Mayfield Childcare Limited
2024 Half Year Results

Investor Presentation
30 August 2024

mayfield

Important notices and disclaimer

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

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

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

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

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

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

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

Contents

01 Snapshot – 1H24

Half year at a glance

- 7 acquisitions were completed in South Australia, expanding the Group to 45 centres[2] and 4,195 licensed places.
- Restructure and investments in people and culture led to an improvement in staff retention rates and a 15% reduction in the number of vacant roles across the Group. The inaugural Centre Manager NPS score of 48.3 reflects positive sentiment and a strong start.
- Commitment to service quality reflected in strong family NPS of 55.0 which improved on an already high CY23 score.
- Focus on operational efficiency and cost management resulted in significant reduction in operation expenditure, resulting in an improvement in centre EBITDA to $4.7M.
- Group brand consolidation efforts continue with a further 6 centres rebranded to Mayfield Early Education – 8 centres remain before the brand program completes.
- Weather related closures to 9 centres in Q1 impacted new enrolments, resulting in a 3% decline in group to 60.9% (1H23: 63.9%). Spot Occupancy continues to grow, with Core Portfolio (excluding divestments) occupancy of 70%[2].

7
Centre acquisitions completed

15%
Q2 reduction in vacant roles

55.0
Family NPS
(CY23: 53.1)

$4.7M
Centre EBITDA
(1H23: $3.96M)

48.3
Centre Manager NPS score
(CY23: N/A)

70%
Spot occupancy of Core Portfolio[1]

1. As at week beginning 12 August 2024, excluding centres approved for divestment
2. One divestment centre closed in 2024 in-line with lease expiry

02 Strategy Update

Key Achievements
Strategic Progress

Key Achievements

1 **7 new centres delivering 882 licensed places**

Expanded the Group's footprint in South Australia from a single centre with 60 places.

2 **Improvements in staff engagement and retention**

Restructured to empower centre managers resulting in a strong NPS of 48.3. Improved year-on-year staff retention rates by 7% and a 15% reduction in vacant roles in Q2.

3 **Strong family satisfaction scores**

Family satisfaction rates amongst the highest in the industry – NPS of 55.0 and continued signs of improvement.

4 **Acquired Montessori capability and an established brand**

The acquisition of Precious Cargo's intellectual property developed over 18 years, enables Mayfield to offer a differentiated Montessori curriculum in highly competitive regions.

02 Strategy Update

Strategic Progress – Operations and People

Notable achievements were made in operational performance which were driven by investments in people and culture, and a diligent focus on cost reduction initiatives.

Operational Excellence ✓ Strategic focus on operational efficiency has resulted in a significant reduction in centre level costs and improvements in service quality and family satisfaction.	▪ **Cost management –** focus on centre level budgets and upskilling managers in financial literacy has resulted in a significant improvement in controllable centre level expenditure as a pct of revenue. ▪ **Workforce utilisation –** internal approval processes and staff training on workforce utilisation has resulted in the continued improvement in wage-to-revenue (WTR). ▪ **Reduced agency use** – the establishment of an internal casual pool and a focus on sharing staff throughout the network of centres has reduced the usage of agency by 67% which in turn has the flow on effect of improving service quality and family satisfaction through staff consistency. ▪ **In-house facilities capability –** the establishment of an internal facilities team to address routine maintenance issues and capital improvement projects has resulted in an uplift in facility quality, a 31% reduction in facilities costs, and improved efficiency with capital expenditure.
People & Culture ✓ Management was pleased to improve staff retention and staff engagement scores across the group and at a centre manager level.	▪ **Technology led efficiency –** increased response time to applicants through the establishment of a recruitment platform and improved staff retention rates has resulted in a 15% reduction in Q2 vacancies. ▪ **Staff Retention –** staff turnover continues to decline year-on-year, driven by a focus on people and culture, and retention initiatives. ▪ **Staff Satisfaction –** improved staff NPS scores across the board and in particular centre manager scores of 48.3 reflect continued efforts in this area.

Strategic Progress – Portfolio Growth

Significant progress was made with optimising our overall portfolio with the strategic acquisition of Precious Cargo. Despite establishing a platform for organic growth, weather related closures in Q1 at 9 centres resulted in efforts not yet being fully realised.

