



# AFFINITY EDUCATION G R O U P

Morgan Stanley Emerging Companies Conference

17 June 2014

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# Agenda



AFFINITY EDUCATION  
GROUP

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|---|-------------------------|
| 1 | AFJ Background          |
| 2 | Strategy Overview       |
| 3 | FY13 Results Highlights |
| 4 | Growth Outlook          |





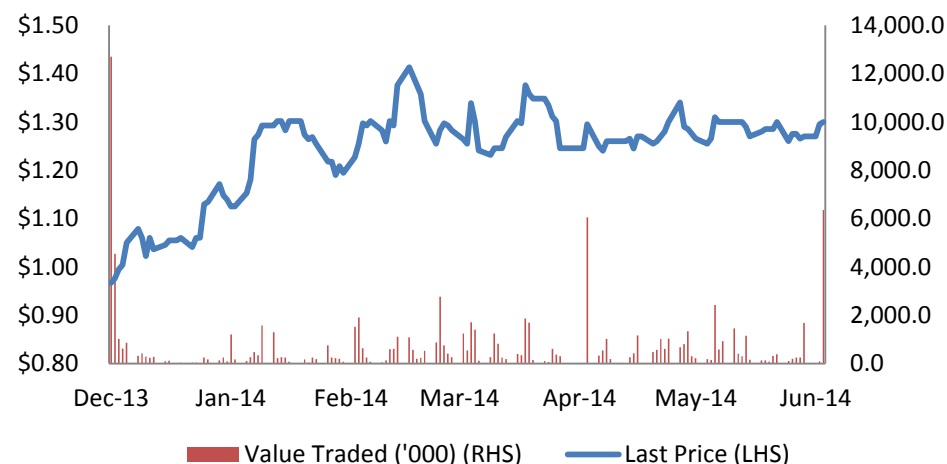
## 1. AFJ Background

# AFJ Background

**Affinity Education is a leading provider of education and care to children aged six weeks to twelve years in the Australian market**

- Portfolio of 119 child care centres - 90 owned, 11 managed and 18 subject to contract with a total of 8290 places
- Geographically diversified portfolio across Australia with centres located in QLD, NSW, VIC, WA and NT
- Experienced Board and Management with proven industry expertise
- Successfully listed on the ASX, with a current market capitalisation of c. \$200m<sup>(1)</sup>

Share price since listing (ASX: AFJ)<sup>(2)</sup>



Substantial shareholders<sup>(3)</sup>

Shareholder	% ownership
Perpetual Investments	13.5%
AMP Capital Investors	8.6%
Renaissance	6.0%
Colonial First State	5.8%

<sup>(1)</sup> Assuming \$1.30 share price; <sup>(2)</sup> Share price has been TERP adjusted; <sup>(3)</sup> As per the most recent substantial shareholder notice lodged with the ASX

# AFJ Background – Board & Management

**A strong and independent Board, supported by an executive management team, combining to bring proven industry, corporate and consolidation experience**



**Stuart James**

**Non-Executive Chairman**

- Currently Chairperson of Greencross Limited (ASX: GXL), Pulse Health Limited (ASX: PHG) and Prime Financial Group Limited (ASX: PFG)
- Former Managing Director of Australian Financial Services for Colonial and Managing Director of Colonial State Bank and former CEO of Mayne Group



**Justin Laboo**

**Chief Executive Officer and Managing Director**

- Formerly CEO of Forest Place, an FKP backed listed entity in the age care space
- Previously with Energy Developments Ltd and National Australia Bank
- More than 15 years of experience in finance and strategy areas across the service, banking, construction and energy industries



**Jeff Forbes**

**Non Executive Director**

- Former CFO of listed infrastructure and environmental services business Cardno Ltd. From 2006 to March 2013, where he managed over 30 acquisitions
- Non Executive Chairman of listed junior oil and gas explorer, Talon Petroleum (ASX: TPD) and Non Executive Director of CMI Limited (ASX: CMI)



**Gabriel Giufre**

**Chief Operating Officer and Executive Director**

- 14 years child care industry experience
- Founded Bambini Group in 2005 and currently owner and operator of 13 childcare centres through Eternal Echoes
- Track record in the acquisition and integration of child care centres



**Stephanie Daveson**

**Non Executive Director**

- Currently Partner at law firm Corrs Chambers Westgarth, with over 20 years experience advising companies, principally on M&A, ECM and governance
- Member of the Takeovers' Panel and a Regional Councillor of FINSIA



