



AFFINITY EDUCATION
G R O U P
ABN 37 163 864 195

ASX ANNOUNCEMENT
AFFINITY EDUCATION GROUP LIMITED
ASX:AFJ

23 July 2014

Affinity Education Group Update

Recent acquisitions

Further strengthening its position in the Australian child care sector, Affinity Education today announced it has now completed 35 of the 51 childcare centre acquisitions, as announced on 8 April 2014.

Due diligence has been successfully completed on a further 12 centres, with completion scheduled within the next few weeks. The final four centres are still in due diligence and the company will provide updates as required.

The 35 new centres bring Affinity's portfolio of child care centres to 104.

Justin Laboo, chief executive officer of Affinity Education Group said the acquisitions build on the Group's growth strategy of diversifying into Sydney, Melbourne and Perth while adding to its existing strong cluster of centres in the Queensland area.

The company is currently completing integration of the 35 new centres across all critical work streams of human resources, systems, operations and finance, with integration performing according to plan.

Given the timing of acquisition completions and the cash generated from current operations, Affinity does not expect to draw from its \$100m debt facility, placing Affinity in a strong position to continue assessing accretive growth opportunities in line with the Group's disciplined acquisition criteria in the second half of 2014.

Trading Conditions

Affinity's occupancy has continued to achieve a consistent rate of increase with each week of operation, and this momentum is expected to continue in the second half of 2014, in line with seasonal industry trends.

In addition to the improving occupancy performance, Affinity has also seen continued improvement in average fees collected and its wage to revenue performance. Given the starting position for the Group at the commencement of the calendar year, Management's ability to

continuously lift performance over this period provides confidence in achievement of the full year's prospectus results.

Given the sizeable acquisitions in the first half results, Affinity intends to present pro forma financials consistent with the portfolio of assets disclosed under the prospectus. Affinity intends to release its audited half yearly results on 28 August.

In the interim Affinity reaffirms the half year pro forma prospectus earnings before interest and tax forecast of \$3.8m, based on unaudited management accounts.

Draft Productivity Commission Report

Affinity welcomes any Federal Government initiatives looking to improve the service outcomes to the market, governance, and financial accountability of its spending on childcare services and Affinity takes comfort that its business model strongly supports this approach.

Affinity is closely following the Productivity Commission's draft recommendations to increase the sector's effectiveness and coverage for Australian families. Simplifying the subsidy process and increasing sector funding to \$8 billion per annum, will make access to childcare services more attainable for a larger number of Australian families.

Driving long-term sector growth, is consistent with the Federal government's commitment to continuing to improve parent participation in the workforce. Together with factors such as innovative service development, increasing relative population of children and an aging population, Affinity is confident of the strong underlying fundamentals that support its future growth.

The successful establishment of the Affinity Education childcare services platform will allow the Group to adapt its business model to any changes in sector dynamics.

ENDS

John Bairstow
Company Secretary

About Affinity Education Group Limited

Affinity Education Group Limited has been established to be a leading provider in the Australian market of high quality education and care to children aged six weeks to 12 years. Provision of these services includes long day care, before and after school care and occasional care.