Organic Growth While efforts not fully realised in 1H24 significant progress has been made to establish a platform for future growth.	▪ **Occupancy below forecast** – 9 centre closures in Q1 due to weather related events, hindered enrolments during the sector's critical enrolment period, resulting in occupancy being 3% below pcp. ▪ **Performance marketing commenced** – digital assets have been developed to facilitate the commencement of performance marketing initiatives in June. Since commencement, leads have been acquired at below $150 with a conversion rate of 24.8%, reflecting an effective customer acquisition strategy. ▪ **Enrolments team and waitlist expansion** – management centralised enrolments at support office to assist centre managers. This focus, coupled with an increase in demand, saw a significant increase in 2Q24 waitlists, growing by 209.80% on Q1. ▪ **Brand consolidation** – rebranding efforts continued, with 6 centres transitioned to Mayfield Early Education. Eight centres remain to be rebranded. Upon completion, a refreshed and reinvigorated brand and presence is expected to complement marketing efforts.
Portfolio Optimisation Strategic acquisitions in SA have strengthened the portfolio. While some divestments remain an ongoing focus area, management are exploring alternative strategies to realise value.	▪ **Strategic Acquisition** – expanded the portfolio by acquiring an established Montessori brand of 7 centres in South Australia, enhancing operations within the region where it previously operated a single centre. ▪ **Divestments: One Closure** – management is pleased to have closed one centre in the period which coincided with an expiring lease and thus minimal additional costs to the Group on closure. Staff and families were successfully transitioned across to nearby local Mayfield Centres. ▪ **Divestments: Reposition Strategy** – management has identified one service of the approved divestments, which has potential to be rebranded to Precious Cargo under a Montessori curriculum to differentiate its offering within the competitive catchment. ▪ **Divestments: Strong enquiries, difficult leases** – of the remaining four approved divestments, one centre has demonstrated uplift and a potential path to break even. Management continues to actively work to divest centres – while strong enquiry persists, lease assignments present an issue due to the underlying long-term leases and institutional landlords with strict assignment criteria.

