should be considered as supplements to the income statement measures that have been presented in accordance with IFRS and not as a replacement for them. As these non-IFRS financial measures are not based on IFRS (or Australian Accounting Standards), they do not have standard definitions, and the way Nido calculates these measures may differ from similarly titled measures used by other companies. Investors and readers of this Prospectus should therefore not place undue reliance on these non-IFRS financial measures.

4.3 Pro Forma Historical Income Statements, Pro Forma Forecast Income Statements, Statutory Historical Income Statements and Forecast Income Statements

4.3.1 Pro Forma Historical Income Statements and Pro Forma Forecast Income Statements

Table 12 sets out Nido's Pro Forma Historical Income Statements and Pro Forma Forecast Income Statements. For ease of readability, the Statutory Historical Income Statements and the Forecast Income Statements are set out in the table immediately after, in Section 4.3.2, and are reconciled to the Pro Forma Historical Income Statements and Pro Forma Forecast Income Statements respectively in Section 4.3.4.

Table 13 Pro Forma Historical Income Statements and Pro Forma Forecast Income Statements

		Pro forma consolidated historical			Pro forma consolidated forecast	
$ Million	Notes	CY20	CY21	CY22	CY23F	CY24F
Revenue						
Revenue	1	17.5	52.6	87.2	131.9	168.3
Other income	2	0.3	1.3	1.7	3.0	3.3
Total revenue		17.8	53.9	88.8	134.9	171.6
Expenses						
Employee benefits	3	(12.7)	(35.8)	(64.5)	(100.1)	(102.6)
Property related costs	4	(0.9)	(2.7)	(5.0)	(7.7)	(8.9)
Direct costs of providing services	5	(8.3)	(9.0)	(10.9)	(10.5)	(10.8)
Other	6	(1.6)	(3.8)	(4.0)	(3.7)	(3.5)
EBITDA		**(5.7)**	**2.6**	**4.4**	**12.9**	**45.9**
Depreciation and amortisation	7	(2.2)	(4.8)	(7.6)	(9.2)	(9.4)
Finance cost	8	(2.7)	(8.1)	(13.2)	(16.9)	(18.1)
Profit/(loss) before tax		**(10.7)**	**(10.4)**	**(16.4)**	**(13.2)**	**18.3**
Income tax		(0.3)	0.5	1.3	–	(5.5)
Profit/(loss) for the period		**(11.0)**	**(9.8)**	**(15.1)**	**(13.2)**	**12.8**

Notes:

1. Revenue relates to child care fees including the Child Care Subsidy and parent fees, establishment fees and management fees for opening services and operating Centres on behalf of third parties. The composition of revenue is presented at Section 4.11.3.
2. Other revenue relates to government grants and subsidies for specific initiatives including Kinder and traineeship funding and inclusion support.
3. Employee benefits include wages and salaries for Centre and head office employees as well as related bonuses, incentives and superannuation expenses and other on-costs, share based payments and contractor costs.
4. Property related costs comprise costs attributable to rent (but excluding lease charges included under AASB 16) including rates and utilities, cleaning and maintenance expenses.
5. Direct costs of providing services include consumables (nappies, food and drink), resources (learning materials and equipment), IT and licensing costs, and Centre related insurances and recruitment costs.
6. Other expenses include professional fees, bank fees, postage and stationery, travel, insurance and other costs.
7. Depreciation and amortisation represents expenses incurred in respect of Centres, computer equipment and property, plant and other equipment, and depreciation of right-of-use assets.
8. Finance cost represents the net of interest received on the NAED loan, the interest expense on loans drawn and interest expense in relation to AASB 16 *Leases*.

4.3.2 Statutory Historical Income Statements and Forecast Income Statements

Table 14 Statutory Historical Income Statements and Forecast Income Statements

	Statutory consolidated historical			Consolidated forecast	
$ Million	CY20	CY21	CY22	CY23F	CY24F
Revenue					
Revenue	7.8	30.5	87.2	91.6	168.3
Other income	0.0	1.3	1.7	2.6	3.3
Total revenue	7.8	31.8	88.8	94.2	171.6
Expenses					
Employee benefits	(4.2)	(19.4)	(62.9)	(76.0)	(102.6)
Property related costs	(0.4)	(1.5)	(5.0)	(4.8)	(8.9)
Direct costs of providing services	(2.4)	(3.4)	(11.5)	(7.2)	(10.8)
Other	(0.8)	(1.7)	(3.4)	(7.4)	(3.5)
EBITDA	**0.1**	**5.9**	**6.1**	**(1.3)**	**45.9**
Depreciation and amortisation	(0.6)	(2.1)	(7.6)	(6.5)	(9.4)
Finance cost	(1.0)	(3.7)	(13.2)	(11.6)	(18.1)
Profit/(loss) before tax	**(1.5)**	**(0.0)**	**(14.7)**	**(19.4)**	**18.3**
Income tax	(0.3)	0.5	1.3	–	(0.6)
Profit/(loss) for the period	**(1.8)**	**0.5**	**(13.4)**	**(19.4)**	**17.7**

4.3.3 Key operating and financial metrics

Table 15 summarises Nido's key pro forma historical operating and financial metrics for CY20, CY21 and CY22 and the key pro forma forecast operating and financial metrics for CY23F and CY24F.

Table 15 Key operating metrics

	Notes	CY20	CY21	CY22	CY23F	CY24F
Key occupancy metrics						
Total number of Centres under Incubation	1				10	32
Total number of Centres in Portfolio	2	13	28	41	52	52
Total number of licensed places	3	1,192	2,398	3,559	4,591	4,614
Total number of Days available	4	302,089	612,336	930,273	1,193,732	1,208,868
Total number of Days sold	5	179,669	383,053	620,232	860,414	987,945
Portfolio occupancy rate	6	59%	63%	67%	72%	82%
Key financial metrics						
Average daily fee	7	$98	$135	$134	$147	$160
Employee benefits (excluding share option expense) as percentage of total revenue		71%	66%	73%	74%	60%
Property related costs (excluding AASB16) as percentage of total revenue	8	19%	20%	22%	21%	18%
EBITDA		(5.7)	2.6	4.4	12.9	45.9
EBITDA margin		(32%)	5%	5%	10%	27%
AEBITDA		(8.1)	(5.2)	(9.0)	(5.6)	26.7
AEBITDA margin		(46%)	(10%)	(10%)	(4%)	16%
NPAT		(11.0)	(9.8)	(15.1)	(13.2)	12.8
ANPAT		(9.3)	(5.7)	(9.0)	(6.8)	16.9
Revenue growth (% increases)			203%	65%	52%	27%

Notes:

1. Total number of Centres under incubation represents Centres opened for a third party / NAED and being managed by Nido at the end of the year.
2. Total number of Centres in portfolio represents the average number of Centres owned by Nido which are open and trading through the relevant period. These exclude any Centres operated by the group on behalf of third party / NAED.
3. Total number of daily licensed places represents the total average capacity of all Centres owned by Nido for the year. Increases in the licensed number of places from CY23F to CY24F is driven by 5 of the 52 services having opened in January 2023 – March 2023.
4. Total number of days available represents total number of licenced places for opened services multiplied by days available.
5. Total number of days sold represents the total number of child care days sold.
6. Portfolio occupancy rate is calculated as the total number of days sold as a percentage of total number of days available.
7. Average daily fee is calculated by dividing child care revenue by the total number of days sold.
8. Property related costs expense as % of revenue is calculated as pro forma occupancy expenses and rent paid during the year divided by pro forma total revenue.

4.3.4 Pro forma adjustments to the Statutory Historical Income Statement and Forecast Income Statements

Table 16 and Table 17 set out the pro forma adjustments that have been made to revenue and profit/(loss) after tax respectively in the Statutory Historical Income Statement and the Forecast Income Statements (which are set out in Section 4.3.2).

Table 16 Pro forma adjustments to Statutory Historical and Forecast Revenue

$ Million	Notes	CY20	CY21	CY22	CY23F	CY24F
Statutory revenue		**7.8**	**31.8**	**88.8**	**94.2**	**171.6**
Gain on bargain purchase	1	–	(0.2)	–	–	–
TND group and Franklin Centre acquisitions	2	10.0	22.4	–	–	–
Acquisitions at completion of the Offer	3	–	–	–	40.7	–
Pro forma revenue		**17.8**	**53.9**	**88.8**	**134.9**	**171.6**

Notes:

1. **Gain on bargain purchase** – Reflects the reversal of a gain on bargain purchase recognised on business combinations in CY21.
2. **TND and Franklin Centre acquisitions** – Reflects the inclusion of revenue generated from TND prior to the incorporation of Nido and a Centre in Franklin prior to its acquisition by Nido. TND contributed revenues of $8.8 million in CY20 and $21.2 million in CY21.
3. **Acquisitions at completion of the Offer** – Reflects the partial year impact of forecast revenues from the David Lyons Group, AES and Other Centres prior to their acquisition by Nido at completion of the Offer.

Table 17 Pro forma adjustments to Statutory Historical and Statutory Forecast Profit / (loss) for the period

$ Million	Notes	CY20	CY21	CY22	CY23F	CY24F
Statutory net profit after tax		**(1.8)**	**0.5**	**(13.4)**	**(19.4)**	**17.7**
Listed company costs	1	(2.4)	(2.4)	(2.4)	(1.2)	–
Costs of the Offer	2	–	–	–	2.7	–
Gain on bargain purchase	3	–	(0.2)	–	–	–
TND group and Franklin Centre acquisitions	4	(6.7)	(7.7)	–	–	–
Acquisitions at completion of the Offer	5	–	–	–	(1.9)	–
Discontinued operations	6	–	–	0.8	–	–
Performance bonus	7	–	–	–	4.6	–
Stamp duty on acquisitions	8	–	–	–	2.0	–
Effective tax rate	9	–	–	–	–	(4.9)
Profit/(loss) for the period		**(11.0)**	**(9.8)**	**(15.1)**	**(13.2)**	**12.8**

Notes:

1. **Listed company costs** – reflects an estimate of the incremental costs that Nido will incur as a result of being a listed public company. These costs primarily relate to incremental non-executive director fees, executive director fees, chair fees, key management personnel costs, Directors' and officers' and Prospectus insurance premiums, and compliance and regulatory costs.
2. **Costs of the Offer** – reflects the amounts forecast to be expensed in CY23F in relation to the Offer. Total costs of the Offer are estimated at $9.4 million (inclusive of non-recoverable GST) and include fees payable to advisors, the Joint Lead Managers, accounting and legal fees and fees and regulatory fees. $6.7 million of Offer costs are considered to relate to the primary issue of shares and have been netted off against issued capital and $2.7 million will be expensed.
3. **Gain on bargain purchase** – Reflects the reversal of a gain on bargain purchase recognised on business combinations in CY21.
4. **TND and Franklin Centre acquisitions** – Reflects the inclusion of TND results prior to the incorporation of Nido and financial results of a Centre in Franklin prior to its acquisition by Nido. TND contributed a net loss before tax of $7.3m in each of CY20 and CY21 to the pro forma group. The TND results were extracted from the audited financial statements of TND excluding non-recurring items within TND results such as historical impairment expenses and business combination accounting.
5. **Acquisitions at completion of the Offer** – Reflects the partial year impact of the forecast profit and loss of the David Lyons Group, AES and Other Centres prior to their acquisition by Nido at completion of the Offer.
6. **Discontinued operations** – reflects the exclusion of the financial results of Centres held within AES which are to be sold to NAED at completion of the Offer. These are recently opened Centres which are still in Trade Up.
7. **Performance bonus** – reflects the reversal of share based payment expense granted to Mathew Edwards. Refer to Section 6.6.1.
8. **Stamp duty on acquisitions** – reflects the reversal of the estimated stamp duty payable on the acquisition of AES, David Lyons and Other Centres.
9. **Effective tax rate** – reflects the adjustment to the tax expense to align with the pro forma effective corporate tax rate of 30.0%. The company has historically not recognised carried forward losses on balance sheet, as such no income tax benefit has been included in periods where the Company incurred a pro forma loss before tax.

4.4 Pro Forma Historical Cash Flows, Pro Forma Forecast Cash Flows, Statutory Historical Cash Flows and Forecast Cash Flows

4.4.1 Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows

Table 18 sets out Nido's Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows. For ease of readability, the Statutory Historical Cash Flows and Forecast Cash Flows are set out separately in Section 4.4.3 and are reconciled to the Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows respectively in Section 4.4.2.

Table 18 Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows

		Pro forma consolidated historical			Pro forma consolidated forecast	
$ Million	Notes	CY20	CY21	CY22	CY23F	CY24F
Cash flows from operating activities						
EBITDA		(5.7)	2.6	4.4	12.9	45.9
Tax Payment		–	(0.0)	(0.1)	–	(5.5)
Share based payments	1	0.3	0.3	0.3	5.2	1.3
Rental deposit (payments)/refunds	2	–	(0.4)	(2.8)	9.5	–
Lease payments	3	(3.8)	(12.8)	(12.9)	(18.5)	(19.2)
Movement in working capital	4	2.9	1.1	(2.9)	0.3	(0.9)
Net cash (used in) provided by operating activities		(6.3)	(9.2)	(13.9)	9.4	21.6
Cash flows from investing activities						
Payments for property, plant and equipment	5	(1.2)	(1.4)	(4.9)	(1.0)	(0.8)
Net cash flows from investing activities		(1.2)	(1.4)	(4.9)	(1.0)	(0.8)
Net cash flows before corporate financing		(7.5)	(10.6)	(18.8)	8.4	20.8
Cash flows from financing activities						
Proceeds from issue of shares					–	–
Proceeds from borrowings	6				17.0	–
Loans to NAED	7				(6.0)	(14.0)
Interest Paid					(0.5)	(1.7)
Net cash provided by (used in) financing activities					10.5	(15.7)
Net increase (decrease) in cash and cash equivalents		**(7.5)**	**(10.6)**	**(18.8)**	**18.9**	**5.1**

Notes:

1. **Share based payments** – reflect the non-cash expense relating to share based payments as described in Section 4.11.4.
2. **Rent bonds (payments)/refunds** – reflect the historical cash payments of rent bonds in CY21 and CY22. The CY23F represents the expected cash inflow relating to the release of rental bonds upon refinancing as describe in Section 4.8 net of borrowing costs.
3. **Lease payments** – reflect cash flows for lease payments.
4. **Movement in working capital** – reflect movements in trade and other receivables, prepayments, other current assets, trade and other payables, accruals, provisions, and other current liabilities.
5. **Payments for property, plant and equipment** – reflect cashflows for property plant and equipment.
6. **Proceeds from borrowings** – reflect the $17.5 million draw down of a new loan facility at or around the completion of the Offer, net of $0.5 million establishment fees. The terms of the new loan facility are described in Section 4.8.
7. **Loans to NAED** – reflect the forecast loan tranches issued to NAED as described in Section 9.4.3.

4.4.2 Pro forma adjustments to the Statutory Historical Cash Flows and the Forecast Cash Flows

Table 19 sets out the pro forma adjustments that have been made to the Statutory Historical Cash Flows and Forecast Cash Flows. These adjustments are summarised and explained below.

Table 19 Pro forma adjustments to the Statutory Historical Cash Flows and Forecast Cash Flows

$ Million	Notes	CY20	CY21	CY22	CY23F	CY24F
Statutory net cash flow before corporate financing		1.2	1.0	(17.4)	5.2	26.3
Listed company costs	1	(2.2)	(2.2)	(2.2)		-
Costs of the Offer	2	-	-	-	2.7	-
Gain on bargain purchase	3	-	(0.2)	-		-
TND Group and Franklin acquisitions	4	(6.5)	(9.2)	-		-
Acquisitions at completion of the Offer	5	-	-	-	(1.5)	
Discontinued operations	6	-	-	0.8	-	-
Stamp duty on acquisitions	7	-	-	-	2.0	-
Effective tax rate	8	-	-	-	-	(5.5)
Pro forma net cash flow before corporate financing		**(7.5)**	**(10.6)**	**(18.8)**	**8.4**	**20.8**

Notes:

1. **Listed company costs** – reflects an estimate of the incremental costs that Nido will incur as a result of being a listed public company. These costs primarily relate to incremental non-executive director fees, executive director fees, chair fees, key management personnel costs, Directors' and Officers' and Prospectus insurance premiums, and compliance and regulatory costs. Variances between listed company costs above and presented at Table 17 result from share-based payments.
2. **Costs of the Offer** – Reflects the proportion of offer costs which are not capitalised and included within statutory EBITDA. Capitalised offer costs are considered within the proceeds from issue of shares which are excluded from net cash flows before corporate financing.
3. **Gain on bargain purchase** – Reflects the reversal of a gain on bargain purchase recognised on business combinations in CY21.
4. **TND and Franklin Centre acquisitions** – Reflects the inclusion of TND cash flows from prior to the incorporation of Nido and financial results of a Centre in Franklin prior to its acquisition by Nido. The TND cash flows were extracted from the audited financial statements of TND excluding corporate financing and other investing cash flows.
5. **Acquisitions at completion of the Offer** – Reflects the partial year impact of the forecast cash flows of the David Lyons Group, AES and Other Centres prior to their acquisition by Nido at completion of the Offer.
6. **Discontinued operations** – reflects the exclusion of cash flows of Centres owned by AES which are to be sold to NAED on completion of the offer. These Centres recently opened and are in Trade Up at Listing.
7. **Stamp duty on acquisitions** – reflects the estimated stamp duty payable on acquisitions of AES, David Lyons group and Other Centres acquired.
8. **Tax** – reflects the adjustment to the tax expense to align with the pro forma effective corporate tax rate of 30.0% and assuming that the cash payments are made within the period the accounting expense is incurred.

4.4.3 Statutory Historical Cash Flows and Forecast Cash Flows

Table 20 sets out Nido's Statutory Historical Cash Flows and Forecast Cash Flows.

Table 20 Statutory Historical Cash Flows and Forecast Cash Flows

	Statutory consolidated historical			Statutory consolidated forecast	
$ Million	CY20	CY21	CY22	CY23F	CY24F
Cash flows from operating activities					
EBITDA	0.1	5.9	6.1	(1.3)	45.9
Adjustments for non-cash and other items:					
Tax payments	–	(0.0)	(0.1)	–	–
Share based payments expense	–	–	–	9.7	1.3
Rental deposit (payments)/refunds	–	(0.4)	(2.8)	9.5	–
Lease payments	(0.9)	(4.6)	(12.9)	(12.7)	(19.2)
Gain on bargain purchase	–	(0.2)	–	–	–
Decreases/(increases) in net working capital	2.9	1.1	(2.9)	0.3	(0.9)
Net cash (used in) provided by operating activities	2.1	1.8	(12.5)	5.4	27.1
Cash flows from investing activities					
Payments for property, plant and equipment	(0.9)	(0.8)	(4.9)	(0.2)	(0.8)
Net cash flows from investing activities	(0.9)	(0.8)	(4.9)	(0.2)	(0.8)
Net cash flows before corporate financing	**1.2**	**1.0**	**(17.4)**	**5.2**	**26.3**
Cash flows from financing activities					
Payments for the acquisition of business	–	(0.0)	–	(80.1)	(9.0)
Net proceeds from issue of shares	0.0	0.0	18.3	92.4	–
Proceeds from borrowings	–	2.0	6.3	17.0	–
Repayment of borrowings	–	–	–	–	–
Loans to NAED	–	–	–	(6.0)	(14.0)
Interest paid	–	–	–	(0.5)	(1.7)
Dividends paid	–	(1.4)	–	–	–
Net cash provided by (used in) financing activities	0.0	0.6	24.6	22.8	(24.7)
Net increase (decrease) in cash and cash equivalents held	**1.2**	**1.6**	**7.2**	**28.0**	**1.6**

Notes:
Please refer to the notes of Table 18 for further detail.

4.5 Statutory Historical Statement of Financial Position and Pro Forma Historical Statement of Financial Position

Table 21 sets out the Statutory Historical Statement of Financial Position and the pro forma adjustments that have been made to prepare the Pro Forma Historical Statement of Financial Position of Nido. These adjustments take into account the effect of the Offer proceeds, transaction costs, capital raised prior to the Offer, options vesting at IPO, Acquisitions at Completion, draw down of a new loan arrangement and the issue of the first tranche of the loan to NAED as if they had occurred as at 31 December 2022. The Pro Forma Historical Statement of Financial Position is provided for illustrative purposes only and is not necessarily representative of Nido's view of its financial position upon Completion or at a future date.

Table 21 Statutory Historical Statement of Financial Position and Pro Forma Historical Statement of Financial Position as at 31 December 2022

		Impact of the Offer	Capital issued pre-IPO	Options vesting at IPO	Impact of acquisitions	NAED Loan	Loan funding	Pro forma
$ Million	31-Dec-22	1	2	3	4	5	6	31-Dec-22
Assets								
Cash and cash equivalents	2.3	89.7	0.2	–	(80.1)	(6.0)	17.0	23.2
Trade and other receivables	2.7	–	–	–	1.7	–	–	4.4
Other assets	0.8	–	–	–	0.3	–	–	1.2
Total current assets	5.8	89.7	0.2	–	(78.1)	(6.0)	17.0	28.7
Property, plant and equipment	2.9	–	–	–	0.1	–	–	3.1
Right-of-use assets	85.8	–	–	–	59.8	–	–	145.6
Intangible assets	–	–	–	–	113.3	–	–	113.3
Rental bonds	4.7	–	–	–	5.1	–	–	9.8
Loans Receivable	–	–	–	–	–	6.0	–	6.0
Deferred tax assets	2.0	–	–	–	0.2	–	–	2.3
Total non-current assets	95.5	–	–	–	178.6	6.0	–	280.1
Total assets	**101.3**	**89.7**	**0.2**	**–**	**100.6**	**–**	**17.0**	**308.8**
Liabilities								
Trade and other payables	2.5	–	–	–	2.3	–	–	4.8
Borrowings	–	–	–	–	–	–	–	–
Employee benefits	3.5	–	–	–	2.2	–	–	5.6
Lease liabilities	10.1	–	–	–	6.7	–	–	16.8
Tax payable	–	–	–	–	–	–	–	–
Provisions	–	–	–	–	–	–	–	–
Total current liabilities	16.1	–	–	–	11.1	–	–	27.2

		Impact of the Offer	Capital issued pre-IPO	Options vesting at IPO	Impact of acquisitions	NAED Loan	Loan funding	Pro forma
$ Million	31-Dec-22	1	2	3	4	5	6	31-Dec-22
Borrowings	12.5	–	(2.2)	–	–	–	17.0	27.3
Employee benefits	0.1	–	–	–	–	–	–	0.1
Lease liabilities	80.2	–	–	–	53.2	–	–	133.4
Provisions	–	–	–	–	9.0	–	–	9.0
Total non-current liabilities	92.9	–	(2.2)	–	62.2	–	17.0	169.9
Total liabilities	**109.0**	**–**	**(2.2)**	**–**	**73.3**	**–**	**17.0**	**197.1**
Net assets	**(7.7)**	**89.7**	**2.4**	**–**	**27.3**	**–**	**–**	**111.8**
Equity								
Share capital	0.0	92.4	2.4	–	29.3	–	–	124.1
SBP Reserve	–	–	–	(5.4)	–	–	–	(5.4)
Retained earnings	(7.7)	(2.7)	–	5.4	(2.0)	–	–	(7.0)
Total equity	**(7.7)**	**89.7**	**2.4**	**–**	**27.3**	**–**	**–**	**111.8**

Notes:

1. **Impact of the Offer** – The Offer is expected to raise net proceeds of $89.7 million, comprising proceeds of $99.2m net of $9.4 million of Offer costs. Proceeds of $99.2 million are expected to be generated by the Offer through a new issue of 99.2 million New Shares in the Company at $1.00 per share. Offer costs are expected to total $9.4 million. $6.7 million of Offer costs have been determined to relate to the primary raise and will be offset against equity, while $2.7 million will be expensed to the income statement.
2. **Capital issued Pre-IPO** – After 31 December 2022, the Company has issued new capital of $2.4 million. $2.0 million was issued resulting from the conversion of $2.0 million from the Director's Loan and $0.4 million was issued from the provision of additional funding.
3. **Options vesting at IPO** – As part of an option plan issued prior to the IPO by Nido, 1,595,425 Free Options have been issued to various senior executives and other senior management personnel, which vest at IPO. The deemed fair value under AASB 2 of these Free Options is $0.8 million. See Section 3.9.4 for further details of Free Options vesting at IPO. Additionally, Mathew Edwards is entitled to a $4,584,770 performance bonus which will be settled via Shares. See Section 6.6.1(a) for further details on the performance bonus.
4. **Impact of Acquisitions** – As set out in Section 4.2.4, Nido will acquire AES, David Lyons and Other Centres at Completion. Total purchase consideration for these entities and assets is $115.9 million, comprising $77.6 million cash payable at or around completion, $9.0 million deferred consideration payable prior to 31 December 2024, and $29.3 million payable via the issue of 29.3 million Shares at or around Completion. In addition, $5.1 million will be paid for rent bonds relating to Centres acquired. The $77.6 million cash payable at or around completion is offset by a $4.5 million performance bonus payment from Alceon to Nido (see Section 6.6 for further details). Based on provisional accounting estimates as at 31 December 2022, Nido will acquire $3.1 million of net tangible assets. The residual purchase price will be allocated to goodwill (estimated at $113.3 million). Under Australian Accounting Standards, the Company has up to 12 months from the Offer to complete its initial acquisition accounting. $2.0 million in stamp duty is expected to be payable as a result of the above acquisitions.
5. **NAED Loan** – Reflects the first tranche loan contribution to NAED expected to be $6.0 million. See Section 9.4.3 for details of the NAED Loan.
6. **Loan funding** – Reflects the establishment of the loan facility detailed in Section 4.8.2 at or around completion of the Offer. The loan will be fully drawn to its facility limit of $17.5 million at or around the date of the IPO and has an establishment fees of $0.5 million.

4.6 Cash and cash equivalents

Table 22 sets out the net cash/(debt) position of the Company at 31 December 2022 on a statutory basis (before Completion) and on a pro forma basis adjusted for receipt of the net proceeds of the Offer and various additional adjustments, as if these actions took place as at 31 December 2022.

The pro forma cash and cash equivalents as at 31 December 2022 of $23.2 million does not reflect the cash flows of the business between 1 January 2023 and Completion of the Offer. At the Prospectus Date, management estimates that the cash position immediately following completion of the Offer would be between $21.0 million and $23.0 million.

Table 22 Pro forma net cash/debt

$ Million	Statutory 31-Dec-22	Pro forma adjustments	Pro forma 31-Dec-22
Cash and cash equivalents	2.3	20.9	23.2
Rental Bonds	4.7	5.1	9.8
Deferred consideration	–	(9.0)	(9.0)
Non-current borrowings	(12.5)	(14.8)	(27.3)
Lease liabilities (non-current)	(80.2)	(53.2)	(133.4)
Total (indebtedness)/net cash	**(85.7)**	**(51.0)**	**(136.7)**

4.7 Liquidity, capital resources and indebtedness

Following completion of the Offer, Nido's principal sources of funds are expected to be cash on hand. Net cash raised from the Offer will be used to acquire the 24 Centres, fund working capital and pay the Offer costs.

Nido's main use of cash is to fund operations, working capital, capital expenditure and to support Nido's growth initiatives. Historical and forecast capital expenditure and working capital trends are described in Sections 4.10.5 and 4.10.6. Following Completion, Nido expects that it will have sufficient cash to meet its operational and working capital requirements and stated business objectives during the forecast period.

Nido's ability to generate sufficient cash depends on its future performance which, to a certain extent, is subject to a number of factors beyond Nido's control including general economic, financial and competitive conditions. Over time, Nido may seek additional funding from a range of sources to diversify its funding base. Quantitative and qualitative disclosures about market risk sensitive instruments are addressed in Sections 5.2.13 and 5.2.14.

4.8 Description of finance facilities

4.8.1 Director's Loan Agreement (ISAMAX Loan Agreement)

Nido is currently financed partly by a loan from ISAMAX Pty Ltd as trustee for the Edwards Family Trust, an associated entity of Mathew Edwards. The loan was made under a loan agreement dated 19 August 2022 and the agreement was novated and varied by a deed of novation and variation on 27 July 2023 ("**Director's Loan Agreement**" or "**ISAMAX Loan Agreement**"), has a facility limit of $15m and a maturity date on 21 October 2026 ("**Director's Loan**"). The Director's Loan is secured by a general security deed. The existing financing arrangements are sufficient to fund Nido over the forecast period.

4.8.2 Loan Agreement

Nido has entered into a loan agreement with an institutional lender to ensure that it is compliant with the ASX listing requirement to have a minimum working capital surplus of $1.5 million ("**Loan Agreement**"). The Loan Agreement was executed on or about the date of the Original Prospectus and has a facility limit of $17.5 million and a term of 18 months with full repayment on maturity.

The $17.5 million is expected to be drawn down and held in a restricted at call bank account prior to Listing.

The key terms of the Loan Agreement are as follows:

Financing Proposal	
Parties	Nido Education Limited ("Borrower"). A non-authorised deposit taking institutional counterparty not related to any shareholders or directors of the company ("**Senior Lender**").
Facility Details	Senior secured commercial loan facility ("**Facility**").
Tenor	**Maturity:** 18 months from initial drawdown. **Minimum Utilisation Period:** 3 months from initial drawdown.
Size	**Facility Limit:** $17.5 million, fully drawn in one utilisation equal to the commitment, no redraw permitted.
Ranking	**Structure:** Loan proceeds to be placed in a restricted access at-call bank account with an Australian authorised deposit-taking institution with a rating of no less than AA-/Aa3 (S&P/Moody's), approved in writing by the Senior Lender. **Ranking:** Full recourse, with a senior ranking general security deed over all of the Borrower's present and after acquired property, including the bank account and proceeds. **Access:** Borrower to not access funds in bank account without Senior Lender's prior written consent (with such consent not to be unreasonably withheld). **Right of Set-Off:** Senior Lender to have right of set-off of bank account proceeds in an event of default or upon maturity if the Facility is not repaid as contracted.
Representations	The Loan Agreement contains representations and warranties usual for a Facility of this nature.
Events of Default	The Loan Agreement contains events of default customary for a Facility of this nature.
Purpose	To support ASX listing requirements.
Coupon	1M BBSW + 7.00% p.a. for first four months from initial drawdown, thereafter 1M BBSW + 9.00% p.a., with interest paid monthly.
Arrangement fee	Arrangement fee of 3.00% of Facility Limit, payable to the arranger (or its nominee) accrued and paid at financial close.

4.8.3 New finance facilities

In addition to the loan facilities referred to in Section 4.8.2, the forecast assumes that a rent bond facility of $12.0 million is established by 31 December 2023 and used to replace existing cash backed rent bond arrangements as described in Section 4.9.

Nido has engaged the services of Skye Capital Advisory Pty Ltd to obtain funding proposals from independent third-party financiers to obtain the rent bond facility and proposals to replace the Director's Loan and provide an acquisition facility for the longer term. The Board will consider these proposals and select the appropriate funding partner to meet the strategic needs of Nido. At the Prospectus Date, Nido believes there is a reasonable basis for assuming the new rent bond facility will be approved within the timeframe required to achieve the refinancing outcome assumed in the forecast.

4.9 Contractual obligations, commitments and contingent liabilities

Rent bonds are provided to landlords in accordance with the long-term leases. On Completion, Nido will pay an additional $5.1 million for rent bonds relating to Centres being acquired, increasing total cash backed rent bonds to $9.8 million.

No contingent liability has been provided for litigation, as it is unlikely to have any material impact on the financial result of the Company given litigation risk is mitigated by Nido's terms and condition of sales and various insurance policies.

Nido has no material contractual obligations or commitments other than its long-term leases (please refer to Section 4.5 for pro forma lease liabilities as at 31 December 2022).

4.10 Forecast Financial Information

The Forecast Financial Information is based on various specific and general assumptions, including those set out in this Section 4.10. In preparing the Forecast Financial Information, Nido has undertaken an analysis of historical performance and applied assumptions where appropriate in order to forecast future performance for CY23F and CY24F. The Directors believe that Nido has prepared the Forecast Financial Information with due care and attention and considers all assumptions when taken as a whole to be reasonable at the time of preparing the Prospectus. However, actual results are likely to vary from those forecast and any variation may be materially positive or negative.

The assumptions on which the Forecast Financial Information is prepared are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of the Company, and its directors and management, and are not reliably predictable. Accordingly, none of the Company, or its Directors and Management or any other person can give any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.12, the risk factors set out in Section 5 and the Independent Limited Assurance Report on Forecast Financial Information set out in Section 8. A reconciliation of the Pro Forma Forecast Income Statements to the Forecast Income Statements is set out in Section 4.11.1.

4.10.1 General Assumptions

In preparing the Forecast Financial Information for calendar years 2023 and 2024, the actual unaudited income statement has been applied from 1 January to 31 May 2023, and the forecast applied from 1 June 2023 to 31 December 2024. The Directors have adopted the following general assumptions:

- there are no material changes in the competitive and operating environment in which Nido operates;
- there are no significant deviations from current market expectations of economic and market conditions under which Nido operates;
- there are no material changes in government legislation, tax legislation, regulatory requirements or government policy that will have a material impact on the financial performance, cash flows, financial position, accounting policies, financial reporting or disclosures of Nido, other than those that are known at the Prospectus Date;
- there are no changes in applicable AAS, IFRS, other mandatory professional reporting requirements or the Corporations Act which could have a material impact on Nido's reported financial performance or cash flows, financial position, accounting policies, financial reporting or disclosures, other than those that are known at the time of the Prospectus;

- there are no material employee relations disputes or other disturbances, contingent liabilities or legal claims that arise or that are settled to the detriment of Nido; and there are no material changes in key personnel, including key management personnel. It is also assumed that Nido will maintain its ability to recruit and retain the personnel required to support future growth;
- there are no significant disruptions to the continuity of operations of Nido or other material changes in the business; and there are no material amendments to any material contract, agreement or arrangement relating to Nido's business or intellectual property;
- none of the risks listed in Section 5 has a material adverse impact on the operations of Nido; and
- the Offer proceeds are received in accordance with the timetable set out in the important dates section of this Prospectus.

4.10.2 Specific Assumptions

The Forecast Financial Information is based on various assumptions, including those set out below. In preparing the Forecast Financial Information, Nido has analysed historical performance including the current rates of revenue and expenses and applied assumptions, where appropriate, across the business. The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.12, the risk factors set out in Section 5, the Independent Limited Assurance Report set out in Section 8 and other information contained in this Prospectus.

4.10.3 Revenue Assumptions

Revenue from operation of Centres

Income from Centres is primarily generated from childcare fees which is driven by the number of days children are forecast to be in care (days sold) multiplied by the average daily fee.

1. Occupancy

Occupancy represents the number of booked child care places on a fixed and casual basis (days sold) divided by the number of available places at the Centre level and over the Portfolio. Management have forecast Centre occupancy by Centre on a weekly basis, either based on known factors specific to that Centre, or as a templated profile based on Centres owned and managed by Nido. Where a Centre has matured (has a relatively stable baseline performance for the historical period), Management have assumed comparable occupancy levels in the forecasts adjusted for known forecast Centre specific factors. Centre demographics, and seasonality (lower occupancy is experienced in the months in and around the Summer holiday period (December to February)) have also been considered in occupancy forecasts. Where Centres have not yet reached maturity, Management forecast occupancy by extrapolating recent occupancy trends using growth rates achieved historically by a comparable cohort of Centres.

2. Daily Fee

The daily fees are set by reference to:

- the quality of the offering;
- the competitive offerings in the catchment area;
- the demographics of the location; and
- other qualitative factors that are considered relevant.

The Forecast Financial Information assumes all Centres apply twice yearly fee increases.

Fee assistance received from the government is expected to be delayed in the first month after opening a new Centre while the Company waits for Childcare Benefits approval status to be granted. Once approval is granted, all government fees earned since opening are expected to be paid immediately and received weekly in arrears thereafter. With the exception of this initial delay, no material movement in working capital is assumed to result from parent fee contributions or Child Care Subsidies during the Forecast Period.

It is noted that of the daily fee, approximately 60% is derived from government under the Child Care Subsidy scheme for the historical period to 10 July 2023. Management estimate that this will increase by approximately 6-8% due to changes to the Child Care Subsidy scheme on this date.

3. Number of Centres trading and number of Licensed Places

At 16 July 2023, the Nido portfolio comprised 52 Centres. 5 Centres were established from January 2023 to March 2023 and no new Centres or changes to the number of licensed places are forecast beyond March 2023.

4. Revenue from Centre Management and Establishment fees

Post completion of the Offer, the forecast includes management fees from its existing third party Centre management arrangements expected to conclude in October 2024, and management fees and establishment fees from NAED. See Section 4.10.7 for further information on the forecast establishment of new Centres by NAED.

5. Other income

Other income relates to government grants and subsidies for specific initiatives including Kinder funding, traineeship funding and inclusion support and is forecast to continue in line with year to date levels of income received as of May 2023.

4.10.4 Expense Assumptions

1. Centre based employee benefits

Centre based employee benefits comprise the wages and salaries of Centre employees, other related expenses such as superannuation, payroll taxes and benefits and any contractor costs incurred. Forecast for Centre based employee benefits have been based on historical rates, forecast efficiencies due to increased occupancy (which has been calculated factoring actual historical efficiencies achieved from comparable Centre Trade Up) and factoring yearly increases based on forecasted CPI. The cost associated with an educator is determined by three main factors:

- the number of children in care;
- their age cohort – given that ratios of educators to children is prescribed; and
- the average award wage for educators.

The following equity-based remuneration agreements currently have been incorporated in the forecast as described in Section 6.7.1:

- employee share option plan; and
- grant of Shares to employees.

2. Head office employee benefits

Head office employee numbers have been calculated using a bottom-up approach based upon existing numbers and the expected staff required to execute the Nido growth strategy post-Listing. Head office salary assumptions are based upon existing employee agreements and market based remuneration expected for vacant roles.
The forecast assumes a discretionary employee bonus of $1.5 million (inclusive of superannuation and employee taxes) expected to be paid by December 2023.