## Board members



**John Bairstow**

**Chief Financial Officer and Company Secretary**

- Former Director in the Transaction Value Advisory Group of PwC
- More than 13 years experience in finance roles with GdF Suez, Deloitte and Arthur Andersen



**Fiona Alston**

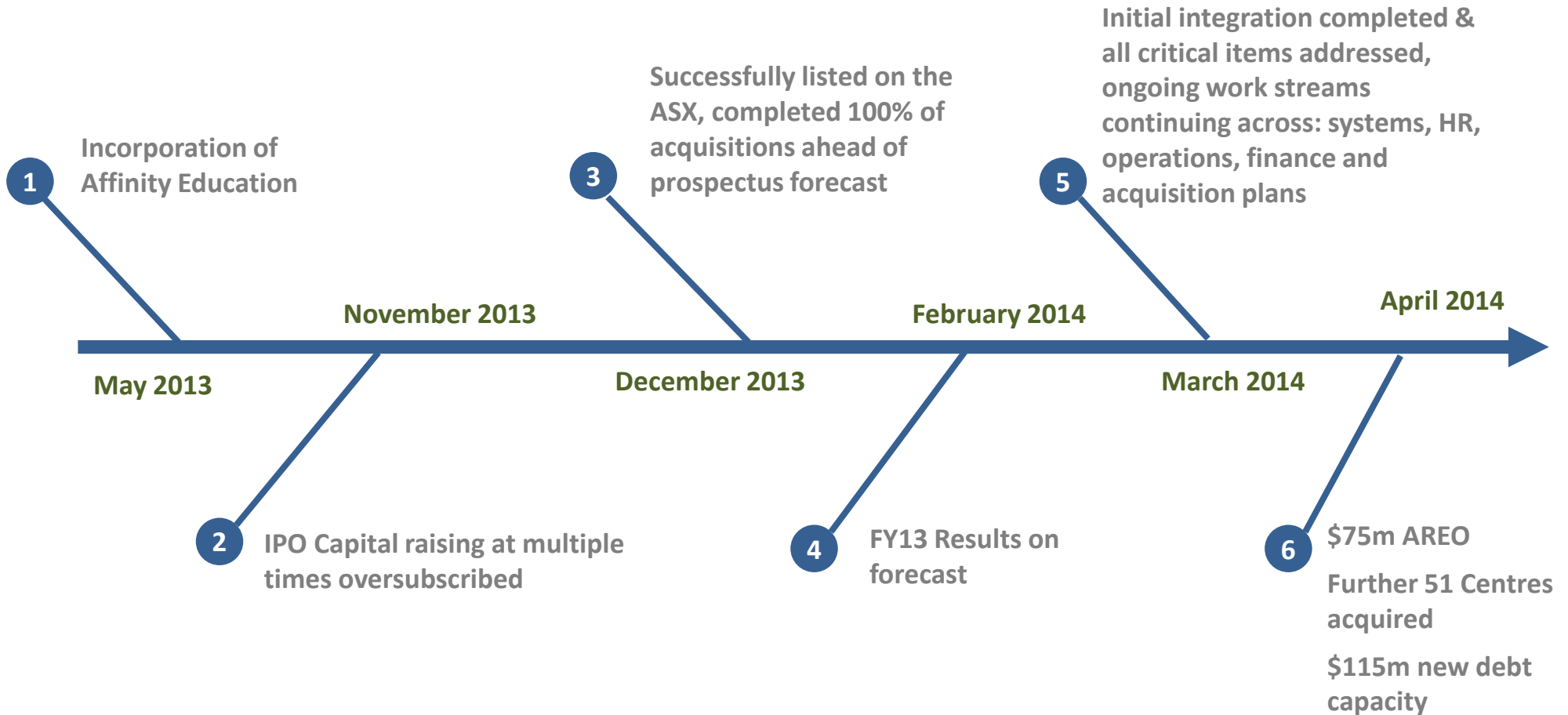
**National Operations Manager**

- Over 22 years experience in the child care sector
- Previously held senior operational positions with large child care groups



# AFJ Background – Timeline Highlights

Since listing, shareholders have received a return in excess of 40%<sup>1</sup>



<sup>1</sup>This includes the \$0.13 bonus value as a result of the Rights Issue completed in May