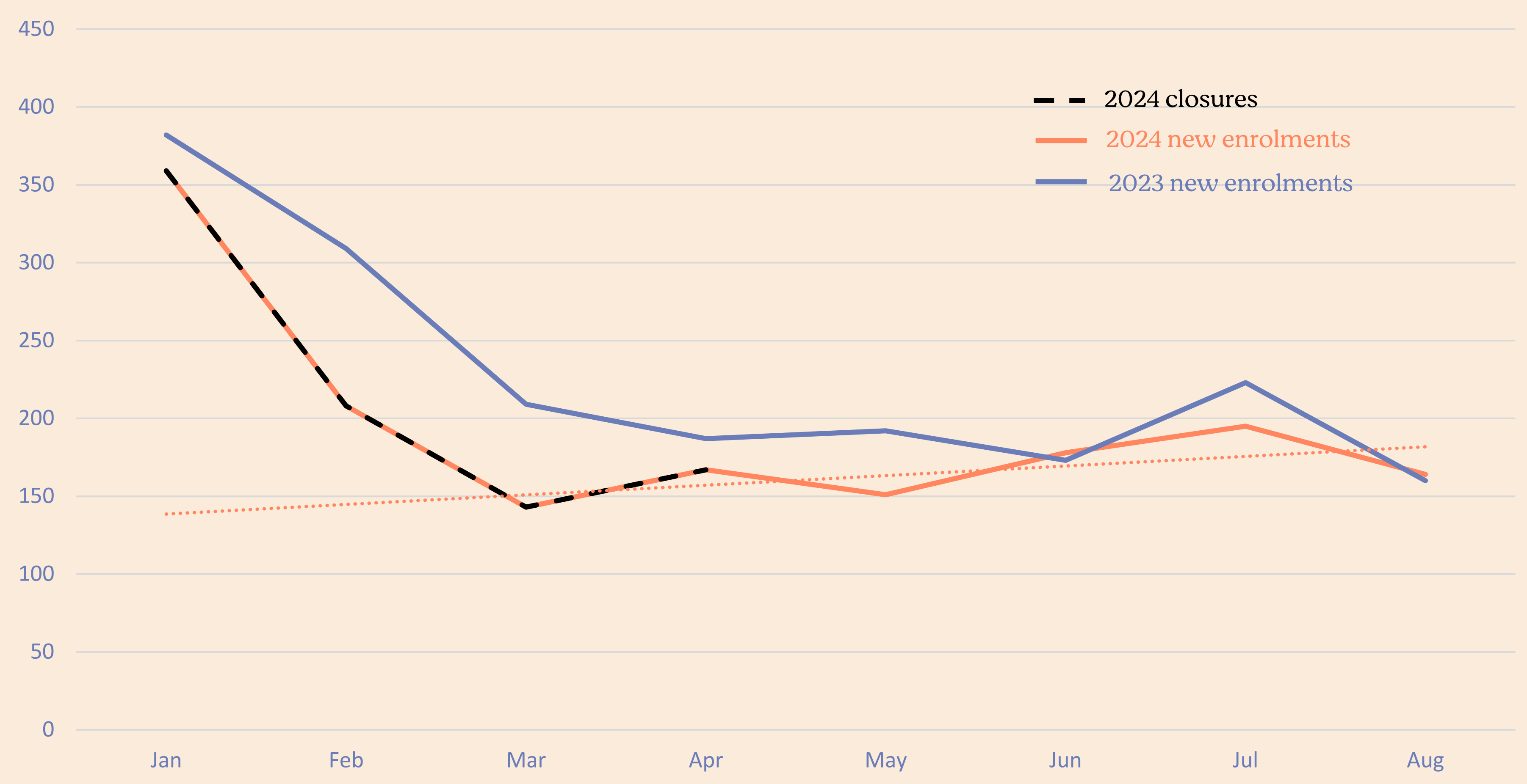
03 Operational Review

Enrolments & Occupancy
Workforce Management
Cost Management

Enrolments & Occupancy

New enrolments

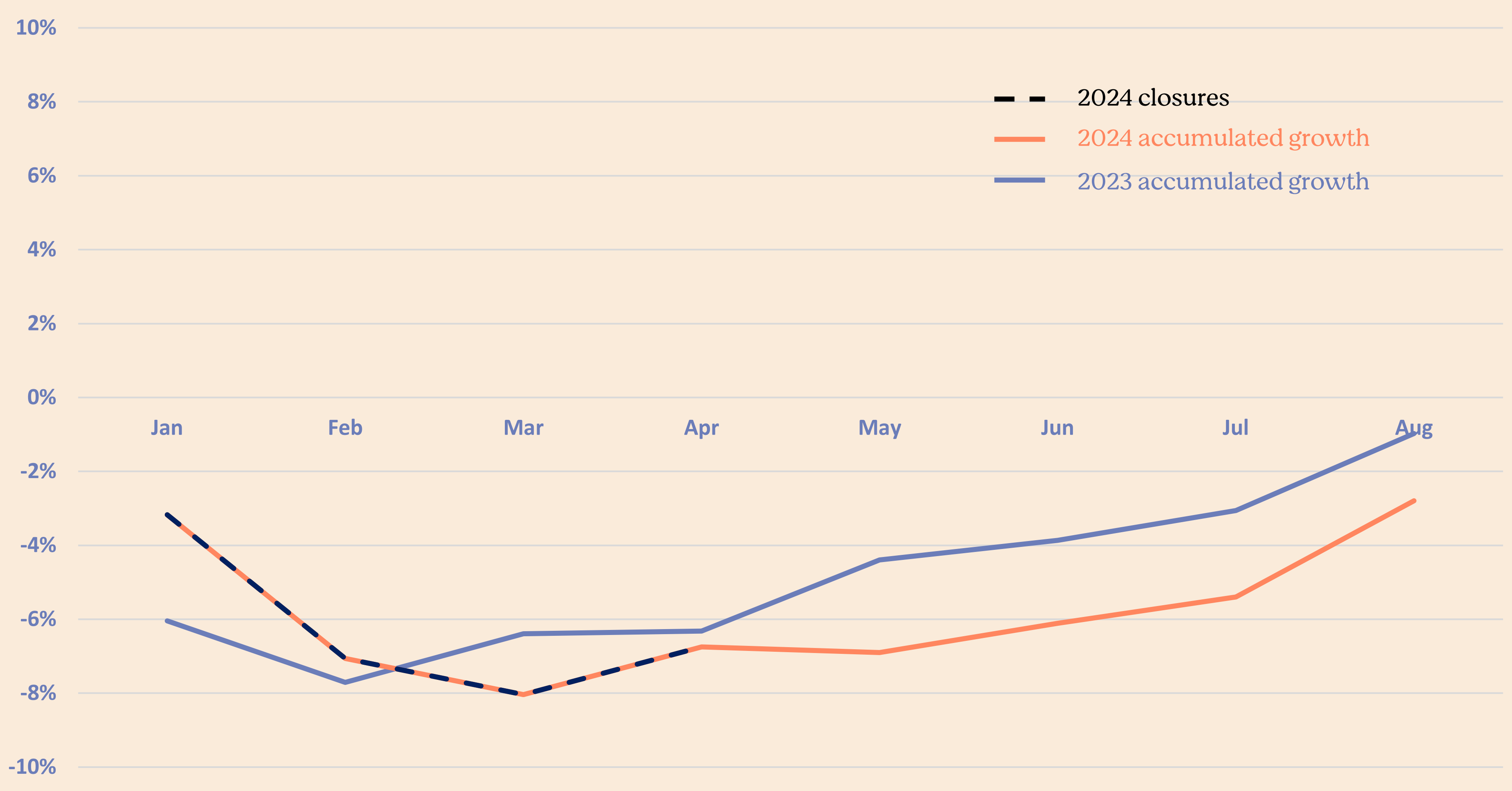
New children enrolled per month



Enrolments were impacted by the closure of 9 centres in Q1 due to weather related events. Notwithstanding this, the Group has seen an uplift in enrolment volumes and an expansion of its waitlist by 210% in Q2 from the previous quarter.