3. Share based payments expense

Share based payments are forecast based on share based payments granted as at 14 July 2023, which have been valued in accordance with AASB 2 *Share Based Payments* and are expensed over their relevant vesting periods (with the exception of share based payments vesting at IPO and granted as a performance bonus, which have been considered as a pro forma adjustment, see Section 4.3.4). Nido is not forecast to grant additional share based payments over the forecast period.

4. Direct Costs of providing services

Direct costs include consumables (nappies, food and drink), resources (learning materials and equipment), IT and licensing costs, marketing and advertising related expenses, and Centre related insurances. These assumptions are based on a bottom-up analysis, utilising Management's experience combined with historical expenditure at relevant Centres as a benchmark.

5. Property expenses

Property expenses comprise primarily Centre rent pursuant to the current lease agreement for that Centre, adjusted to reflect fixed future rent increases based on fixed rate increases and forecast CPI assumptions. Rent expenses have been adjusted for the impact of AASB 16 *Leases* consistently with the calculation methodology and accounting policies adopted within historical audited accounts. Other property related costs include directly attributable costs including outgoings, maintenance and cleaning.

6. Other Costs

Other costs mainly comprise head office overheads and head office insurances.

Head office overheads include employee expense for corporate office staff, accounting and audit fees, insurances and other general administrative related costs.

Administrative costs primarily include professional services, travel, and motor vehicle costs which are predominantly fixed in nature and are assumed to be consistent with prior year levels of expenditure, with adjustments factored in to allow for known deviations from the base level of expenditure required.

7. Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- Plant and equipment — 4-12 years
- Leasehold improvements — the shorter of the lease term and 15 years
- Motor vehicles — 5-7 years
- Computer equipment — 3-7 years
- The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

8. Net finance expense and income tax expense

The Forecast Financial Information is based on the following interest and tax assumptions:

- net finance costs is the net of interest on the property lease liabilities in accordance with AASB 16, interest expense on loans and guarantee facilities, amortisation of capitalised borrowing costs on loans and interest income from the NAED Loan as described in Section 4.10.7. The annual finance expenses from lease liabilities are consistent with the amortisation schedules for the underlying leases and will continue to reduce gradually year on year as the leases move closer to expiry; and
- pro forma income tax expense reflects an effective corporate tax rate of 30% during the historical and forecast periods. Forecast income tax expense has been calculated factoring available carried forward losses of Nido. Pro forma forecast income tax expense has been calculated excluding carried forward losses. No income tax benefit has been included that would result from the recognition of a deferred tax asset on carried forward losses.

4.10.5 Changes in working capital assumptions and movements in other assets and liabilities

The Forecast Financial Information is based on the following key changes in working capital assumptions:

- trade receivables and other receivables comprise of parent fees and Child Care Subsidy ("**CCS**"). Parent fees are received one week in advance, and CCS is received one week in arrears.
- creditors and accruals are based on our payment terms. Nido has payment terms of 30 days from invoice for the majority of creditors other than landlords. All rent is paid a month in advance; and
- cash inflows relating to the establishment of a financing facility that are expected to replace existing rental bonds arrangements as describes in Section 4.8.

4.10.6 Capital expenditure

Capital expenditure is forecasted to be $1.0 million in CY23F and $0.8 million CY24F with CY24F reflecting the planned capital maintenance program for those periods and capital expenditure incurred in AES for 3 IPO group Centres which opened in CY23F.

4.10.7 NAED forecast assumptions

The Forecast Financial Information is based on the following assumptions relating to the Centre Management Agreement with NAED:

- the forecast assumes that 6 Centres will be opened in AES at the time of the IPO and be acquired by NAED as part of the transaction. The forecast assumes 1 additional Centre will open in NAED before 31 December 2023 and 21 additional Centres will be opened in CY24F based on management's assessment of the construction and licensing timeframes as at 12 July 2023;
- Under the NAED Centre Management Deed, Nido receives the transaction establishment fees of $250,000 per Centre that NAED opens, and an annual Centre management fee of $120,000 post opening will be charged to NAED from Nido;
- occupancy forecasts for NAED Centres is based on historical ramp up of comparable Centres owned and managed by Nido;
- no acquisitions are assumed in the forecast period based on the historical average performance of the new services and the acquisition criteria referred to in Section 3.5; and
- the forecast assumes that NAED will draw down on the loan from Nido progressively with funding requirements based on the opening dates and expected Trade Up profile assumed in the forecast. Interest income is accrued at a rate of 8% as per the terms of the loan described in Section 9.4.3. The forecast assumes that $6.0 million will be drawn upon the completion of the IPO, with funding requirements increasing the drawn debt of $20.0 million at December 2024. Management expects that the draw down will increase towards its $25.0 million limit in CY25, with acquisitions from NAED in that period providing NAED with the funding capacity to continue incubation without the need for additional debt from Nido or capital from its investors.

4.11 Management Discussion and Analysis of the Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information

This Section 4.11 is a discussion of key factors that affected Nido's operations and relative financial performance over CY20, CY21 and CY22 and a discussion of key factors and assumptions which Nido expects may continue to affect it during the period of the Forecast Financial Information in CY23F and CY24F.

The discussion of these general factors is intended to provide a summary only and does not detail all factors that affected Nido's historical operating and financial performance, or everything that may affect Nido's operations and financial performance in the future. The information in this Section 4.11 should be read in conjunction with the basis of preparation of the Forecast Financial Information in Section 4.2.3 which in particular refers to key forecast assumptions set out in Section 4.10 and the risk factors set out in Section 5.

4.11.1 Pro forma profit and loss pre AASB 16

The following tables show the proforma profit and loss adjusted to exclude the impact of AASB 16 *Leases*. AASB 16 *Leases* does not impact net cash flows, however the presentation of lease expenses within the profit and loss are impacted. Under AASB 16 *Leases*, the income statement presents the lease expense as a combination of depreciation (in relation to the right-of-use asset) and interest cost relating to the finance cost embedded within the lease. This is compared to the previous accounting standard (AASB 117) where a rental expense is shown as an operating expense. Table 25 provides a reconciliation between the pro forma profit and loss and the pro forma profit and loss as if it where calculated excluding the impact of AASB 16 *Leases* ("**ANPAT**"); Table 24 provides a reconciliation between the pro forma EBITDA and the pro forma EBITDA as if it where calculated excluding the impact of AASB 16 *Leases* ("**AEBITDA**").

Table 23 Adjusted Pro Forma Income Statements

$ Million	CY20*	CY21	CY22	CY23F	CY24F
Revenue					
Revenue	17.5	52.6	87.2	131.9	168.3
Other income	0.3	1.3	1.7	3.0	3.3
Total revenue	**17.8**	**53.9**	**88.8**	**134.9**	**171.6**
Expenses					
Employee benefits	(12.7)	(35.8)	(64.5)	(100.1)	(102.6)
Property related costs	(3.3)	(10.5)	(18.5)	(26.2)	(28.1)
Direct costs of providing services	(8.3)	(9.0)	(10.9)	(10.5)	(10.8)
Other	(1.6)	(3.8)	(4.0)	(3.7)	(3.5)
AEBITDA	**(8.1)**	**(5.2)**	**(9.0)**	**(5.6)**	**26.7**
Depreciation and amortisation	(0.9)	(0.9)	(0.8)	(0.6)	(0.7)
Finance cost	0.0	(0.1)	(0.4)	(0.6)	(1.9)
Total expenses	(26.8)	(60.1)	(99.1)	(141.7)	(147.5)
Adjusted Profit/(loss) before tax	**(9.0)**	**(6.2)**	**(10.2)**	**(6.8)**	**24.1**
Income tax	(0.3)	0.5	1.3	–	(7.2)
Adjusted Profit/(loss) for the period	**(9.3)**	**(5.7)**	**(9.0)**	**(6.8)**	**16.9**

Table 24 Reconciliation of Pro Forma AEBITDA to Pro Forma EBITDA

$ Million	CY20*	CY21	CY22	CY23F	CY24F
AEBITDA	**(8.1)**	**(5.2)**	**(9.0)**	**(5.6)**	**26.7**
AASB16 Adjustments – Rent	2.4	7.8	13.5	18.5	19.2
EBITDA	**(5.7)**	**2.6**	**4.4**	**12.9**	**45.9**

Table 25 Reconciliation of Pro Forma ANPAT to Pro Forma NPAT

$ Million	CY20	CY21	CY22	CY23F	CY24F
ANPAT	**(9.3)**	**(5.7)**	**(9.0)**	**(6.8)**	**16.9**
AASB16 Adjustments – Rent	2.4	7.8	13.5	18.5	19.2
AASB16 Adjustments – Depreciation and amortisation	(1.3)	(3.9)	(6.8)	(8.6)	(8.7)
AASB16 Adjustments – Finance cost	(2.7)	(8.0)	(12.8)	(16.4)	(16.3)
Tax on AASB16 adjustments	–	–	–	–	1.7
NPAT	**(11.0)**	**(9.8)**	**(15.1)**	**(13.2)**	**12.8**

* During CY20 and CY21, the group was impacted by the COVID-19 pandemic. Centres experienced a material decline in attendance from late March 2020 through to July 2020 because of the general populaces' response to the uncertainty around the risk to children contracting COVID-19. Centres' revenues were adversely impacted by a period of free child care between April 2020 and July 2020, with revenues and costs subsequently being underpinned a range of government support packages between 2020 and 2021.

AEBITDA of ($5.6) million in CY23F, and $26.7 million in CY24F includes the impact of share option expenses totaling $5.3 million in CY23F and $1.3 million in CY24F as shown in Table 30 in Section 4.11.4. AEBITDA excluding share option expense is ($0.3) million in CY23F and $28.0 million in CY24F.

ANPAT of ($6.8) million in CY23F and $16.9 million in CY24F includes the impact of share option expenses totaling $5.3 million in CY23F and $1.3 million in CY24F as shown in Table 30 in Section 4.11.4. ANPAT excluding share option expense is ($1.5) million in CY23F and $18.2 million in CY24F.

Figure 35 AEBITDA growth

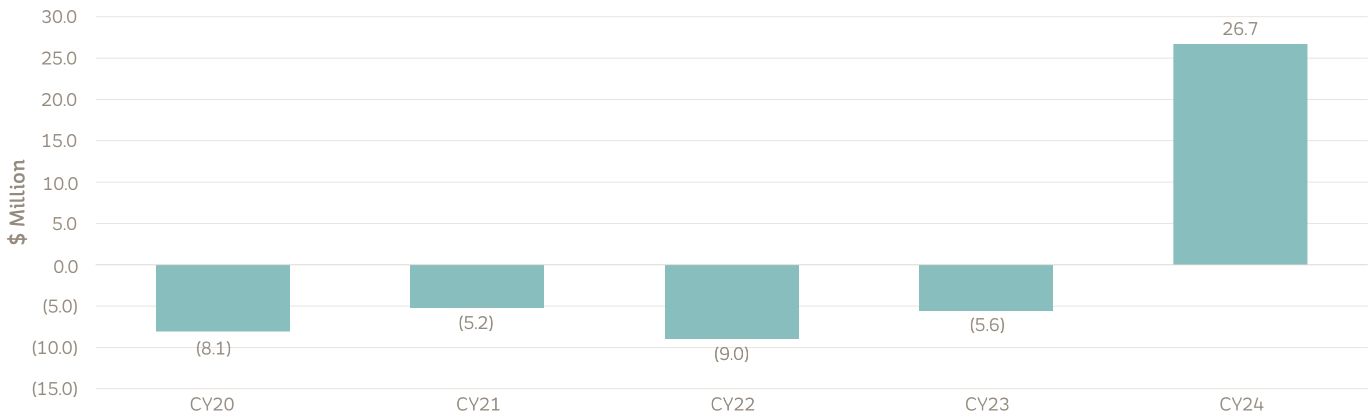
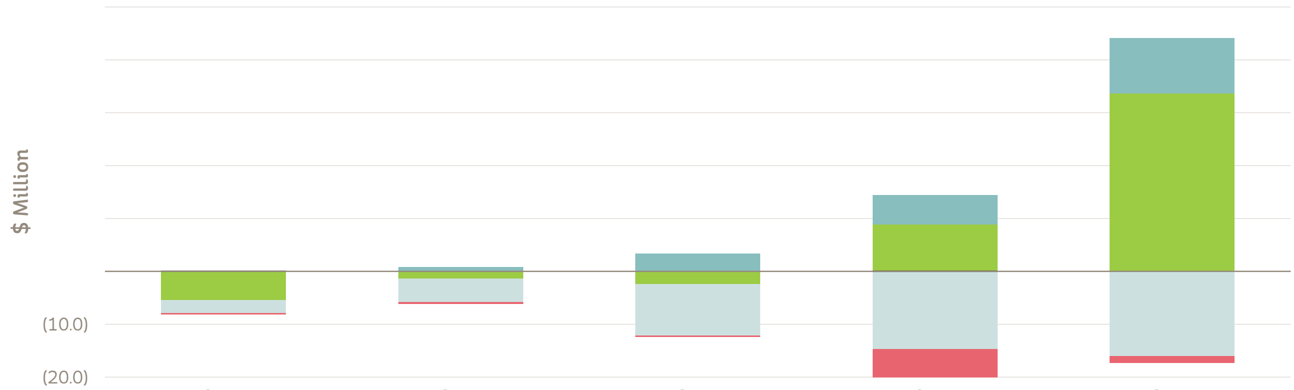


Figure 36 AEBITDA Build-up



	CY20	CY21	CY22	CY23	CY24
Share options	(0.3)	(0.3)	(0.3)	(5.3)	(1.3)
Head office costs	(2.4)	(4.5)	(9.7)	(14.7)	(16.0)
Head office revenue	–	0.8	3.4	5.6	10.5
Centre AEBITDA	(5.4)	(1.3)	(2.4)	8.8	33.6

Head office costs comprise non Centre based employee costs, and other costs including Directors fees, audit, and insurances.

Head office revenue comprises management fees and establishment fees for services provided to third parties.

Centre AEBITDA comprises the contribution to AEBITDA from Centres.

4.11.2 AEBITDA and AEBITDA margin

Historical

The historical AEBITDA for the group was characterised by additional operating costs relating to the establishment of new Centres and Trade Up losses and lower earnings associated with low occupancy levels for services in Trade Up.

Forecast

AEBITDA is forecast to increase from ($9.0) million in CY22 to $26.7 million in CY24F primarily due to:

- continued increase in occupancy growth increasing Centre based revenue;
- average daily fees being forecast to outpace salaries and wages increases and other CPI based expense assumptions, this is a key contributor to the improvement in forecast profitability;
- there being no new Centres being opened in the group after March 2023; and
- additional establishment and management fees from new Centres opened in NAED.

AEBITDA margin is forecast to increase from -10% in CY22 to 16% in CY24F primarily due to:

- the group achieving labour cost efficiencies as Centres continue to increase their occupancy levels as they Trade Up;
- an increase in average daily fee from $134 to $160 between CY22 and CY24F; and
- establishment and management fees increasing revenue in head office, with head office cost base remaining relatively fixed. Nido has restructured its systems, process and increased staffing at head office to support owned and managed Centres over the forecast period. As Centres continue to open post CY24, incremental staffing increases will mainly relate to additional People Quality Leaders to supervise the larger portfolio of Centres.

4.11.3 Revenue

Nido earns child care revenue from the ownership of Centres, management and establishment fees from the operation of externally owned Centres and other revenue relating to other government funding and grants from its owned Centres.

Table 26 Revenue composition

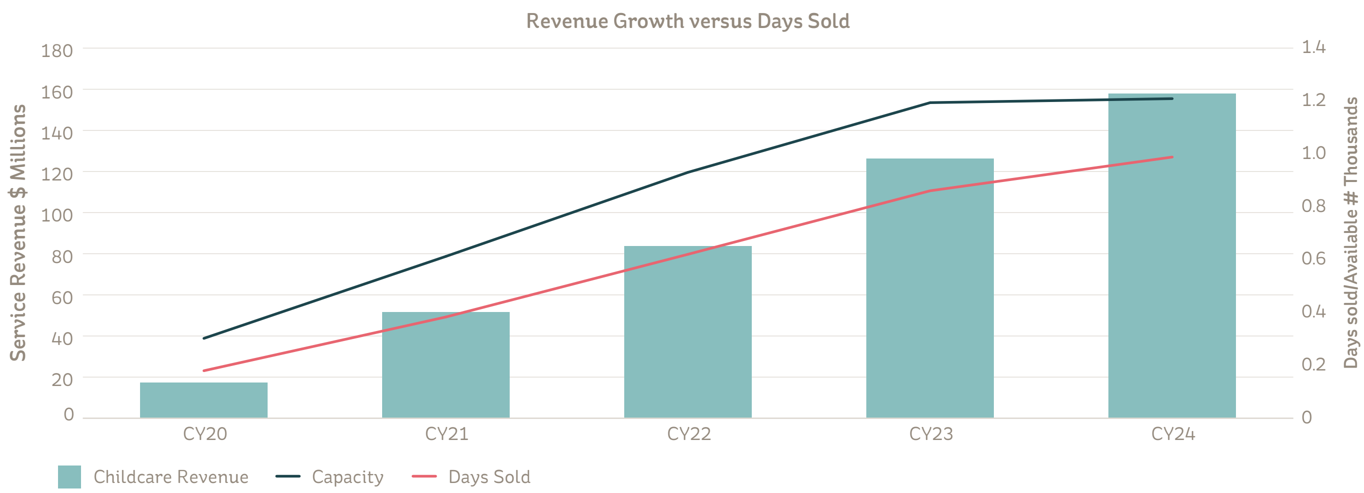
	Pro forma consolidated historical			Pro forma consolidated forecast	
$ Million	CY20	CY21	CY22	CY23F	CY24F
Child care Revenue	17.5	51.8	83.8	126.3	157.9
Government Grants	0.3	1.3	1.7	3.0	3.3
Other revenue	–	–	–	–	–
Management Fees	–	0.8	3.4	4.0	5.1
Establishment Fees	–	–	–	1.6	5.4
Total revenue	**17.8**	**53.9**	**88.8**	**134.9**	**171.6**

1. Child care Revenue

Table 27 Child care Revenue growth

		Pro forma consolidated historical			Pro forma consolidated forecast	
$ Million	Notes	CY20	CY21	CY22	CY23F	CY24F
Child care revenue		17.5	51.8	83.8	126.3	157.9
# Centres open (average)		13	28	41	52	52
Days available		302,089	612,336	930,273	1,193,732	1,208,868
Days sold		179,669	383,053	620,232	860,414	987,945
Portfolio occupancy rate		59%	63%	67%	72%	82%
Average daily fee (net of discounts)		$98	$135	$134	$147	$160

Figure 37 Drivers of child care revenue growth



The level of child care revenue is dependent on four key drivers:

- days available (capacity): 43 new Centre openings have increased annual total licensed places from 811 at January 2020 to 4,614 as of 16 July 2023;
- days sold/Occupancy: Days sold have continued to increase year on year as new Centres open and Trade Up. However as per the table above, average occupancy has remained below 70% in the historical period primarily because of the impact of opening a high number of services at low occupancy, the time taken for Centre Trade Up and some specific Centre related issues. The impact on occupancy from new Centres is demonstrated by the chart which shows capacity increasing at a higher rate than days sold.
- the last Centre opening for the group was on 6 March 2023 when group occupancy was at a weekly spot rate of 64%. Since then, the group weekly occupancy increased to 77% as at 20 August 2023. The forecast annual average occupancy is expected to improve to of 82% for CY24F, with a peak of 86% in November 2024; and
- daily fee: the average daily fee (net of discounts) increased from $98 in CY20 to $134 in CY22 with subsequent actual and forecast increases raising the average daily fee to $160 by CY24F, taking into account cost recovery and inflation.

Historical revenue

Centre Revenue increased by $66.3 million (379% growth) from $17.5 million in CY20 to $83.8 million in CY22. This was primarily due to 38 new Centres opening, increasing the portfolio from 9 Centres in January 2020 to 47 Centres in December 2022 and days sold increasing by 440,563 (245% growth) from 179,669 to 620,232 over this period. Further, average daily fees increased from $98 to $134 over CY20 to CY22, or an increase of 36.7%. No fee increases occurred in July 2020 due to a pricing freeze related to COVID-19.

Forecast

The forecast incorporates 5 new Centres which opened between 1 January 2023 and 31 March 2023 bringing the total number of Centres up to 52. No new Centres or acquisitions are forecast. In CY23F, child care revenue is forecast to increase by $42.5 million (51% growth on CY22) to $126.3 million. Days sold is forecast to increase by 240,182 (38.7% growth) to 860,414 at an average daily fee of $147.

In CY24F, child care revenue is forecast to increase by $31.6 million (25% growth on CY23F) to $157.9 million. Days sold is forecast to increase by 127,531 (14.8% growth) to 987,945 at an average daily fee of $160.

2. Other income

Table 28 Government grants and other income

		Pro forma consolidated historical			Pro forma consolidated forecast	
$ Million	Notes	CY20	CY21	CY22	CY23F	CY24F
Government Grants		0.3	1.3	1.7	3.0	3.3
Total Other income		**0.3**	**1.3**	**1.7**	**3.0**	**3.3**

Government grants

Other government grants and funding include kinder funding, traineeship funding and inclusion support funding and is forecast to increase by $1.6 million (94% growth) from $1.7 million in 2022 to $3.3 million in CY24F mainly due to the growth in Centres.

3. Management and establishment fees

Table 29 Management and establishment fees

		Pro forma consolidated historical			Pro forma consolidated forecast	
$ Million	Notes	CY20	CY21	CY22	CY23F	CY24F
Management Fees	1	–	0.8	3.4	4.0	5.1
Establishment Fees	1	–	–	–	1.6	5.4
Total		**–**	**0.8**	**3.4**	**5.6**	**10.5**
# Centres managed (monthly average)		–	9	34	39	47
# Centres opened in incubation		–	–	–	10	22

Notes:

1. The proforma P&L excludes Management and Establishment Fees that were recorded in Nido for Centres that will be acquired at IPO.

3.1 Management fees

Historical

CY21 and CY22 comprise management fees charged to Busy Bees from the commencement of the Centre Management Agreement in October 2021. On commencement Nido managed 35 Centres and 1 Centre was handed back to Busy Bees to manage in April 2022.

Forecast

Management fees are forecast to increase to $4.0 million in CY23F due to the continuance of the Busy Bees CMA for 34 Centres and new management agreements for Centres in incubation including NAED and other third parties.

Management fees are forecast to increase to $5.1 million in CY24F with additional Centres being forecast to come under management via the NAED CMD. The management of Busy Bees Australia's 34 Centres is forecast to finish in October 2024 in accordance with the terms of the Busy Bees CMA and no revenue is forecast for this agreement beyond this point.

3.2 Establishment fees

The forecast assumes that establishment fees are $1.6 million in CY23F and $5.4 million in CY24F with 21 Centres being opened in NAED and 1 Centre being opened in other third parties by 31 December 2024.

4.11.4 Expenses

1. Employee benefits

Table 30 Employee benefits

	Pro forma consolidated historical			Pro forma consolidated forecast	
$ Million	CY20	CY21	CY22	CY23F	CY24F
Centre based staff	(11.4)	(33.0)	(55.3)	(82.4)	(89.0)
Head Office based staff	(1.0)	(2.6)	(8.9)	(12.5)	(12.3)
Share based payments as incremental listing cost	(0.3)	(0.3)	(0.3)	(0.2)	–
Employee share option plan				(5.1)	(1.3)
Total	**(12.7)**	**(35.8)**	**(64.5)**	**(100.1)**	**(102.6)**
Employee benefits as a percentage of revenue					
Centre based staff as a percentage of childcare revenue	(65%)	(64%)	(66%)	(65%)	(56%)
Head office based staff as a percentage of total revenue	(5%)	(5%)	(10%)	(9%)	(7%)

1.1 Centre based employee benefits

Centres with lower occupancy levels have higher labour costs as a percentage of revenue than mature Centres operating at higher occupancy. This is mainly due to the fixed staffing required in each Centre including an Early School Manager, Curriculum Leader and Service administrator per Centre and the minimum staffing requirement of each room. Additionally, Centres will generally recruit staff slightly ahead of increases in occupancy so they have capacity to meet future demand. The child to staff ratio is optimum at 100% occupancy, resulting in forecast labour cost efficiencies which will be demonstrated by a decrease in labour costs as a percentage of revenue, and improved profitability margin.

The historical period includes a large proportion of Centres in Trade Up, with Centre based staff as a percentage of child care revenue ranging between 64% and 66%.

Labour costs as a percentage of child care revenue are forecast to decrease over the forecast period as Centres continue to Trade Up and there being no new Centres opening within the Group.

1.2 Head office employee benefits

Head office costs recorded in CY20, CY21 and CY22 include $1.1 million of additional cost from the incremental employee costs associated with listing that form part of the proforma adjustment for listing related costs described in Section 4.3.4, and the head office costs relating to appropriately 55 employees transferring from Think Childcare to Nido from October 2021. Since privatisation Nido invested in its support functions to accommodate growth and increased headcount to 73 employees as of July 2023. The forecast is based on approximately 73 employees with an annual cost of approximately $12 million, with a discretionary bonus of $1.5 million (including on costs) forecast to be paid by 31 December 2023. Head office costs as a percentage of total revenue are forecast to decrease from 10% in CY22 to 7% in CY23F with contributing factors including increased revenue from Centres and additional management and establishment fees from Centres in incubation.

1.3 Employee share option plan

Employee share option plan expenses relate to share based payments granted under the EIP including the Premium Options (Section 6.7.2), Free Options (Section 6.7.3) and exempt Shares (Section 3.9.4). The expense in FY23 includes an acceleration of the vesting of share based payments expenses of $1.4 million, which resulted on the cancellation of Premium Options and Free Options as a result of a capital reorganisation to take place in conjunction with the Offer.

2. Direct costs of providing services

Table 31 Direct costs of providing services

	Pro forma consolidated historical			Pro forma consolidated forecast	
$ Million	CY20	CY21	CY22	CY23F	CY24F
Direct costs of providing services					
Consumables	(0.2)	(0.6)	(2.4)	(3.5)	(4.0)
Resources	(6.1)	(5.4)	(6.5)	(2.0)	(2.1)
Other	(2.0)	(3.0)	(2.0)	(5.0)	(4.6)
Total Direct costs of providing services	**(8.3)**	**(9.0)**	**(10.9)**	**(10.5)**	**(10.8)**
Direct costs of providing services as a % of childcare revenue	**(47%)**	**(17%)**	**(13%)**	**(8%)**	**(7%)**

Consumables (primarily nappies, food and drink) are forecast to increase from $2.4 million in CY22 to $3.5 million in CY23F and $4.0 million in CY24F mainly due to the increase in days sold, representing approximately 3% of child care revenue.

Resource costs (learning materials and equipment) were between $5.4 million and $6.5 million in the historical periods. These costs are higher than forecast primarily because of the initial resources costs incurred in establishing and trading up new Centres. The forecast of $2.0 million in CY23F and $2.1 million is reflective of the resources spend for mature services and represents approximately 1% of child care revenue.

Other costs (software and IT licencing costs, marketing and advertising costs, and Centre-based insurances) are forecast to be 4% of child care revenue for CY23F and 3% of child care revenue in CY24F.

3. Property related costs

Table 32 Property related costs

		Pro forma consolidated historical			Pro forma consolidated forecast	
$ Million	Notes	CY20	CY21	CY22	CY23F	CY24F
Property related costs						
Rent		(2.4)	(7.8)	(13.5)	(18.5)	(19.2)
Outgoings		(0.6)	(1.9)	(2.7)	(3.7)	(3.8)
Maintenance and cleaning		(0.3)	(0.8)	(2.3)	(4.0)	(5.0)
Total		**(3.3)**	**(10.5)**	**(18.5)**	**(26.2)**	**(28.1)**
Property related costs as % of child care revenue		**(19%)**	**(20%)**	**(22%)**	**(21%)**	**(18%)**

Notes: Rent expense within the table above has been presented prior to the impact of AASB 16 *leases*, see section 4.11.1 for further commentary.

Property related costs comprise rent and outgoings for Centres and the head office in Sydney, and other associated costs including outgoings, maintenance and cleaning. Contracted rent increases of approximately 4.2% have been assumed in the forecast.

4. Other costs

Table 33 Other costs

	Pro forma consolidated historical			Pro forma consolidated forecast	
$ Million	CY20	CY21	CY22	CY23F	CY24F
Other costs	(1.6)	(3.8)	(4.0)	(3.7)	(3.5)
Other costs as % of total revenue	9%	7%	4%	3%	2%

Other costs mainly include non-employee expenses including governance related expenditure (e.g. audit), travel, motor vehicle, insurance and consultancy costs.

4.11.5 Depreciation and amortisation

Table 34 Depreciation and amortisation

		Pro forma consolidated historical			Pro forma consolidated forecast	
$ Million	Notes	CY20	CY21	CY22	CY23F	CY24F
Depreciation and amortisation		(0.9)	(0.9)	(0.8)	(0.6)	(0.7)

Notes: Depreciation and amortisation expense within the table above has been presented prior to the impact of AASB 16 *leases*, see section 4.11.1 for further commentary.

Depreciation and amortisation costs mainly relate to the depreciation of assets capitalised upon setting up a new Centre, including white goods and IT costs, and leasehold improvements.

4.11.6 Net finance expense

Table 35 Net finance expense

		Pro forma consolidated historical			Pro forma consolidated forecast	
$ Million	Notes	CY20	CY21	CY22	CY23F	CY24F
Interest income		0.0	0.0	0.0	0.1	0.8
Interest cost		0.0	(0.1)	(0.4)	(0.7)	(2.7)
Total Finance cost		**0.0**	**(0.1)**	**(0.4)**	**(0.6)**	**(1.9)**

Interest income

Interest income relates to the NAED loan with interest accruing at 8% per annum. The CY23 forecast of $0.1 million is based on the first tranche of the loan drawn on IPO with interest income increasing to $0.8 million as the loan is progressively drawn to $20 million by 31 December 2024.

Interest Expense

Interest expense for CY23F until completion of the Offer relates to amounts drawn under the ISAMAX Loan Agreement with interest accruing at a rate of 3%. At completion of the Offer, the expense increases due to the $17.5 million loan to be drawn down prior to Listing to satisfy the ASX listing requirements (interest of 11% for the first 4 months and 13% thereafter), and the establishment of a rent bond facility from December 2023 (line fees of 2.5% on $12 million). The interest expense also includes the amortisation of capitalised establishment fees. See Section 4.8 for further details on the financing facilities.

4.11.7 Taxation

Historical

With the exception of David Lyons, the underlying Centres that form the aggregated group were loss making from CY20 to CY22, and the income tax expense / benefit primarily reflects the movement in timing differences.

Forecast

The Group is forecasting a statutory loss before tax of $19.4 million in CY23F and therefore no tax expense is forecast. The forecast tax expense of $0.6 million in CY24F is based on the statutory profit before tax after applying the utilisation of Nido carried forward tax losses. There are carried forward losses within AES Group, which have not been factored into forecast tax calculations.

The proforma forecast is based on Nido paying tax at a corporate tax rate of 30% in periods where a profit before tax is expected.

4.11.8 Cashflow

Table 36 Cashflow

Summarised Pro Forma cash flow statement

	Pro forma consolidated historical			Pro forma consolidated forecast	
$ Million	CY20	CY21	CY22	CY23F	CY24F
Net cash (used in) provided by operating activities	(6.3)	(9.2)	(13.9)	9.4	21.6
Net cash flows from investing activities	(1.2)	(1.4)	(4.9)	(1.0)	(0.8)
Net cash provided by (used in) financing activities	–	–	–	10.5	(15.7)
Net increase (decrease) in cash and cash equivalents	**(7.5)**	**(10.6)**	**(18.8)**	**18.9**	**5.1**

Notes: See Table 18 for detailed Historical and Forecast Pro Forma Cash Flow Statements.

Net cashflow from operating activities historically moved broadly in line with EBITDA after lease costs. Other key historical items impacting operating cash flows included:

- movements in net working capital provided operating cash inflows in CY20 and CY21, primarily due to increases in employee benefits and trade and other payables across these periods. Subsequently in CY22, increases in trade and other receivables contributed to cash outflows due to net working capital movements; and
- rent bonds increased in CY22, resulting in a $2.8 million cash outflow.

In CY23F a pro forma operating cash inflows of $9.4 million is forecast, as cash outflows from EBITDA after lease payments of $5.6 million are offset by forecast cash inflows from rent bonds of $9.5 million and the reversal of non-cash items. In CY24, pro forma operating cash inflows are forecast to increase to $21.6 million, primarily due to the increase in pro forma EBITDA.

Net cashflows from investing activities in CY20 to CY22 mainly reflect payments for property, plant and equipment when a Centre is established. In CY22, such capital expenditure was $4.9 million due to the opening of 16 Centres. Forecast capital expenditure is less than $1.8 million over CY23F and CY24F collectively and is based on the planned capital maintenance for those periods and capital expenditure incurred in AES for 3 IPO group Centres which opened in CY23F.

Pro forma net cash flows from financing activities are presented excluding the impact of the Offer and acquisitions expected to occur at or around the completion of the Offer. Pro forma net cash in-flows from financing activities in CY23F relate to net proceeds of $17.0 million from the loan draw down detailed in Section 4.8, net of loan funding to NAED and interest expense. Pro forma cash outflows in CY24F relate to loan funding to NAED and interest expense.

4.12 Sensitivity Analysis

The Forecast Financial Information included in Section 4 of this Prospectus is based on a number of estimates and assumptions as described in Section 4.10. These estimates and assumptions are subject to business, general economic and competitive uncertainties, many of which are beyond the control of Nido's Directors and Management. These estimates are also based on assumptions with respect to future business developments and decisions, which are subject to change.

Table 37 sets out a summary of the sensitivity of the Pro Forma Forecast Financial Information to changes in a number of key assumptions. The changes in key assumptions are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown, and these variances may be substantial.

Care should be taken in interpreting these sensitivities. In order to illustrate the likely key impact on the Pro Forma Forecast Financial Information, the estimated impact of changes in each of the assumptions has been calculated in isolation from changes in other assumptions. In practice, changes in assumptions may offset each other or be additive, and it is likely that Management would respond to an adverse change in one assumption to seek to minimise the net effect on Nido's earnings and cash flow.

For the purpose of the sensitivity analysis shown in Table 37, each sensitivity is presented in terms of the impact on CY23F and CY24F pro forma forecast consolidated EBITDA/(EBITDA loss), respectively.

Table 37 Sensitivity Analysis for CY23F and CY24F

Assumptions	Notes	Increase/Decrease	CY23F Pro Forma EBITDA impact ($m)	CY24F Pro Forma EBITDA impact ($m)
Daily fees per child	2	+/- $1 in average daily fee	$0.5/($0.5)	$1.0/($1.0)
Average occupancy	3	+/- 1% change in portfolio occupancy rate	$0.3/($0.3)	$0.8/($0.8)
Employee expenses	4	+/- 1%	$0.5/($0.5)	$1.0/($1.0)

* Table above shows half year impact for CY23F and full year impact to CY24F.

Notes:

1. CY23F sensitivities above present the EBITDA impact from sensitivities from 1 July 2023 to 31 December 2023. CY24F sensitivities present the full year impact.
2. Reflects the EBITDA impact of average daily fees being increased or decreased by $1 per day over prices included in the forecast for all places in Centres across the group.
3. Reflects the EBITDA impact of a 1% increase or decrease in average occupancy across the group. For the purposes of the sensitivity analysis, this is assumed to occur evenly across all Centres and so impacts EBITDA at average revenue less labour costs. An actual increase or decrease in occupancy may have a differing impact depending on occupancy levels and staffing rosters in each Centre.
4. Reflects the EBITDA impact of 1% increase or decrease in employee costs across the whole group.

4.13 Dividend Policy

The payment of a dividend by the Company is at the sole discretion of the Board and will be a function of a number of factors (many of which may be outside the control of the Company and its Directors and Management, and are not reliably predictable), including the general business environment, operating results, cash flows and financial condition of the Company, future funding requirements, capital management initiatives, taxation considerations, any contractual, legal or regulatory restrictions on the payment of dividends by the Company, and any other factors the Directors may consider relevant.

The Board has adopted a dividend policy to pay annual dividends of up to 65% of profits derived, enabling the Company to retain sufficient earnings to support the growth objectives of the Company and satisfy the above factors.

The Company plans to implement a dividend reinvestment plan under which Shareholders will be able to reinvest dividends that they would otherwise receive in cash for the issue or transfer to them of additional Shares.

Dividends, if declared or determined in the first year, are unlikely to be franked and thereafter franked to the maximum extent possible. No assurances can be given by any person, including the Directors, about the payment of any dividend or the level of franking credits attaching to any such dividend.

4.14 Significant acquisitions Historical Financial Information for the Significant acquisitions

The reasons for inclusion of the Historical Financial Information for the significant acquisitions the basis of its preparation and nature of the audit opinions, on this information issued by KPMG, are described in Section 4.2.4.

The group has not forecast any significant acquisitions over the forecast period.