# Highlights Since Listing

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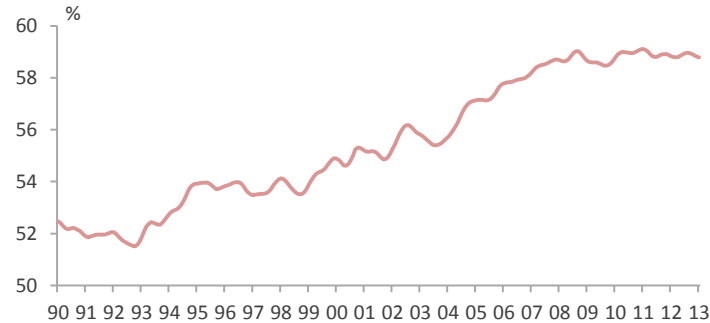
- ✓ IPO portfolio settled and integrated ahead of listing
- ✓ Acquisition facility made available ahead of schedule
- ✓ Significant increase in portfolio of owned centres following April acquisitions with overwhelming support from investor base
- ✓ Kids in Care acquisition significantly enhances existing platform through systems and people
- ✓ Strong endorsement from bankers with a significant increase in debt facilities to \$115m



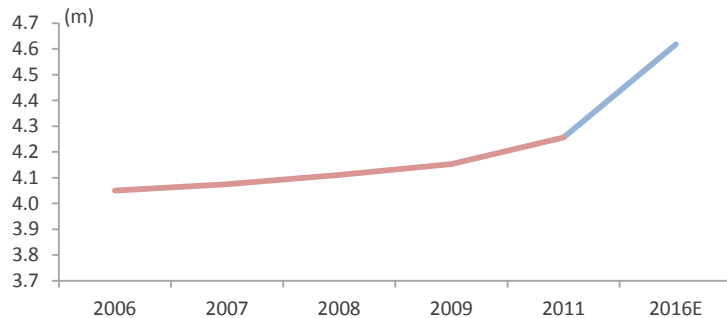


# AFJ Background – Sector Overview

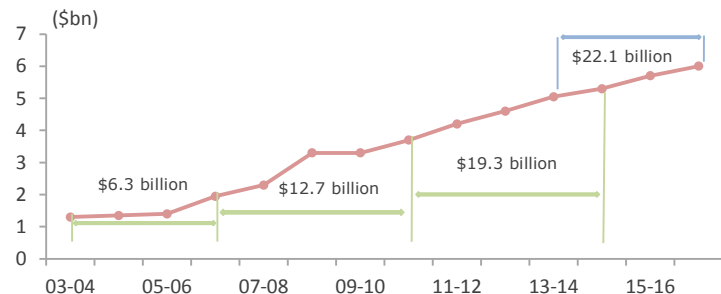
## Strong industry fundamentals <sup>(1)</sup>



Increased female participation in the labour force.



Increased number of children between 0-14.



Financial support for the industry from the government.