Centre occupancy growth

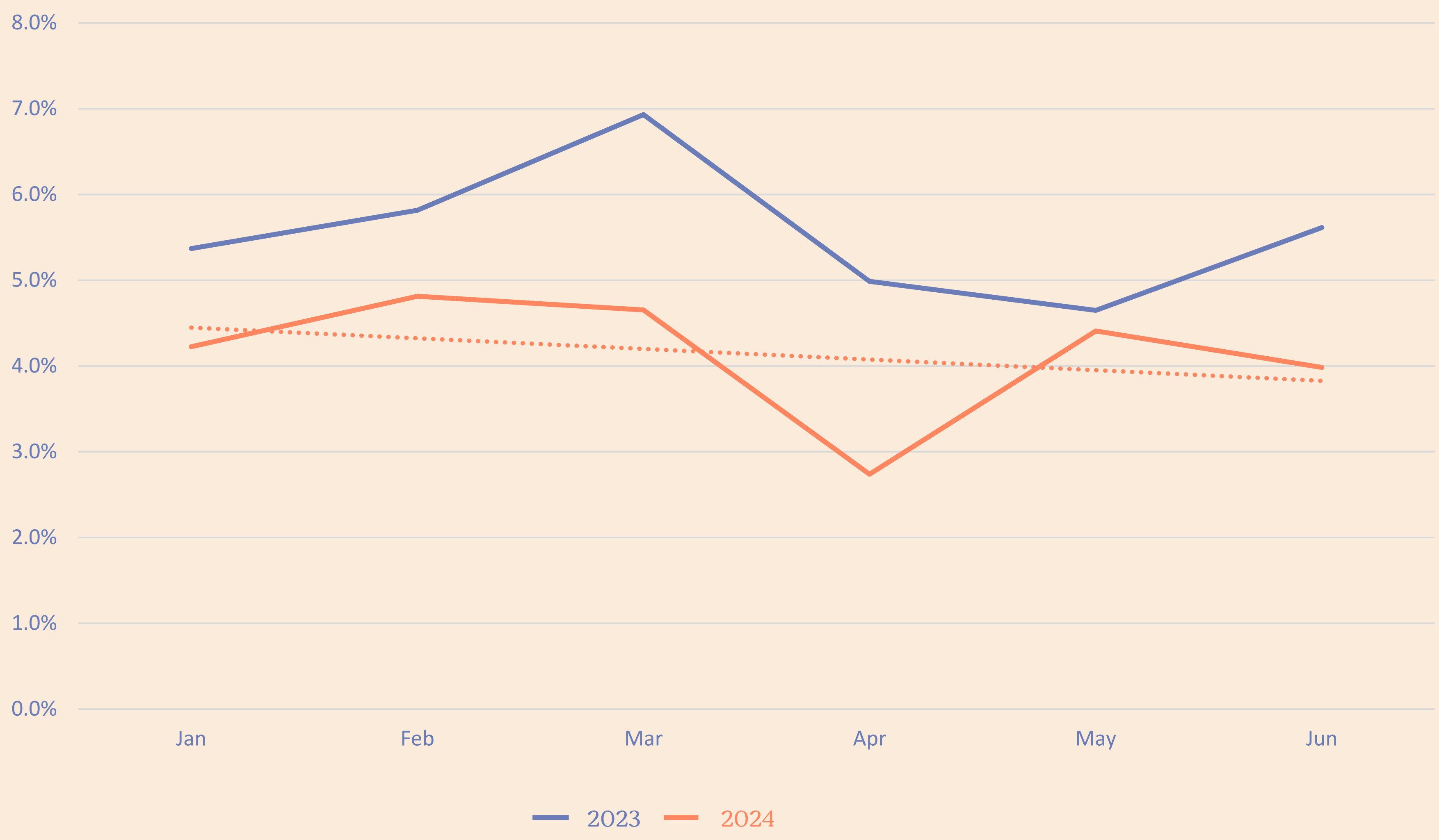
Accumulated occupancy growth



Accumulated occupancy growth was hindered by centre closures in Q1. Occupancy growth in subsequent months has seen significant uplift, in-line with pcp, driven by organic growth efforts.