Table 38 AES Historical Income Statement

$ Million	CY22
Revenue	
Revenue	2.8
Other income	0.0
Expenses	
Employee benefits	3.5
Occupancy	0.3
Direct expense of providing services	4.4
Corporate and marketing	0.3
Other	0.7
Depreciation and amortisation	0.6
Finance cost	1.2
Loss before tax	**(8.3)**
Income tax	0.3
Loss for the period	**(8.0)**

Table 39 AES Historical Statement of Cash Flows

$ Million	CY22
Adjustments for	
Depreciation and amortisation	0.6
Finance costs	0.4
Change in operating assets and liabilities	
Increase in trade and other receivable	(1.7)
Increase in deferred tax assets	(0.3)
Increase in other assets	(2.2)
Increase in trade and other payables	1.1
Increase in employee benefits	0.2
Net cash from operating activities	**(10.0)**
Cash flows from investing activities	
Payments for property, plant and equipment	(2.5)
Net cash used in investing activities	**(2.5)**
Cash flows from financing activities	
Proceeds from shareholders	18.3
Net cash from financing activities	**18.3**

Table 40 David Lyons Historical Income Statement

$ Million	CY20	CY21	CY22
Revenue			
Revenue	7.8	19.2	21.7
Other income	0.0	0.7	0.1
Expenses			
Employee benefits	4.2	11.1	11.7
Occupancy	0.3	1.0	1.2
Direct expense of providing services	2.2	1.8	0.8
Corporate and marketing	0.2	0.2	0.3
Other	0.7	1.1	1.1
Depreciation and amortisation	0.6	1.2	1.2
Finance cost	1.0	2.0	2.0
Profit / (loss) before tax	**(1.3)**	**1.6**	**3.3**
Income tax	(0.3)	0.2	(0.8)
Profit / (loss) for the period	**(1.7)**	**1.9**	**2.5**

Table 41 David Lyons Historical Statement of Cash Flows

$ Million	CY20	CY21	CY22
Profit / (loss) for the period	**(1.7)**	**1.9**	**2.5**
Adjustments for			
Depreciation and amortisation	0.6	1.2	1.2
Change in operating assets and liabilities			
(Increase) / decrease in trade and other receivable	(2.2)	1.4	(2.6)
(Increase) / decrease in deferred taxes	0.3	(0.3)	(0.1)
Increase in other assets	(0.4)	(0.1)	(0.0)
Increase in trade and other payables	5.0	(2.5)	(1.4)
Increase in employee benefits	0.0	0.5	0.0
Net cash from operating activities	**1.7**	**2.0**	**(0.5)**
Cash flows from investing activities			
Payments for property, plant and equipment	(0.8)	(0.2)	(0.0)
Net cash used in investing activities	**(0.8)**	**(0.2)**	**(0.0)**
Cash flows from financing activities			
Proceeds from borrowings	–	–	1.0
Payment of dividends	–	(1.4)	–
Repayment of lease principal	–	(0.2)	(0.4)
Net cash from financing activities	**–**	**(1.6)**	**0.6**
Net increase in cash and cash equivalents	0.9	0.3	0.1
Cash and cash equivalents at the beginning of the period	0.2	1.1	1.3
Cash and cash equivalents at the end of the period	**1.1**	**1.3**	**1.5**

4.15 Significant related party disclosures

Refer to Section 6.5.5 for additional significant related party disclosure.

5. RISK FACTORS

5. RISK FACTORS

5.1 Introduction

This Section 5 describes the potential risks associated with the operations of the Group and the risks associated with an investment in the Shares. It does not purport to list every risk that may be associated with an investment in the Shares now or in the future. The occurrence of, or consequences of, some of the risks described in this Section 5 are partially or completely outside of the control of the Group, its Directors and its management.

The selection of risks is based on the assessment of a combination of the probability of the risk occurring, the ability to mitigate the risk and the impact of the risk, if it did occur. That assessment is based on the knowledge of the Group as at the Prospectus Date, but there is no guarantee or assurance that the importance of different risks will not change or that other risks will not emerge.

There can be no guarantee that the Group will deliver on its business strategy, or that the forecasts or any forward-looking statement contained in this Prospectus will be achieved or realised. Investors should note that past performance is not a reliable indicator of future performance.

The Directors strongly recommend potential investors consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares and to seek professional guidance from their solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to apply for Shares pursuant to this Prospectus.

5.2 Specific risks of an investment in the Company

5.2.1 Regulatory risk, compliance and legislative change

The Australian child care industry is closely regulated by the *Education and Care Services National Law Act 2010* ("**ECSNLA**" or "**National Law**"), which has been adopted by all Australian States and Territories. Supporting regulations prescribe frameworks for the management and operation of Centres in each State. Non-compliance with the ECSNLA may result in:

- the Group having restrictions placed on Centre licences, which may affect the operations of the Centres and consequently potentially impacting revenues, which in turn may result in less profit for those Centres.
- the 'Nido' brand being affected by a serious incident which has a greater negative effect than at one isolated Centre. This may result in a decline in new enrolments and a reduction in existing enrolments and consequently a decline in the revenues for the Group.

Changes to government regulations and laws which might affect the Group include, but are not limited to, legislative changes that affect operational factors such as staff-to-child ratios and employment qualification criteria, the demand for child care services and changes to government funding and subsidies. Changes to operational factors such as staffing ratios and minimum employment qualifications may increase operational expenses and affect the Group's financial position. These changes could significantly affect the Forecast Financial Information that is outlined in this Prospectus.

Consequently, changes to the wording, administration or interpretation of the relevant legislation, regulations and policy governing the child care sector may have adverse effects on the Group's business and financial position.

5.2.2 Government funding changes

At present, the Commonwealth government provides significant support to the Australian child care industry and customers. A significant amount of Nido's revenue, approximately 59% over the last twelve months, came from Commonwealth government assistance and adverse changes to this level of assistance could have a significant adverse impact on the Group's business and financial position.

5.2.3 Registration, assessment and rating of Centres

The regulation and availability of government assistance is dependent on each individual Centre receiving service approval from the relevant State / Territory government under the National Law.

Each State or Territory regulatory authority administers the assessment and rating process for each Centre, including inspections of Centres. A rating of 'significant improvement required' could result in the loss of registration and the withdrawal of government assistance for an individual Centre. If this were repeated across several Nido Centres, this would have a negative impact on Nido's operations and financial position.

The ability of Nido to operate its Centres is dependent on having the requisite regulatory approvals. Under the National Law, a provider of a child care services must obtain and maintain a 'provider approval'. If the provider approval for any entity within the Group is withdrawn, or not obtained when sought, Nido will not be permitted to operate the relevant Centre. If so, this could materially impact Nido's future earnings.

5.2.4 Nido's business plan

Nido has a limited financial and operating history. Nido's ability to achieve its objectives depends on the ability of its Directors and management team to implement the proposed business plan and to respond efficiently and appropriately to unforeseen circumstances.

Despite the considerable experience that the Directors and Nido's management team have in business, management and the child care industry, there is a risk that Nido may not be able to successfully execute the proposed business plans outlined in Section 3.2.

Nido's operating results could be adversely affected by, among other factors:

- an inability to control the costs and organisational impacts of business growth;
- an inability to increase fees;
- an inability to achieve occupancy rates in line with Nido's management team's expectations;
- an inability to acquire Centres from NAED or Other Centres as a result of operational or funding issues;
- a negative impact on earning margins; and
- staff retention / recruitment.

5.2.5 AES, David Lyons and other acquisitions

The relevant acquisition agreements relating to the proposed acquisition of Centres from AES, David Lyons and Other Centres have been entered into prior to the Prospectus Date. However, if these proposed acquisitions are not completed, the portfolio composition of the Company will change. These acquisitions are expected to be completed by the Listing Date, but there can be no guarantee that this will occur due to failure to satisfy conditions precedent (including material adverse change clauses or breach of warranties), breach of contract or failure to obtain necessary third-party consents.

Due to circumstances beyond the control of Nido, it is possible that one or more of the proposed acquisitions of the above Centres may not be completed or completion may be delayed. It is also possible that the transfer or assignment of leases and licences or releases of security interests required by Nido to operate these Centres does not occur or is delayed. Where this is the case, there can be no guarantee that the particular acquisition will complete, or if it does, that the assets will be free of third-party rights.

To achieve the results set out in the Forecast Financial Information, Nido will need to effectively integrate the Centres. There is a risk that the integration may take longer or cost more than expected by Nido, which would impact on the profitability of the Company. There is no guarantee the Centres will operate as profitably after integration as they did prior to their acquisition by Nido. The performance of the Centres may be adversely affected by changes such as an increase in overheads, or reduction in custom from parents who do not view the acquisition of the Centres by Nido unfavourably despite the Company managing these Centres previously.

The above circumstances could materially impact the Company's future earnings.

5.2.6 Acquisitions and expansion strategy

Nido's key strategy to ensure growth is through the acquisition and integration of operating Centres in a timely, efficient and cost effective manner. If the plan is not properly implemented or not consistently implemented across each of the Nido's Centres, there may be a deviation from the Forecast Financial Information and an adverse effect on Nido's business and financial position. Following completion of the IPO, Nido will be operating 52 Centres and it is forecast that by the conclusion of CY24, Nido will be managing 52 Centres.

Nido intends to pursue a growth strategy through acquisitions of Centres from NAED, an Incubator which will own and fund Centres until Nido exercises its option to acquire (or not) each Centre. Under the terms of the Centre Management Deed, Nido will identify the site for future Centres, negotiate terms with the prospective landlord and present the proposal to the NAED board for approval.

The identification and completion of future acquisitions is a key risk that may impact the future profitability of Nido. Nido and NAED may not be successful in identifying acquisition opportunities, assessing the value, strengths and weaknesses of these opportunities which may delay or reduce the number of acquisitions that Nido makes in the future. NAED is responsible for the operational risk associated with developing and trading up a Centre, Nido jointly shares in the financial risk if the acquisition of a Centre from NAED is delayed, as this impacts the recoverability of the funding Loan provided, as detailed in Section 9.4.3.

Before any Centre is acquired (and as described in Sections 3.2.4 and under the Centre Management Deed) Nido undertakes an assessment of the proposed Centre, which is discussed in Section 3.5. Nido considers each Centre independently and makes an assessment on its individual value to the Nido portfolio and its strengths and weaknesses. Failure to undertake the assessment with due care and consideration may result in the acquisition of a Centre that fails to meet Nido's projected forecasts and therefore will not trigger the prescribed acquisition criteria which may adversely affect financial forecasts.

The integration risk associated with acquiring a Centre is significantly reduced as the Centre is managed by Nido through its support office, employees, systems and processes throughout its life.

Following the acquisition of a Centre by Nido, there is a risk that the acquired Centre may be less profitable or take longer to achieve expected occupancy levels than the analysis undertaken disclosed. There is therefore no guarantee that acquired Centres will be or remain profitable, increase in profitability or contribute to Nido's profit growth once acquired by Nido.

5.2.7 Due diligence risk

Nido's management team has performed and will perform certain pre-acquisition due diligence on each of the Centres Nido acquires. There is a risk that due diligence conducted has not identified issues that would have been material to the decision to acquire the Centres. A material adverse issue which was not identified prior to completion of the acquisition could have an adverse impact on Nido's earnings and financial position.

As is usual in the conduct of acquisition, the due diligence process undertaken by Nido identified a number of risks associated with the Centres expected to be acquired on IPO, including AES, David Lyons and other Centre acquisitions. The mechanisms used by Nido to manage these risks included in certain circumstances the acceptance of the risk as tolerable on commercial grounds such as materiality. There is a risk that the approach taken by Nido may be insufficient to mitigate the risk, or that the materiality of these risks may have been underestimated and may have a material adverse impact on Nido's earnings and financial position. This risk will also apply to any future acquisitions undertaken by Nido as part of its growth strategy.

5.2.8 Financial information

The Forecast Financial Information represents Nido's best estimate of the future performance of the Centres and events based on the information available at the Prospectus Date. However, investors should appreciate that forecasts by their very nature are subject to uncertainties which may be outside of Nido's control or may not be capable of being foreseen or accurately predicted. As such, actual results may differ from the Forecast Financial Information and such differences may be material.

Key assumptions incorporated into the forecast include

- occupancy represents the number of booked child care places on a fixed and casual basis divided by the number of available places at the Centre level and over the portfolio. Nido has forecast occupancy Centre by Centre on a weekly basis, either directly, or as a templated profile from opening based on a size cohort. Where a Centre has matured and operated at relatively stable levels in the last two years, Nido has assumed comparable occupancy levels in the forecasts adjusted for known Centre specific factors. Actual occupancy levels may differ to those assumed in the forecast period;
- the Forecast Financial Information contained in this Prospectus includes certain projected fee increases over the Forecast Period for each Centre. Market conditions and changes in regulations may cause changes to fees to be passed on to customers. As a result, Nido's Forecast Financial Information may differ from actual financial outcomes;
- following completion of the IPO, Nido will be operating 52 Centres and in CY23 and CY24 it is expected to open no new Centres. Management and establishment fees chargeable to NAED have been based on the expected opening dates of Centres. A delay in opening may result in a reduction in management and establishment fees over the forecast period;
- Centre based wages and salaries have been based on historical wage rates achieved at Centres managed and owned by Nido adjusted for escalations governed by the Children's Services Award and the Educational Services (Teachers) Award ("**Award**") The historical wage rates have been impacted by a range of factors including occupancy, staffing availability and rostering. Maintaining an effective ratio of wages to revenue is critical and will depend on how effectively management controls the roster in relation to occupancy. Changes in the factors discussed above. may result in a difference in wages and salaries outcomes compared with that assumed in the forecast period; and
- other direct and indirect operating expenses include expenses such as consumables (nappies, food and drink), resource materials, head office overheads and other general administrative related costs. Nido management have prepared the Forecast Financial Information utilising historical actual expenses as a basis and adjusted for expected costs. There is a risk however that actual direct and indirect operating costs in the forecast period may result in a difference against management expectation.

5.2.9 Failure to meet forecasts

The forward-looking statements, opinions and estimates provided in this Prospectus, including the Forecast Financial Information, rely on various contingencies and assumptions, some of which are described in Sections 4.10.1 and 4.10.2. A range of factors, both known and unknown, may impact the performance of Nido and cause actual performance to vary significantly from expected results.

There can be no guarantee that Nido will achieve its stated objectives or that any forward-looking statement or forecast will eventuate.

5.2.10 Impairment of intangible assets

As a result of the acquisitions occurring at IPO, Nido will recognise a material value of intangible assets on its balance sheet principally relating to goodwill. As set out in Section 4.5, the amount of goodwill will be calculated by deducting the total net tangible assets and identifiable intangible assets deemed to be acquired by Nido, from the consideration for each Centre acquired, which will be assessed at the fair value of the consideration paid.

Under Australian Accounting Standards, goodwill and indefinite life intangible assets must be regularly tested for impairment. Other identifiable intangible assets are amortised and assessed for any indicators of impairment each reporting period. Impairment of any individual asset will result from a permanent diminution in value indicated by a decrease in profits below the level that supports the value of the asset. If impaired, Nido would need to write down the value of the intangible assets, which would result in an expense in the income statement and could have a material adverse impact on Nido's earnings and financial position.

5.2.11 Increased market competition and disintermediation

The Australian child care industry is highly competitive. Nido will be competing against other long day care service providers as well as outside school hours providers. Competition between child care service providers is generally based on the quality of the relevant Centres and the care provided, together with the location and cost of the service.

Nido must provide a high quality service in desirable locations at an appropriate price for customers. Further, in order to compete effectively, Nido must meet each of the competitive challenges from existing market participants and respond effectively to any changes in the competitive landscape. The competitive landscape may evolve, for example, through the entry of new competitors into the market, the consolidation of existing market participants, or a change in government policy which affects the distribution of public funding to the child care and early education services industry.

If Nido fails to adequately address the competitive environment, this will likely have an adverse effect on Nido's financial position and performance.

5.2.12 ACCC child care inquiry and Productivity Commission inquiry

On 28 October 2022, the Federal Treasurer directed the Australian Competition and Consumer Commission ("**ACCC**") to conduct an inquiry into the market for the supply of child care services. The inquiry began on 1 January 2023 and the ACCC issued an interim report on 5 July 2023. The ACCC has been directed to provide a consultation paper identifying potential draft recommendations and/or draft findings and seek submissions in response by September 2023 and a final report by no later than 31 December 2023.

In addition, the Productivity Commission commenced a comprehensive inquiry into early childhood education and care on 1 March 2023. The Productivity Commission has been asked to make recommendations that support affordable, accessible, equitable and high quality early education childhood, reduce barriers to workforce participation and consider a universal 90% child care subsidy rate. Findings from the ACCC's inquiry will inform and support the Productivity Commission's inquiry. The Productivity Commission will provide a draft report in November 2023 and a final report in June 2024.

The ACCC inquiry examines and considers matters including costs and availability of labour, the use of land and related costs, finance and administrative costs, regulatory compliance costs, the costs of consumables and the prices charged since 2018 and how these have changed following changes in child care policy settings.

The ACCC examines how costs and prices differ by, type of provider and size, type of child care service, age and characteristics of the child in care, geographic location, level of competition, the quality of the child care services provided and how these factors impact child care provider viability, quality and profits.

The focus of the inquiry appears to be on the factors driving fee increases above inflation and provider's pricing strategies (including the extent to which costs impact such decisions). In the interim report, the ACCC has noted that large providers, being providers with 40 or more services in Australia, charge higher average fees than medium and small providers across all geographic regions and socio-economic areas. As a result of the acquisitions occurring at IPO, Nido will be operating 52 Centres and therefore will be considered a 'large provider'. Over the course of the inquiry, the ACCC will continue to explore the prices of child care services, including by considering the differences in cost structures for large, medium, and small providers and whether there are any benefits of scale.

In the absence of the Productivity Commission's reports or any recommendations by the ACCC particularly in relation to regulatory reform, it is difficult to discern any potential impact on Nido and its business. However, it is foreseeable that there may be recommendations with respect to fee levels or caps which could have a material adverse impact on Nido's business and financial position.

5.2.13 Availability of funding

Nido's ongoing acquisition strategy is intended to be financed by a combination of debt and equity funding. Nido's ability to pursue its growth strategy beyond the acquisitions at IPO may be constrained by limited access to further debt and equity funding. The ability of Nido to raise further debt and equity funding on similar terms to those in place for future refinancing and acquisitions depends on a number of factors including general economic, political, capital and credit market conditions.

5.2.14 External financing

The Group will review its refinancing options and debt facilities on a periodic basis and may seek to arrange the refinancing of all or part of those facilities prior to maturity. Investors are exposed to the risk that Nido may not be able to repay or refinance its debt facilities as they fall due or that refinancing is only available on terms materially worse than the current terms. In such cases, Nido may have to raise further debt or issue further equity or dispose of some or all of its assets to raise funds to repay or refinance its debt facilities. The ability to repay or refinance and the terms of any refinancing may affect the value of and returns from an investment in the Shares.

Refer to Section 4.8 for a high level summary of Nido's existing debt facilities.

5.2.15 Concentration of shareholding

Following Completion of the Offer, Mathew Edwards or his associated entities[24] will hold 50.8% of all Shares. Accordingly, Mathew Edwards will continue to be in a position to exert significant influence over the outcome of matters relating to Nido, including the election of Directors. Although the interests of Nido, Mathew Edwards and other Shareholders are likely to be aligned in most cases, there may be instances where their respective interests diverge. The sale of Shares in the future by Mathew Edwards or his associated entities, Non-Executive Directors and/or certain employees, or the perception that such sales might occur, could adversely affect the market price of the Shares. Future material sales of shares by Mathew Edwards and/or his associated entities after the Prospectus Date may have change of control consequences in respect of the Group's contracting arrangements. Further, a material dilution of Mathew Edwards's and his associated entities shareholding percentage as at the Prospectus Date, for example, as a result of an issue of additional shares to third parties, may have change of control consequences in respect of the Group's contracting arrangements.

Also, the concentration of ownership may affect the liquidity of the market for Shares on ASX, limiting the likelihood of Nido's entry into relevant indices in due course (such as the S&P ASX 200).

5.2.16 Reputation and brand risk

Satisfactory performance of Centres

The ability of the Group to sustain and grow occupancy rates and earnings at its Centres will be heavily influenced by its ability to develop and maintain a reputation as a provider of quality child care services. Any factors which undermine the strength of Nido's reputation and its portfolio of brands may impact on the Company's competitiveness, growth and profitability.

Conflicts of Interest

Failure to deal appropriately with actual, potential or perceived conflicts of interest could damage Nido's reputation and materially adversely affect its business.

Other potential conflicts include the following:

Nido has a conflict of interest policy to try to ensure that any perceived, potential or actual conflicts are managed appropriately. In addition, all related party transactions that occur between Nido and entities that it manages are done on commercial arms-length terms. However, it is possible that actual, potential or perceived conflicts could give rise to client dissatisfaction, litigation or regulatory enforcement actions.

If Nido fails, or appears to fail, to deal appropriately with one or more potential or actual conflicts of interest its reputation could be damaged creating reluctance among potential clients and counterparties to do business with Nido and leading to an adverse impact on financial performance.

Employee misconduct

Employee misconduct, which is difficult to detect and deter, could harm Nido by impairing its ability to attract and retain clients and by subjecting it to legal liability and reputational harm. There is a risk that employees could engage in misconduct that would adversely affect the business.

For example, the business often requires Nido to deal with confidential matters of great significance to its clients. If employees were to improperly use or disclose confidential information provided by clients, Nido could be subject to regulatory sanctions and suffer serious harm to its reputation, financial position, current client relationships and ability to attract future clients. It is not always possible to deter employee misconduct, and the precautions taken to detect and prevent misconduct may not be effective in all cases.

24. Mathew Edwards' associated entities exclude certain discretionary trusts whose trustee is an entity controlled by Mathew Edwards as at the Prospectus Date as it is intended that the trustee of these discretionary trusts be replaced in December 2023. The result of this replacement of trustee is that Mathew Edwards and his related entities would no longer control or have any interests in these discretionary trusts and their shareholdings in Nido.

5.2.17 Suitably qualified management and staff

It will be essential for Nido to attract and retain suitably qualified management and staff at the head office and at each Centre, with the necessary talent and experience to operate, integrate and manage new Centres to support the continuing operations of the Company.

The Company also depends on the experience and standing of its management team (including Mathew Edwards, the Managing Director) in the child care services industry to ensure that it can continue to apply for and obtain all licences and approvals required to operate a child care business.

Further, the child care industry has strong competition for highly skilled workers due to the limited number of people with the appropriate skill set. There is a risk that the Company will be unable to attract and retain the necessary staff to pursue its business model.

Any difficulty in attracting or retaining suitably qualified management and staff could disrupt and materially affect the operations of Nido in the short to medium term. This may adversely affect the Company's business and financial position, should the Company need to increase wages beyond that budgeted.

5.2.18 No industry diversification

The Group operates in the child care industry. The Company's performance will be predominantly dictated by the performance of the market for child care services and therefore if the market performs poorly, it is likely that Nido will be negatively impacted.

5.2.19 Operation systems, processing and controls may fail

Efficient internal processes are critical to the operation of Nido's business. There is a risk that inadequate or failed internal processes, people or systems (including failure of staff to follow defined processes, inadequate training or failure to implement appropriate controls) or external events may give rise to failures or disruptions in operational systems and controls (e.g. fraud, security failures, manual processing errors), which may result in losses to clients that Nido is liable to compensate.

Ensuring that internal processes are efficient and scalable is particularly important in the context of Nido's significant historic and planned future growth. This growth has resulted and will continue to result in increasing pressure on all parts of Nido's business, including Nido's ability to:

- onboard new employees;
- recruit new employees;
- minimise staff turnover;
- manage payroll for all employees;
- process payments from third parties; and
- maintain a sufficient standard of education and care in Nido Centres.

As a result of the increased pressure on the Group's business operations from its growth, along with the increased complexity of its business resulting from advancements in its technology or changes to its product suite (including as a result of the introduction of new clients), there is a risk that process and execution errors which occur from time to time may increase.

Such failures or errors may have a material adverse effect on Nido's reputation, and its ability to retain or attract clients and employees.

5.2.20 Information systems and cyber risk

Nido relies on information technology, including third party software products and services, to deliver services to its clients. Nido has implemented industry standard measures intended to prevent or mitigate loss, damage or interruption to its networks, systems and data, including due to errors or other failures in networks, hardware, software, systems or services. However, there is a risk that the measures taken by Nido may not be sufficient to prevent or mitigate such loss, damage or interruption.

Through its ordinary course of business, Nido will collect information about its clients (which would usually include personal and confidential information). A cyber-attack or other cyber incident may compromise the systems used by Nido to protect that information. Nido has put in place industry standard measures intended to prevent misuse or loss of, unauthorised access to, or unauthorised modification or disclosure of, the information that it holds. However, there is a risk that the measures taken may not be sufficient to detect, mitigate or prevent such an incident.

Any loss, damage or interruption to the Group's networks, systems, data or services, or a data breach affecting the Group, whether arising from hardware, software or systems failures, computer viruses or other harmful code, third party service failures, or cyber-attacks or other cyber incidents, could impair the ability of the Group to deliver services to its clients; expose Nido to reputation damage; result in a loss of confidence in the services it provides; result in claims by clients or a loss of clients; and give rise to regulatory scrutiny and legal action. Any of these events could adversely impact Nido's reputation, business, financial condition and financial performance.

In order to minimise disruption to the business in the event of a Cyber based attack, Nido has supplemented their technical response with scenario based Cyber response playbooks. These playbooks have been developed in collaboration with the stakeholders required to deliver a swift and measured incident response. Alongside the data protection and redundancy fallbacks in place, timely and documented action plans assist in mitigating the overall effect of cyber attacks across all areas of the business, not just that of Information Technology department.

Data integrity validation and security enforcement run concurrently within all scenarios with centralised response coordination teams in place to ensure that minimal time is lost in applying required actions.

5.2.21 Leases

Nido does not own the freehold land on which its Centres operate. Rather the Company leases the premises that the Centres operate upon through a lease agreement with the relevant freehold landowner.

Nido must pay periodic rent and other monies payable from time to time under the lease to the freehold titleholder. These leases may also contain change of control provisions which will apply to Nido. In the unlikely event of default on a lease by Nido, landlords may have a right to terminate the relevant lease.

Termination of several Centre leases could have an adverse impact on the Company's business and financial position.

Nido may be at risk of being unable to renegotiate a lease on similar terms to lease contracts currently in place. Increases in rental rates could have an adverse impact on the Company's business and financial position, as it may not be in a position to pass increased operational expenses on to its customers. This may be affected by the timing of a proposed fee increase in relation to the timing of recent fee increases, the fees charged by other local services and the negative impact that fee increases could have on the demand for Nido's services.

5.2.22 Industrial relations

Nido is subject to risks which affect the labour market. Any labour reform which reduces the flexibility of Nido in relation to its employees may cause higher labour and compliance costs, industrial disputes and complications with compliance. These changes may affect the ability of Nido to retain and attract quality staff.

5.2.23 Insurance

Nido will take out insurance policies to cover certain risks it has identified.

Adequate insurance policies may not always be available or be able to indemnify Nido against all risks or liabilities.

Where insurance does not fully cover Nido's loss or liability in relation to that, this could have an adverse impact on its financial position and business. Nido cannot guarantee that any insurance it has will fully cover the Group in all circumstances.

5.2.24 Insurance arrangements may not compensate for all loss

While Nido has in place insurance policies for a range of liabilities (including cyber security risks), not all liabilities may be covered and the policy limits for liabilities that are covered may not be adequate to cover all financial exposures that may arise.

If insurance is either not available to cover a claim, or the quantum of any relevant claim exceeds the applicable policy limit, Nido will be required to use its reserves or otherwise itself be exposed to the financial impact of the liability (and, as such, it could have an adverse impact on its business strategy, financial condition, or financial performance). In addition, any significant claim against a policy may lead to increased premiums on renewal, additional exclusions under the terms of future policies or an inability to obtain suitable insurance cover for all aspects of the business.

5.2.25 Exposure to potential regulation, investigations, litigation, claims and disputes

Nido operates in a complex legal and regulatory environment and may from time to time be subject to investigations, criminal proceedings, inquiries, enforcement actions, litigation and other claims and disputes in the course of the Group's business. For example, these claims may relate to regulatory investigations or inquiries or potential contraventions of various regulations and laws that govern Nido's business operations (including ECSNLA, the Corporations Act, the Competition and Consumer Act and the Australian Consumer Law) or could relate to contractual disputes with suppliers or clients, excess charges, professional negligence, investment losses, intellectual property disputes, workplace health and safety incidents and employment disputes, including disputes involving claims by past employees or relating to payments issues. There is a risk that such investigations, inquiries, enforcement actions, criminal proceedings, litigation, claims and disputes, including the costs of settling claims, fines, penalties and operational impacts, could materially adversely affect Nido's business, reputation, operating and financial position and performance.

5.2.26 Failure to increase fees

The Forecast Financial Information contained in this Prospectus includes certain projected fee increases over the Forecast Period in each Centre.

Market conditions and changes in regulations may cause changes to fees passed on to customers. As a result, Nido's Forecast Financial Information may differ from actual financial outcomes.

5.2.27 NAED Loan

The NAED Loan should be fully repaid at maturity, however there is a risk that NAED will be unable to make repayments as required or may make delayed payments on the NAED Loan or not repay the loan at or only in part.

5.2.28 Unfair contract terms regime changes

The Company is subject to a prohibition on unfair contract terms under the 'Australian Consumer Law' contained in schedule 2 to the *Competition and Consumer Act 2010* (Cth) ("**ACL**"), which broadly prohibits contractual terms where a term (i) would cause a significant imbalance in the parties' rights and obligations; (ii) not reasonably necessary to protect the Company's legitimate interests; and (iii) it would cause detriment to a customer. Under the current regime, contract terms that are deemed 'unfair' under the ACL are void.

On 27 October 2022, the *Treasury Laws Amendment (More Competition, Better Prices) Act 2022* (Cth) passed the Federal Parliament to amend the national unfair terms regime to:

(a) expand the class of small business contracts to include a small business that employs fewer than 100 employees or has a turnover of less than $10,000,000. The upfront price payable threshold requirements for contracts continue to apply, but the threshold is increased to $5,000,000;

(b) introduce civil penalties for each contravention of the prohibition on proposing, applying or relying on an unfair contract term in a standard form contract; and

(c) introduce more flexible remedies to allow courts to order additional remedies including further injunctive powers once a term has been declared unfair.

These amendments will take effect from 9 November 2023 and apply to all contracts entered into, renewed or varied on or after that date.

The Company is currently updating the terms of the Group's core consumer agreements to minimise the risk of its terms being interpreted or determined as 'unfair'. There is a risk that the ACCC or a customer(s) (i.e. parent(s)) of the Company may bring an action claiming that the terms of those agreements are 'unfair' and if an action is successful, the penalties and remedies noted above could be awarded against or imposed on the Company.

5.2.29 Decline in workforce participation

The labour force participation rate of parents with children in child care is a key determinant of the size and profitability of the market for child care and child care management services. Any decline in the workforce participation rate of parents may impact on the demand for child care services and may have an adverse impact on the industry and on Nido.

5.2.30 Age demographic decline

Any relative decline in the birth to six years age bracket of the Australian population could reduce the profitability of Nido. The size of that bracket is largely driven by the Australian birth rate (which is in turn driven by a number of socio-economic factors) and the number of migrants arriving to Australia in the bracket. As the underlying demand for child care is driven by the numbers of children in this age bracket, changes in the expected number of children in this bracket will have an impact on the industry and on Nido's profitability.

5.3 General Risks

5.3.1 Economic conditions

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates may impact Nido's operating costs and occupancy levels which may not be able to be offset by corresponding fee increases. This may have an adverse effect on the Group's activities, as well as on its ability to fund those activities.

Deterioration in the general economic conditions, including factors that impact negatively on disposable income of consumers, could affect client expenditure, including on the demand for child care services which may adversely affect the Group's profitability.

5.3.2 Market conditions

Share market conditions may affect the value of the Group's quoted securities regardless of the Group's operating performance. Share market conditions are affected by many factors such as:

(a) general economic outlook;

(b) introduction of tax reform or other new legislation;

(c) interest rates, inflation rates, exchange rates and commodity prices;

(d) changes in investor sentiment toward particular market sectors;

(e) the demand for, and supply of, capital; and

(f) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and industrial stocks in particular. Neither the Company nor the Directors warrant the future performance of the Group or any return on an investment in the Company and give no assurance that the price of the Shares will increase following quotation on the ASX, even if the Group's earnings meet or exceed forecasts.

5.3.3 Trading in shares may not be liquid

There is currently no public market through which the Shares may be sold. There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase following Official Quotation. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares.

5.3.4 Escrowed Shareholders' holdings

Following the Listing there will be approximately 114.4 million Escrowed Shares (which represents approximately 52.1% of the total Shares on issue at Completion), which will also impact on liquidity for up to 24 months starting from the date of the Company's admission to the Official List. The absence of any sale of Escrowed Shares by the Escrowed Shareholders during this period may cause, or at least contribute to, limited liquidity in the market for the Shares. This could affect the prevailing market price at which Shareholders are able to sell their Shares. It is important to recognise that Shareholders may receive a market price for their Shares that is less than the price that they paid.

Following the end of the Escrow Periods, the Escrowed Shares are likely to be able to be freely traded on the ASX. A significant sale by the Escrowed Shareholders (individually or collectively), or the perception that such sales have occurred or might occur, could significantly reduce the price of Shares.

5.3.5 Access to equity and debt funding

The Group's capital requirements depend on numerous factors. Depending on the Group's ability to generate income from its operations, the Group may require further funding in addition to amounts raised under the Offer. Volatility in the financial markets could have a material adverse effect on the Company's ability to raise capital to fund its business operations or future acquisitions. The Company's ability to raise additional funds will be subject to, among other things, factors beyond the control of the Company and its Directors, including cyclical factors affecting the economy and share markets generally.

In addition, any deterioration in global financial markets could impact risk appetite among lending institutions which may impact the Company's ability to enter into any new loan facilities or replace existing facilities. The Directors can give no assurance that future funds can be raised by the Company on favourable terms, if at all.

If the Company is unable to obtain additional funding as needed, or is unable to do so on acceptable terms, it may be required to reduce the scope of its operations and scale back its programs as the case may be.

5.3.6 Shareholder dilution

In the future, the Group may elect to engage in various types of capital raisings, including the issue of Shares or other securities. While the Group will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period without Shareholder approval (other than where exceptions apply), Shareholders at the time may be diluted as a result of such capital raisings if they do not participate pro rata.

5.3.7 Operational factors

While the Group implements measures and procedures to manage operational risk, the Group's profitability will continue to be subject to a variety of strategic and business decisions and operational risks (arising from inadequate or failed internal processes, people and systems, or external events) including:

(a) fraud and other dishonest activities;

(b) child safety, including accidents, escapes and abuse;

(c) workplace safety;

(d) compliance and regulatory risk;

(e) business continuity and crisis management;

(f) key person and personnel risk;

(g) information systems integrity; and

(h) outsourcing risk.

5.3.8 Taxation changes

There is the potential for major changes to Australia's tax laws. Any change to the current rates of taxes imposed on the Group is likely to affect returns to Shareholders. In addition there may be changes to tax legislation which generally may affect the Group and its Shareholders.

The Group obtains external expert advice on the application of the tax laws to its operations. However, an interpretation of taxation laws by the relevant tax authority or by the Courts that is contrary to the Group's view of those laws or the advice that it has received may increase the amount of tax to be paid and may lead to the imposition of penalties and a liability to pay interest. In addition, an investment in Shares involves tax considerations which may differ for each Shareholder. Each investor is encouraged to obtain professional tax advice in connection with any investment in the Company.

5.3.9 Accounting Standards

Australian Accounting Standards are set by the AASB and are outside the control of the Group. There is also a risk that interpretations of existing Australian Accounting Standards, including those relating to the measurement and recognition of key income statement and balance sheet items, such as revenue and receivables, may differ. Changes to Australian Accounting Standards issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in the Group's consolidated financial statements.

5.3.10 Dividends may not be fully franked

The Company expects future dividends to be fully franked, at least initially. However, there is no guarantee that the Company will have sufficient franking credits in the future to fully frank dividends. There is also a risk that the franking system may be subject to legislative review and / or reform. The value and availability of franking credits to a Shareholder will depend on their particular taxation and financial circumstances. Shareholders should be aware that the ability to use franking credits, as a tax offset or to claim a refund after the end of the income year will depend on the individual tax position of each Shareholder and should seek their own taxation advice in relation to any potential tax offset or refund claim which they may be entitled to in any particular Financial Year.

5.3.11 Force majeure events

Events may occur within or outside Australia that could impact on the Australian economy, the global economy, the operations of the Company, the price of the Shares and the Company's ability to pay dividends. The events include but are not limited to acts of terrorism, an outbreak of war or other international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or manmade events or occurrences that could have an adverse effect on the demand for the Group's services and its ability to conduct its business. The Group has only a limited ability to insure against some of these risks.

6. KEY INDIVIDUALS, INTERESTS AND BENEFITS

6. KEY INDIVIDUALS, INTERESTS AND BENEFITS

6.1 Board of Directors

The Directors of the Company bring to the Board a variety of skills and experience, including industry and business knowledge, financial management and corporate governance experience. Details of each Director as of the Prospectus Date are set out in the table below.

Expertise, experience and qualifications

Mark Kerr – Chair and Independent Non-Executive Director

Mark was appointed as Chair of Nido in June 2023. Mark has extensive experience as Chair, Non-Executive Director and adviser across a range of publicly listed and private companies and across a diverse range of sectors.

Mark was previously the Chair and a Non-Executive Director of Think Childcare from its IPO and ASX listing in 2014 until its acquisition by scheme of arrangement in 2021 by Busy Bees. Mark is a Director of Berkeley Consultants Pty Ltd, which specialises in public and investor relations and reputation management consultancy.

Mark was previously the Chair and Managing Director of Hawthorn Resources Limited until December 2022.

Mark's community involvement currently extends to being a member of the Victorian Committee for the Juvenile Diabetes Research Foundation. He is also a committee member of the St Vincent's Institute Charity Golf Day Committee and a volunteer Board Member at the International Specialised Skills Institute.

Mark holds a Bachelor of Laws (LLB) from the University of Melbourne.

Mathew Edwards – Founder, Managing Director and Co-Company Secretary

Mathew founded Nido following the sale of Think Childcare to Busy Bees in 2021. Mathew has been involved in the child care sector since 2001 and was the Founder, Managing Director and Chief Executive Officer of Think Childcare. Mathew was responsible for overseeing the growth of Think Childcare, taking it from 30 Centres at IPO to 88 Centres on the sale of the business in 2021.

Prior to Think Childcare, Mathew was the former Managing Director of Learning and Education Australia Pty Ltd ("**LEA**") from 2008, which at the time owned 12 Centres.

Mathew has extensive management experience in retail and commercial property, and experience in strategy and management of multi-site business operations.

Expertise, experience and qualifications

Vanessa Porter – Independent Non-Executive Director

Vanessa was appointed as an Independent Non-Executive Director of Nido in June 2023.