## Market Overview <sup>(2)</sup>

The childcare industry remains highly fragmented



84% of operating providers manage only 1 child care centre

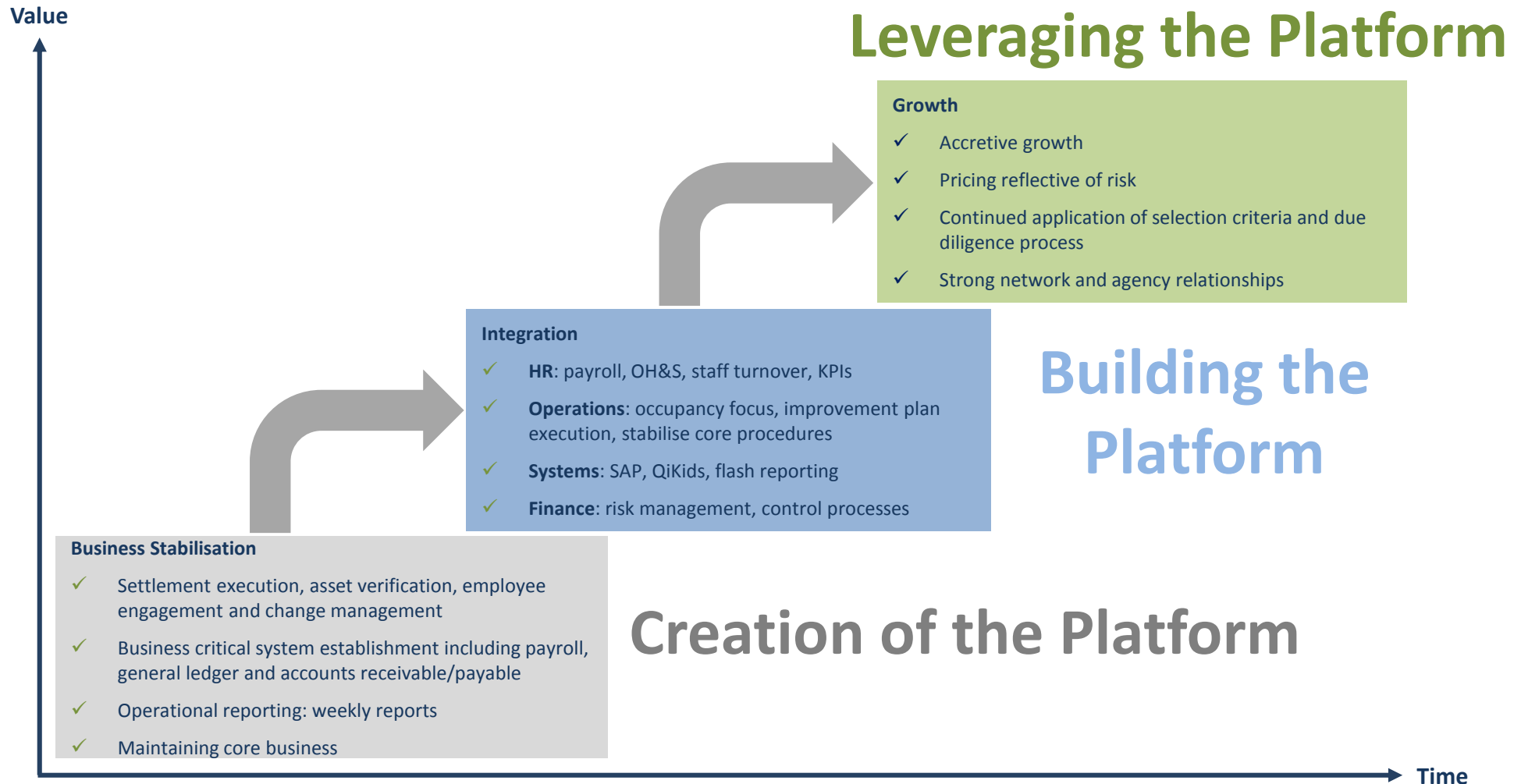
There were 7,183 approved child care providers in Australia as at December 2013



## 2. Strategy Overview

# Strategic Overview

Multi phase, logical execution to create, build and then leverage the platform





### 3. FY13 Results Highlights



# FY2013 Results Highlights

## AFJ delivered on IPO forecast

	Prospectus FY13	Actual FY13	Variance %
Revenue	2,033	3,677	+80.9%
EBITDA	(9,615)	(9,321)	+3.1%
EBIT	(9,669)	(9,388)	+2.9%
NPAT	(8,981)	(8,856)	+1.4%

- 1 Appropriate allowances for platform investment
- 2 Favourable cash position relative to forecast

\$'000s	As at 31 December 2013 (Audited)
<b>Current assets</b>	
Cash and cash equivalents	3,068
Trade and other receivables	2,568
Assets held for sale	250
<b>Non-current assets</b>	
Property, plant and equipment	3,358
Deferred tax assets	3,456
Intangibles	62,122
<b>Total assets</b>	<b>74,822</b>
<b>Current liabilities</b>	
Trade and other payables	5,073
Provisions and other	3,352
<b>Non-current liabilities</b>	
Provisions and other	958
<b>Total liabilities</b>	<b>9,383</b>
<b>Net Assets</b>	<b>65,439</b>
<b>Equity</b>	
Issued share capital	74,295
Retained earnings	(8,856)
<b>Total equity</b>	<b>65,439</b>



## 4. Growth Outlook

# Growth Outlook

**Affinity Education will continue to focus on organic growth and a disciplined acquisition strategy targeting earnings accretive acquisitions**

## Sources of Growth

### Strong Organic Growth Opportunities

- ✓ Increasing revenue by implementing targeted marketing strategies and broadening the range of services
- ✓ Increasing the number of configured places to levels closer to the licensed capacity
- ✓ Leveraging the operating structure to achieve greater efficiencies and synergies
- ✓ Improving the platform for staff retention and wage control, driving greater employee engagement and productivity

### Strong Acquisition Pipeline

- ✓ Maintain a disciplined acquisition strategy, targeting earnings accretive acquisitions
- ✓ Looking at centre and corporate opportunities, with some costs continuing to be incurred
- ✓ EPS, Risk and Pricing are important factors to assess
- ✓ The corporatised structure is capable of supporting continued growth in the portfolio
- ✓ Growing corporate infrastructure to build acquisition & integration expertise

**\$100m Acquisition Debt Capacity**

# Corporate Information



AFFINITY EDUCATION  
GROUP

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### Justin Laboo

Chief Executive Officer and Managing Director

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