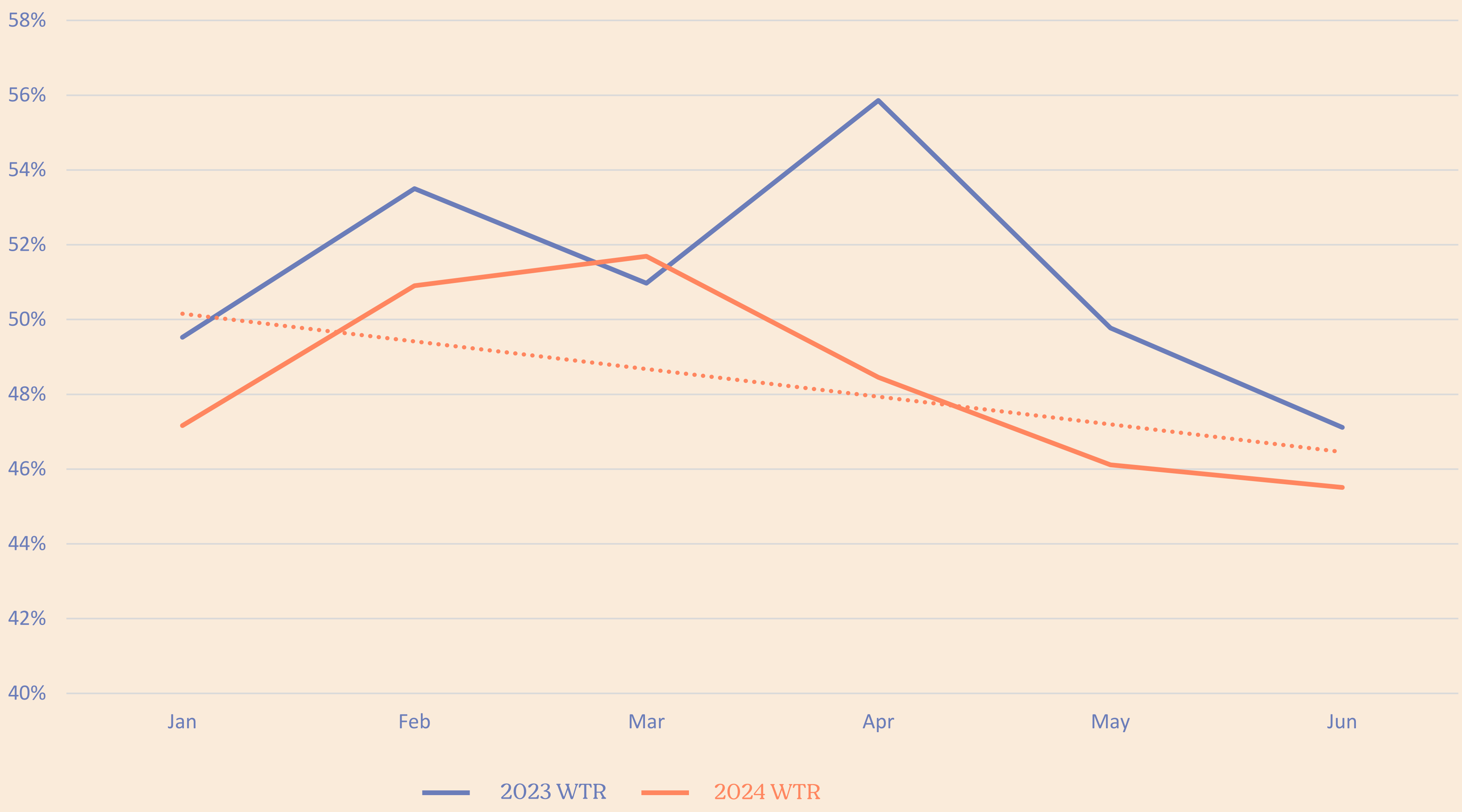
Workforce management

Staff turnover
Staff terminations as a pct by month



Staff turnover continues to decline, driven by investments into people and culture, and the focus on empowering centre staff. This is supported by increasing staff NPS scores and a strong centre manager NPS score of 48.3