Vanessa is a seasoned executive with over 30 years of experience in major global companies, across industries and markets. Previously, Vanessa served as the Director of Talent and Development, Divisional Lead (Australian, New Zealand and South Africa) and the Chief Executive Officer of the Registered Training Organisation (RTO) for McDonald's Australia Limited. She also held the position of General Manager (Global) – Human Resources of Staging Connections Group Limited and was the CEO of their RTO. Vanessa has also previously held board member roles at Gearhouse Staging Connections and UnitingCare NSW/ACT.

Vanessa started her own boutique consultancy (All Of You Pty Ltd) in 2015. Her reputation has been built on providing HR strategic advice and building people's capability through designing and delivering immersive and sustainable learning environments. She is currently supporting leaders at Transurban, DKSH Smollan and Bai Communications to name a few.

Vanessa is a certified chair and an approved advisor. She also holds a Bachelor of Education (Adult Education) in Human Resource Development from the University of Technology Sydney.

Joe Dicks – Independent non-executive director

Joe was appointed as an Independent Non-Executive Director of Nido in June 2023.

Joe was previously a Non-Executive Director of Think Childcare, from April 2018 until its acquisition by scheme of arrangement in 2021 by Busy Bees. Joe has 20 years' multi-national experience as a non-executive director in a broad range of industries. He also has in-depth experience in government funded and regulated industries, infrastructure and the education and aged care sectors.

Joe currently chairs Campus Living Funds Management Limited and Agrifunder Holding Pty Ltd, as well as being a non-executive director of Qudos Bank Limited. Joe is also a director of the PPB Advisory legacy group of companies and is overseeing the wind down of this group.

Joe holds a Bachelor of Commerce and a Postgraduate Diploma in Accountancy from the University of Durban.

Independence of the Directors

In considering the independence of the Directors, the Board has adopted a definition of independence that is based on the definition set out in the fourth edition of the ASX Corporate Governance Principles.

The Board considers that a Director is an independent Director where that Director is free of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect, their capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of Nido as a whole rather than in the interests of an individual security holder or other party. Based on this review, the Board has determined that:

- Mark Kerr, Vanessa Porter and Joe Dicks are considered to be independent Directors; and
- Mathew Edwards is not considered to be an independent Director due to his executive role as Managing Director and significant shareholding interest in Nido.

Each Director has confirmed to the Company that they anticipate being available to perform their duties as non-executive or executive Director, as the case may be, without constraints from other commitments.

The composition of the Board committees and a summary of the Board's key corporate governance policies are set out in Sections 6.8 and 6.10.

6.2 Senior management team

Set out below are details regarding the senior management team of the Company.

Expertise, experience and qualifications

Mathew Edwards – Founder, Managing Director and Co-Company Secretary

See Section 6.1.

Renee Bowman – Chief Executive Officer

Renee joined Nido in May 2023 as Chief Executive Officer.

Renee has extensive experience working in public and private companies across strategy, transformation, operational management and governance.

Renee was previously UK CEO of Junior Adventures Group, an international private equity-backed business operating 1,000+ children's services across ANZ, England and Ireland. She led JAG through the pandemic while also overseeing acquisitions in the UK. Renee has held various executive positions at multi-site organisations, including Sally's Beauty Holdings and Virgin Active.

Renee holds a Master of Business Administration and Master of Nutrition and Dietetics from Deakin University and a Bachelor of Applied Science from the University of Ballarat and a Graduate Diploma in Journalism from the University of Queensland.

Tom Herring – Chief Financial Officer

Tom joined Nido in April 2021 as Chief Financial Officer and played a pivotal role in the de-listing and sale of Think Childcare before supporting the establishment of Nido Education.

Tom is an accomplished, commercially astute and 'hands on' CFO, with leadership experience gained across both public and private companies. Tom has more than 20 years' experience in financial, operational, commercial, planning and audit roles across a range of industry sectors.

Tom was previously the CFO of Think Childcare and was responsible for managing its acquisition by scheme of arrangement by Busy Bees in 2021. Prior to joining Think Childcare, Tom was the Head of Finance for Coates Hire. Before that he was CFO of LINX Cargo Care Group guiding financial performance, leading its corporate and commercial development and overseeing its risk, internal controls, treasury and taxation functions.

Tom holds a Bachelor of Science and Master of Business Administration from Southampton University and is a member of the Institute of Chartered Accountants of England and Wales (ACA).

Expertise, experience and qualifications

Tom Mitchell – Chief Technology Officer

Tom joined Nido in May 2021 as Chief Technology Officer and has played a pivotal role in setting Nido's system infrastructure up for scale and growth, having overseen and managed five major system transitions to date.

Tom is an accomplished IT leader with extensive experience developing IT strategies, system design and system implementations across multisite operators and countries.

Tom was previously the IT Manager for Chanel Australia & New Zealand, Foodco Group with a footprint of over 500 global retail stores, and Civic Video with over 350 sites.

Naomi Browne – Chief of Staff

Naomi joined Nido in August 2021 as Chief of Staff.

Naomi has diverse experience across Consumer Brands, FMCG, Healthcare and Services, and is a multi-disciplinary leader who thrives in environments experiencing major change. Naomi has proven skills across Strategy & Execution, People & Culture, Finance, Operations, Supply Chain, Marketing, Branding and Sales.

Naomi was previously the Executive Manager at EBOS Group Limited, in the Animal Care and Consumer Brands Division which operated across Australia, New Zealand and China. Naomi developed expertise across branded consumer marketing, sales, complex supply chains, logistics and manufacturing. Naomi was responsible for developing and managing the budget, strategy & execution of a 'shared services department' to ensure the smooth and effective running of operations across the division while it was experiencing rapid change and delivering simultaneous projects and major transformation initiatives.

Naomi holds a Bachelor of Commerce with a major in Marketing from Macquarie University.

Amanda Mawer – New Services Director

Amanda previously worked at LEA/TNK from 2009. Amanda was appointed as the New Service Director in 2018 and was responsible for overseeing the delivery of new Centres into the portfolio. To date, Amanda has overseen the development of over 65 new Centre builds.

Amanda has been involved in the child care sector for over 25 years, having held various operational positions and was previously the General Area Manager of LEA with responsibility for all aspects of operations management across the Centres including responsibility for staff matters, marketing, financial management and acquisitions of new Centres.

Amanda holds an Advanced Diploma of Community Services.

Expertise, experience and qualifications	
	**Kylie Morris – Operations Director** Kylie joined LEA/TNK in 2010 as an Area Manager and was appointed as Operations Director at Nido in September 2022. Kylie is responsible for all aspects of Centre operations including financial, quality and staff related matters. Kylie has worked in the Early Childhood Education and Care sector for over 29 years. She has experience working for large multi-site operators and has proven experience in lifting quality, compliance and financial results across multiple sites. Kylie has held a variety of roles at Nido including Learning and Development Manager overseeing the development of content to upskill staff, to Quality Advisor where she supported Centres through the national assessment and rating process. Kylie holds an Advanced Diploma of Community Services.
	**Nadia Wilson-Ali – Education and Quality Director** Nadia joined Think Childcare 2018 as Director Education and Quality and is now responsible for leading the development of the national curriculum across Nido. Nadia has worked in a variety of settings within the education sector including early and middle childhood, and adult education and is skilled in strategic planning, curriculum development, coaching and educational research. Nadia is a Board Member and Secretary of First Hike Project, a Committee Member of Early Learning and Care Council of Australia and an education consultative committee member of Edith Cowan University. Nadia holds a Bachelor of Arts (Honors) Accounting and Human Resource Management from the National College of Ireland, a Graduate Diploma of Education from Edith Cowan University, a Master of Education by Research from Edith Cowan University and is currently studying a Doctor of Philosophy (PhD) at Edith Cowan University which is expected to be completed in 2024.
	**Sophie Gawel – Marketing Director** Sophie joined Think Childcare in January 2020 as Marketing Director and is now responsible for overseeing the development of the Nido brand and all marketing activities to drive family engagement and acquisitions. Sophie has a diverse background spanning from media, telecommunications, energy, FMCG and SAAS. Sophie was previously the Product Marketing Director at Fairfax Media and Head of Digital at Telstra, and was responsible for delivering new revenue streams, operational transformation and improving customer satisfaction. Sophie holds a Bachelor of Arts (Honours), Psychology from Macquarie University and a Postgraduate Diploma in Marketing from London Guildhall University.

Expertise, experience and qualifications

Megan Rowe – People Director

Megan joined Nido in April 2022 and was appointed as People Director in October 2022. She is responsible for managing the talent and retention strategy and employee relations across the organisation. Megan played a pivotal role in introducing a decentralised recruitment process and new Applicant Tracking System to support the growth of Nido.

Megan was previously the Director of Coast HR Solutions, Head of Organisational Development at Grant Thornton, and National HR Manager for Woolworths Limited overseeing a workforce of over 13,000 people. Megan has proven capability in achieving results in large, complex and geographically dispersed businesses, is a strategic thinker and team player with a pragmatic approach.

Megan holds a Bachelor of Commerce (Honours) majoring in Human Resource Management and Industrial Relations from the University of Western Sydney and a Graduate Certificate in management form the Macquarie Graduate School of Management.

Tony Amato – Co-Company Secretary

Tony was appointed as Co-Company Secretary in July 2023.

Tony previously lead the small business division at a boutique accounting practice for 8 years, before establishing EAB which is a dedicated corporate services business.

Tony has held CFO, Company Secretarial and senior accounting roles across a number of industries including mining & exploration, financial services and hospitality where his company provides CFO, Secretarial, Consulting and Administration support services.

Tony has held a range of listed appointments which include Hawthorn Resources Limited (ASX:HAW), Incannex Healthcare Limited (ASX: IHL), Contango Asset Management Limited (ASX: CGA), Contango MicroCap Limited (CTN), Contango Income Generator (CIE) and Contango Global Growth (CQG).

6.3 Interests and Benefits

This Section 6.3 and Sections 6.4 to 6.7 below set out the nature and extent of the interests and fees of certain persons involved in the Offer.

Other than as set out in this Prospectus, no:

(a) Director or proposed Director of the Company;

(b) person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;

(c) promoter of the Company; or

(d) underwriter to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer, holds at the time of lodgement of the Prospectus with ASIC, or has held in the two years preceding lodgement of this Prospectus with ASIC, any interest in:

(e) the formation or promotion of the Company; or

(f) property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or

(g) the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

6.4 Interests of Advisers

The Company has engaged the following professional advisers in relation to the Offer:

(a) Moelis, Canaccord and Wilsons have acted as the Joint Lead Managers and Underwriters to the Offer. Please refer to Section 9.4.1 for a summary of the fees payable to them;

(b) MinterEllison has acted as Australian legal adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, up to approximately $1,300,000 (excluding disbursements and GST) for these services up until the date of the Original Prospectus. Further amounts may be paid to MinterEllison in accordance with its normal time based rates;

(c) KPMG Financial Advisory Services has acted as Investigating Accountant and has performed financial and accounting due diligence services and prepared the Investigating Accountant's Report in Section 8. The Company has paid, or agreed to pay, up to $1,100,000 (excluding disbursements and GST) for these services up until the date of the Original Prospectus. Further amounts may be paid to the Investigating Accountant in accordance with its normal time based rates;

(d) KPMG Audit has acted as auditors of the Company and has audited the relevant financial statements disclosed in Section 4. The Company has paid, or agreed to pay, up to $404,000 (excluding disbursements and GST) for these services up until the date of the Original Prospectus. Further amounts may be paid to KPMG Audit in accordance with its normal time based rates;

(e) Nuwaru has acted as tax adviser and has performed tax due diligence services in relation to the Offer. The Company has paid, or agreed to pay, up to $300,000 (excluding disbursements and GST) for these services up until the date of the Original Prospectus. Further amounts may be paid to Nuwaru in accordance with its normal time based rates; and

(f) Frost & Sullivan has prepared the Independent Market Report contained in Section 2. The Company has paid, or has agreed to pay, approximately $25,000 (excluding disbursements and GST) to Frost & Sullivan for the preparation of the Independent Market Report.

The Company will pay these amounts, and other expenses of the Offer, out of funds raised under the Offer or cash otherwise available to the Company (or one of its subsidiaries). Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.4.

6.5 Directors' interests and remuneration

As previously noted, the Board of Directors currently comprises three non-executive Directors and one Executive Director. The Company has entered into an employment contract with Managing Director, Mathew Edwards to govern his employment with the Company. Refer to Section 6.5.1 for further details.

Prior to the Prospectus Date, each of the non-executive Directors has entered into an appointment letter with the Company, confirming the terms of their appointment, their roles and responsibilities and the Company's expectations of them as Directors.

6.5.1 Executive Directors' remuneration

The Company has entered into an employment contract with Mathew Edwards in respect of his employment as Managing Director of the Company. Refer to Section 6.6.1 for further details.

6.5.2 Non-Executive Directors' remuneration

Under the Constitution, the total amount of fees paid to all Directors for their services (excluding for these purposes, the salary of an Executive Director) must not exceed in aggregate $1,500,000 per annum in any financial year. Any change to this aggregate annual sum needs to be approved by Shareholders in general meeting. The ASX Listing Rules require that the remuneration of Executive Directors must not include a commission on, or a percentage of, operating revenue.

Annual Directors' fees currently agreed to be paid by the Company to a Non-Executive Director are $120,000 per annum. The Chair's annual fees are currently $200,000 per annum.

Details of the Premium Options issued to Non-Executive Directors under the Equity Incentive Plan are set out in Section 6.5.4.

Further Shares, options, rights and other share-based payments may in the future be provided to Non-Executive Directors as part of their remuneration according to the rules of the Equity Incentive Plan, subject to the Listing Rules and requirements of the Corporations Act. The value of Premium Options and any such Shares, options, rights and other share-based payments will not be included in the aggregate maximum amount.

6.5.3 Deeds of indemnity, access and insurance for Directors

The Company has entered into deeds of indemnity, access and insurance with each Director containing rights of access to the books, Board papers and other documents of the Company, both while the Director is a director of the Company and for a seven year period after the Director ceases to be an officer of a body corporate in the Group. After a Director has ceased to hold office that Director may only access the records of the Company for the purposes of a legal proceeding or investigation to which the Director is subject or is a party, or proposes in good faith to bring, or for any other purpose in respect of which the Company gives its written consent.

Under the Constitution and to the extent permitted by law, the Company has agreed to indemnify all Directors and officers, past and present, against certain liabilities. The indemnity provided for under each deed of indemnity, access and insurance operates from the date of appointment as a Director and ends seven years after the date on which a Director has ceased to be an officer of a body corporate in the Group. The Company indemnifies each Director against any and all liabilities (other than for legal costs) incurred by that Director as an officer of a body corporate in the Group and any reasonable legal costs incurred by a Director in defending an action for a liability incurred or allegedly incurred by a Director as an officer of a body corporate in the Group, in each case to the maximum extent permitted by law.

The indemnities given by the Company under each deed of indemnity, access and insurance do not apply to any liabilities or legal costs incurred by a Director as an officer of a body corporate in the Group that have arisen from conduct by the Director that was deliberately dishonest or deliberately fraudulent or not in good faith.

If a Director is entitled to be indemnified under the deed of indemnity, access and insurance, the Company will pay the relevant amount to discharge the liability or legal cost. It is not necessary for a Director to make any payment before enforcing their rights under the deed of indemnity, access and insurance.

In certain cases, the deed of indemnity, access and insurance allows for the Company to make advance payments to an indemnified Director for an amount owing in respect of legal costs covered by the deed before the outcome of the action is known.

Under the Constitution, the Company may arrange and maintain directors' and officers' insurance for its Directors and officers to the extent permitted by law. Under the deed of indemnity, access and insurance, the Company must, for each Director, maintain and pay the premium on insurance during the Director's period of office and for a period of seven years after the Director ceases to hold office. The directors' and officers' insurance policy must be for an amount and on terms and conditions as are appropriate and available in the market for a reasonably prudent company in the Company's circumstances acting fairly.

6.5.4 Directors' interests in Shares and other securities

Directors are not required under the Constitution to hold any Shares. The Directors (and their associates) are entitled to apply for Shares under the Offer. Table 11 sets out the Directors' and proposed Directors' (and their associated entities') direct and indirect interests in Shares and Premium Options on Completion of the Offer.

Table 42 Directors (and their associated entities) Shares and Options

	Prospectus Date				On Completion			
	Ordinary Shares (m)	Premium Options (m)	% undiluted	% fully diluted	Ordinary Shares (m)	Premium Options (m)	% undiluted	% fully diluted
Mark Kerr Chair & Independent Non-Executive Director	2.0	0.7	2.2%	2.6%	2.0	0.7	0.9%	1.2%
Mathew Edwards Managing Director[25]	80.3	1.2	90.2%	79.0%	111.6	1.2	50.8%	48.3%
Joe Dicks Independent Non-Executive Director	–	0.1	–	0.1%	0.1	0.1	0.0%	0.1%
Vanessa Porter Independent Non-Executive Director	–	0.1	–	0.1%	0.1	0.1	0.0%	0.1%

Directors' security holdings will be notified to the ASX on Listing.

25. Represents direct holding, associated entities (excluding certain discretionary trusts), Shares received in consideration for shares held by Mathew Edward's associated entities in AES, but excludes approximately 4,584,770 Shares (based on the Offer Price), although the actual number of Shares to be issued will depend on the VWAP of Shares on the ASX prior to the date of issue of these Shares that will initially be issued to the trustee of the Nido Employee Share Trust to hold on behalf of Mathew Edwards following receipt by Nido of a performance bonus described in Section 6.6 and subsequently transferred to a charitable foundation that Mathew Edwards may have influence over.

6.5.5 Directors' and related party interests

(a) Managing Director – Mathew Edwards

Mathew Edwards (through an associated entity) owns approximately 40% of the shares in AES. As disclosed in Section 9.4.8, a Group Member intends to acquire all the shares in AES on or just prior to Listing. The consideration Mathew has elected to receive for the sale of his shares in AES is 29,271,418 Shares.[26]

As disclosed in Section 9.4.4, ISAMAX Pty Ltd as trustee for the Edwards Family Trust, an entity controlled by Mathew has an outstanding loan to a Group Member with a facility limit of $15,000,000, which has an interest rate of 3% per annum, with all amounts drawn down together with accrued and unpaid interest repayable on maturity which is expected to be on 21 October 2026. The purpose of this loan was and is to assist with the funding and ancillary requirements of Nido. This loan has been secured by a general security deed granted by Nido. On the Prospectus Date, the balance of the loan is $10.5 million, including accrued interest.

Mathew's siblings own a 50% interest in three Centres (of the 24 Centres) proposed to be acquired by Nido at Listing. These Centres are being acquired on similar terms to other similar Centres being acquired by Nido at Listing. Mathew has no personal interest in these three Centres.

Mathew is also one of three directors of NAED but holds no equity interests in NAED. Please refer to Section 9.4.2 regarding Nido's relationship with NAED.

(b) Chair – Mark Kerr

Mark Kerr and/or entities controlled by him currently has the following business dealings directly or indirectly with the Nido Group:

i. owns a freehold and a Centre in which Nido operates under a Centre Management Agreement on generally customary Nido terms ("**MK CMA**"); and

ii. an interest in a leasehold of a Centre owned by Busy Bees, which is managed by Nido under the Busy Bees CMA,

(together, "**MK Dealings**").

(c) Director – Vanessa Porter

Vanessa Porter and/or entities controlled by her currently provide learning and development consultancy services to the Nido Group and receive fees of approximately $30,000 per annum for those services.

(d) Co-Company Secretary – Tony Amato

Tony Amato has a 30% interest in one Centre proposed to be acquired by Nido at Listing. This Centre is being acquired on similar terms to other similar Centres being acquired by Nido at Listing.

26. Prior to the acquisition of the shares in AES by a Group Member, AES proposes to make a capital return to its shareholders of approximately $12.0 million, of which Mathew Edwards' associated entity will receive approximately $5.0 million.

6.6 Management interests and remuneration

6.6.1 Managing Director

A Group Member has entered into an employment agreement with Mathew Edwards to govern his employment as Managing Director ("**MD**") of the Company. Key provisions of the employment agreement are as follows:

The key provisions of the employment agreement with the MD are materially similar to the terms of the CEO's employment agreement summarised in Section 6.6.2 below, except:

(a) the MD is entitled to a performance bonus arising from the Shareholders Agreement in respect of AES and the Centre Management Deed between AES and a subsidiary of the Company, Nest AE Pty Ltd ("**Nest AE**"). The performance bonus of $4,584,770 will be paid by AES to Nest AE. At the absolute discretion of the Company, this performance bonus will be paid in cash or will be transferred to the trustee of the Nido Employee Share Trust to the account or for the benefit of, the MD (or his nominee which is intended to be a charitable foundation). The Nido Employee Share Trust will apply this amount to subscribe for Shares and the Company will issue the Shares to the Nido Employee Share Trust (to the account or for the benefit of the MD (or his nominee)). The issue price of the Shares will be the VWAP of Shares on the ASX prior to the date of issue of these Shares; and

(b) the MD will be entitled to an aggregate of 8 weeks' leave per annum.

As part of Mathew's current remuneration package he has also been issued 1,192,160 Premium Options (for nil consideration and with an exercise price of $0.960) which vest in three equal tranches on 31 March 2025, 31 March 2026 and 31 March 2027, on terms which are set out in Section 6.7.1.

6.6.2 Chief Executive Officer employment agreement

A Group Member has entered into an employment agreement with Renee Bowman to govern her employment as Chief Executive Officer ("**CEO**") of the Company. The key provisions of the employment agreement with the CEO are set out below.

The CEO will receive an annual fixed remuneration of $527,500 (inclusive of superannuation).

The CEO will receive one car park space, and such other benefits as agreed in writing from time to time.

As part of Renee's current remuneration package she has also been issued 178,824 Free Options which vest at Listing and 715,296 Premium Options (for nil consideration and with an exercise price of $0.960 which vest in three equal tranches on 31 March 2025, 31 March 2026 and 31 March 2027 on terms which are set out in Section 6.7.1).

Either party may terminate the employment agreement at any time by giving 6 months' notice to the other party.

The Company may terminate the CEO's employment immediately without notice in the case of (among other things) serious misconduct or serious or persistent breaches of material provisions of the employment agreement.

Throughout, and at all times after the termination of, the CEO's employment with the Company, she must keep confidential all confidential information of the Company.

The agreement includes post-employment restraints that are stated to apply for up to 12 months from the termination of the CEO's employment and to prevent them from:

(a) canvassing, soliciting, endeavouring to entice away, or accepting the custom of any person or business that was a client, customer, or supplier of the Company or Group Company whom they dealt with in the 12 months prior to the cessation of her employment;

(b) canvassing, soliciting, endeavouring to entice away any person that has been a director, manager, employee of, consultant or agent to, the Company or a Group Company with whom they dealt in the 12 months prior to the cessation of her employment;

(c) employing or engaging any person in (b) above;

(d) interfering with or disrupting, or seeking to do any of those things, the relationship, contractual or otherwise, between the Company or Group Company and:

(i) existing or prospective clients in respect of whom the Company or Group Company has carried out work or had a business relationship with at any time during the last 12 months of their employment; and

(ii) the Company or Group Company's suppliers with whom she has had dealings or had a business relationship at any time during the last 12 months of her employment;

(e) inducing any other person to perform any of the acts specified in (a), (b), (c) and (d) above; and

(f) within the maximum area of Australia, directly or indirectly, in any capacity, conducting, carrying on or promoting, participating in, or be materially interested in, any competing business.

The employment agreement provides for four weeks' paid annual leave per annum, as well as other customary leave entitlements.

The employment agreement also includes other customary provisions for an agreement of this nature including specific position and obligation requirements, hours of work, ownership of intellectual property, obligations to comply with Company policies and procedures.

6.6.3 Chief Financial Officer employment agreement

A Group Member has entered into an employment agreement with Tom Herring to govern his employment with the Group as Chief Financial Officer ("**CFO**"). The key terms of the CFO employment agreement are materially similar to the terms of the CEO employment agreement summarised in Section 6.6.2 above except that the CFO will receive an annual fixed remuneration of $377,399 (inclusive of superannuation).

As part of the CFO's current remuneration package he has also been issued 372,550 Free Options which vest at Listing and 745,100 Premium Options (for nil consideration and with an exercise price of $0.960) which vest in three equal tranches on 31 March 2025, 31 March 2026 and 31 March 2027, on terms which are set out in Section 6.7.1.

6.7 Employee incentive arrangements

The Board believes that the adoption of an employee incentive arrangement as part of the Company's overall remuneration framework is critical to the development of a high performance culture within the Company. Accordingly, to assist in the attraction, motivation and retention of management and employees, the Board has established various incentive arrangements that currently apply as set out in this Section 6.7.1.

6.7.1 Equity Incentive Plan

The Company has adopted the Nido EIP for eligible Australian based employees, officers, directors and consultants of the Group ("**Eligible Employees**"), to:

- provide an incentive for them to remain in their employment;
- recognise their ongoing ability and expected efforts;
- acknowledge their contribution to the performance and future success of the Group; and
- provide a means through which they may acquire securities in Nido under the EIP rules and benefit from the potential growth in the Company's share price.

(a) Eligibility

Offers under the EIP may be made at the Board's discretion to Eligible Employees.

(b) Types of Awards

The Company may, at the Board's discretion, offer and issue options (including Premium Options and Free Options), loan shares, deferred share awards or exempt share awards (collectively, "**Awards**") to any Eligible Employee on the terms set out in the EIP or specified in the offer.

(c) Terms and conditions

The Board may set the terms and conditions (including conditions in relation to vesting and any applicable exercise conditions) on which it will offer or issue Awards under the EIP. The Board will determine the procedure for offering or issuing Awards (including the form, terms and content of any offer, invitation or acceptance procedure) in accordance with the rules of the EIP ("**Plan Rules**").

Awards will vest and become exercisable by the participant subject to the satisfaction of performance conditions ("**Vesting Conditions**") set by the Board. Vesting Conditions may be waived at the Board's absolute discretion (unless such waiver is excluded by the terms of the Award). Relevant Awards will not be exercised automatically on the satisfaction of any Vesting Conditions, unless the terms of an Award has a nil exercise price and the terms of the Award provides for automatic exercise.

If an offer is silent on whether any Vesting Conditions apply to an Award, a small number of default conditions will apply. These include a requirement to be employed by the Group on any applicable vesting date, and a default vesting timeline of equal one-third tranches on the first, second, and third anniversaries of the grant date of the Award.

(d) Ranking of Shares

Shares issued under the EIP (including Shares issued on exercise of options granted) will rank equally for dividends and other entitlements where the record date is on or after the allotment date, but will carry no dividend or other entitlement rights where the record date is before the allotment date and will otherwise rank equally with all other issued Shares.

(e) Trustees and Trust

The Company may appoint a trustee on terms and conditions which it considers appropriate to acquire and hold Shares, options, or other securities of the Company either on behalf of EIP participants or for the purposes of this Plan ("**Nido Employee Share Trust**").

(f) Plan limit

The limit on the Awards able to be issued under the EIP will be determined in accordance with the Corporations Act and as approved by Shareholders from time to time. The current limit in the Constitution is broadly 10% of the Shares on issue.

(g) Loan terms

Unless otherwise determined by the Board, the Plan Rules contain default terms in relation to loans to acquire Shares ("**Acquisition Loan**") under the EIP.

(h) Security

The EIP contains standard provisions concerning security interests for all Acquisition Loans, any Shares (while subject to the restrictions of the EIP) and restricted Awards.

(i) Distributions

The Company may retain, or pay to itself on behalf of a participant, any moneys (including dividends) and any capital distributions payable that may become payable in respect of a Share acquired under an Acquisition Loan in reduction of the amount outstanding under that Acquisition Loan.

(j) Repayment on cessation of employment and limited recourse

The Board has discretion to determine, subject to compliance with applicable law, the treatment of an Award if a participant ceases to be employed by the Group prior to the vesting or exercise of an Award. Unless otherwise specified, any options (including any Premium Options or Free Options) or loan shares offered under the EIP will vest if at the applicable vesting date the participant either:

- remains employed with, continues to provide consulting service to, or acts as a director of a Group Member (as applicable); or
- ceased to do so before the applicable vesting date as a result of total or permanent disablement or an illness persisting for at least 3 months which prevents them from carrying out their previous functions, genuine redundancy, death, or other factors determined by the Board in its discretion.

(k) Change of Control

If a change of control occurs (including a full takeover bid for Shares in the Company, scheme of arrangement, selective capital reduction or other transaction which has a similar effect to a full takeover bid), EIP participants are entitled to accept the takeover bid or participate in the other transaction in respect of all or part of their Awards (other than exempt share awards) notwithstanding that the period during which the Awards, or Shares issued on exercise of Awards must not be sold or disposed of has not expired. In addition, the Board has discretion to waive unsatisfied Vesting Conditions in relation to some or all Awards.

6.7.2 Premium Options

The Company has made an offer of Premium Options under the EIP to a group of Directors and senior management personnel. The exercise price is $0.960 per Premium Option, and all Premium Options have Vesting Conditions tied to the Company's performance. As at the Prospectus Date, a total of 7,772,881 Premium Options have been accepted a total of 26 individuals.

Refer to Section 3.9.4 for further details.

6.7.3 Free Options

The Company has made an offer of Free Options under the EIP to a broad group of Nido employees, in addition to all recipients of the Premium Options, excluding the group of Directors. Each of the Free Options has a nil exercise price, and have time and service based Vesting Conditions. As at the date of this Prospectus, a total of 6,414,041 Free Options have been accepted by a total of 372 individuals.

Refer to Section 3.9.4 for further details.

6.8 Corporate Governance

This Section explains how the Board intends to oversee the management of the Group's business.

The Board is responsible for the overall corporate governance of the Group. The Board monitors the operational and financial position and performance of the Group and oversees its business strategy, including approving the strategic goals of the Group and considering and approving its annual business plan and the associated budget.

The Board is committed to maximising performance, generating appropriate level of Shareholder value and financial return and sustaining the growth and success of the Group. In conducting the Group's business with these objectives, the Board seeks to ensure that the Group is properly managed to protect and enhance Shareholder interests and that the Group, its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board have developed and adopted a framework of corporate governance policies and practices, risk management practices and internal controls that it believes appropriate for the Group's businesses.

The main policies and practices adopted by the Company, which will take effect from Listing, are summarised below. In addition, many governance elements are contained in the Constitution. Details of the Company's key policies and the charters for the Board and each of its committees will be available from Listing at the Company's website.

6.8.1 ASX Corporate Governance Council's Corporate Governance Principles and Recommendations

In order to promote investor confidence and to assist companies to meet stakeholder expectations, the ASX Corporate Governance Council has developed and released Corporate Governance Principles and Recommendations, now in its fourth edition ("**ASX Recommendations**") for Australian listed entities. The ASX Recommendations are not mandatory or prescriptive and the Board is entitled not to adopt a particular recommendation if it considers it inappropriate in the context of the business. However, under the ASX Listing Rules, the Company will be required to provide a corporate governance statement in its annual report (or by reference in its annual report to the URL of the page on its website where the statement can be viewed), disclosing the extent to which it has followed the ASX Recommendations within the reporting period. Where the Company does not follow an ASX Recommendation for any part of a reporting period, it must identify the relevant recommendation that has not been followed and provide its reasons for not doing so and what (if any) alternative governance practices it adopted in lieu of the recommendation.

Except as set out below, the Board does not anticipate that it will depart from the recommendations of the ASX Corporate Governance Council from the Listing Date. However, it may do so in the future if it considers such a departure would be reasonable.

6.8.2 Board Appointment and Composition

The Board comprises Mark Kerr, Mathew Edwards, Joe Dicks and Vanessa Porter.

The disclosures and comments made below are based on the Board composition being as noted above from the Listing Date.

Detailed biographies of the Board members are provided in Section 6.1.

The ASX Recommendations state that there should ideally be a majority of independent Directors on the Board and that the chairperson position be held by an independent Director. The Directors have reserved absolute discretion to determine the appropriate composition of the Board from time to time.

The Board Charter sets out guidelines for the purpose of determining independence of Directors and has adopted a definition of independence that is based on that set out in the ASX Recommendations. The Board considers an independent Director to be one who is independent of the Company's management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their unfettered and independent judgment. The Board reviews the independence of each Director in light of interests disclosed to the Board from time-to-time.

The Board considers that Mark Kerr, Joe Dicks and Vanessa Porter will be independent Directors for the purpose of the ASX Recommendations as each is free from any interest, position, association or relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of their judgement.

Mathew Edwards is not considered by the Board to be independent as he is an Executive Director and substantial shareholder of the Company.

Accordingly, the Board will consist of 3 independent Directors. The Board considers that each of the Non-Executive Directors brings an objective and independent judgement to the Board's deliberations and that each of the Non-Executive Directors makes a valuable contribution to the Company through the skills they bring to the Board and their understanding of the Company's business.

6.9 Board Charter

The Board has adopted a written charter to clarify the roles and responsibilities of the Board members which will take effect from the Listing Date. The charter sets out:

(a) the Board composition;

(b) the Board's role and responsibilities;

(c) the relationship and interaction between the Board and senior management; and

(d) the authority delegated by the Board to management and Board committees.

The Board must have a minimum of three and a maximum of ten Directors. At the end of every annual general meeting, at least one of the Directors must retire and a Director must retire at the end of the third annual general meeting after the Director's appointment, even if it means that more than one-third of Directors retire at an annual general meeting. Any Directors appointed to fill a casual vacancy or as an addition to the Board must also retire at the next annual general meeting after their appointment, but is eligible for election.

The composition of the Board is to be determined in accordance with the following principles:

(a) a majority of independent Directors:

(b) the Directors should have an appropriate range of skills, experience and expertise to allow them to understand and competently deal with current and emerging business issues; and

(c) the Directors must be capable of effectively reviewing and challenging the performance of senior management and exercising independent judgment.

The role of the Board is to act in the best interests of the Company as a whole and is accountable to Shareholders for the overall direction, management and corporate governance Nido.

The Board seeks to discharge its responsibilities in a variety of ways, including by:

(a) overseeing the Group, including providing leadership and setting its strategic objectives, control and accountability systems;

(b) appointing the Chair of the Board;

(c) appointing and removing the Chief Executive Officer;

(d) monitoring the performance of the Chief Executive Officer;

(e) where appropriate, ratifying the appointment and removal of senior executives and company secretary;

(f) ratifying other senior executive appointments, organisational changes and senior management remuneration policies and practices and ensuring that the remuneration policies are aligned with the Company's purpose, values, strategic objectives and systems of risk management;

(g) approving succession plans for senior management;

(h) monitoring senior executives' performance and implementation of strategy, instilling of the Company's values and performance generally, and ensuring appropriate resources are available;

(i) reporting to shareholders;

(j) providing strategic advice to senior management;

(k) approving management's corporate strategy and performance objectives;

(l) determining and financing of dividend payments;

(m) approving and monitoring operating budgets, the progress of major capital expenditure, capital management, acquisitions and divestitures;

(n) approving and monitoring operating budgets, corporate, financial and other reporting systems, including external audit, and overseeing their integrity;

(o) reviewing and ratifying systems of risk management, accountability, internal compliance and control, and legal compliance to ensure appropriate compliance frameworks and controls are in place;

(p) assessing the scope, cover and cost of insurance, including insurance relating to directors and officers liability, company reimbursement, professional indemnity, crime, and special accident liability;

(q) reviewing and overseeing the implementation of the code of conduct for directors, senior executives and all other employees;

(r) approving the charters of the various Board committees;

(s) monitoring and ensuring compliance with all legal and regulatory requirements and ethical standards and policies;

(t) establishing protocols in relation to non-independent Directors of the Board and protocols with substantial Shareholders including the development, adoption and monitoring compliance with any environmental, social and governance policies;

(u) monitoring and ensuring compliance with best practice corporate governance requirements;

(v) overseeing the Company's process for making timely and balanced disclosure of all material information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's Shares;

(w) satisfying itself that an appropriate framework exists for relevant information to be reported by management to the Board; and

(x) challenging management and holding it to account.

In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board committee, or sub-committee, a director or other person, subject to ultimate responsibility residing with the Directors. The Board has established a Nomination and Remuneration Committee and an Audit, Risk and Compliance Committee, each of which has a separate charter outlining its terms of reference. The Board has also adopted a number of policies including in relation to fraud and corruption, market disclosure and Shareholder communication.

The Board has procedures to allow Directors, in the furtherance of their duties, to seek independent professional advice at the Company's expense.

Responsibility for the day-to-day management and administration of the Group is delegated by the Board to the Managing Director and/or Chief Executive Officer and the executive team. The Board ensures that the Managing Director and Chief Executive Officer and executive team are appropriately qualified and experienced to discharge their responsibilities. The Board has in place procedures to assess the performance of the Managing Director and Chief Executive Officer and executive team against measurable and qualitative indicators as decided by the Board. The performance of the Board will also be annually reviewed by the Nomination and Remuneration Committee.

6.10 Board committees

The Board may from time-to-time establish committees to assist in the discharge of its responsibilities. The Board has established an Audit, Risk and Compliance Committee and a Nomination and Remuneration Committee.

6.10.1 Audit, Risk and Compliance Committee ("Audit Committee")

Under its charter the Audit Committee should comprise at least three Directors, all being Non-Executive Directors who are financially literate (and at least one of whom is a financial expert) and a majority of independent Directors. All members of this committee must be able to read and understand financial statements and at least one member must be a qualified accountant or other professional with experience of financial and accounting matters.

Joe Dicks, Vanessa Porter and Mark Kerr will be members of the Audit Committee. Joe Dicks will act as chair of the committee. The terms of their appointment are at the discretion of the Board and vacancies may be filled as they arise.

The Audit Committee may invite other persons it regards as appropriate to attend meetings of the Audit Committee.

The Audit Committee was established by the Board to:

(a) help the Board achieve its objective in relation to:

 (i) financial reporting;

 (ii) the application of accounting policies;

 (iii) overseeing external and internal audit;

 (iv) legal and regulatory compliance; and

 (v) internal control and risk management systems;

(b) maintain and improve the quality, credibility and objectivity of the financial accountability process (including financial reporting on a consolidated basis);

(c) promote a culture of compliance;

(d) ensure effective communication between the Board and senior financial and compliance management;

(e) ensure effective internal and external audit functions (as appropriate) and communication between the Board and the external and internal auditors (as appropriate); and

(f) ensure compliance strategies and the compliance function are effective.

The Audit Committee is directly responsible for a number of functions, including:

(g) assessing the appropriateness and application of the Group's accounting policies and principles and any changes to them, so that they accord with the applicable financial reporting framework;

(h) obtaining an independent judgement from the external auditor about:

 (i) the acceptability and appropriateness of accounting policies and principles put forward by management; and

 (ii) the clarity of current or proposed financial disclosure practices as put forward by management;

(i) assessing any significant estimates or judgements in the financial reports (including those in any consolidated financial statements) by;

 (i) querying management as to how they were made; and

 (ii) querying external auditors as to how they concluded that those estimates were reasonable;

(j) reviewing compliance with all related party disclosures required (where applicable) by accounting standards and the Corporations Act;

(k) assessing information from internal and external auditors (as appropriate) that may affect the quality of financial reports (for example, actual and potential material audit adjustments, financial report disclosures, non-compliance with laws and regulations, and internal control issues);

(l) reviewing any half-yearly and annual financial reports (including those prepared on a consolidated basis) with management, advisers and the internal and external auditors (as appropriate) to assess (among other things):

  (i) the compliance of accounts with accounting standards and the Corporations Act; and

  (ii) the nature and impact of any changes in accounting policies during the applicable period;

(m) discussing any draft audit opinion letter with the external auditors before it is finalised;

(n) receiving any management letter from the external auditors;

(o) recommending for adoption by the Board interim and final financial reports and the annual report;

(p) reviewing documents and reports to regulators and recommending to the Board their approval or amendment;

(q) following up on any matter raised by the Board regarding financial reports, audit opinions and management letters;

(r) approving and recommending to the Board for acceptance, the terms of engagement with the external auditor at the beginning of each year;

(s) regularly reviewing with the external auditor:

  (i) the scope of the external audit;

  (ii) identified risk areas; and

  (iii) any other agreed procedures;

(t) overseeing the creation, implementation and maintenance of the risk management system and internal control framework;

(u) reviewing the effectiveness of the Company's implementation of its risk management system and internal controls on an ongoing basis;

(v) making recommendations to the Board in relation to changes to the risk appetite set by the Board;

(w) developing an understanding of the overall business environment, relevant laws, regulations and codes of particular significance to the Company and the Company programs in place to provide reasonable assurance of compliance;

(x) reviewing reports on insurance coverage and claims trends; and

(y) providing oversight of the Group's national quality, health, safety and environmental and social performance.

The charter for the Audit Committee also sets out the Company's commitment to assessing and prioritising areas of greatest potential financial risks and reporting to the Board on the adequacy of financial risk management. The Company will review its financial risk management procedures to ensure that it complies with its legal obligations, including assisting the Managing Director and Chief Executive Officer or the Chief Financial Officer to provide the required declaration under section 295A of the Corporations Act and ASX Corporate Governance Principles.

Under its charter the Audit Committee is responsible for approving and recommending to the Board for adoption, policies and procedures for appointing or removing an external auditor and regularly reviewing with the external auditor the scope of the external audit, identified risk areas and other agreed procedures. The Audit Committee is responsible for recommending to the Board for approval the types of non-audit services that the external auditor may provide without impairing or appearing to impair the external auditor's independence.

The Board authorises the Audit Committee to seek any information it considers necessary to fulfil its responsibilities. The Audit Committee has access to:

(a) management to seek explanations and information from management; and

(b) internal and external auditors to seek explanations and information from them, without management being present.

The Audit Committee may seek professional advice from employees of the Group and from appropriate external advisers, at the Company's cost.

6.10.2 Nomination and Remuneration Committee

Under its charter, the Nomination and Remuneration Committee should comprise of at least three Directors, a majority of whom must be independent Directors. However, the Group recognises that this may not always be practicable given the size of the Board and the circumstances of the Group and the nature of the Group's business. Accordingly, the Board has absolute discretion to determine the appropriate size and composition of the Nomination and Remuneration Committee from time to time.

The chairperson of this committee must be an independent Director.

Vanessa Porter, Joe Dicks, Mathew Edwards and Mark Kerr will be members of the Nomination and Remuneration Committee. Vanessa Porter will act as chair of this committee.

The objective of the committee is to help the Board fulfil its statutory, fiduciary and regulatory responsibilities and achieve its objectives to ensure that the Company:

(a) has a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties;

(b) has coherent remuneration policies and practices to attract and retain executives and directors who can reasonably be expected to create value for Shareholders;

(c) observes those remuneration policies and practices; and

(d) fairly and responsibly rewards executives having regard to the performance of the Group, the performance of the executives and the general external pay environment.

The Nomination and Remuneration Committee is also responsible for:

(a) identifying and recommending to the Board, nominees for membership of the Board including the Chief Executive Officer;

(b) regularly evaluating the performance of the Board, both collectively and individually;

(c) reviewing, approving and recommending to the Board for adoption executive remuneration and incentive policies and practices;

(d) reviewing the remuneration of Non-Executive Directors for serving on the Board and any committee (both individually and in total); and

(e) reviewing any insurance premiums or indemnities for the benefit of directors and officers.

The Nomination and Remuneration Committee will regularly report to the Board about committee activities, issues and related recommendations that require Board attention or approval.

The Nomination and Remuneration Committee may seek professional advice from employees of the Group and from appropriate external advisers, at the Company's cost.

6.11 Company policies

6.11.1 Diversity policy

The Company values a diverse workforce and is committed to developing measurable objectives of diversity and inclusion in its workplace. The Company has implemented a diversity policy, with meritocracy the guiding principle, which is overseen by the Board and which aligns the Company's management systems with the commitment to develop a culture that values and achieves diversity in its workforce and on the Board.

In its annual report, the Company will disclose its objectives for achieving diversity and progress towards the policy's goals and will also disclose the proportion of women in the whole organisation, women in senior positions and women on the Board.

6.11.2 Market disclosure policy

Once listed on the ASX, the Company will be required to comply with the continuous disclosure obligations of the ASX Listing Rules and the Corporations Act. Subject to the exceptions in the ASX Listing Rules, the Company will be required to disclose any information to the ASX that is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares.

The Company is committed to observing its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act. The Company has adopted a market disclosure policy to take effect from Listing which establishes procedures that are aimed at ensuring the Company fulfils its obligations in relation to the timely disclosure of material price sensitive information. The Managing Director and Chief Executive Officer, in consultation with the Board, will review the market disclosure policy periodically to ensure that it is operating effectively and determine whether any changes are required.

Under the policy, the Board will be responsible for monitoring compliance with the market disclosure policy. The Managing Director, Chief Executive Officer, Chief Financial Officer, company secretary and any other persons nominated by the Board from time to time have the responsibility for managing the Company's compliance with its continuous disclosure obligations. The disclosure officer will be responsible for the disclosure of material information to the ASX and ASIC and must maintain a procedural methodology for disclosure and record keeping. Any items of materiality that require disclosure require the approval of the Chairperson of the Board prior to release.

In addition to being provided to the ASX, continuous disclosure announcements will also be available on the Company's website at www.nidoeducation.edu.au.

6.11.3 Shareholder communications policy

The Board's aim is to provide Shareholders with sufficient information to assess the performance of the Company and to inform them of major developments affecting the affairs of the Company relevant to Shareholders in accordance with all applicable laws. The Company has adopted a shareholders communications policy to take effect from Listing which aims to promote effective communication with its Shareholders and encourage effective participation at general meetings of the Company.

Information will be communicated to Shareholders through the lodgement of all relevant financial and other information with ASX and publishing information on the Company's website.

In particular, the Company's website will contain information about it, including media releases, key policies and the terms of reference of its Board committees. All relevant announcements made to the market and any other relevant information will be posted on the Company's website as soon as they have been released to ASX.

6.11.4 Securities trading policy

The Company has adopted a securities trading policy which will apply to the Company and its Directors, officers, employees, including those persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly (i.e. key management personnel) and associates of the Company's Directors, officers and employees ("**Associates**").

The policy is intended to explain the types of conduct in relation to dealings in Shares that are prohibited under the Corporations Act and establish procedures in relation to Directors, officers, employees, key management personnel or Associates dealing in Shares.

The securities trading policy defines certain 'trading windows' during which trading in Shares by Directors, officers and certain key management personnel is permitted. Those trading windows are currently defined as during the one month period beginning at the close of trading on the day after the dates on which:

(a) the Company announces its half-yearly results to the ASX;

(b) the Company announces its full year results to the ASX;

(c) the Company holds its annual general meeting (assuming an update of the full year's results is given at the meeting); and

(d) any additional periods determined by the Board from time to time.

In all instances, buying or selling of Shares is not permitted at any time by any person who possesses price-sensitive information. A copy of this securities trading policy will be available on the Company's website.

6.11.5 Code of conduct for Directors and senior executives

The Company has committed to maintaining the high ethical standards in the conduct of its business activities. The Board recognises the need to observe high standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal code of conduct, to take effect from Listing, to be followed by Directors, management and senior executives.

The key aspects of this code are to:

(a) articulate the high standards of honesty, integrity and ethical and law-abiding behaviour expected of Directors and senior executives;

(b) encourage the observance of those standards to protect and promote the interests of Shareholders and other stakeholders (including employees, clients, service providers and creditors);

(c) guide Directors and senior executives as to the practices thought necessary to maintain confidence in the Company's integrity; and

(d) set out the responsibility and accountability of Directors and senior executives to report and investigate any reported violations of this code or unethical or unlawful behaviour.

6.11.6 Whistleblower policy

The Company is committed to a culture of corporate compliance and high ethical behaviour. Accordingly, the Company has adopted a whistleblower policy which sets out information about the types of conduct that should be reported, the type of disclosures that qualify for protection, the protections available to whistleblowers, the procedures for reporting conduct, how the Company will investigate disclosures and support whistleblowers and protect them from detriment and how the Company will ensure fair treatment of employees who are the subject of or are mentioned in disclosures.

Officers and employees of the Group, individuals who are an associate of a Group Member and individuals who supply goods or services to Group or employees of a supplier are 'eligible whistleblowers' and will be protected by the policy and the protections under the Corporations Act and the *Taxation Administration Act 1953* (Cth) for whistleblowers.

6.11.7 Anti-bribery, fraud and corruption policy

Any fraud or corruption committed against the Company is a major concern to the Company. The Company requires all officers and employees at all times to act honestly and with integrity and to safeguard the Company resources for which they are responsible. The Company is also committed to protecting all revenue, expenditure and assets from any attempt to gain illegal financial or other benefits. Accordingly, the Board has adopted an anti-bribery, fraud and corruption policy.

The anti-bribery, fraud and corruption policy applies to all officers and employees (including Directors, executives and managers) of the Company and its subsidiary companies.

The purpose of the policy is to protect the assets and reputation the Company by:

(a) reinforcing the commitment and responsibility of the Board and the senior management to identify fraudulent and corrupt activities and for establishing policies, controls and procedures for prevention and detection of these activities;

(b) reinforcing the requirement for all employees and others to refrain from corrupt and fraudulent conduct and encourage the reporting of any instance of fraud or corrupt conduct;

(c) providing a framework for conduct of investigations to ensure that all suspected fraudulent and corrupt activity is dealt with appropriately; and

(d) assigning responsibility for the development of controls to prevent and detect fraud.

7. DETAILS OF THE OFFER

7. DETAILS OF THE OFFER

7.1 The Offer

This Prospectus relates to an initial public offering of Shares at an offer price of $1.00 per Share ("**Offer Price**"). The Offer contained in this Prospectus is an invitation to apply for 99.2 million New Shares offered by the Company.

The total number of Shares on issue at Completion of the Offer will be 219.5 million and all Shares will rank equally in all respects with the Shares currently on issue. A summary of the rights attaching to the Shares is set out in Section 9.9.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.2 Structure of the Offer

The Offer is comprised of:

- the Broker Firm Offer, is open to persons who have received a firm allocation from their Broker and who have a registered address in Australia;
- the Priority Offer, which is open to selected investors in Australia who have received an invitation under the Priority Offer; and
- the Institutional Offer, which consists of an offer to certain Institutional Investors in Australia and certain other eligible foreign jurisdictions.

No general public offer of Shares will be made under the Offer. The allocation of Shares between the Broker Firm Offer, Priority Offer and Institutional Offer will be determined by the Company and Joint Lead Managers having regard to the allocation policies outlined in Section 7.

7.3 Important Dates

Prospectus Date	20 September 2023
Opening Date of Offer	21 September 2023
Closing Date of Offer	4 October 2023
Settlement	9 October 2023
Allotment	10 October 2023
Expected dispatch of holding statements	11 October 2023
Shares expected to begin trading on ASX (on a normal settlement basis)	16 October 2023

The above dates other than the Prospectus Date are subject to change and are indicative only. The Company reserves the right to vary the dates and times of the Offer, including to close the Offer early, extend the Offer or accept late Applications, without notifying any recipient of this Prospectus or any Applicants. Applicants are encouraged to submit their Applications as early as possible.

7.4 Purpose of the Offer and use of funds

7.4.1 Purpose of the Offer

The purpose of the Offer is to:

(a) provide Nido with capital to complete the Acquisitions;

(b) provide Nido with incremental capital to provide as rental bonds and for stamp duty costs related to the Acquisitions;

(c) provide Nido with capital to provide the first tranche of the NAED Loan;

(d) provide Nido with capital for working capital purposes and costs of the Offer;

(e) provide Nido with the benefits of an increased profile that arises from being a publicly listed entity;

(f) provide Nido with a liquid market for the Shares and an opportunity for others to invest in the Company; and

(g) assist Nido in attracting and retaining quality staff.

7.4.2 Sources and uses of funds

The proceeds of the Offer received by the Company will be applied as described in Figure 38. The Offer is expected to raise gross proceeds of approximately $99.2 million.

Figure 38 Sources and Uses of Funds

Sources of Funds	$m
Cash proceeds received by the Company under the Offer from the issue of Shares	99.2
Total sources	**99.2**

Uses of Funds	$m
Net amount payable for the Acquisitions[27]	73.0
Stamp duty costs related to Acquisition	2.0
First tranche of NAED Loan	6.0
Rental bonds	5.1
Working capital	5.0
Net Offer costs[28]	8.1
Total uses	**99.2**

27. As set out in Section 4.2.4, Nido will acquire AES, David Lyons and Other Centres at Listing. Total purchase consideration for these entities and assets is $115.9 million, comprising $77.6 million cash payable at or around completion, $9.0 million deferred consideration payable prior to 31 December 2024, and $29.3 million payable by the issue of 29.3 million Shares at or around completion. In addition, $5.1 million will be paid for rent bonds relating to Centres acquired. The $77.6 million cash payable at or around completion is offset by a $4.5 million performance bonus payment from Alceon to Nido (see section 6.6 for further details), leading to a net amount payable for the Acquisitions of $73.0 million.

28. Net Offer costs excludes $1.0 million of expenses related to the Offer which have been prepaid using existing cash on balance sheet, prior to the Completion.

7.5 Shareholding Structure

Details of the ownership of Shares on Completion of the Offer are set out in Table 43 below.

Table 43 Details of ownership of Shares on Completion of the Offer

	Shares		Options[29]	
Shareholder	Number (m)	%	Number (m)	Fully diluted %
Mathew Edwards[30]	111.6	50.8%	1.2	48.3%
Mark Kerr	2.0	0.9%	0.7	1.2%
Other Existing Shareholders	7.7	3.5%	1.2	3.8%
Other Directors[31]	0.2	0.1%	0.3	0.2%
Other Employees	–	–	10.8	4.6%
New Shareholders under the Offer	98.0	44.7%	–	41.9%
Total Securities on Issue	**219.5**	**100.0%**	**14.2**	**100.0%**

Details of the Shares that will be subject to escrow arrangements are set out in Section 7.6 below.

7.6 Escrow arrangements

Mathew Edwards and certain Directors, management team executives and an existing Shareholders and, collectively, their respective associated entities and controllers ("**Escrowed Shareholders**") have agreed to continue to hold their Shares after Listing under escrow agreements ("**Escrow Arrangements**"). Under the Escrow Arrangements, the Escrowed Shareholders have undertaken not to dispose of any interest in or to grant any security held by them during the Escrow Period, subject to limited exceptions summarised below.

The purpose of the Escrow Arrangements is to align the interests of the Escrowed Shareholders with those of new Shareholders and to promote an orderly market for the Shares by preventing any sell-down of Escrowed Shares during the relevant escrow period.

Mathew Edwards (and his associated entities)[32], certain directors and other existing Shareholders[33] will have their Shares subject to the Escrow Arrangements for 24 months from the Listing Date.

Management team executives will have their Shares subject to the Escrow Arrangements until the release of Nido's full year CY24 financial statements (expected to be February 2025).

At Completion of the Offer, it is expected that 52.1% of the Shares on issue will be held under Escrow Arrangements until their stated escrow period.

29. Includes free options and Premium Options, refer to Section 6.7 for more information.
30. Represents direct holding, associated entities (excluding certain discretionary trusts), Shares received in consideration for shares held by Mathew Edward's associated entities in AES but excludes approximately 4.6 million Shares (based on the Offer Price), although the actual number of Shares to be issued will depend on the VWAP of Shares on the ASX prior to the date of issue of these Shares, that will initially be issued to the trustee of the Nido Employee Share Trust to hold on behalf of Mathew Edwards following receipt by Nido of a performance bonus described in Section 6.6 and subsequently transferred to a charitable foundation that Mathew Edwards may have influence over.
31. Represents the shareholdings of Vanessa Porter and Joe Dicks following Completion of the Offer as it is intended that both Vanessa Porter and Joe Dicks or their related entities participate in the Priority Offer.
32. The shareholdings of certain discretionary trusts whose trustee is an entity controlled by Mathew Edwards as at the Prospectus Date have been excluded from the Escrow Arrangements as it is intended that the trustee of these discretionary trusts be replaced in December 2023. The result of this replacement of trustee is that Mathew Edwards and his related entities would no longer control or have any interests in these discretionary trusts and their shareholdings in Nido.
33. Excluding Shares subscribed for under the Offer by Existing Shareholders.

During the Escrow Period, the Escrowed Shareholders may 'deal' with their existing Escrowed Shares if the dealing arises in connection with, among other things:

(a) acceptance of a bona fide takeover bid for all of the Shares on issue made under Chapter 6 of the Corporations Act, provided the holders of at least 50% of the non-escrowed Shares have accepted the takeover offer and the restricted Shares continue to be restricted if the relevant bid does not become unconditional or does not otherwise proceed;

(b) the transfer or cancellation of Shares as part of a scheme of arrangement relating to the Company under section 411 of the Corporations Act, provided that the restricted Shares continue to be restricted if the relevant scheme does not take effect;

(c) a transfer of Shares to an immediate family member, a company wholly owned by the Escrowed Shareholders or an immediate family member or a trust or superannuation fund of which the Escrowed Shareholders or an immediate family member is the beneficiary subject to the continuation of the escrow arrangements for the Escrow Period;

(d) the death or incapacity of the relevant Escrowed Shareholder; or

(e) a dealing required by applicable law (including an order of a Court of competent jurisdiction).

Mathew Edwards may also transfer the Shares he receives as a performance bonus (see Section 6.6.1(a)) to a charitable foundation including but not limited to one over which he may have influence. However, the Shares transferred to the foundation will be subject to the Escrow Arrangements for the balance of Mathew Edwards' escrow period as noted above.

For the purposes of the escrow arrangements, 'dealing' is broadly defined and means to directly or indirectly:

(f) dispose of, or agree or offer to dispose of, a restricted security or any legal, beneficial or economic interest in that restricted security;

(g) create, or agree to create, any security interest in a restricted security or any legal, beneficial or economic interest in that restricted security; or

(h) do, or omit to do, any act if the act or omission would have the effect of transferring effective ownership or control of that restricted security or any legal, beneficial or economic interest in that restricted security,

but does not include or restrict the exercise of any voting rights for the restricted securities.

7.7 Control implications of the Offer

Following Completion, Mathew Edwards and his associated entities will together own approximately 50.8%[34] of the Shares on issue. See Section 5.2.15 for the risks associated with Mathew Edwards or his associated entities exerting material influence over Nido.

Refer also to the table in Section 7.5 for expected shareholdings on Completion of the Offer.

7.8 Potential effect of the Offer on the future of the Company

The Directors believe that, on Completion of the Offer, the Company will have sufficient funds available from the cash proceeds of the Offer to fulfil the purposes of the Offer and meet the Company's stated business objectives.

34. Represents direct holding, associated entities (excluding certain discretionary trusts), Shares received in consideration for shares held by Mathew Edward's associated entities in AES but excludes approximately 4.6 million Shares (based on the Offer Price), although the actual number of Shares to be issued will depend on the VWAP of Shares on the ASX prior to the date of issue of these Shares, that will initially be issued to the trustee of the Nido Employee Share Trust to hold on behalf of Mathew Edwards following receipt by Nido of a performance bonus described in Section 6.6 and subsequently transferred to a charitable foundation that Mathew Edwards may have influence over.

7.9 Key terms and conditions of the Offer

The key terms and conditions of the Offer are summarised below.

What is the type of security being offered?	Shares, being fully paid ordinary shares in the capital of the Company.
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 9.9.
What is the consideration payable for each security being offered?	The Offer Price is $1.00 per Share.
What are some key conditions of the Offer?	The Offer is conditional on Listing.
What is the Offer Period?	The key dates, including details of the Offer Period, are set out in Section 7.3 and in the Key Offer Information Section.
What are the cash proceeds to be raised?	$99.2m will be raised under the Offer.
Is the Offer underwritten?	Yes, the Offer will be fully underwritten by the Joint Lead Managers in accordance with the Underwriting Agreement.
What is the minimum and maximum Application size under the Offers?	The minimum Application under the Offers is $2,000 worth of Shares at the Offer Price and in increments of $500 worth of Shares thereafter, as directed by the Applicant's Broker. The Company reserves the right to reject any Application or to allocate a lesser number of Shares than applied. There is no maximum number or value of Shares that may be applied for under the Offers.

What is the allocation policy?	The allocation of Shares under the Offers will be determined by agreement between the Joint Lead Managers and the Company. For further information on the Offers see Sections 7.2, 7.10.5, 7.11.5 and 7.12.2.
Will the Shares be listed?	The Company will apply to the ASX for admission to the Official List and quotation of its Shares on the ASX under the code "**NDO**". Completion of the Offer is conditional on, among other things, the ASX approving the application. If approval is not given within three months after the Prospectus Date (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.
When are the Shares expected to commence trading?	Details are provided in Section 7.3.
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post on 11 October 2023.
Are there any escrow arrangements?	Yes. Details are provided in Section 7.6.
Is there brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.
Are there any tax considerations?	Yes. Please refer to Section 9.8 and note that it is recommended that all potential investors consult their own independent tax advisers regarding the income tax, capital gains tax, stamp duty and GST consequences of acquiring, owning and disposing of Shares, having regard to their specific circumstances.
What should you do with any enquiries?	All enquiries in relation to this Prospectus should be directed to the Nido Information Line on 1300 918 434 (toll free within Australia) or +61 3 9415 4826 (from outside Australia) between 8.30am and 5.00pm (AEST) Monday to Friday. If you require assistance to complete the Application Form, require additional copies of this Prospectus, have any questions in relation to the Offer or you are uncertain as to whether obtaining Shares is a suitable investment for you, you should seek professional advice from your stockbroker, solicitor, accountant, tax adviser financial adviser or other independent professional adviser before deciding whether to invest.

7.10 Broker Firm Offer

7.10.1 Who can apply?

The Broker Firm Offer is open to Australian resident retail and sophisticated non-institutional clients of Brokers who have a registered address in Australia and who have received an invitation from a Broker to acquire Shares under this Prospectus, and who are not in the United States. If you have been offered a firm allocation by a Broker, you will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. You should contact your Broker to determine whether they may allocate Shares to you under the Broker Firm Offer.

7.10.2 How to apply?

Applications for Shares may only be made on an Application Form attached to or accompanying this Prospectus which may be downloaded in its entirety from www.computersharecas.com.au/ndoipo. If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Application Form with the Broker from whom you received your firm allocation. Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Application Form.

By making an Application, you declare that you were given access to this Prospectus (and any supplementary or replacement Prospectus), together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Applications under the Broker Firm Offer must be for a minimum of $2,000 worth of Shares and in multiples of $500 worth of Shares thereafter. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. However, the Company and Joint Lead Managers reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person or reject or scale back any Applications (or aggregation of Applications) in the Broker Firm Offer which are for more than $250,000. The Company may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer Application procedures or requirements, in its discretion in compliance with applicable laws.

Applicants under the Broker Firm Offer must lodge their Application Form and Application Monies with the relevant Broker in accordance with the relevant Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Broker Firm Offer Application Forms to the Share Registry. The Broker Firm Offer opens at 9.00am (AEST) on 21 September 2023 and is expected to close at 5.00pm (AEST) on 4 October 2023.

The Company and Joint Lead Managers may elect to extend the Offer (or any part of it) or accept late Applications either generally or in particular cases without further notice. The Offer (or any part of it) may be closed at any earlier date and time, without further notice (subject to the ASX Listing Rules and the Corporations Act). Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

7.10.3 How to pay?

Applicants under the Broker Firm Offer must pay their application amounts to their broker in accordance with instructions provided by their broker.

7.10.4 Acceptance of Applications

An Application in the Broker Firm Offer is an offer by an Applicant to the Company to apply for the Australian dollar amount of Shares specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form. To the extent permitted by law, an Application by an Applicant under the Offer may not be varied and is irrevocable.

An Application may be accepted in respect of the full number of Shares specified on the Application Form or any lesser amount, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract on allocation of Shares to successful Applicants conditional on the quotation of Shares on the ASX.

7.10.5 Broker Firm Offer allocation policy

Shares that are allocated to Brokers for allocation to their eligible Australian resident clients will be issued to the Applicants nominated by those Brokers (subject to the right of the Company and the Joint Lead Managers to reject, aggregate or scale back Applications).

It will be a matter for each Broker (and not the Company or the Joint Lead Managers) to determine how they allocate Shares among their eligible retail clients.

7.11 Priority Offer

7.11.1 Who can apply?

The Priority Offer is open to investors who have received an invitation to participate in the Priority Offer from Nido.

7.11.2 How to apply?

If you have received an invitation to participate in the Priority Offer from Nido and Application Form, you will be separately advised of the application procedures under the Priority Offer.

To apply to participate in the Priority Offer, Applicants must complete the Application Form in accordance with the instructions provided on the Application Form.

The Priority Offer is expected to close at 5.00pm (AEST) on the Closing Date of the Offer.

7.11.3 How to pay?

Applicants under the Priority Offer must pay their Application Monies in accordance with the instructions received from Nido.

7.11.4 Acceptance of Applications

An Application in the Priority Offer is an offer by an Applicant to Nido to apply for Shares in the amount specified on the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus). To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable. Acceptance of an Application will give rise to a binding contract on allocation of Shares to successful Applicants conditional on the quotation of Shares on ASX and commencement of unconditional trading.

7.11.5 Priority allocation policy

Nido has sole discretion to determine the allocation of Shares to Applicants under the Priority Offer and may reject an Application or allocate fewer Shares than applied for. Applicants are not entitled to a minimum number of Shares under the Priority Offer.

7.12 Institutional Offer

7.12.1 Invitations to bid

The Institutional Offer consisted of an invitation to certain Institutional Investors in Australia and certain other jurisdictions to bid for an allocation of Shares. The Joint Lead Managers separately advised Institutional Investors of the Application procedures for the Institutional Offer.

7.12.2 Allocation policy under the Institutional Offer

The allocation of Shares among Applicants in the Institutional Offer was determined by agreement between the Joint Lead Managers and the Company. The Joint Lead Managers and the Company had absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Joint Lead Managers.

The allocation policy was influenced, but not constrained, by the following factors:

- the number of Shares bid for by particular Applicants;
- the likelihood that particular Applicants will be long-term Shareholders;
- the Company's desire for an informed and active trading market following Listing;
- the size and type of funds under management of particular Applicants;
- the investment style of particular Applicants;
- the timeliness of the bid by particular Applicants;
- the Company's desire to establish a wider spread of institutional Shareholders;
- the anticipated level of demand under the Broker Firm Offer, Priority Offer and the Institutional Offer; and
- any other factors that the Company and the Joint Lead Managers considered appropriate.

7.13 Acknowledgements of Applicants

By submitting an Application, each Applicant under the Offer acknowledges and agrees as follows:

- that the Applicant personally received a printed or electronic copy of this Prospectus (and any supplementary or replacement Prospectus) including or accompanied by the Application Form and read each document in full;
- that the Applicant has received and completed their Application Form in accordance with this Prospectus and the instructions on the Application Form;
- that all details provided and statements in their Application Form are complete and accurate and not misleading (including by omission);
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- that, after the Company or a Broker receives an Application Form, it may not be withdrawn;
- that it has applied for the number of Shares (or equivalent dollar amount) shown on the front of the Application Form;

- to being allocated and issued or transferred the number of Shares applied (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
- to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- that the Company, the Joint Lead Managers and their respective officers or agents, are authorised to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Registry upon using the contact details in the Application Form;
- that, in some circumstances, the Company may not pay dividends, or that any dividends paid may not be franked;
- that the information contained in this Prospectus (or any supplementary or replacement Prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives, financial situation or particular needs (including financial and taxation issues) of the Applicant(s);
- that the Applicant(s) is/are a resident of Australia (except as applicable to the Institutional Offer, Broker Firm Offer and Priority Offer), or otherwise satisfies the requirements in Section 7;
- that the Offer may be withdrawn by the Company and/or may otherwise not proceed in the circumstances described in this Prospectus; and
- that if Listing does not occur for any reason, the Offer will not proceed.

By submitting an Application, each Applicant in the Offer will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Shares Act or the Shares laws or of any state of the United States and may not be offered, sold or resold, pledged or transferred in the United States or to US Persons, except in accordance with the US Securities Act regulation requirements or in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable state securities laws;
- it is not in the United States or a US Person;
- it has not sent and will not send this Prospectus or any other material relating to the Offer to any person in the United States;
- it is purchasing the Shares in an offshore transaction meeting the requirements of Regulation S; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

7.14 Discretion regarding the Offer

The Company may withdraw the Offer at any time before settlement and the issue or transfer of Shares to successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

The Company also reserves the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications either generally or in particular cases, reject any Application, or allocate to any Applicant fewer Shares than they have applied for.

7.15 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia.

This Prospectus does not constitute an offer or invitation for issue or sale of Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States or elsewhere outside Australia, unless it has attached to it the selling restrictions applicable in the jurisdictions outside Australia and may only be distributed to persons to whom the Priority Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

The Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States.

Each Applicant under the Offer will be taken to have represented, warranted and agreed as follows:

(a) it understands that the Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States;

(b) it is not in the United States;

(c) it has not and will not send this Prospectus or any other material relating to the Offer to any person in the United States; and

(d) it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia.

7.16 ASX Listing, registers and holding statements

7.16.1 Application to the ASX for Listing and Quotation of Shares

The Company has applied for admission to the Official List of the ASX and quotation of the Shares on the ASX. The Group's ASX code will be '**NDO**'.

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.

If the Company is not granted for the Official Quotation of Shares on the ASX within three months after the date of the Original Prospectus (or any later date permitted by law), all Application Monies received by the Company will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

The Company will be required to comply with the ASX Listing Rules, subject to certain conditions (including any waivers obtained by the Company from time-to-time).

7.16.2 CHESS and issuer-sponsored holdings

The Company will apply to participate in the ASX's Clearing House Electronic Sub-register System ("**CHESS**") and will comply with ASX Listing Rules and ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, an electronic CHESS sub-register or an issuer-sponsored sub-register. For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer-sponsored sub-register.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (HIN) for CHESS holders or, where applicable, the Shareholder Reference Number (SRN) of issuer-sponsored holders. Shareholders will subsequently receive statements showing any changes to their Shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements at the end of each month or if there has been a change to their holding on the register and as otherwise required under ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring Broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer-sponsored sub-register. The Share Registry may charge a fee for these additional statements.

8. INVESTIGATING ACCOUNTANT'S REPORT

8. INVESTIGATING ACCOUNTANT'S REPORT

KPMG Transaction Services
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The Directors
Nido Education Limited
Suite 3, 1 Park Avenue
Drummoyne NSW 2047

20 September 2023

Dear Directors

Limited Assurance Investigating Accountant's Report and Financial Services Guide

Introduction

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division) ("**KPMG Transaction Services**") has been engaged by Nido Education Limited (ACN 650 967 703) ("Nido" or the "Company") to prepare this report for inclusion in the prospectus to be dated on or around 20 September 2023 (the "Prospectus"), and to be issued by the Company in respect of the proposed initial public offering of fully paid ordinary shares in the Company and its listing on the Australian Securities Exchange (the "Offer").

Expressions defined in the Prospectus have the same meaning in this report.

This Investigating Accountant's Report should be read in conjunction with the KPMG Transaction Services Financial Services Guide included in the Prospectus.

Scope

You have requested KPMG Transaction Services to perform a limited assurance engagement in relation to the pro forma historical and forecast financial information described below and disclosed in the Prospectus.

The pro forma historical and forecast financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro Forma Historical Financial Information

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to the pro forma historical financial information of the Company (the responsible party) included in the Prospectus.

The pro forma historical financial information has been derived from the historical financial information of the Company, after adjusting for the effects of pro forma adjustments described in Section 4.2.2 of the Prospectus. The pro forma historical financial information consists of the Company's:

- pro forma historical consolidated statements of financial performance for the financial years ended 31 December 2020, 31 December 2021, and 31 December 2022;
- pro forma historical consolidated statements of cash flows for the financial years ended 31 December 2020, 31 December 2021, and 31 December 2022; and
- pro forma historical consolidated statement of financial position as at 31 December 2022,

as set out in Sections 4.3.1, 4.4.1 and 4.5 of the Prospectus (collectively the "Pro Forma Historical Financial Information").

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in Section 4.2 of the Prospectus. Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual or prospective financial position, financial performance, and/or cash flows.

The Pro Forma Historical Financial Information has been compiled by the Company to illustrate the impact of the event(s) or transaction(s) described in Section 4 of the Prospectus on its financial position as at 31 December 2022 as if they had occurred on that date and Nido's financial performance and cash flows for the financial years ended 31 December 2020, 31 December 2021, and 31 December 2022, as if they had occurred at 1 January 2020.

As part of this process, information about the Company's financial performance and cash flows has been extracted by the Company from the Combined Financial Statements ("Aggregated Accounts") of Nido Group as defined in Section 4.2.2 of the Prospectus covering the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022. These Aggregated Accounts reflect the income and expenses, cash flows, and the assets and liabilities of all entities and businesses comprising Nido Group, inclusive of AES, David Lyons and Other Centres on an aggregated basis. Also as part of this process, information about Nido's financial position has been extracted from Nido's historical general purpose financial statements ("General Purpose Financial Statements") for the financial year ended 31 December 2022.

The Aggregated Accounts for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 and the General Purpose Financial Statements for the financial year ended 31 December 2022 were audited by KPMG in accordance with Australian Auditing Standards. The audit opinions issued relating to these Aggregated Accounts and General Purpose Financial Statements were unqualified.

For the purposes of preparing this report we have performed limited assurance procedures in relation to the Pro Forma Historical Financial Information in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that the Pro Forma Historical Financial Information is not prepared or presented fairly, in all material respects, by the directors in accordance with the stated basis of preparation as set out in Section 4.2 of the Prospectus.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about whether the Pro Forma Historical Financial Information is prepared, in all material respects, by the directors in accordance with the stated basis of preparation.

Forecast Financial Information and directors' best-estimate assumptions

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to the Company's statutory and pro forma forecast consolidated statements of financial performance for the financial years ending 31 December 2023 and 31 December 2024, and the statutory and pro forma forecast consolidated statements of cash flows for the financial years ending 31 December 2023 and 31 December 2024 (the "Forecast Financial Information"). The directors' best-estimate assumptions underlying the Forecast Financial Information are described in Section 4.10 of the Prospectus.

As stated in Section 4.2 of the Prospectus, the basis of preparation of the Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and the Company's accounting policies.

We have performed limited assurance procedures in relation to the Forecast Financial Information, set out in Sections 4.3.1, 4.3.2, 4.4.1 and 4.4.3 of the Prospectus, and the directors' best-estimate assumptions underlying it in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions do not provide reasonable grounds for the Forecast Financial Information;

- in all material respects the Forecast Financial Information is not:
  - prepared on the basis of the directors' best-estimate assumptions as described in the Prospectus; and
  - presented fairly in accordance with the recognition and measurement principles contained in Australian Accounting Standards and the Company's accounting policies;
- the Forecast Financial Information itself is unreasonable.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.*

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The directors of the Company are responsible for the preparation of:

- the Pro Forma Historical Financial Information, including the selection and determination of the pro forma adjustments made to the historical financial information and included in the Pro Forma Historical Financial Information; and
- the Forecast Financial Information, including the directors' best-estimate assumptions on which the Forecast Financial Information is based and the sensitivity of the Forecast Financial Information to changes in key assumptions.

The directors' responsibility includes establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Conclusions

Review statement on the Pro Forma Historical Financial Information

Based on our procedures, which are not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as set out in Sections 4.3.1, 4.4.1 and 4.5 of the Prospectus, comprising:

- the pro forma historical consolidated statements of financial performance of the Company for the financial years ended 31 December 2020, 31 December 2021, and 31 December 2022 as set out in Table 13 of Section 4.3.1;
- the pro forma historical consolidated statements of cash flows of the Company for the financial years ended 31 December 2020, 31 December 2021, and 31 December 2022 as set out in Table 18 of Section 4.4.1; and

- the pro forma historical consolidated statement of financial position of the Company as at 31 December 2022 as set out in Table 21 of Section 4.5,

is not prepared or presented fairly, in all material respects, on the basis of the pro forma transactions and/or adjustments described in Section 4.2 of the Prospectus, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and the Company's accounting policies.