Roster Efficiency
Salaries as a pct of Long Day Care Income (WTR)



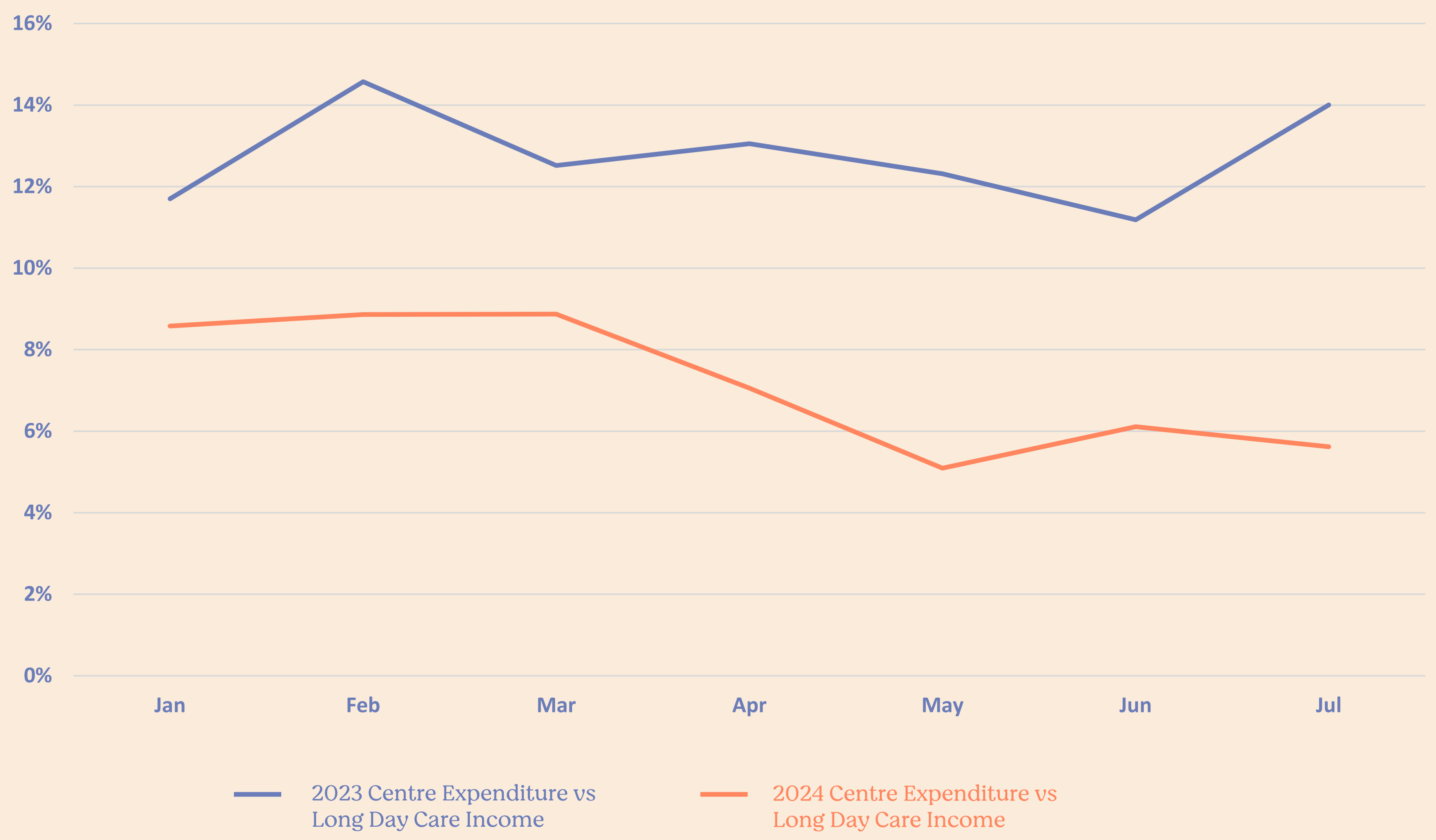
Roster efficiency improved throughout the year, driven by management's focus on effective workforce utilisation, the establishment of an internal casual pool and the overall reduction in agency usage.