Forecast Financial Information and the directors' best-estimate assumptions

Based on our procedures, which are not an audit, nothing has come to our attention which causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Forecast Financial Information for the financial years ending 31 December 2023 and 31 December 2024 do not provide reasonable grounds for the Forecast Financial Information; and
- in all material respects, the Forecast Financial Information:
  - is not prepared on the basis of the directors' best-estimate assumptions as described in Section 4.10 of the Prospectus; and
  - is not presented fairly in accordance with the recognition and measurement principles contained in Australian Accounting Standards, and the Company's accounting policies; and
- the Forecast Financial Information itself is unreasonable.

The Forecast Financial Information has been prepared by the Company's management and adopted and disclosed by the directors in the Prospectus in order to provide prospective investors with a guide to the potential financial performance of the Company for the financial years ending 31 December 2023 and 31 December 2024.

There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material. The directors' best-estimate assumptions on which the Forecast Financial Information is based relate to future event(s) and/or transaction(s) that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the directors' best-estimate assumptions on which the Forecast Financial Information is based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in Section 5 of the Prospectus. The sensitivity analysis described in Section 4.12 of the Prospectus demonstrates the impact on the Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the Forecast Financial Information will be achieved.

We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Independence

KPMG Transaction Services does not have any interest in the outcome of the proposed Offer, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG from time to time provides the Company with certain other professional services for which normal professional fees are received.

General advice warning

This report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Restriction on use

Without modifying our conclusions, we draw attention to Section 4.2.1 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the financial information to which it relates, for any purpose other than that for which it was prepared.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

Yours faithfully

Tapan Verma
Authorised Representative
AFS Representative Number 1282070

KPMG

KPMG Financial Advisory Services (Australia) Pty Ltd

ABN 43 007 363 215
Australian Financial Services Licence No. 246901

Financial Services Guide

Dated October 2021

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215 ("KPMG FAS")**, Australian Financial Services Licence Number 246901 (of which KPMG Transaction Services is a division) ('**KPMG Transaction Services**'), and Tapan Verma as an authorised representative of KPMG Transaction Services, authorised representative number 1282070 (**Authorised Representative**).

This FSG includes information about:

- KPMG FAS and its Authorised Representative and how they can be contacted;
- The services KPMG FAS and its Authorised Representative are authorised to provide;
- How KPMG FAS and its Authorised Representative are paid;
- Any relevant associations or relationships of KPMG FAS and its Authorised Representative;
- How complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- The compensation arrangements that KPMG FAS has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG FAS.

This FSG forms part of an Investigating Accountant's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (**PDS**). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits, and costs of acquiring the particular financial product.

Financial services that KPMG FAS and the Authorised Representative are authorised to provide

KPMG FAS holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- Deposit and non-cash payment products;
- Derivatives;
- Foreign exchange contracts;
- Government debentures, stocks or bonds;
- Interests in managed investments schemes including investor directed portfolio services;
- Securities;
- Superannuation;
- Carbon units;
- Australian carbon credit units; and
- Eligible international emissions units, to retail and wholesale clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG FAS to provide financial product advice on KPMG FAS's behalf.

KPMG FAS and the Authorised Representative's responsibility to you

KPMG FAS has been engaged by Nido Education Limited ("the Company") to provide general financial product advice in the form of a Report to be included in the Prospectus prepared by the Company in relation to the offer of shares for issue by the Company (the "Offer").

You have not engaged KPMG FAS or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Prospectus Neither KPMG FAS nor the Authorised Representative are acting for any person other than the Company.

KPMG FAS and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General advice

As KPMG FAS has been engaged by the Company, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Prospectus before making any decision in relation to the Offer.

Fees KPMG FAS may receive, and remuneration or other benefits received by our representatives

KPMG FAS charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Company. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Company has agreed to pay KPMG FAS approximately $1.1 million for preparing the Report. KPMG FAS and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG FAS officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the **KPMG Partnership**). KPMG FAS' representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG FAS nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG FAS is controlled by and operates as part of the KPMG Partnership. KPMG FAS' directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG FAS and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG FAS, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Company or has other material financial interests in the Offer.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let KPMG FAS or the Authorised Representative know. Complaints can be sent in writing to The Complaints Officer, KPMG, GPO Box 2291U, Melbourne, VIC 3000 or via email (AU-FM-AFSL-COMPLAINT@kpmg.com.au). If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on (03) 9288 5555 and they will assist you in documenting your complaint.

We will acknowledge receipt of your complaint, in writing, within 1 business day or as soon as practicable.

Following an investigation of your complaint, you will receive a written response within 30 calendar days. If KPMG FAS is unable to resolve your complaint within 30 calendar days, we will let you know the reasons for the delay and advise you of your right to refer the matter to the Australian Financial Complaints Authority (**AFCA**).

External complaints resolution process

If KPMG FAS or the Authorised Representative cannot resolve your complaint to your satisfaction within 30 calendar days, you can refer the matter to AFCA. AFCA is an independent body that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry. KPMG FAS is a member of AFCA (member no 11690).

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly at:

Address: Australian Financial Complaints Authority Limited, GPO Box 3, Melbourne Victoria 3001
Telephone: 1800 931 678

Email: info@afca.org.au

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG FAS holds professional indemnity insurance cover in accordance with section 912B of the *Corporations Act 2001(Cth).*

Contact details

You may contact KPMG FAS or the Authorised Representative using the below contact details:

KPMG Transaction Services (a division of KPMG Financial Advisory Services (Australia) Pty Ltd)
Level 38, International Towers Three
300 Barangaroo Avenue
Sydney NSW 2000
PO Box H67
Australia Square
NSW 1213

Telephone: (02) 9335 7621
Facsimile: (02) 9335 7001

Tapan Verma
c/o KPMG
PO Box H67
Australia Square
NSW 1213

Telephone: (02) 9335 7621
Facsimile: (02) 9335 7001

9. ADDITIONAL INFORMATION

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9.1 Registration

The Company was incorporated in Victoria, Australia on 11 June 2021 as a proprietary company limited by shares. It changed its type to a public company limited by shares on 23 June 2023.

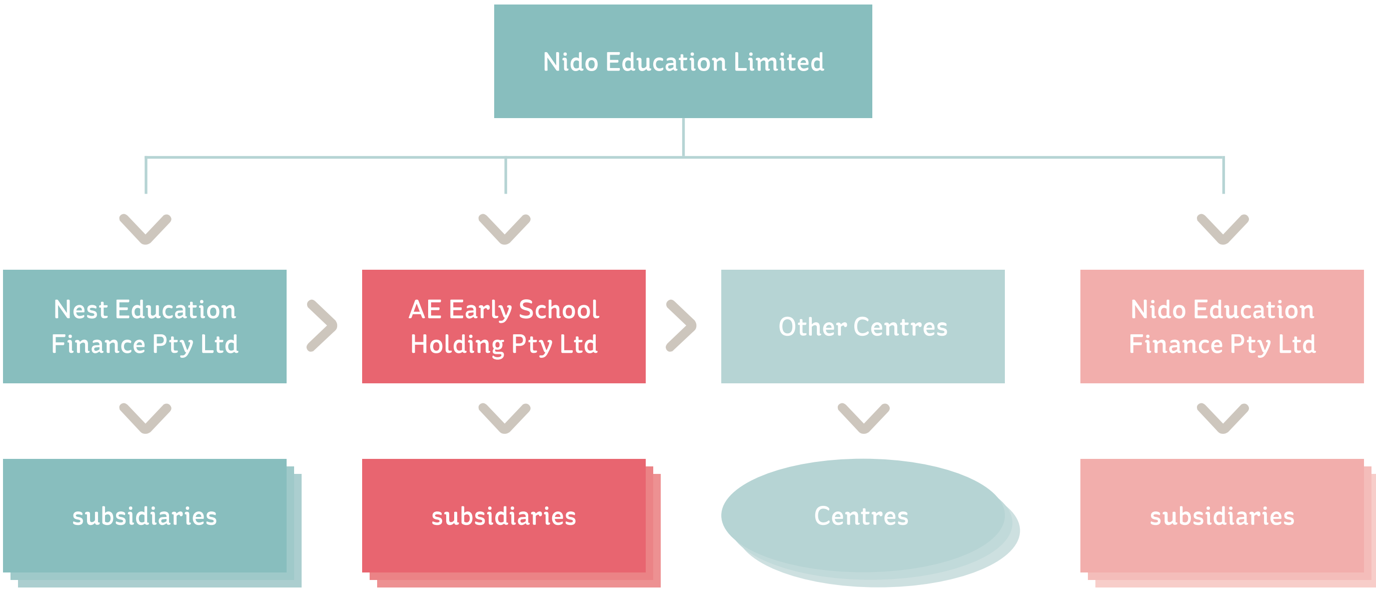
9.2 Tax status and financial year

The Company expects to be taxed in Australia as a public company. The financial year of the Company will end on 31 December annually.

9.3 Corporate Structure

The following diagram shows the corporate structure of the Group on Completion of the Offer.

Figure 39 Group structure



9.4 Material contracts

The Directors do not consider that there are any contracts which are significant or material to the Company other than those disclosed in this Prospectus.

Summaries of material contracts set out in this Prospectus, do not purport to be complete and are qualified by the text of the contracts themselves.

9.4.1 Underwriting Agreement

The Offer is fully underwritten by the Joint Lead Managers under an agreement dated on or about the date of the Prospectus between the Joint Lead Managers and the Company ("**Underwriting Agreement**"). The Joint Lead Managers have agreed to manage and underwrite the Offer in accordance with the terms of the Underwriting Agreement.

For the purposes of this Section 9.4.1, 'Offer Documents' means the documents issued or published by or on behalf of the Company in respect of or relating to the Offer including:

(a) the Prospectus and any document which supplements or replaces the Prospectus (including any addendum to the Prospectus);

(b) the Prospectus, any application form and any supplementary prospectus;

(c) any bookbuild confirmation letter, broker firm confirmation letter and a confirmation of allocation and registration form ("**CARD Form**");

(d) any cover email sent by or on behalf of the Company to eligible institutional investors outside of Australia in connection with the Institutional Offer and bookbuild;

(e) the marketing roadshow presentation; and

(f) any public announcements issue by the Company in connection with the Offer used or made after the Prospectus lodgement date and up to and including the date the Company commences trading on the ASX.

Fees and expenses

On the settlement date (as defined in the Underwriting Agreement) ("**Settlement Date**") and subject to the provisions of the Underwriting Agreement, the Company must pay to the Joint Lead Managers:

- a management fee of 1.0% of the Offer proceeds; and
- an underwriting fee of 4.0% of the Offer proceeds.

The Joint Lead Managers' fees will be payable as a deduction from the total Offer proceeds.

In addition to the fees described above, the Company has agreed to reimburse the Joint Lead Managers for certain agreed costs and expenses incurred by the Joint Lead Managers in relation to the Offer. Any amounts due and payable by the Company to a Joint Lead Manager for more than 30 days after the date of the invoice will incur interest.

Termination events not subject to materiality

A Joint Lead Manager may, at any time after the date of the Underwriting Agreement until or on the settlement date ("**Completion**") (or such other time as specified in such event), terminate the Underwriting Agreement without cost or liability by notice to the Company and the other Joint Lead Manager if any of the following events occurs or has occurred at any time before Completion:

(a) (**disclosures in Prospectus**) the Prospectus does not comply with the Corporations Act, including if a statement in the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive, or there is an omission from an Offer Document of material required to be included in it (including, without limitation, having regard to the provisions of Part 6D.2 of the Corporations Act, the Listing Rules or any other applicable law or regulation);

(b) (**new circumstances**) there occurs a new circumstance that arises after the Prospectus is lodged that would have been required to be included in the Prospectus if it had arisen before lodgement;

(c) (**Supplementary Prospectus**) the Company:

   (i) issues or, in the reasonable opinion of that Joint Lead Manager is required to issue, a supplementary prospectus because of the operation of section 719(1) of the Corporations Act; or

   (ii) lodges a supplementary prospectus with ASIC in a form and substance that has not been approved by the Joint Lead Managers in circumstances required under the terms of the Underwriting Agreement;

(d) (**market fall**) at any time the S&P/ASX 200 index falls to a level that is 90% or less of the level as at the close of trading on the date of the Underwriting Agreement and closes at or below that level on:

   (i) at least two (2) consecutive Business Days prior to the Settlement Date (as defined in the Underwriting Agreement); or

   (ii) the Business Day immediately prior to the Settlement Date (as defined in the Underwriting Agreement);

(e) (**Restriction Agreements**) any of the restriction agreements (as defined in the Underwriting Agreement) are withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with;

(f) (**IID and Instruments**) if any of the obligations of the relevant parties under the IPO Implementation Deed and each of the agreements, undertakings and instruments referred in or attached to the IPO Implementation Deed ("**IID Instruments**") are not capable of being performed in accordance with their terms or if all or any material part of the IID or any of the IID Instruments:

  (i) is terminated, withdrawn, rescinded, avoided or repudiated;

  (ii) is altered, amended or varied without the consent of the Joint Lead Managers (such consent to be unreasonably withheld or delayed);

  (iii) is breached, or there is a failure by a party to comply which in either case is not waived;

  (iv) ceases to have effect, otherwise than in accordance with its terms; or

  (v) is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights);

(g) (**Material Contracts**) if any of the obligations of the relevant parties under any of the material contracts (as defined in the Underwriting Agreement) (Material Contracts) are not capable of being performed in accordance with their terms (in the opinion of that Joint Lead Manager (acting reasonably)) or if all or any material part of any of the Material Contracts:

  (i) is terminated, withdrawn, rescinded, avoided or repudiated;

  (ii) is altered, amended or varied without the consent of the Joint Lead Managers (such consent to be unreasonably withheld or delayed);

  (iii) is breached, or there is a failure by a party to comply which in either case is not waived;

  (iv) ceases to have effect, otherwise than in accordance with its terms; or

  (v) is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights);

(h) (**fraud**) the Company or any of its directors or officers (as those terms are defined in the Corporations Act) engage, or have been alleged by a governmental agency (as defined in the Underwriting Agreement) to have engaged since the date of the Underwriting Agreement, in any fraudulent conduct or activity whether or not in connection with the Offer;

(i) (**listing and quotation**) approval is refused or not granted, or approval is granted subject to conditions other than customary conditions (in the reasonable opinion of that Joint Lead Manager), to:

  (i) the Company's admission to the official list of ASX on or before the Settlement Date (as defined in the Underwriting Agreement); or

  (ii) the quotation of the Shares on ASX or for the Shares to be traded through CHESS on or before the date that trading commences on ASX on a normal settlement basis;

  or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions in the reasonable opinion of that Joint Lead Manager) or withheld;

(j) (**notifications**) any of the following notifications are made in respect of the Offer:

  (i) ASIC issues an order (including an interim order) under section 739 of the Corporations Act and any such inquiry or hearing is not withdrawn within 3 Business Days or if it is made within 3 Business Days of the Settlement Date (as defined in the Underwriting Agreement) it has not been withdrawn by the Business Day before the Settlement Date (as defined in the Underwriting Agreement);

(ii) ASIC holds a hearing under section 739(2) of the Corporations Act;

(iii) an application is made by ASIC for an order under Part 9.5 in relation to the Offer or an Offer Document or ASIC commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Offer or an Offer Document, and any such application, inquiry or hearing is not withdrawn within 3 Business Days or if it is made within 3 Business Days of the Settlement Date (as defined in the Underwriting Agreement) it has not been withdrawn by the Business Day before the Settlement Date (as defined in the Underwriting Agreement);

(iv) any person who has previously consented to the inclusion of its name in the Prospectus (other than that Joint Lead Manager) withdraws that consent; or

(v) any person gives a notice under section 730 of the Corporations Act in relation to the Prospectus (other than the Joint Lead Managers, co-lead managers or co-manager);

(k) (**certificate**) the Company does not provide a closing certificate (as prescribed in the Underwriting Agreement) ("**Closing Certificate**") as and when required by the Underwriting Agreement;

(l) (**withdrawal**) the Company withdraws the Prospectus or the Offer or indicates that it does not intend to proceed with the Offer or any part of it;

(m) (**Timetable**) an event specified in the timetable set out in the Underwriting Agreement, up to and including the Settlement Date (as defined in the Underwriting Agreement) is delayed by more than 2 Business Days (other than in accordance with the terms of the Underwriting Agreement);

(n) (**unable to issue Offer Shares**) the Company is prevented from issuing the Offer Shares, by applicable laws, an order of a court of competent jurisdiction or a governmental agency (as defined in the Underwriting Agreement), within the time required by the Listing Rules and the Corporations Act;

(o) (**repayment of applications monies**) any circumstance arises after lodgement of the Prospectus with ASIC that results in the Company either repaying the money received from applicants or offering applicants an opportunity to withdraw their applications for Offer Shares and be repaid their application moneys;

(p) (**force majeure**) there is an event or occurrence, including any statute, order, rule, regulation, directive or request of any governmental agency (as defined in the Underwriting Agreement) which makes it illegal for the Joint Lead Managers to satisfy a material obligation of the Underwriting Agreement, or to market, promote or settle the Offer;

(q) (**change to Company**) the Company:

(i) other than in connection with the Offer, or as disclosed by the Prospectus or expressly contemplated by the Underwriting Agreement, the Company alters the issued capital of the Company or a member of the Group; or

(ii) disposes or attempts to dispose of a substantial part of the business or property of the Group,

without the prior written approval of the Joint Lead Managers (not to be unreasonably withheld or delayed);

(r) (**insolvency events**) any member of the Group becomes insolvent (as defined in the Underwriting Agreement), or there is an act or omission which is likely to result in a member of the Group becoming insolvent (as defined in the Underwriting Agreement);

(s) (**regulatory approvals**) if a regulatory body withdraws, revokes or amends any regulatory approvals required for the Company to perform its obligations under the Underwriting Agreement, such that the Company is rendered unable to perform its obligations under the Underwriting Agreement;

(t) (**change in management or vacancy in officer**) a change in any of the key people (as defined in the Underwriting Agreement) occurs;

(u) (**vacancy in office**) the chief executive officer of the Company, or a director, vacates his or her office (or announces an intention to do so); or

(v) (**prosecution**) any of the following occurs:

(i) a director or proposed director of the Company is charged with an indictable offence;

(ii) any Governmental Agency (as defined in the Underwriting Agreement) commences any public action against the Company or any of the key people (as defined in the Underwriting Agreement) in their capacity as director or officer of the Company, or announces that it intends to take action; or

(iii) any director of the Company is disqualified from managing a corporation under Part 2D.6.

Termination events subject to materiality

A Joint Lead Manager may, at any time after the date of the Underwriting Agreement until Completion (or such other time as specified in such event), terminate the Underwriting Agreement without cost or liability by notice to the Company and the other Joint Lead Manager if any of the following events occurs or has occurred at any time before Completion, and if a Joint Lead Manager has reasonable grounds to believe that the events below:

(a) has, or is likely to have, a materially adverse effect on:

(i) the success, settlement, outcome or marketing of the Offer;

(ii) the ability of the Joint Lead Managers to market, promote or settle the Offer;

(iii) the willingness of investors to subscribe for shares under the Offer; or

(iv) the likely price at which Shares will trade on ASX; or

(b) will, or is likely to, give rise to a liability of the Joint Lead Manager or its affiliates under, or a contravention by the Joint Lead Manager or its affiliates of, any applicable law.

These events include:

(a) (**defective Offer Documents**) any of the Offer Documents (other than the Prospectus) or public and other media statements made by, or on behalf of, the Company in relation to the business or affairs of the Group on or after the date of the Underwriting Agreement, other than the Offer Documents ("**Public Information**") or any aspect of the Offer does not comply with the Corporations Act, the Listing Rules, or any other applicable law or regulation, including if a statement in any of the Offer Documents (other than the Prospectus) or Public Information is or becomes misleading or deceptive or is likely to mislead or deceive, or a matter required to be included in an Offer Document (other than the Prospectus) or Public Information is omitted (including having regard to the provisions of the Corporations Act, Listing Rules or any other applicable law or regulations);

(b) (**disclosures in the Due Diligence Report**) the due diligence report (as defined in the Underwriting Agreement) is, or becomes, false, misleading or deceptive, including by way of omission;

(c) (**information supplied**) any information supplied (including any information supplied prior to the date of the Underwriting Agreement) by or on behalf of a Group member to the Joint Lead Managers in connection with the Offer is, or is found to be, misleading or deceptive or likely to mislead or deceive (including by omission);

(d) (**legal proceedings**) any of the following occurs:

(i) the commencement of legal proceedings against any member of the Group or against any director of any of them in that capacity; or

(ii) any regulatory body commences any Inquiry against any member of the Group;

(e) (**adverse change**) an event occurs which is, or is likely to give rise to:

(i) an adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Group from those disclosed in the Prospectus lodged with ASIC on the lodgement date; or

(ii) an adverse change in the nature of the business conducted by the Group as disclosed in the Prospectus lodged with ASIC on the lodgement date;

(f) (**forecasts**) there are not, or there ceases to be, reasonable grounds in the opinion of the terminating Joint Lead Manager (acting reasonably) for any statement or estimate in the Offer Documents which relate to a future matter or any statement or estimate in the Offer Documents which relate to a future matter is, in the opinion of the terminating Joint Lead Manager (acting reasonably), unlikely to be met in the projected timeframe (including in each case financial forecasts);

(g) (**misleading certificate**) a statement in any Closing Certificate is false, misleading, inaccurate or untrue or incorrect;

(h) (**breach of laws**) there is a contravention by any entity in the Group of the Corporations Act, the *Competition and Consumer Act 2010* (Cth), the *Australian Securities and Investments Commission Act 2001* (Cth), the Constitution, the ASX Listing Rules or any other applicable law;

(i) (**representations and warranties**) a representation or warranty contained in the Underwriting Agreement on the part of the Company is breached, becomes not true or correct or is not performed;

(j) (**breach**) the Company defaults on one or more of its undertakings or obligations under the Underwriting Agreement;

(k) (**constitution**) the Company varies any term of the Constitution without the prior written consent of the Joint Lead Managers (such consent not to be unreasonably withheld or delayed);

(l) (**change of law**) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State or Territory of Australia a new law, or the Reserve Bank of Australia or any Commonwealth or State authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement) which directly or indirectly affects the Company or the Offer;

(m) (**hostilities**) in respect of any one or more of Australia, New Zealand, the United States, the United Kingdom, the Peoples' Republic of China or a member state of the European Union (the "**Specified Jurisdictions**"):

(i) hostilities not presently existing commence;

(ii) a major escalation in existing hostilities occurs (whether war is declared or not);

(iii) a declaration is made of a national emergency or war;

(iv) a major terrorist act is perpetrated; or

(n) (**Ukraine**) there is a material escalation of hostilities in Ukraine involving biological or nuclear weapons or a nuclear incident or the direct involvement of a NATO member state;

(o) (**disruption in financial markets**) any of the following occurs:

(i) a general moratorium on commercial banking activities in a Specified Jurisdiction is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries; or

(ii) any adverse effect on the financial markets in a Specified Jurisdiction, or in foreign exchange rates or any development involving a prospective change in political, financial or economic conditions in any of those countries; or

(iii) trading in all securities quoted or listed on ASX, NZX, the London Stock Exchange, the New York Stock Exchange, NASDAQ or the Hong Kong Stock Exchange is suspended for at least 1 day on which that exchange is open for trading.

Representations, warranties and conditions precedents

The Underwriting Agreement contains certain standard representations, warranties and undertakings by the Company to the Joint Lead Managers (as well as common conditions precedent, including due diligence, lodgement of the Prospectus, relevant Escrowed Shareholders entering into the restriction agreements (as defined in the Underwriting Agreement), ASIC, ASX and other regulatory approvals and entry into relevant escrow deeds by Escrowed Shareholders). The conditions precedents also require the Company to provide the Joint Lead Managers a copy of the executed IID, and written confirmation that the IID Instruments and transactions contemplated by the IID and documented in part by the IID Instruments ("**IID Steps**") have been executed or completed (as applicable) before lodgement of the Prospectus on the lodgement date.

The representations and warranties given by the Company relate to matters including but not limited to powers and capacities, authorisations, the validity of the Underwriting Agreement and status of valid incorporation, information provided by the Company including disclosure and financial information, accounts, employment and OHS, licences, insurance, litigation, encumbrances, intangible property, Material Contracts, data privacy, software and systems, the Prospectus and certain other related offering documents (including any compliance with laws relating to such), due diligence process (as defined in the Underwriting Agreement), closing certificates, disclosures, the provision of accurate statements and documents (as applicable), compliance with laws (including no breaches or contraventions of applicable laws), no stamp and transfer taxes (except as provided for in the Underwriting Agreement), taxation, no broker's fees and commissions (except as disclosed in the Prospectus), disposing or dealing with Shares set out in the restriction agreements (unless contemplated by the restriction agreements), matters concerning the IID and IID Instruments (including execution, compliance and no breaches), the operation of the Company's business and the undertaking of the Offer and other legally binding requirements.

The Company's undertakings

The Company's undertakings include:

(a) (**notice of breach**) until completion, that it must each, after being aware, notify the Joint Lead Managers of any breach of any representation, warranty or termination event, the non-satisfaction of any conditions precedent or undertaking given under the Underwriting Agreement;

(b) (**breach**) not, before Completion, commit, be involved in or acquiesce in any activity which breaches the Corporations Act, any other law to which the Company is subject or any order of any governmental agency (as defined in the Underwriting Agreement) that is binding on it, the Listing Rules (except where compliance has been waived, or as modified by ASX), the Constitution, any legally binding requirement of ASIC or ASX (including any ASX waiver or ASIC modification), the IID or any IID Instrument or any other agreement (including the Material Contracts) undertaking or instrument or authorisation binding on it, in each case in any material respect;

(c) (**consent to amendments**) promptly notify and obtain the prior written consent of the Joint Lead Managers (such consent not to be unreasonably withheld or delayed) to the form and content of, and any amendments to, the Prospectus (and any supplementary prospectus) however any consent given is given without prejudice to the rights of the Joint Lead Managers to terminate the Underwriting Agreement;

(d) (**correspondence with ASIC or ASX**) provide the Joint Lead Managers with copies of all material correspondence from ASIC or ASX (or any of their respective advisers) to it (or any of its advisers), and give the Joint Lead Managers a reasonable opportunity to comment on any such correspondence from the Company (or any of their advisers) to ASIC or ASX (or any of their respective advisers) in connection with the Prospectus and any supplementary prospectus to the extent reasonably practicable;

(e) (**notifications**) give notice to the Joint Lead Managers promptly and without delay after becoming aware of any of the following:

(i) ASIC issuing an order (including an interim order) under section 739 of the Corporations Act;

(ii) ASIC holding a hearing under section 739(2) of the Corporations Act or giving written notice that it intends to hold such a hearing;

(iii) an application being made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer, the Prospectus, the Prospectus or any supplementary prospectus;

(iv) ASIC commencing any investigation or hearing under Part 3 of the ASIC Act in relation to the Offer, the Prospectus, the Prospectus or any supplementary prospectus; or

(v) any person who has previously consented to the inclusion of its name in the Prospectus or supplementary prospectus (other than the Joint Lead Managers) withdrawing that consent;

(f) (**no Encumbrance**) not create or agree to create any encumbrance over any or all of the Offer Shares;

(g) (**moratorium**) not, without the prior written consent of the Joint Lead Managers or as disclosed in the Prospectus at any time after the date of the Underwriting Agreement and up to 120 days after Completion, allot, or agree to allot, or indicate in any way that it may or will allot, or agree to allot, any shares or other securities that are convertible or exchangeable into equity, or that represent the right to receive equity, of the Company or any member of the Group other than pursuant to:

(i) the Offer or as disclosed in the Prospectus;

(ii) the Underwriting Agreement;

(iii) an employee share plan;

(iv) a non-underwritten dividend reinvestment;

(v) a bonus share plan; or

(vi) the conversion of equity securities on issue as at the date of the Underwriting Agreement;

(h) (**business**) from the date of the Underwriting Agreement until 120 days after Completion, carry on its business, and procure that each member of the Group carries on its business in the ordinary course and not dispose (or permit any other member of the Group to dispose) of any material part of its (or their) business or property except as disclosed in the Prospectus in the ordinary course or with the prior written consent of the Joint Lead Managers;

(i) (**no changes**) not, from the date of the initial distribution of the Prospectus until before 120 days following Completion:

(i) alter the capital structure of the Company;

(ii) amend the Constitution; or

(iii) take any step to vary the composition of the key people (as defined in the Underwriting Agreement),

except as disclosed in the Prospectus or with the prior written consent of the Joint Lead Managers;

(j) (**IID and IID Instruments**) not, from the date of the initial distribution of the Prospectus until completion of the IID steps, waive any right under, or vary any term of, the IID or any IID Instrument without the prior consent of the Joint Lead Managers (such consent to be unreasonably withheld or delayed);

(k) (**Material Contracts**) not, from the date of the initial distribution of the Prospectus until 180 days following Completion, vary any term of a Material Contract in a material respect without the prior consent of the Joint Lead Managers to the terms of the variation (such consent not to be unreasonably withheld or delayed);

(l) (**Restriction Agreements**) not amend, waive or vary any requirements of the restriction agreements (as defined in the Underwriting Agreement) and strictly enforce the restriction agreements (as defined in the Underwriting Agreement) and in accordance with their terms;

(m) (**keep informed**) until Completion, keep the Joint Lead Managers informed of:

 (i) any information provided by the Company or its representatives to the Joint Lead Managers or publicly which is not or ceases to be true, accurate and complete in all material respects and not misleading or deceptive in any material respect; and

 (ii) any actual or likely material adverse change (as defined in the Underwriting Agreement);

(n) (**posting on website**) as soon as practicable after the Prospectus or any supplementary prospectus is lodged with ASIC, ensure that an electronic copy of that document is available on the Company's offer website or that of an affiliate of the Company, provided such Prospectus or supplementary prospectus is located behind website screens in a form and substance agreed with the Joint Lead Managers (acting reasonably), which is designed to restrict access to such documents to persons that are not in the United States;

(o) (**senior executives**) provide the full support of and access to the Group's senior executives in the marketing of the Offer at the Company's own expense; and

(p) (**prescribed occurrences**) ensure that from the date of the Underwriting Agreement until 120 days after Completion, none of the events set out in sections 652C(1) or (2) of the Corporations Act occurs in relation to the Company or each other member of the Group except as disclosed to the Joint Lead Managers prior to the date of the Underwriting Agreement or as per the exceptions referred to in the Underwriting Agreement.

Indemnity

Subject to certain customary exclusions (including after being finally judicially determined to have primarily resulted from the gross negligence, wilful misconduct, recklessness or fraud of an indemnified party), the Company unconditionally and irrevocably agree to keep the Joint Lead Managers and certain affiliated parties indemnified from Losses (as defined in the Underwriting Agreement) related directly or indirectly to the Offer, the Offer Documents or the Underwriting Agreement.

9.4.2 NAED Centre Management Deed

Nido has entered into a Centre Management Deed ("**NAED CMD**") with NAED Holdings Pty Ltd ACN 668 410 893 ("**NAED**"), under which Nido will provide NAED and its related bodies corporate ("**Principal Entities**"), any or all (as applicable) of the following:

- in relation to the Centres agreed to be managed by Nido, all such services, acts and other things as reasonably necessary or desirable for the management, operation and conduct of the Centres to the standards of other professionally managed Centres in Australia and to maximise the profitability, growth and goodwill and reputation of the Centres ("**Management Services**"), including general operational duties, staff management, income and reporting, documentation, operating expenses and maintenance obligations;
- in respect of potential new Centres, Nido will use its best endeavours to provide or procure the provision of services for the identification of sites for a minimum number of new Centres and must do all things necessary to perform and report on due diligence, coordinate approvals and negotiate and execute legal documentation ("**Property Engagement Services**"); and
- in respect of any new Centres to be managed by Nido, Nido must provide or procure the provision of services including recruitment, ongoing human resources management, coordinating approvals, licensing and set up, payroll, marketing, Centre operations and financial management ("**Centre Establishment and Setup Services**"),

(collectively, "**Services**").

The NAED CMD is effective from on or about the Prospectus Date ("**Commencement Date**") until terminated in accordance with the NAED CMD.

Fees

In consideration for Nido providing Management Services, NAED will pay to Nido $120,000 per annum in respect of each Centre in 12 equal monthly instalments, payable monthly in advance ("**Management Fee**").

In consideration for Nido providing Property Engagement Services and Centre Establishment and Setup Services, NAED will pay to Nido in respect of the potential new Centres identified by Nido or new Centres to be managed by Nido (as applicable):

- $250,000 (excluding GST), which may be invoiced by Nido once the relevant Centre begins trading; and
- An additional fee, up to $30,000 (excluding GST) for any costs reasonably and directly incurred by Nido for the construction, design or management of the construction of a new Centre to be managed by Nido,

("**Engagement Fee**").

The Management Fee and Engagement Fees will be positively adjusted annually on 31 December ("**CPI Review Date**") by reference to the consumer price index ("**CPI**").

If NAED employs one or more persons ("**Service Employees**") for the performance of services similar to the Property Engagement Services, the Engagement Fees will be reduced by an appropriate amount to reflect the reduced scope of the Property Engagement Services performed by Nido.

Reimbursable Costs

NAED will reimburse Nido for certain costs incurred in providing and performing the Services ("**Reimbursement Costs**"). Nido must not double count or double recover Reimbursable Costs, and NAED is not liable to Nido for any loss, liability, cost, expense or damage incurred by Nido in relation to the Services that is not a Reimbursable Cost.

Consultation and reporting

Nido must regularly report and consult to NAED in relation to the performance of the Services and must keep NAED fully informed and provide them with any requested information, reports or other details in relation to the Services (including Fees and Reimbursable Costs).

Audit

From the Commencement Date to 2 years after the date of expiry or termination of the NAED CMD, NAED (or its nominee) may from time to time conduct an audit in relation to Fees or Reimbursable Costs and Nido's compliance with applicable Law and its obligations under the NAED CMD. Nido must, at its cost, provide to NAED (or its nominee) its records, make available its personnel for interview and grant access to its premises as reasonably required to conduct an audit. If requested by NAED, Nido must, at its cost, meet with NAED (or its nominee) within 20 Business Days after delivery of any audit report to discuss any finding of breach and agree the recommendations to remedy that breach ("**Audit Remedies**") and the timeframe to implement the Audit Remedies.

Assignment

Each party may only assign or novate the NAED CMD or a right or obligation under the NAED CMD with the other party's prior written consent. However, NAED may assign the NAED CMD or a right under the NAED CMD at any time, without consent, in favour of a Principal Entity, any person(s) providing financial accommodation ("**Finance Party**") or acting as a security trustee or agent for a Finance Party if written notice of the assignment is provided.

Change of control

The NAED CMD provides NAED a termination right on a change in the direct or indirect beneficial ownership or control (as defined in section 50AA of the Corporations Act) of Nido ("**Change of Control**") but excludes any internal restructure or reorganisation that does not result in a change to the effective control of Nido as at the Commencement Date or where the Change of Control results from or after an initial public offering.

Non-solicitation

The NAED CMD includes a restriction, both during and after the term of the NAED CMD, on Nido using the confidential information of a Principal Entity to approach any customers who Nido knows to have been a customer of a Centre within the previous two years with a view to induce or solicit the business of that customer for the benefit of another child care or related business. However, such restriction does not apply to any contact or the solicitation of business resulting from a general and public advertising or promotional campaign by Nido.

Termination events

NAED may terminate the NAED CMD, or terminate the NAED CMD in respect of a particular Centre, in whole or part for convenience by giving Nido one month's notice ("**Termination Notice Period**") or paying to Nido a termination fee equal to the fees for the Management Services that Nido would otherwise have been paid in respect of the Termination Notice Period for the particular Centre (as applicable).

Either party may terminate the NAED CMD in whole or part, or terminate the NAED CMD in whole or part in respect of a particular Centre, by giving notice to the other:

- if the other breaches its obligations under the NAED CMD or in respect of a Centre (as applicable) and fails to remedy that breach within 20 Business Days after receiving notice requiring it to do; or
- if the other breaches a material provision of the NAED CMD or in respect of a Centre (as applicable) where that breach is not capable of remedy in the reasonable opinion of the terminating party.

Either party may terminate the NAED CMD in whole or part:

- if a termination event occurs to the other (including in the case of Nido a change of control or critical failure to meet the key performance indicators for the Services, or in the case of either party insolvency or ceasing to carry on the business);
- if Nido materially breaches one or more of its duties in relation to anti-bribery and corruption as set out in the NAED CMD; and
- if an audit has identified any wilful or unlawful acts by Nido, or a breach of obligations under the NAED CMD which is not capable of remedy or the Audit Remedies or timeframe cannot be agreed by the parties or is not implemented by Nido.

Call Option

The NAED CMD also provides Nido a call option over Centres owned by a Principal Entity that have met the following trigger events:

- the occupancy percentage of a Centre is equal to or greater than 80% on average over a consecutive 6 month period ("**Trigger Period**") during the term of the NAED CMD;
- the EBIT of a Centre is equal to or greater than $5,500 per annum per place at the Centre (adjusted in accordance with the NAED CMD); and
- the trigger event price for a Centre (being 4.5 x trigger event EBIT which itself is the seasonally adjusted EBIT of a Centre during the Trigger Period) is equal to or greater than the net cost incurred by the relevant Principal Entity for the Centre at the expiry of the Trigger Period,

(each a "**Trigger Event**").

Under the NAED CMD, each Principal Entity grants to Nido, in respect of the first 100 Centres offered with the expectation if developed would meet a Trigger Event, an option to acquire the Centres or the shares of the holding companies of those Centres (each a "**Call Option**") during a certain period ("**Call Option Period**"). The Call Option Period commences after the Trigger Period in relation to a Centre ("**Call Option Start Date**") and expires on the earlier of:

- where the amount drawn down by NAED that is still outstanding and remains due and payable by NAED under the NAED Loan Agreement ("**Drawdown Amount**"):
  - is less than $20,000,000, 12 months after the relevant Call Option Start Date;
  - is $20,000,000 or more but less than $25,000,000, 6 months after the relevant Call Option Start Date;
  - is $25,000,000 or more, 3 months after the relevant Call Option Start Date; or
  - changes during the Call Option Period and that change would result in the Call Option Expiry Date in accordance with the above thresholds having already passed, one month after the date of such change to the Drawdown Amount;
- 36 months after the relevant Centre has commences trading; and
- the date of termination of the NAED CMD.