03 Operational Review

Cost Management

Total Centre Expenses

Total centre expense by month as a pct of Long Day Care Income



Continued focus on cost control has resulted in a significant improvement in centre related expenditure as a percentage of long day care income, which includes, a 67% reduction in agency costs, 31% in facilities costs and 12% in other centre expenses.

Agency Costs

Agency expenditure per month

The establishment of an internal casual pool and more effective rostering has resulted in a significant year-on-year decline in agency usage.

04 Financial Performance

Earnings
Centre EBITDA Drivers
Cashflow
Balance Sheet

Earnings

- Childcare Services Revenue increased by $2.0M to $37.7M driven by the contribution from new centre acquisitions as well as fee increases implemented after the prior period. After adjusting for planned divestments (core centres), childcare revenue improved $2.2M on pcp.
- Labour costs, excluding centres planned for divestment, increased by $1.5M increase on pcp, again mostly driven by the contribution by newly acquired centres as well as annual award rate increases. Agency costs decreased by $0.8M, driven largely by efficiencies in rostering.
- Head office staff and related costs increased by $0.7M reflecting investment in organisational capacity and financial governance to address gaps in the prior year. Management forecast support office costs of 4.9% in the year ended CY24 and to reach its intended target of 4% in CY25.

$'000s	1H24 Underlying	1H23 Underlying
Childcare Services Revenue	37,691	35,654
Other Income	527	669
Revenue & other income	**38,218**	**36,323**
Less Revenue from centres approved for divestment	(3,387)	(3,686)
Revenue excluding planned divestments	**34,831**	**32,637**
Labour costs	(20,449)	(18,926)
Agency costs	(215)	(1,057)
Centre operating costs	(2,302)	(1,988)
Rent and outgoings	(5,172)	(4,534)
Other facilities costs	(813)	(1,175)
Centres approved for divestment	(1,174)	(995)
Underlying Centre EBITDA	**4,706**	**3,962**
Head office and corporate overheads	(3,160)	(3,114)
Underlying EBITDA	**1,546**	**848**
Centre EBITDA Margin	12.3%	10.9%

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

04 Financial Performance

Underlying Centre EBITDA Drivers

- Childcare revenue and other income uplift of $2.2M after excluding revenue from divestment centres, driven by newly acquired centres and fee increases.
- Increases in labour costs reflect the contribution by newly acquired centres as well as annual award rate increases.
- Agency costs decreased by $0.8M, driven largely by efficiencies in rostering.
- Rent and outgoings expenditure increased due to newly acquired centres as well as several market rent reviews and CPI increases across the Group's portfolio.