Nido may exercise a Call Option during the Call Option Period by delivering a duly executed notice to the Principal Entity ("**Call Option Notice**"). On exercising a Call Option, and agreeing the occurrence of a Trigger Event and relevant purchase details (including the exercise price of the purchase, being 4.5 x the acquisition EBIT which itself is the seasonally adjusted EBIT of a Centre over a specified 6 month period) which may be adjusted in accordance with the NAED CMD, the Principal Entity and Nido must comply with the process set out in the NAED CMD for the transfer of Centres.

Nido must ensure that all information and assistance as reasonably requested is given to the Principal Entity to review the Call Option Notice, verify that the Trigger Event has occurred and review the purchase price details.

Within 20 Business Days of the Principal Entity being given the Call Option Notice and the requested information and assistance ("**Objection Period**"), the Principal Entity must give Nido written notice that it either agrees or disagrees with the information in the Call Option Notice. If the Principal Entity gives notice that it agrees, then the purchase price and details are final and binding on the parties. If the Principal Entity disagrees, it must set out reasonable details of each matter that is in dispute and the reasons why ("**Disputed Item**"). The Disputed Items must be resolved but the elements of the Trigger Event and purchase price which are not Disputed Items are agreed and final and binding on the parties. However, if the Principal Entity fails to give notice, the Call Option Notice is agreed and is final and binding on the parties.

The NAED CMD contains provisions for unresolved Disputed Item(s) to be referred to an independent third party for final determination and provisions for the completion process for the transfer of the Centres or the shares in the holding company that owns each relevant Centre.

Opportunity

From the Commencement Date and expiring on the earlier of 6 years from the Commencement Date or the date on which Nido has acquired all Centres under the Call Options ("**Opportunity Period**"), Nido must promptly introduce to NAED all (and at least 100) business opportunities in relation to potential Centres (opportunities are taken to mean developing, establishing, owning or operating a Centre, or acquiring the business or securities in any entity that owns or operates a Centre which Nido considers it can negotiate the terms of the opportunity with the counterparty) ("**Opportunities**" and each an "**Opportunity**").

If NAED gives Nido written notice of its acceptance of an Opportunity in whole or part ("**Opportunity Acceptance**"), NAED is entitled to undertake the Opportunity. If NAED fails to give notice of its Opportunity Acceptance, NAED is taken to have rejected the Opportunity and Nido and/or its related persons (with or without third parties) may engage in the Opportunity.

Exclusivity

The NAED CMD provides that NAED must not acquire similar Services from a competitor of Nido. It also provides that Nido must not, and must procure that its related persons do not, supply similar Services to parties other than NAED or the Principal Entities except: with NAED's prior consent, the provision of Services by Nido to other named Incubators, and if opportunities are rejected by NAED, these may be pursued by Nido (including incubated by alternate parties).

NAED must also not sell any Centre until either the expiry of any relevant Call Option Period, 36 months post commencement of trading for a Centre where a Trigger Event has not occurred or with Nido's prior written consent.

Restriction on Nido exit event

If Nido decides to sell the whole or substantially all of its business or assets to a third party, Nido must ensure that the third party either enters into a deed of assignment or novation for the NAED CMD or the third party enters into a new centre management deed with NAED on substantially similar terms to the NAED CMD.

Indemnity and limitation of liability

The NAED CMD contains indemnities under which Nido indemnifies each Principal Entity and their respective personnel against all losses as a result of a number of matters, including changes of control, wilful or unlawful acts, property damage, personal injury and breach of the NAED CMD.

However, each party's maximum aggregate liability to the other party for any loss incurred in relation to the Services or the NAED CMD is limited to the sum of all investments made by NAED's shareholders in NAED from time to time (being $6,500,000 at the Commencement Date).

Representations and warranties

The NAED CMD contains standard mutual representations and warranties in relation to capacity, power, authority and compliance under the NAED CMD.

9.4.3 NAED Loan Agreement

Nido (as the lender) has entered into a loan agreement ("**NAED Loan Agreement**") with NAED Holdings Pty Ltd ACN 668 410 893 ("**NAED**") (as the borrower) to provide advances to NAED in an aggregate amount of $25,000,000 (subject to positive adjustments if certain conditions are satisfied) ("**NAED Loan**").

Under the NAED Loan Agreement, the first advance is to be in the amount of $6,000,000 with subsequent advances to be a minimum amount of $2,000,000. NAED may only request an advance if Nido has received an equity capital contribution from its shareholders in an amount of no less than the proposed advance.

The outstanding amount of the NAED Loan (which includes interest at 8% per annum which capitalises monthly) is to be repaid by NAED within 6 years after the date of the NAED Loan Agreement. NAED can prepay all or part of the outstanding amount provided that it pays a distribution to its shareholders in an amount equal to 150% of that prepayment.

On the occurrence of an event of default, Nido can declare that the money owing is immediately due and payable. Customary events of default are included in the NAED Loan Agreement, including non-payment by NAED, insolvency events and vitiation of a finance documents.

The NAED Loan Agreement contains customary representations and warranties, indemnities and standard assignment restrictions for an agreement of this nature.

9.4.4 ISAMAX Loan Agreement

Nido ("**ISAMAX Borrower**") entered into a loan agreement with ISAMAX Pty Ltd ACN 156 123 241 in its capacity as trustee for the Edwards Family Trust ("**ISAMAX Lender**") on 19 August 2022 and the agreement was novated and varied by a deed of novation and variation on 27 July 2023 ("**ISAMAX Loan Agreement**").

Under the ISAMAX Loan Agreement, the ISAMAX Lender agrees to provide the ISAMAX Borrower the facility which has a limit of $15,000,000 ("**Facility Limit**") and has an end date or maturity of 21 October 2026. The facility is provided for the purpose of funding Nido and any ancillary requirements of the ISAMAX Borrower.

The facility may be drawn and or repaid without penalty by the ISAMAX Borrower. While the default rate under the ISAMAX Loan Agreement is 5.0% per annum, the interest rate is 3.0% per annum and calculated on the basis that interest accrues daily, is payable on the maturity date and uses a days lapsed model.

Given the parties are related, there is an indemnity and mitigation clause which allows the ISAMAX Lender and ISAMAX Borrower to take reasonable steps to mitigate any circumstances which arise and would result in any amount payable being cancelled under a number of clauses in the ISAMAX Loan Agreement.

The ISAMAX Loan Agreement is secured by a replacement general security deed dated 27 July 2023 between ISAMAX Pty Ltd ACN 156 123 241 in its capacity as trustee for the Edwards Family Trust and Nido ("**General Security Deed**").

The General Security Deed creates a security interest in all of the ISAMAX Borrower's property and secures amounts owing to ISAMAX Lender by the ISAMAX Borrower under the ISAMAX Loan Agreement.

This document contains customary representations, warranties and undertakings and default provisions for a security document of this nature.

9.4.5 Busy Bees Centre Management Agreement

Nest Management Pty Ltd ACN 650 980 886 ("**Nest Management**") has entered into a Centre Management Agreement ("**Busy Bees CMA**") with Busy Bees Australia Operations Pty Ltd ACN 150 894 769 ("**Busy Bees Australia**"), under which Nest Management will manage each of the 34 Centres subject to the Busy Bees CMA and do all such necessary acts and things for the management, operation and conduct of the Centres, including:

- maintaining the necessary approvals to operate the Centres;
- minimising vacancies in the Centres and seeking income growth for Busy Bees through fee reviews and renewals;
- maintaining the relationship between Busy Bees and parents and guardians and notifying Busy Bees of any relevant issues or incidents;
- negotiating or procuring supplier agreements;
- managing expenditure in accordance with the operating budget agreed with Busy Bees which includes the fees to be charged at the Centre and provision of services to the Centre ("**Operating Budget**") and debt recovery matters;
- carrying out and managing employment related services; and
- collecting fees, arrears and payments and invoicing parents and guardians for fees,

(collectively, "**Services**")

Italic terms in this Section 9.4.5 are terms defined in the Busy Bees CMA.

The Busy Bees CMA is effective from Settlement date, being 21 October 2021 to 21 October 2024 ("**Term**").

Reserved Matters

Nest Management must obtain Busy Bees Australia's prior written consent before undertaking certain matters set out in the Busy Bees CMA, including:

- undertaking any matter not provided for in the Operating Budget; and
- terminating the employment of any Centre personnel.

Management fees

Under the Busy Bees CMA, Busy Bees Australia agrees to pay Nest Management $100,000 per Centre (inclusive of Nest Management's costs and expenses of providing the Services), subject to a minimum per annum total amount of $3,000,000 ("**Management Fee**"). The Management Fee is calculated with reference to the number of Centres subject to the Busy Bees CMA, which must not be less than 30 Centres.

Change of control

The Busy Bees CMA contains a change of control provision which is triggered by a change in the direct or indirect power of a person to control the membership of the board of directors or the ownership of any interest in shares of Nest Management. However, a change of control is not triggered by a change in control:

- resulting from ordinary course trading in a stock exchange; or
- of Nest Management or a Related Body Corporate that is authorised to operate the Centre ("**Approved Provider**"), if Mathew Edwards (or entities controlled by Mathew Edwards) remains the largest shareholder and continues to be the managing director of Nest Management and the Approved Providers.

This clause will not be triggered by the IPO as Mathew Edwards or his related entities will continue to hold 50.5% of Shares post Listing.

Reporting

Nest Management must provide Busy Bees Australia with various periodic reports in relation to serious incidents, operational data, payroll, issues, incidents complaints or disputes, budgeting matters and financial performance.

Termination events

Nest Management may terminate the Busy Bees CMA in whole or in part immediately by written notice to Busy Bees Australia if Busy Bees Australia is in material, persistent or repetitive breach of the Busy Bees CMA and Busy Bees Australia has received written notice from Nest Management specifying the breach and has failed to remedy the breach within a reasonable period (being not less than 30 days).

Busy Bees Australia may terminate the Busy Bees CMA in relation to some or all of the affected Centres immediately by written notice to Nest Management if:

- an adverse event (including insolvency, a change of control or change in approval status) occurs in respect of Nest Management or its *Related Bodies Corporate*;
- a Service level termination event occurs where a minimum standard of performance for the Services is not achieved, including in relation to service approvals, quarterly EBITDA targets (for example, there are two consecutive quarters with a negative variance to the quarterly EBITDA target greater than 10%, except where caused by an event or circumstances that generally affects the child care industry in Australia or has the same or substantially the same impact on other Busy Bees Australia Centres not subject to the Busy Bees CMA as it does on the Centres), Centre personnel turnover target, quality ratings and debt management; or
- Nest Management is in material, persistent or repetitive breach of the Busy Bees CMA (other than an *Adverse Event* or *Service Level Termination Event*) and has received written notice from Busy Bees Australia specifying the breach and has failed to remedy the breach within a reasonable period (being not less than 30 days).

Indemnity and limitation of liability

The Busy Bees CMA contains a broad indemnity in which Nest Management will indemnify Busy Bees Australia, its *Related Bodies Corporate* and its personnel against all losses as a result of any various matters, including wilful or unlawful acts, property damage, personal injury and breach of the Busy Bees CMA.

However, the total liability for breach of the Busy Bees CMA by a party is limited to five times the annual Management Fee, but that does not apply to certain matters such as property damage, personal injury, specific indemnities, breach of law. Additionally, the indemnity is reduced to the extent that the losses were caused or contributed to by Busy Bees Australia.

Representations and warranties

The Busy Bees CMA contains certain standard mutual representations and warranties in relation to capacity, authority and performance under the Busy Bees CMA.

Restraints

The Busy Bees CMA restricts Nest Management and its related bodies corporate from the supply of childcare services or services that are similar to the Services to any person in the relevant area, being a specified radius around existing centres under the Busy Bees CMA without the prior consent of Busy Bees Australia.

This restraint does not apply to any services provided to another person in relation to an existing or pipeline centre which Nest Management or its related bodies corporate (whether owned by them or a third party) provides or is contracted to provide long day childcare services and related services ("**Existing Manager Centre**"), or long day childcare services provided by or from an Existing Manager Centre.

First right of refusal and restrictions on third party sales

The Busy Bees CMA provides mutual first rights of refusal for the sale of Centres to third parties by either Nest Management or Busy Bees Australia. During the Term, if either Nest Management (in respect of the certain Group Centres), or Busy Bees Australia (in respect of the Centres governed by the Busy Bees CMA) seeks to sell a Centre, they must first offer and provide to the other party, a notice specifying the prices and key terms of the sale. The other party has 30 days to respond to the notice which then commences a 60 due diligence and negotiation period to complete the sale.

The first right of refusal is subject to certain exceptions including a carve out where Nest Management seeks to sell all or substantially all of its relevant Centres to a third party.

9.4.6 Incubator Centre Management Agreement

Nido has entered into a Centre Management Deed ("**CMD**") with each of:

- LYTWA2 Pty Ltd ACN 639 414 396;
- Liberta Childcare Services Pty Ltd ACN 663 146 549 as trustee for Liberta Childcare Services WD Trust ABN 76 811 559 918;
- Kingsley Early Learning Pty Ltd ACN 652 535 432 as trustee for Kingsley Early Learning Unit Trust ABN 34 982 134 202;
- FG Operations Pty Ltd ACN 667 744 792 as trustee for FG Operations Unit Trust ABN 40 102 851 984,

(each an "**Other Incubator**" and together, the "**Other Incubators**") and the relevant Centre leasehold entities, under which Nido will provide each Other Incubator with similar Services as provided to NAED under the NAED CMD.

Fees

In consideration for Nido providing Management Services, each Other Incubator will pay to Nido $120,000 per annum in respect of each Centre in 12 equal monthly instalments, payable monthly in advance ("**Management Fee**").

In consideration for Nido providing Property Engagement Services and Centre Establishment and Setup Services, each Other Incubator will pay to Nido in respect of certain new Centres owned by the Other Incubators to be managed by Nido, $250,000 (excluding GST) ("**Engagement Fee**") to be paid as follows on whichever occurs first:

- on acquisition of the new Centre by Nido (or its related body corporate), and Nido has the right to deduct the Engagement Fee and any outstanding fees from the purchase price of the Centre; or
- on the date that is 24 months from the date the new Centre commences trading.

Certain Other Incubators have a reduced Engagement Fee for agreed pipeline Centres.

The Management Fee and Engagement Fee will be positively adjusted by reference to the consumer price index ("**CPI**").

Reimbursable Costs

The Other Incubators will reimburse Nido for certain costs incurred in providing and performing the Property Engagement Services and Management Services.

Exclusivity

Certain Other Incubators and their related bodies corporate are restricted from acquiring services which are the same or similar to the Services from a competitor of Nido.

Nido may provide Services to entities other than the Other Incubators.

NIDO Licence

Nido agrees to provide or procure a licence to certain Nido intellectual property rights for each Centre managed under each CMD. No licence fee is payable by the Other Incubators to Nido in addition to the Other Incubator Engagement Fee.

Assignment

Each party may only assign or novate the CMD or a right or obligation under the CMD with the other party's prior written consent and subject to the assignee agreeing to the terms of the CMD. A party may assign the CMD or a right under the CMD at any time and subject to the assignee agreeing to the terms of the CMD, without consent from the other party, in favour of any person(s) providing financial accommodation ("**Finance Party**") or acting as a security trustee or agent for a Finance Party if written notice of the assignment is provided.

Restraints

Each CMD includes restraints on the directors of the Other Incubators from inducing or soliciting personnel to leave the employment or engagement of Nido. Reciprocal restraints are imposed on Nido in one CMD.

Termination events

Either party may terminate the CMD in respect of a particular Centre, by giving notice to the other:

- if the other breaches its obligations under the CMD and fails to remedy that breach within 30 Business Days after receiving notice requiring it to do;
- if the other breaches a material provision of the CMD where that breach is not capable of remedy; or
- if any specified notification events occur (notification events include change of control of an Other Incubator and insolvency events).

Following the initial term of the CMD (being 2 years from the commencement of trading of the relevant Centre), the parties may terminate the CMD for convenience subject to notice periods or payment in lieu of notice.

The Other Incubator or relevant Centre leasehold entity may also resign from its obligations under the CMD if certain default and payment obligations are met and Nido is satisfied that the resignation is in the best interests of Nido.

Call option

Each CMD provides for a materially similar call option regime to the Call Option contained in the NAED CMD.

First right of refusal and restrictions on third party sales

Each CMD provides that if the relevant Other Incubator intends to sell a Centre, Nido must first be offered the right to purchase the Centre. The CMD contains provisions for determining the offer price of the sale and a template business acquisition contract. The purchase price for a Centre is a determined multiple of EBIT plus an earn-out amount. The multiples differ for each Other Incubator and range between 5 – 6x. In circumstances where there is disagreement on the purchase price, the parties may refer the matter to an independent consultant.

Further, there is a prohibition on the Other Incubators from selling a Centre to an external party during the term without the consent of Nido and without adhering to the right of first refusal regime and call option regime.

Indemnity and limitation of liability

The CMD contains customary indemnities for the benefit of Nido against losses suffered as result of a breach of the CMD by the relevant Other Incubator. Certain CMDs also contain reciprocal indemnities for the benefit of the relevant Other Incubator.

Each party's maximum aggregate liability to the other party for any loss incurred in relation to the Services is limited to the sum of the fees paid by the Other Incubators to Nido, with customary carve outs for amounts recoverable under insurances and exclusions of consequential losses.

Representations and warranties

The CMD contains standard mutual representations and warranties in relation to capacity, power, authority and compliance under the CMD.

9.4.7 IPO Implementation Deed

On or about the date of the Original Prospectus, Nido entered into an IPO implementation deed (**IPO Implementation Deed**" or "**IID**"). The IPO Implementation Deed sets out the basis on which various transaction documents executed by the parties to the IPO Implementation Deed will be released from escrow, the order in which those transaction documents are released, how part of the proceeds of the IPO will be utilised and certain rights and obligations of the parties.

The transactions documents held in escrow under the IPO Implementation Deed include:

- the AES SSA – refer to Section 9.4.8 for further detail;
- each CAC – refer to Section 9.4.9 for further detail; and
- each Other CAC – refer to Section 9.4.10 for further detail.

The transaction documents, while being held in escrow, will not have any operative effect. However, certain obligations of the parties under the transaction documents (including those obligations relating to pre-completion conduct) are included by reference in the IPO Implementation Deed. The result is that these obligations, although only set out in the relevant transaction documents, are operative on and from the date of the IPO Implementation Deed.

Conditions to release from escrow

Under the IPO Implementation Deed, the escrow agent will be permitted to release each transaction document from escrow (in the order set out in the steps plan in a schedule to the IPO Implementation Deed), and date each transaction document on the date it is released, after being notified by Nido that each of the following condition precedents have been fulfilled (or waived):

- the Company lodges the prospectus;
- ASX confirms in writing that it will grant permission for:
  - the Company to be admitted to the official list of ASX; and
  - official quotation of Shares of the Company on ASX;

  in each case, subject only to standard conditions of an administrative nature within the control of the Company or any of the other parties to the IPO Implementation Deed (other than the escrow agent) (or both);

- either:
  - all of the monetary proceeds of the IPO have been received in immediately available funds in an account (or accounts); or
  - DvP settlement has occurred in respect of the Shares offered under the IPO.

Failure of conditions

Nido will have the right to terminate the IPO Implementation Deed by notice in writing to all other parties, in the following limited circumstances:

- if a condition precedent is not fulfilled (or waived) on or before 5.00pm on 30 November 2023 or any other date determined by the Company;
- if the Company determines (by notice in writing to all of the other parties) not to proceed with the IPO at any time before fulfilment of the conditions; or
- the Underwriting Agreement in relation to the IPO is terminated.

If the conditions precedent are not fulfilled (or waived) on or before 29 March 2024 or such later date as the parties to the IPO Implementation Deed may agree, then the IPO Implementation Deed is automatically terminated.

9.4.8 AES Share Sale Agreement

Nest Education Development Pty Ltd ACN 650 975 376 ("**Nest Education**") (as purchaser), Alceon Group Pty Ltd ACN 122 365 986 as trustee for Alceon Nido Trust ABN 32 826 732 210, Alceon Group No.20 Pty Limited ACN 167 169 762 as trustee for Alceon Nido No.3 Trust ABN 44 970 908 532, Alceon Group No.24 Pty Limited ACN 169 442 960 as trustee for Alceon Nido No.2 Trust ABN 75 487 076 765 (collectively, the "**Alceon Vendors**") and Money Desert Pty Ltd ACN 656 699 428 as trustee for Hundred Acres Trust ABN 99 813 692 066 ("**MGE Vendor Entity**") (as vendor) (collectively, the Alceon Vendors and the MGE Vendor Entity are referred to as the "**AES Vendors**"), ISAMAX Pty Ltd ACN 156 123 241 as trustee of the Edwards Family Trust ("**MGE Guarantor**") and Alceon Capital Pty Ltd ACN 163 867 016 ("**Alceon Guarantor**") (as guarantors) (together, the "**Guarantors**") have executed a share sale agreement under which Nest Education is proposing to acquire 100% of the issued share capital in AE Early School Holdings Pty Ltd ACN 657 335 889 ("**AES Holdings**") and its subsidiaries (collectively, the "**AES Group**") ("**AES SSA**"). The executed AES SSA is being held in escrow subject to the terms of the IID. Under the AES SSA, Nest Education will, as a result of acquiring AES Holdings, acquire each of the 11 child care Centres ("**AES Centres**") that are owned and operated by AES Holdings and/or its subsidiaries.

The AES Centres are located in the following states:

- four in Victoria;
- three in South Australia; and
- four in Western Australia.

Purchase Price

The purchase price under the AES SSA is $73,178,545, subject to adjustments for debt and cash and other standard matters such as warranty and indemnity claims. On completion, the Alceon Vendors will direct that an amount of $4,584,770 be paid from the Alceon Vendors' share of purchase price to NEST AE Pty Ltd ACN 658 486 938 ("**Nest AE**"), a wholly-owned indirect subsidiary of the Company, in full satisfaction of the obligation to pay a bonus to as contemplated under the Centre Management Deed between AES Holdings and NEST AE.

The purchase price will, at the election of each AES Vendor be paid by either cash or Shares in the proportion to which they are entitled to the purchase price. The AES Group will be acquired on a debt free, cash free basis.

Conditions to completion

The AES SSA contains a number of condition precedents that must be satisfied or waived for completion to occur, these include but are not limited to:

- obtaining all necessary approvals under the key business contracts to the transactions contemplated by the AES SSA; and
- completing each of the CACs referred to in Section 9.4.9 and each of the Other CACs as referred to in Section 9.4.10.

If a condition precedent is not satisfied (or waived by the party or parties entitled to the benefit of that condition precedent) by the relevant sunset date, a party is entitled to terminate the AES SSA.

Guarantors

In consideration for Nest Education entering into the AES SSA at the Guarantors' request and for other valuable consideration, the Alceon Guarantor has agreed to guarantee the obligations of the Alceon Vendors and the MGE Guarantor has agreed to guarantee the obligations of the MGE Vendor Entity.

Representations and warranties

The AES SSA contains the standard representations and warranties given by a vendor under a share sale agreement, in relation to matters such as, but not limited to, title and capacity and business warranties in relation to accounts, records, business contracts, employees, tax, litigation, property and compliance with laws. Title and capacity warranties and certain accounts warranties are given by all AES Vendors, however the balance of the warranties are given by the MGE Vendor Entity only. The maximum aggregate liability of the AES Vendors for all claims made by Nest Education under the AES SSA (other than for breach of title and capacity warranties) is 50% of the purchase price and the maximum aggregate liability for claims for breach of the title and capacity warranties is equal to the purchase price.

Confidentiality

Each party to the AES SSA must keep its contents, each document referred to in the AES SSA and certain other confidential information confidential and may only disclose it to the officers, employees or advisers of the party, who have a need to know for the purposes of the AES SSA and who undertake a corresponding obligation of confidentiality as undertaken by each party to the AES SSA or if required by law.

9.4.9 David Lyons template Centre acquisition contract ("CAC")

Centre acquisition contracts with David Lyons' Vendors

AE Early School Development Co Pty Ltd ACN 657 399 981 ("**AES**") has executed a separate Centre acquisition contract with each of the following vendors for the acquisition of one or multiple Centres operated by that vendor, by way of a purchase of assets:

- Matolly Pty Ltd ACN 607 246 391 as trustee for the Lyons Childcare Trust, in relation to the child care business operated at Belmont ("**Belmont Centre**");
- LYTWA1 Pty Ltd ACN 642 210 240, in relation to the child care business operated at Balcatta ("**Balcatta Centre**") ("**Balcatta CAC**");
- Tildamo Pty Ltd ACN 624 124 385, in relation to the child care businesses operated at Baldivis East ("**Baldivis East Centre**"), Bassendean ("**Bassendean Centre**"), Kingsway ("**Kingsway Centre**") and Treeby ("**Treeby Centre**");
- LYTSA1 Pty Ltd ACN 642 210 179, in relation to the child care business operated at Belair ("**Belair Centre**");

- LTYVIC1 Pty Ltd ACN 619 603 253, in relation to the child care business operated at Ocean Grove ("**Ocean Grove Centre**"); and
- Tildamo Fulham 5024 Pty Ltd ACN 643 306 503 as trustee for Fulham Unit Trust ABN 63 176 255 163 in relation to the child care business operated at Fulham ("**Fulham Centre**"),

(the "**David Lyons' Vendors**", and each a "**David Lyons' Vendor**").

The assets being purchased, include but are not limited to business contracts, leases, goodwill, records, book debts, plant and equipment and authorisations. Each executed Centre acquisition contract (each a "**CAC**" and together, the "**CACs**") is being held in escrow subject to the terms of the IID. The Belmont Centre, Balcatta Centre, Baldivis East Centre, Bassendean Centre, Kingsway Centre and Treeby Centre are located in Western Australia. The Belair Centre is located in South Australia and the Ocean Grove Centre is located in Victoria. The Fulham Centre is located in South Australia.

Purchase price

The aggregate purchase price for all CACs is $30,692,715.

This is subject to adjustments for prepayments, security deposits, certain book debts and accruals and certain employee entitlements ("**Adjustment Amounts**") and other standard matters such as warranty and indemnity claims.

At completion, the purchase price payable under each CAC is subject to an upwards or downwards adjustment (as applicable) based on a good faith estimate of the proposed Adjustment Amount prepared by the relevant David Lyons' Vendor.

Conditions to completion

Each of the CACs contain a number of condition precedents that must be satisfied or waived for completion to occur, these include but are not limited to:

- the relevant regulatory authority providing written confirmation to AES that it consents to completion occurring, and the transfer of the service approval;
- obtaining the consent of each counterparty to the business contracts to the transfer of the business contracts to AES; and
- obtaining the consent of each counterparty to the leases to the transfer of the leases to AES.

If a condition precedent is not satisfied or waived by the party or parties entitled to the benefit of that condition precedent or a condition precedent does not remain satisfied at all times prior to the sunset date, being six months from the date of the CAC, a party is entitled to terminate the CAC.

Restraint

Each of the CACs mandate that the relevant David Lyons' Vendor enter into a deed of restraint (which is set out in the CAC). This deed includes the standard restraints (which may be read down by a Court) such as a restraint on the relevant David Lyons' Vendor and key persons from carrying on or being financially or otherwise interested in, engaged in or concerned with a business that is or is likely to be in competition with the child care business of the relevant David Lyons' Vendor, from soliciting customers, agents or employees and from being concerned with or interested in any firm or company which carries on the business of a child care Centre or child care related business, for a period of 3 years from the completion date in any area within a radius of one kilometre from the relevant David Lyons Centre.

Confidentiality

Each party to the relevant CAC must keep its contents and the terms of the sale confidential except in certain limited circumstances such as in a media announcement in an agreed form, where the written consent of the other party is obtained, if disclosed to a party's officers, employees and professional advisors or if disclosed as required by law, after first consulting with the other party about the form and contents of the disclosure. Each party to the relevant CAC must also use its best endeavours to ensure all permitted disclosures are kept confidential, other than the media announcement or a disclosure to a recognised stock exchange.

Representations and warranties

Each of the CACs contain the standard representations and warranties given by a vendor under an asset sale agreement, in relation to matters such as, but not limited to, title and capacity and business warranties in relation to conduct of business, accounting information, quality of the tangible assets and premises, employees, claims and litigation. The maximum aggregate liability of a David Lyons' Vendor for claims for breach of warranty is 25% of the purchase price.

9.4.10 Other Incubator Centre acquisition contracts

Centre acquisition contract Other Vendors

AE Early School Development Co Pty Ltd ACN 657 399 981 ("**AES**") has executed a separate Centre acquisition agreement with each of the following vendors for the acquisition of one or multiple Centres operated by that vendor, by way of a purchase of assets:

- Palmyra Early Learning Pty Ltd ACN 646 447 789 as trustee for the Palmyra Early Learning Unit Trust ABN 22 143 975 587, in relation to the child care business operated at Palmyra ("**Palmyra Centre**") ("**Palmyra CAC**");
- Edmur Pty Ltd ACN 624 840 400 as trustee for the Edmur Childcare Services Duncraig ABN 81 753 894 691 in relation to the child care business operated at Duncraig ("**Duncraig Centre**");
- Edmur Pty Ltd ACN 624 840 400 as trustee for the Edmur Childcare Services Wembley ABN 30 504 894 225 in relation to the child care business operated at Wembley ("**Wembley Centre**");
- Edmur Pty Ltd ACN 624 840 400 as trustee for the Edmur Childcare Services Wilson ABN 75 395 518 982 in relation to the child care business operated at Wilson ("**Wilson Centre**"),

(the "**Other Vendors**", and each an "**Other Vendor**"). The assets being purchased include but are not limited to business contracts, leases, goodwill, records, book debts, plant and equipment and authorisations. Each executed Centre acquisition agreement is being held in escrow subject to the terms of the IID (each an "**Other CAC**" and together, the "**Other CACs**").

The Palmyra Centre is located in Western Australia. The Duncraig Centre, Wembley Centre and Wilson Centre are all located in Western Australia.

Purchase Price

The aggregate purchase price for all Other CACs is $12,007,890.

This is subject to adjustments for prepayments, security deposits, certain book debts and accruals ("**Adjustment Amounts**"), certain employee entitlements and other standard matters such as warranty and indemnity claims and deductions for costs that may be incurred to comply with uncompleted requisitions. Under the Duncraig CAC, Wembley CAC and Wilson CAC, the cash consideration will be paid on a deferred basis, subject to completion of that Other CAC, on or prior to the relevant deferred payment date (which is expected to be a date on or around 31 December 2024). If the relevant consideration is not paid by the relevant deferred payment date, the purchaser must pay interest equal to 8% per annum.

At completion, the purchase price payable under each Other CAC is subject to the following:

- in the case of the Palmyra CAC only, a holdback amount that is used as security for claims and, being approximately 5% of the purchase price;
- a deduction for the amount that may be required to comply with uncompleted requisitions;
- a deduction for employee entitlements assumed by AES; and
- an upwards or downwards (as applicable) adjustment based on a good faith estimate of the proposed Adjustment Amount prepared by the relevant Other Vendor.

Conditions to completion

Each Other CAC contains a number of condition precedents that must be satisfied or waived for completion to occur, these include but are not limited to:

- the regulatory authority providing written confirmation to AES that it consents to completion occurring, and the transfer of the service approval;
- obtaining the consent of each counterparty to the business contracts to the transfer of the business contracts to AES; and
- obtaining the consent of each counterparty to the leases to the transfer of the leases to AES.

If a condition precedent is not satisfied or waived by the party or parties entitled to the benefit of that condition precedent prior to the sunset date, being six months after the date of the relevant Other CAC, a party is entitled to terminate that Other CAC.

Restraint

Each Other CAC includes the standard restraints (which may be read down by a Court) such as a restraint on the relevant Other Vendor and their associates from engaging in the same or similar business or activity to the business of operating the relevant child care Centre or Centres, soliciting customers and suppliers, interfering with the relationship between the relevant business and its customers, employees or suppliers and using a logo, symbol, trade mark or business name which may be similar to the same used by the business for a period of two years from the completion date in any area within a two kilometre radius from the relevant Centre.

Confidentiality

Each party to an Other CAC must keep its contents, each document referred to in the relevant Other CAC and certain other confidential information confidential and may only disclose it to the officers, employees or advisers of the party, who have a need to know for the purposes of that Other CAC and who undertake a corresponding obligation of confidentiality as undertaken by each party to that Other CAC or if required by law.

Representations and warranties

Each Other CAC contains the standard representations and warranties given by a vendor under an asset sale agreement, in relation to matters such as, but not limited to, title and capacity and business warranties in relation to the accounts, records, the assets and the business, the plant and equipment, trading arrangements, employees and litigation. The maximum aggregate liability of an Other Vendor for all claims made by AES under the Palmyra CAC is 25% of the purchase price (other than in respect of title subject claims) and under each Other CAC is 100% of the purchase price (other than in respect of title subject claims).

9.4.11 Zotobe Property Consultancy Agreement

Nest Operations ACN 636 028 094 ("**Nest Operations**") (a Group Member) has entered into a property consultancy agreement with Zotobe Pty Ltd ACN 640 940 503 ("**Consultant**"), under which the Consultant agrees to manage, attend to and provide strategic advice in relation to a range of property related matters of the Group ("**Property Consultancy Agreement**").

Specifically, the Consultant provides services including:

- searching for, researching, and seeking to identify potential new Centres ("**Potential Centres**");
- scoping new sites at the request of Nest Operations and undertaking site location and feasibility studies;
- undertaking and revising modelling for Potential Centres;
- undertaking analysis of competitors in the surrounding area of the site for the Potential Centre;
- managing, negotiating and completing property related agreements and dealings for Potential Centres, including;
  - leases, car park licences, development approvals, business sale agreements, business acquisition agreements, heads of agreement and right of entry deeds; and
  - providing advice in relation to the trigger events in CMAs; and
  - undertaking annual and market rent reviews,

(collectively, "**Services**").

The Consultant will perform the Services for the Group and where requested in writing by Nest Operations, also perform the Services for any Incubator partner of the Group.

Term

The Property Consultancy Agreement commenced on 27 July 2023. The Property Consultancy Agreement has a term of 12 months from the date of the agreement, unless otherwise extended by mutual agreement for a further 12 months or such other period mutually agreed by the parties (**Term**).

Termination

Either party is entitled to exercise a right to terminate without cause on 3 months' written notice.

If a party (**Defaulting Party**):

- commits any breach of the Property Consultancy Agreement that is not remedied within 20 business days of the other party requiring in writing that it be remedied;
- suffers an insolvency event; or
- assigns or attempts to assign, transfer or dispose of their rights or obligations other than in accordance with this Agreement,

then a default event (**Default Event**) is deemed to have occurred to the Defaulting Party.

On the occurrence of a Default Event, the party that is not the Defaulting Party may in its sole discretion elect to terminate the Property Consultancy Agreement by notice in writing to the Defaulting Party. If the Consultant is the Defaulting Party, the Consultant must pay Nest Operations (without any deduction or set off) such payments due and owing to Nest Operations pursuant to the terms of the Property Consultancy Agreement. If he Company is the Defaulting Party, the Company must pay any relevant Service Fee to the Consultant.

Fees

Nest Operations agrees to pay the Consultant a fee in consideration for the Services (**Service Fees**). The Service Fee is payable to the Consultant in a lump sum on successful commencement of development of a Potential Centre, being when the Potential Centre obtains all of the following: a development approval, a fully executed agreement for lease, a lease and a right of entry deed (unless otherwise agreed by the parties) (**Developed Site**). The Service Fee that the Consultant shall be entitled to is:

- $15,000 per Developed Site in CY 2023;
- $20,000 per Developed Site in CY 2024; and
- $30,000 per Developed Site in CY 2025.

Indemnity

The Property Consultancy Agreement contains a broad indemnity in which the Consultant will indemnify Nest Operations, its related bodies corporate and its personnel against all losses as a result of certain matters, including negligent or unlawful acts, personal injury, breach of the Property Consultancy Agreement or a breach of warranties regarding its capacity, authority and execution of the Property Consultancy Agreement.

Exclusivity

The Consultant agrees not to provide any child care related services to any other child care provider, person or entity that has an interest in or is or will be engaged in or concerned with any business which is or is likely to be in competition to any material extent with the business of the Group or any operator or other person that Nest Operations reasonably considers to be in competition with the Group.

9.5 ASX waivers

The Company has applied to ASX for, and has been granted the following in-principle waivers:

(a) options (ASX Listing Rule 1.1 Condition 12) – confirmation from ASX that it will waive the condition that all options have a strike price of at least 20 cents in relation to the Free Options issued to employees under the Plan.

9.6 Litigation and claims

As at the Prospectus Date, so far as the Directors are aware, there are no claims or legal proceedings to which the Company or its subsidiaries are a party that are likely to have a material adverse impact on the business or its future financial position and the Company is not aware of any such legal proceedings that are pending or threatened.

9.7 Consents to be named and disclaimers of responsibility

Each of the parties referred to below (each a **Consenting Party**), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, have not been withdrawn by the following parties:

(a) Moelis has given its written consent to be named in this Prospectus as Joint Lead Manager and Underwriter in relation to the Offer in the form and context in which it is named;

(b) Canaccord has given its written consent to be named in this Prospectus as Joint Lead Manager and Underwriter in relation to the Offer in the form and context in which it is named;

(c) Wilsons has given its written consent to be named in this Prospectus as Joint Lead Manager and Underwriter in relation to the Offer in the form and context in which it is named;

(d) MinterEllison has given its written consent to be named in this Prospectus as Australian legal adviser to the Company in relation to the Offer in the form and context in which it is named;

(e) KPMG Financial Advisory Services has given its written consent to be named in this Prospectus as Investigating Accountant to the Company in relation to the Financial Information in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Prospectus of its Investigating Accountant's Report and financial services guide in the form and context in which they are included.