Cashflow

- Increases in operating cashflow are driven by an increase in fees received due to the newly acquired centres, while corresponding increases in labour costs have been minimised by rostering efficiencies achieved.
- Decreases in cash outflow from investing activities were driven by payments for centre acquisitions in the prior period and decreases in the purchase of capitalised plant and equipment due to remediation works carried out in the prior period.
- The Group utilised working capital to maximise repayments of debt facilities that were drawn down in the prior period in order to fund new centre acquisitions and dividend payments.
- As outlined in the accompanying Interim Report, the Group had up to $4.4 million (at reporting date) available to be drawn down from its Business Loan facility for working capital requirements.
- On 30 August 2024 the Company was pleased to declare an interim dividend for the half-year ended 30 June 2024 of 0.5 cents per ordinary share, fully franked, with a record date of 5 September 2024.

$'000s	1H24 Statutory	1H23 Statutory
Cash flows from operating activities		
Receipts from customers, including government funding	37,527	34,920
Payments to suppliers and employees	(31,244)	(30,846)
Other receipts	262	1,097
Interest paid on lease liabilities	(2,100)	(1,637)
Net interest paid on borrowings	(395)	(721)
Net income tax refunded / (paid)	284	(1,333)
Net cash inflow from operating activities	**4,334**	**1,480**
Cash flows from investing activities	-	-
Payments for acquired centres	–	(4,342)
Payments for plant and equipment	(571)	(1,305)
Payments for security deposits	–	(5)
Proceeds from the disposal of plant and equipment	–	0
Net cash (outflow) from investing activities	**(571)**	**(5,652)**
Cash flows from financing activities	–	–
Proceeds from / (repayment of) borrowings	(1,074)	7,809
Proceeds from amounts repaid by Related Parties	459	–
Repayment of lease liabilities	(3,351)	(3,086)
Dividend paid	–	(2,861)
Net cash inflow / (outflow) from financing activities	**(3,966)**	**1,863**
Net (decrease) in cash and cash equivalents	**(202)**	**(2,310)**

Balance Sheet

- The decrease in Current tax receivable relates to prior year tax refunds received during the period.
- Decreases in Right-of-use assets result from amortisation over the lease period, combined with modifications to lease term assumptions used in the calculation.
- Decreases in the Company's working capital facility were driven by repayments of debt facilities that were drawn down in the prior period in order to fund new centre acquisitions and dividend payments.
- Loan balances in the prior period were re-classified from non-current liabilities to current liabilities during the period

$'000s	Jun-24	Dec-23
Cash and cash equivalents	161	363
Trade and other receivables	3,091	2,993
Current tax receivable	3	571
Prepayments	412	184
Total current assets	**3,666**	**4,111**
Plant and equipment	4,283	4,455
Intangible assets	78,689	78,689
Right-of-use assets	138,809	144,321
Security deposit	5	5
Deferred tax asset	4,514	4,127
Total non-current assets	**226,301**	**231,597**
Total assets	**229,967**	**235,708**
Trade and other payables	4,160	4,160
Contract liabilities	1,102	1,111
Borrowings	–	7,547
Leases	7,083	6,823
Provisions	4,474	4,495
Total current liabilities	**16,818**	**24,135**
Borrowings	6,473	–
Leases	141,952	146,045
Provisions	135	145
Total non-current liabilities	**148,560**	**146,190**
Total liabilities	**165,378**	**170,324**
Net assets	**64,589**	**65,383**

Outlook

Precious Cargo – Woodville Park

- **Organic growth** – closing out the brand consolidation program and continuing to drive organic growth through digital customer acquisition strategies will be a focus for 2H24.
- **Reinvigorated Precious Cargo** – the integration of our recent acquisition and relaunch of Precious Cargo will be a critical area of focus to ensure that the brand maximises its potential under Mayfield's stewardship.
- **Positive Workforce Conditions –** the recently announced funded award increase is expected to improve staff retention in the short term and increase sector participation over the next 24 months which will assist with staff vacancies.
- **Cost Pressures –** cost of living pressures are expected to persist which may lead to softer enrolments across the sector vs the prior year. Notwithstanding this, the uplift in workforce conditions and the ability to meet additional demand at some services may soften this impact.

Mayfield Childcare Limited

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

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

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

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