(f) KPMG Audit has given its written consent to be named in this Prospectus as the Company's auditor and to the references in this Prospectus to the Company's audited financial statements in the form and context in which they are included;

(g) Nuwaru has given its written consent to be named in this Prospectus as the Company's tax adviser;

(h) Frost & Sullivan has given and not withdrawn its consent to the inclusion in this Prospectus of its report contained in Section 2 of this Prospectus regarding the industry overview; and

(i) Computershare has given its written consent to be named in this Prospectus as the Company's share registry;

No entity or person referred to in this Section 9.7 has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the persons and entities referred to in this Section 9.7 has not authorised or caused the issue of this Prospectus and does not make any offer of Shares.

9.8 Taxation considerations

9.8.1 General

The tax information in this Prospectus is of a general nature and is not, nor is it intended to be, taxation advice, and cannot be relied upon as such. You must take full and sole responsibility for your investment in the Company, the associated taxation implications arising from that investment and any changes in those taxation implications during the course of the investment. Accordingly, you should seek your own independent professional tax advice that takes into account your individual circumstances.

This summary provides an outline of the principal Australian tax consequences relating to the acquisition, holding and disposal of Shares for an Australian tax resident and non-resident shareholders who hold their investment in the Company on capital account.

This summary does not address the tax implications for Shareholders that are share traders or otherwise hold their Shares on revenue account and/or non-residents who carry on business at or through a permanent establishment in Australia.

Taxation issues are complex and taxation laws, their interpretation and associated administrative practices may change over the time. The information contained in this section is based on Australian tax law and practice in effect at the Prospectus Date. As such, Shareholders will need to monitor and keep abreast of taxation reform and seek professional tax advice as appropriate.

9.8.2 Tax Implications of Dividends – Australian Resident Shareholders

Provided a resident Shareholder is a "qualified person" (refer below) in relation to their Shares, the below is a summary of the Australian income tax consequences with respect to dividends received on the Shares.

To the extent franked dividends are paid on Shares, resident Shareholders should include in their assessable income the amount of the dividends together with the franking credits received.

The resident Shareholder should be entitled to a tax offset equal to the amount of the franking credits attached to the dividends. To the extent that the tax offset attributable to the franking credits on a dividend exceeds the income tax liability for an income year of a resident Shareholder who is an individual or complying superannuation entity, the excess tax offset may be refunded to the resident Shareholder.

Resident Shareholders that are companies should be entitled to a credit in their franking account equal to the amount of franking credits on dividends. Resident Shareholders that are companies or non-complying superannuation entities are not entitled to refunds of tax offsets.

"Qualified Person" and "45 Day Holding Period Rule"

A resident Shareholder is not required to include the amount of the franking credits in their assessable income and is not entitled to the tax offset unless the resident Shareholder is a "qualified person" in relation to a dividend.

A Resident Shareholder is a "qualified person" if the "holding period" and "related payments" rules are satisfied in respect of the dividend.

In relation to the holding period rule, a resident Shareholder must have held their Shares "at risk" for a continuous period of at least 45 days (excluding the days of acquisition and disposal) within a period beginning on the day after the date on which the resident Shareholder acquired the Shares and ending on the 45th day after the date on which the Shares became ex-dividend.

If the related payments rule applies, a resident Shareholder is required to hold the Shares "at risk" for at least 45 days (excluding the days of acquisition and disposal) within a period beginning 45 days before and ending 45 days after the date on which the Shares became ex-dividend. Broadly speaking, the related payments rule would apply where a resident Shareholder makes a payment which passes the benefit of a dividend to another person.

Alternatively, a resident Shareholder is automatically taken to be a qualified person in relation to dividends if the total amount of the tax offsets in respect of all franked distributions to which the resident Shareholder would be entitled in an income year is $5,000 or less.

This is referred to as the "small shareholder rule". However, a resident Shareholder will not be a "qualified person" by virtue of the small shareholder rule if related payments have been made, or will be made, in respect of a dividend.

9.8.3 Tax Implications of Disposing of Shares – Australian Resident Shareholders

A sale of Shares by a resident Shareholder will give rise to a capital gain if the sale proceeds exceed the cost base of the Shares. Conversely, a capital loss will result if the reduced cost base of the Shares exceeds the sale proceeds.

The cost base or reduced cost base of the Shares respectively should include the amount paid to acquire the Share as well as any incidental costs (e.g. broker fees) associated with the acquisition and disposal of the Shares.

If the Shares have been held for at least 12 months prior to the sale, a resident Shareholder (other than a company) may be entitled to receive CGT discount treatment in respect of any gain arising on disposal of the Shares.

The discount percentage is applied to the amount of the capital gain after offsetting any current year or carried forward capital losses. The discount percentages are 50%, 50% and 331/3% for resident Shareholders who are individuals, trusts and complying superannuation entities respectively.

Companies are not entitled to obtain CGT discount treatment in respect of any gain arising on disposal of the Share.

9.8.4 Tax Implications of Dividends – Non-Resident Shareholders

Non-resident Shareholders should not be subject to dividend withholding tax in respect of fully franked dividends that may be paid by the Company.

Where a dividend is (in whole or in part) unfranked, the payment will be made to the non-resident Shareholders net of any applicable dividend withholding tax.

The dividend withholding tax is payable at the rate of 30% but may be reduced to 15%, 10% or nil depending on there being an applicable Double Tax Agreement. Dividend withholding tax may be available as a credit against local tax payable by the non-Resident Shareholder, depending upon applicable laws in the relevant jurisdiction.

9.8.5 Tax Implications of Disposing of Shares – Non-Resident Shareholders

For Non-Resident Shareholders, any capital gain or capital loss resulting from a disposal of the Shares should be disregarded for CGT purposes provided:

1. the non-resident Shareholder (together with its associates) holds less than 10% of the shares in the Company; and
2. the non-resident Shareholder does not hold the Shares at any time in carrying on a business at or through a permanent establishment in Australia.

Non-resident Shareholders would only be subject to CGT where a gain is realised on the disposal of their Shares where the Company is classified as a "land-rich entity", i.e. more than 50% of its assets directly or indirectly relate to interests in Australian real property.

9.8.6 Other Withholding Taxes

It is not compulsory for you to provide your tax file number ("**TFN**"). However, if you do not provide your TFN (or in certain circumstances an ABN) or claim a valid exemption, then the Company will be required to withhold tax from any unfranked dividend from the Company at the highest marginal rate plus Medicare Levy (currently 47%).

If a Shareholder is exempt from quoting a TFN, the Shareholder should provide its reason for the exemption or its exemption number.

9.8.7 Stamp Duty

Under current legislation, Stamp Duty should not be payable in respect of the acquisition or disposal of Shares nor in respect of any dividends paid by the Company.

9.8.8 GST

Under current legislation, GST should not be payable in respect of the acquisition or disposal of Shares nor in respect of any dividends paid by the Company.

Resident Shareholders registered for GST are unlikely to be entitled to an input tax credit for any GST paid in respect of costs associated with the acquisition of Shares (e.g. adviser fees).

9.8.9 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the law applicable in Victoria and each Applicant under this Prospectus submits to the exclusive jurisdiction of the Courts of Victoria.

9.8.10 Foreign selling restrictions

This document does not constitute an offer of New Shares of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "**SFO**"). Accordingly, this document may not be distributed, and the New Shares may not be offered or sold, in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the *Financial Markets Conduct Act 2013* (the "**FMC Act**").

The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part 13 of the Securities and Futures Act 2001 of Singapore (the "**SFA**") or another exemption under the SFA.

This document has been given to you on the basis that you are an "institutional investor" or an "accredited investor" (as such terms are defined in the SFA). If you are not such an investor, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party in Singapore. On-sale restrictions in Singapore may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

United Kingdom

Neither this document nor any other document relating to the Offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("**FSMA**")) has been published or is intended to be published in respect of the New Shares.

The New Shares may not be offered or sold in the United Kingdom by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This document is issued on a confidential basis in the United Kingdom to "qualified investors" within the meaning of Article 2(e) of the UK Prospectus Regulation. This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("**FPO**"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated ("**relevant persons**"). The investment to which this document relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this document.

9.9 Summary of rights and liabilities attaching to the Shares and other material provisions of the Constitution

9.9.1 Introduction

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the official list of ASX.

9.9.2 Voting at a general meeting

At a general meeting of the Company, subject to any rights or restrictions attaching to any class of Shares, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each fully paid Share held.

While the Company is listed, a resolution put to the vote at a meeting of Shareholders must be decided on a poll (and not a show of hand) if, among other circumstances:

(a) the notice of the meeting set out an intention to propose the resolution and stated the resolution; or

(b) a poll is demanded.

9.9.3 Meetings of members

The Company may hold a meeting of its Shareholders:

(a) at one or more physical venues;

(b) at one or more physical venues and using virtual meeting technology; or

(c) using virtual meeting technology only.

Each Shareholder is entitled to receive notice of, attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules.

9.9.4 Dividends

The Board may resolve to pay dividends to Shareholders and fix the amount of the dividend, the time for determining entitlements to the dividend and the timing and method of payment. For further information in respect of the Company's proposed dividend policy, see Section 4.13.

9.9.5 Transfer of Shares

Subject to the Constitution, Shares may be transferred by a proper transfer effected in accordance with the ASX Settlement Operating Rules, by a written instrument of transfer which complies with the Constitution or by any other method permitted by the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules.

The Board may refuse to register a transfer of Shares where permitted to do so under the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules. The Board must refuse to register a transfer of Shares when required to by the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules.

9.9.6 Issue of further shares

Subject to the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules and any rights and restrictions attached to a class of shares, the Company may issue, or grant options in respect of, or otherwise dispose of further shares on such terms and conditions as the Directors resolve.

For the purposes of the employee share scheme provisions of the Corporations Act, the Company has a 10% limit.

9.9.7 Winding up

Without prejudice to the rights of the holders of Shares issued on special terms and conditions, if the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, divide among the Shareholders in kind all or any of the Company's assets and for that purpose, determine how it will carry out the division between the different classes of Shareholders, but may not require a Shareholder to accept any Shares or other securities in respect of which there is any liability.

9.9.8 Non-marketable parcels

Subject to the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares (unless the Shareholder has notified the Company in writing before a specified date that they wish to retain their Shares).

9.9.9 Share buy-backs

Subject to the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, the Company may buy back Shares on terms and at times determined by the Board.

9.9.10 Variation of class rights

Subject to the Corporations Act and the terms of issue of a class of shares, the rights attaching to any class of shares in the Company may be varied or cancelled:

(a) with the consent in writing of the holders of three-quarters of the issued shares included in that class; or

(b) by a special resolution passed at a separate meeting of the holders of those shares.

In either case, in accordance with the Corporations Act, the holders of not less than 25% of the votes in the class of shares, the rights of which have been varied or cancelled, may apply to a Court of competent jurisdiction to exercise its discretion to set aside such variation or cancellation.

9.9.11 Dividend reinvestment plan

The Directors may, on any terms and at their discretion, establish a dividend reinvestment plan (under which any member may elect that the dividends payable by the Company be reinvested by acquiring by way of issue or transfer Shares or other securities).

9.9.12 Directors – appointment and rotation

Under the Constitution, the minimum number of Directors that may comprise the Board is three and the maximum is 10. Directors are elected at annual general meetings of the Company. Retirement will occur on a rotational basis so that no Director (excluding the Managing Director) holds office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected. The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of the Company.

9.9.13 Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter.

9.9.14 Directors – remuneration

The Directors, other than an Executive Director, will be paid by way of fees for services up to the maximum aggregate sum of $1,500,000 per annum or such other amount as may be approved by the Company in general meeting. The initial remuneration of the Directors is set out in Sections 6.5.1 and 6.5.2. Shares, options, rights and other share-based payments may be provided to Non-Executive Directors and the value of any such Shares, options, rights and other share-based payments will not be included in the aggregate maximum. The Constitution also makes provision for the Company to pay all reasonable expenses of Directors in attending meetings and carrying on their duties.

9.9.15 Indemnities

The Company, to the extent permitted by law, indemnifies each Director against any liability incurred by that person as a director or officer of the Company or its subsidiaries, and reasonable legal costs incurred by that person in defending an action for a liability of that person. The Company, to the extent permitted by law, may make a payment (whether by way of an advance, loan or otherwise) to a Director in respect of legal costs incurred by that person in defending an action for a liability of that person.

The Company, to the extent permitted by law, may pay, or agree to pay, a premium for a contract insuring any Director or officer against any liability incurred by that person as an officer of the Company or its subsidiaries and legal costs incurred by that person in defending an action for a liability of that person.

9.9.16 Inspection of records

Except as otherwise required by the Corporations Act, the Directors may determine whether and to what extent, and at what times and places and under what conditions, the financial records and other documents of the Company or any of them will be open for inspection by Shareholders other than Directors.

A Shareholder other than a Director does not have the right to inspect any financial records or other documents of the Company unless the Shareholder is authorised to do so by a Court order or a resolution of the Directors.

9.9.17 Amendment

The Constitution may be amended only by special resolution passed by at least three-quarters of the votes cast by Shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of the Company. While the Company is listed it must give at least 28 days written notice of a general meeting of the Company.

9.10 Expenses of the Offer

The table below sets out the estimated total expenses of the Offer (excluding GST).

Item of expenditure	Amount ($)
ASX fees	$268,806
Professional advisers' fees	$4,950,000
Miscellaneous	$3,486,500
TOTAL	**$8,905,306**

9.11 Continuous Disclosure Obligations

Following admission of the Company to the Official List, the Company will be a 'disclosing entity' (as defined in section 111AC of the Corporations Act) and, as such, will be subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company will be required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities, unless an exception applies.

Price sensitive information will be publicly released on the ASX before it is disclosed to shareholders and market participants. Distribution of other information to shareholders and market participants will also be managed through disclosure to the ASX. In addition, the Company will post this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

9.12 Electronic Prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the Offer website at www.computersharecas.com.au/ndoipo

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

9.13 Privacy Statement

If you complete an Application Form, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the share registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the Share Registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

9.14 Directors' authorisation

(a) This Prospectus is issued by the Company and its issue has been authorised by each Director.

(b) Each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

10. SIGNIFICANT ACCOUNTING POLICIES

10. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of the Historical Financial Information are set out below. "Financial statements" throughout this Section 10 refers to the general purpose financial statements of Nido.

The Nido general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("**AASB**") and the *Corporations Act 2001*, as appropriate for for-profit entities. These financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Boards ("**IASB**").

The financial statements have been prepared under the historical cost convention, except for, where applicable, the fair value of certain financial instruments and contingent consideration payable for acquisitions. Cost is based on the fair values of the consideration given in exchange for assets.

New accounting standards and interpretations issued but not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the reporting year ended 31 December 2022. The Group's assessment of the impact of these new or amended Australian Accounting Standards and Interpretations, most relevant to the Group, are set out below. Amending accounting standards issued are not considered to have a significant impact on the financial statements of the Group as their amendments provide either clarification of existing accounting treatment or editorial amendments.

AASB 2020-1 Classification of liabilities as current or non-current

AASB 2020-1 was issued in March 2020 and is applicable to annual periods beginning on or after 1 January 2023, as extended by AASB 2020-6. Early adoption is permitted. This standard amends AASB 101 'Presentation of Financial Statements' to clarify requirements for the presentation of liabilities in the statement of financial position as current or noncurrent. The amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. If the deferral right is conditional, the right only exists if, at the end of the reporting period, those conditions have been complied with. Classification of a liability as non-current is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least 12 months after the reporting date or even if the entity settles the liability prior to issue of the financial statements. The meaning of settlement of a liability is also clarified.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below in the *critical accounting judgements, estimates and assumptions* section.

Operating segments

"Operating segments are presented using the 'management approach' where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Maker ("**CODM**"). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

The accounting policies for the Group's revenue from contracts with customers are explained below:

Provision of child care services

The Group provides child care services, namely the provision of full or part-time care for babies, toddlers, and young children based on fixed-price schedules.

Fees paid by families and/or the Australian Government (Child Care Subsidy) are recognised as and when a child attends a child care service. Billing for services occurs on a weekly basis, in advance for parent fees and in arrears for Australian Government payments, based on attendance records.

Revenue is recognised at the fixed amount for each child care service provided (permanent or casual, full day or half day). Revenue received in advance from families and/or the Australian Government is recognised as deferred income and classified as a current liability.

Establishment fees

Fees paid by third parties and Incubator partners for establishment of new externally owned services are recognised over the period in which the services are performed.

Management fees

Fees paid by third parties and incubator partners for management of externally owned Services are recognised over the period in which the services are performed.

Commonwealth, State and Territory Government grants

Grants from the Commonwealth, State or Territory Governments are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all conditions associated with the grant.

Government grants relating to an expense item are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

Other income

Other income is recognised when it is received or when the right to receive payment is established.

Leases

Definition of a lease

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. For leases of properties in which it is a lessee, the Group has elected to separate non-lease components and will separately account for the lease and non-lease components of a lease.

As a lessee

The Group mainly leases properties for child care services. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets. Under AASB 16, the Group recognises right of use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of future lease payments. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Income tax

The income tax expense or benefit for the year is the tax payable on that year's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill; or
- An asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Historically, the Group has not recognised unused tax losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when it is expected to be realised or intended to be sold or consumed in the entity's normal operating cycle, it is held primarily for the purpose of trading and it is expected to be realised within 12 months after the reporting period or the asset is cash or a cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when it is expected to be settled in the entity's normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within 12 months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash at bank and on hand.

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including interest on short-term and long-term borrowings.

Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method, as the Group holds the trade receivables with the objective to collect the contractual cash flows.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. A provision for impairment is determined using a provision matrix based on historically observed default rates that are adjusted for forward looking estimates.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Costs incurred as a lessee relating to the construction or design of a yard are classified as leasehold improvements. Classroom equipment and start up resources are recognised as an expense at the time of purchase.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- Plant and equipment — 4-12 years
- Leasehold improvements — the shorter of the lease term and 15 years
- Motor vehicles — 5-7 years
- Computer equipment — 3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets

Goodwill

Where an entity or operation is acquired in a business combination that is not a common control transaction, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of the acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Software

Significant costs associated with software acquisition and implementation are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of five years.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30-60 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities are capitalised, offset against the liability and amortised over the period of the facility to which it relates. Borrowings are extinguished when its contractual obligations are discharged or cancelled, or expire.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for employee benefits not expected to be settled within 12 months of the reporting date is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and assumes that the transaction will take place either in the principal market or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use.

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For assets and liabilities that are to be settled in the short term the carrying value is a reasonable approximation of the fair value.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year.

Business combinations

As noted in Section 4.2.2, the basis of preparation of Aggregated Accounts do not comply with AASB 10 *Consolidated Financial Statements* and AASB 3 *Business Combinations*. The acquisition method of accounting is used to account for business combinations, other than those deemed to be common control transactions, regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition date at fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition date's fair value. Subsequent changes in the fair value of the contingent consideration, classified as an asset or liability, is recognised in profit and loss or goodwill depending on whether facts and circumstances existed at acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from a financier under comparable terms and conditions.

The difference between the acquisition date's fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates may differ from the related actual results.

The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Leases

As discussed above, the lease liability present value of the estimated future cash flows to be made in respect of each lease at its inception. In determining the present value of the liability, estimates and judgements in relation to the incremental borrowing rate and whether the group is reasonably certain to exercise options must be taken into account.

11. GLOSSARY

11. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

Term	Definition
1H or **2H**	means the first half or the second half respectively of a financial year ending 30 June. For example, 1H23 means the 6 months ended 31 December 2023.
$** or **A$ or **AUD**	means Australian dollars.
AAS or **Australian Accounting Standards**	means Australian Accounting Standards and other authoritative pronouncements issued by the AASB.
AASB	means Australian Accounting Standards Board.
ABN	means Australian Business Number.
ABS	means the Australian Bureau of Statistics.
ACCC	means Australian Competition and Consumer Commission.
ACCS	means Additional Child Care Subsidy.
ACECQA	means Australian Council for Education and Care Quality Assurance.
ACL	means Australian Consumer Law.
Acquisition Loan	means the loans related to the Acquisitions.
Acquisition Metrics	has the meaning set out in Section 3.5.3.
Acquisitions	means the share sale acquisition under the agreement summarised in Section 9.4.8, and the business acquisitions under the agreements summarised in Section 9.4.9 and 9.4.10, which will see the Nido Group acquire 24 Centres at or just prior to Listing.
AEBIT	means EBIT per licensed place (based on a seasonally adjusted last six months and then annualised).
AES or **AES Holdings**	means AE Early School Holdings Pty Ltd ACN 657 335 889.
AES Group	means AES and its subsidiaries.
AEST	means Australian Eastern Standard Time or Australian Eastern Daylight Time, whichever is applicable in Sydney, Australia.
Aggregated Accounts	means the combined financial statements for the years ending 31 December 2020, 31 December 2021 and 31 December 2022, which were audited by KPMG in accordance with Australian Auditing Standards.
Alceon	means Alceon Private Equity.
Ansarada	means Ansarada Group Limited.
Applicant(s)	means a person who submits an Application.
Application(s)	means an application made to acquire Shares offered under this Prospectus.
Application Form	means the application form included in or accompanying this Prospectus (including the electronic form) relating to the Offer.

Term	Definition
Application Monies	means the Offer Price multiplied by the number of Shares applied for.
ASAE	means the Australian Standard on Assurance Engagements.
ASIC	means Australian Securities and Investments Commission.
Associates	means the associates of the Company's Directors, officers and employees.
ASX	means ASX Limited ACN 008 624 691 or the Australian Securities Exchange, a financial market operated by it, as the context requires.
ASX Listing Rules	means the listing rules of ASX.
ASX Recommendations	means the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.
ASX Settlement Operating Rules	means the operating rules of ASX Settlement Pty Ltd ACN 008 504 532.
Audit Committee	means the audit committee of the Company currently comprising three Directors, Joe Dicks, Vanessa Porter and Mark Kerr.
Australian Auditing Standards	contain objectives, requirements and application and other explanatory material that are designed to support the auditor in obtaining reasonable assurance.
Awards	mean the options (including the Premium Options and the Free Options), loan shares, deferred share awards or exempt share awards that the Board may offer and issue at its discretion.
BBSY	means Bank Bill Swap Rate.
BBSW	means Bank Bill Swap Reference Rate.
Board or **Board of Directors**	means the board of Directors of the Company.
Broker Firm Offer	means the component of the Offer under which investors who have received an invitation can apply for Shares, as discussed in Section 7.1.
Business Intelligence	means the tool Nido uses to report the trading performance to the Incubator.
Busy Bees	means Busy Bees Early Learning Australia Pty Ltd 168 187 979, including its subsidiaries and its related bodies corporate.
Busy Bees Australia	means Busy Bees Australia Operations Pty Ltd ACN 150 894 769.
Busy Bees CMA	means the Centre Management Agreement between the Company and Busy Bees Australia.
CAC	has the meaning given in Section 9.4.9.
Call Option	means the Company's exclusive call option to acquire Centres from NAED under the NAED CMD once the Acquisition Metrics have been achieved.
Call Option Period	has the meaning given in Section 9.4.2.

Term	Definition
Call Option Start Date	means the commencing date of the Call Option Period after the Trigger Period in relation to a Centre.
Canaccord	means Canaccord Genuity (Australia) Limited ACN 075 071 466.
CARD Form	means the confirmation of allocation and registration form.
CCS	means Child Care Subsidy.
Chair	means the Chair of the Board of Directors.
CHESS	means Clearing House Electronic Sub-register System, operated in accordance with the Corporations Act.
Centre and child care Centre	means child care centres.
Centre Management Agreement or **CMA** or **Centre Management Deed** or **CMD**	means an agreement or deed to manage a Centre between a Group Member and a third party.
CEO	means Chief Executive Officer.
CFO	means Chief Financial Officer.
Chair	means the Chair of the Board of Directors.
CHESS	means Clearing House Electronic Sub-register System, operated in accordance with the Corporations Act.
CL	means Curriculum Leader.
Closing Date	means the date by which Applications must be lodged for the Offer, being 4 October 2023. This date may be varied by the Company without prior notice.
Company or **Nido**	means Nido Education Limited ACN 650 967 703.
Completion of the Offer or **Completion**	means the completion of the Offer, being the date on which Shares are issued to successful Applicants in accordance with the terms of the Offer.
Constitution	means the constitution of the Company.
Control	has the meaning given in section 50AA of the Corporations Act.
Corporations Act	means the *Corporations Act 2001* (Cth).
Corporate Directory	means the Corporate Directory at the back of this Prospectus.
CPI	means Consumer Price Index.
CY	means calendar year or year ended or ending 31 December. For example, CY22 is the calendar year ended 31 December 2022 and CY23 is the calendar year ending 31 December 2023.

Term	Definition
David Lyons or **David Lyons Group**	means the eight Centres to be acquired by Nido from David Lyons' entities which form part of the Acquisitions.
Director	means a director of Company.
Director's Loan	has the meaning given in Section 4.8.1.
Director's Loan Agreement or **ISAMAX Loan Agreement**	means the loan agreement entered into between ISAMAX Pty Ltd ACN 156 123 241 in its capacity as trustee for the Edwards Family Trust and Nido on 19 August 2022 and novated and varied by a deed of novation and variation on 27 July 2023.
EBIT	means earnings before interest and tax.
EBITDA	means earnings before interest, tax, depreciation and amortisation.
ECSNLA or **National Law**	means the Education and Care Services National Law Act 2010 which regulates the Australian child care industry.
Edmur	means each of: • Edmur Pty Ltd ACN 624 840 400 as trustee for the Edmur Childcare Services Duncraig ABN 81 753 894 691; • Edmur Pty Ltd ACN 624 840 400 as trustee for the Edmur Childcare Services Wembley ABN 30 504 894 225; and • Edmur Pty Ltd ACN 624 840 400 as trustee for the Edmur Childcare Services Wilson ABN 75 395 518 982.
EIP or **Nest Egg**	means Nido's equity incentive plan, as summarised in Section 6.7.1.
Eligible Employees	means the eligible Australian based employees, officers, directors and consultants of the Group for the Nido EIP.
Employee	means an employee of the Group.
Enterprise Value	means market capitalisation plus net debt, unless otherwise defined.
Escrow Arrangements	has the meaning given in Section 7.6.
Escrow Period	means the applicable period for which Escrowed Shares are subject to the escrow restrictions as summarised in Section 7.6.
Escrowed Shares	means the Shares subject to escrow restrictions which are summarised in Section 7.6.
Escrowed Shareholder(s)	means a Shareholder whose Shares are subject to the escrow restrictions which are summarised in Section 7.6.
ESG	means environmental, social and governance.
ESM	means Executive School Manager.
Executive Director	means an executive Director.
Existing Shareholders	means the holders of Shares in the Company as at the Prospectus Date.

Term	Definition
Existing Shares	means the 88.0 million Shares on issue as at the Prospectus Date.
Expiry Date	means 12 October 2024.
Exposure Period	means the period of 7 days after the date of lodgement of the Original Prospectus with ASIC, which period may be extended by ASIC by not more than 7 days pursuant to section 727(3) of the Corporations Act.
Financial Information	has the meaning set out in Section 4.
FMC Act	means *Financial Markets Conduct Act 2013* of New Zealand.
Forecast Financial Information	means the Forecast Financial Income Statements, Forecast Cash Flows and the Pro forma Forecast Financial Information.
Forecast Income Statement	means the forecast consolidated statement of profit or loss and other comprehensive income for CY23F and CY24F.
Forecast Cash Flows	means the forecast consolidated statement of cash flows for CY23F and CY24F.
Franklin	means a Centre located in Franklin, ACT, acquired by Nido in 2021.
Free Option	means a right to acquire a Share granted by Nido under the EIP for nil consideration and nil exercise price.
Frost & Sullivan	means Frost and Sullivan Australia Pty Limited ACN 096 869 108.
FSMA	means Financial Services and Markets Act 2000 of the United Kingdom.
Group or **Nido Group**	means the Company and its subsidiaries.
Group Member	means an entity within the Group.
GST	means goods and services or similar tax imposed in Australia.
Historical Balance Sheet	means the historical consolidated statement of financial position as at 31 December 2022.
Historical Cash Flows	means the historical consolidated statements of cash flows for CY20, CY21 and CY22.
Historical Financial Information	means the Historical Income Statements, the Historical Cash Flows and the Historical Balance Sheet.
Historical Income Statements	means the historical consolidated statements of profit or loss and other comprehensive income for CY20, CY21 and CY22.
IASB	means International Accounting Standards Boards.
IFRS	means International Financial Reporting Standards.
IID or **IPO Implementation Deed**	has the meaning given in Section 9.4.7.
Incubator	means NAED and the Other Incubators.

Term	Definition
Institutional Investor	means investors who are: • in Australia who is a "wholesale client" for the purposes of Section 761G of the Corporations Act and who is either a "sophisticated investor" under section 708(8) of the Corporations Act or a "professional investor" under section 708(11) of the Corporations Act; or • Institutional Investors in certain other jurisdictions, as agreed by the Company and the Joint Lead Managers to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any government agency (except one with which the Company is willing in its discretion to comply), provided that in each case such investors are not in the United States.
Institutional Offer	means the invitation to bid for Shares made to Institutional Investors under this Prospectus to acquire Shares as described in Section 7.12.
Investigating Accountant	means KPMG Financial Advisory Services (Australia) Pty Limited ACN 007 363 215.
Investigating Accountant's Report	means the report prepared by the Investigating Accountant set out in Section 8.
IPO	means initial public offering.
IPO Centres	means the 52 Centres which Nido will own and operate on Listing, including those already owned and operated by Nido, and those being acquired under the Acquisitions.
Joint Lead Managers	means Moelis, Canaccord and Wilsons.
LEA	means Learning and Education Australia.
Leadership Triangle	means Nido's Centre based leadership team.
Listing	means admission of the Company to the official list of ASX and quotation of the Shares on the ASX.
Listing Date	means the date on which the Company is admitted to the Official List of ASX and quotation of the Shares commences.
LSAC	means the Longitudinal Study of Australian Children.
m	means million.
Management	means the senior management of the Company.
MD	means Managing Director.
MK CMA	means the Centre Management Agreement between a Group Entity and an entity controlled by Mark Kerr.
MK Dealings	means the MK CMA and an interest in a leasehold of a Centre owned by Busy Bees, which is managed by Nido under the Busy Bees CMA.

Term	Definition
Moelis	means MA Moelis Australia Advisory Pty Limited Pty Ltd ACN 142 008 446.
NAED	means NAED Holdings Pty Ltd ACN 668 410 893.
NAED CMD	means the Centre Management Deed between the Company and NAED.
NAED Loan	has the meaning given in Section 9.4.3.
NAED Loan Agreement	has the meaning given in Section 9.4.3.
Nest AE	means Nest AE Pty Ltd ACN 658 486 938.
Nest Management	means Nest Management Pty Ltd ACN 650 980 886 (a group entity of Nido Group).
New Shares	means the new Shares to be issued by the Company under the Offer.
Nido Employee Share Trust	means the Company appointed trust which acquires and holds Shares, options, or other securities of the Company under the EIP.
Non-Executive Director	means a non-executive Director.
non-IFRS	means Non-International Financial Reporting Standards.
NQF	means National Quality Framework for Early Childhood Education and Care.
NQS	means the National Quality Standard.
Occupancy	means the number of enrolled children as a percentage of a Centre's licensed places.
Offer	means an offer of New Shares under this Prospectus and includes the Broker Firm Offer, Priority Offer and Institutional Offer.
Offer Period	means the period from 21 September 2023 until the Closing Date.
Offer Price	means $1.00 per Share.
Official List	means the official list of ASX.
Official Quotation	means official quotation of the Shares by ASX in accordance with the ASX Listing Rules.
OKR	means objectives and key results.
Original Prospectus	has the meaning given in the 'Important Information' Section of this Prospectus.
Other Centres	means Centres that are owned by Edmur and Palmyra.
Other Incubators	means third parties that take on the financial risk of developing Centres from greenfield sites (where the site has been developed and built from the ground up) with the assistance and management of Nido, and once they mature, Nido has an exclusive call option to acquire the Centres at a pre agreed multiple of AEBIT.
Palmyra	means Palmyra Early Learning Pty Ltd ACN 646 447 789 as trustee for the Palmyra Early Learning Unit Trust ABN 22 143 975 587.

Term	Definition
Plan Rules	means the form, terms and content of any offer, invitation or acceptance procedure on which it will offer or issue Awards under the EIP.
Premium Option	means the options over unissued Shares issued by Nido for no consideration and with an exercise price above the Offer Price.
Priority Offer	has the meaning given in Section 7.12.1.
Principal Entities	mean the related bodies corporate of NAED.
Pro forma Forecast Financial Information	means the Pro forma Forecast Income Statements and the Pro forma Forecast Cash Flows.
Pro forma Forecast Income Statements	means the pro forma forecast statements of profit or loss and other comprehensive income for CY23F and CY24F.
Pro forma Forecast Statement of Cash Flows	means the pro forma forecast statement of cash flows for CY23F and CY24F.
Pro forma Historical Balance Sheet	means the pro forma historical consolidated statement of financial position as at 31 December 2022.
Pro forma Historical Cash Flows	means the pro forma historical consolidated statements of cash flows for CY20, CY21 and CY22.
Pro forma Historical Financial Information	means the Pro forma Historical Income Statements, the Pro forma Historical Balance Sheet and the Pro forma Historical Cash Flows.
Pro forma Historical Income Statements	means the pro forma historical consolidated statements of profit or loss and other comprehensive income for CY20, CY21 and CY22.
Pro forma Historical Statement of Financial Position	means the pro forma historical consolidated position as at 31 December 2022.
Prospectus	means this document (including the electronic form of this Prospectus) and any supplementary or replacement Prospectus in relation to this document.
Prospectus Date	means the date of this Prospectus, being 20 September 2023.
PQL	means People and Quality Leader.
PV	means photovoltaic.
RAP	means Reconciliation Action Plan.
Regulation S	means Regulation S promulgated under the US Securities Act.
SA	means Service Administrator.
SDG	means UN Sustainable Development Goals.
Section	means a section of this Prospectus.

Term	Definition
Settlement Date	means 9 October 2023.
SFA	means Securities and Futures Act 2001 of Singapore.
SFO	means Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means a holder of at least one Share.
Share Registry	means Computershare Investor Services Pty Ltd ACN 078 279 277.
Statutory Historical Cash Flows	means the statutory historical consolidated cash flows for CY20, CY21 and CY22.
Statutory Historical Financial Information	means the Statutory Historical Income Statements, the Statutory Historical Cash Flows and the Statutory Historical Statement of Financial Position.
Statutory Historical Income Statements	means the statutory historical consolidated income statements for CY20, CY21 and CY22.
Statutory Historical Statement of Financial Position	means the statutory historical consolidated position as at 31 December 2022.
Think Childcare or **TNK**	means Think Childcare Limited ACN 600 793 388.
Think Group	has the meaning set out in Section 3.1.
TND	means Think Childcare Development Limited ACN 635 178 166.
Trade Up	has the meaning set out in Section 3.1.
Trigger Period	has the meaning set out in Section 9.4.2.
Underwriting Agreement	means the agreement between the Joint Lead Managers and the Company to manage and underwrite the Offer.
Underwriters	means Moelis, Wilsons and Canaccord.
US, USA or **United States**	means the United States of America.
US Person	has the meaning given in Rule 902(k) of Regulation S.
US Securities Act	means the United States Securities Act 1933, as amended.
Vesting Conditions	means the conditions under which the Awards will vest and become exercisable by the participant subject to the satisfaction of performance conditions.
VWAP	means the volume-weighted average price.
Wilsons	means Wilsons Corporate Finance Limited ACN 057 547 323.

CORPORATE DIRECTORY

Company's registered address

Nido Education Limited

Suite 3, 1 Park Avenue
Drummoyne, NSW 2047

Company's Directors

Mark Kerr
Mathew Edwards
Joe Dicks
Vanessa Porter

Co-Company Secretaries

Mathew Edwards
Tony Amato

Joint Lead Managers and Underwriters

MA Moelis Australia Advisory Pty Limited

Level 27, Brookfield Place
10 Carrington Street
Sydney, NSW 2000

Canaccord Genuity (Australia) Limited

Level 42, 101 Collins Street
Melbourne, VIC 3000

Wilsons Corporate Finance Ltd

Level 32, Governor Macquarie Tower
1 Farrer Place
Sydney, NSW 2000

Investigating Accountant

KPMG Financial Advisory Services (Australia) Pty Limited

Level 38, International Towers Three
300 Barangaroo Avenue
Sydney, NSW 2000

Tax Advisor

Nuwaru Pty Ltd

Level 7, 11 York Street
Sydney, NSW 2000

Auditor

KPMG Australia

Level 38, International Towers Three
300 Barangaroo Avenue
Sydney, NSW 2000

Australian Legal Advisor

MinterEllison

Collins Arch, Level 20
447 Collins Street
Melbourne, VIC 3000

Independent Market Expert

Frost and Sullivan Australia Pty Limited

Level 36, Governor Phillip Tower
1 Farrer Place
Sydney, NSW 2000

Share Registry

Computershare Investor Services Pty Ltd

Yarra Falls, 452 Johnston Street
Abbotsford, VIC 3067

Information Line

Hours of operation: 8.30am to 5.00pm (AEST)
Monday to Friday

Toll free within Australia

1300 918 434

Outside of Australia

+61 3 9415 4826

Offer website

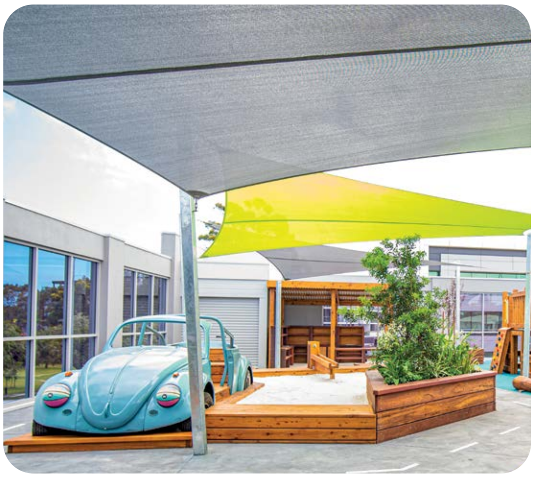
www.computersharecas.com.au/ndoipo

Company website

www.nidoeducation.edu.au

www.colliercreative.com.au #NES0001

nido
Education Limited



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