



17 April 2015

2014 Annual General Meeting

Chairman's Address

Good morning ladies and gentleman and welcome to the 2014 Annual General Meeting of Affinity Education. I am Stuart James, Chairman of Affinity Education and I will be chairing our meeting today.

The board of directors; Jeff Forbes, Stephanie Daveson, Gabrielle Giufre, Justin Laboo and I, are delighted to welcome our shareholders to our second Annual General Meeting. I would also like to welcome members of our executive team, auditors and lawyers, who are also in attendance here today.

Following my address, our Managing Director and CEO Justin Laboo will provide a presentation on the 2014 performance, as well as progress on integration and operations. Copies of my address and the presentation have been uploaded to the exchange today.

On behalf of Directors and shareholders, I would like to thank our executive management team and all other staff and associated partners, for all their work and support in getting Affinity Education through a successful first year of operation. I would also like to thank my fellow directors for their valuable contribution to the organisation and the board itself, which has seen a significant amount of work in our short history.

For the 2014 year the company was pleased to be able to present an underlying EBITDA result of \$17.9m, with an underlying profit after tax of \$11.4m. Including acquisition and integration costs, the final result after tax was a loss of \$4.1m, with this result clearly impacted by the acquisitions executed throughout the year.

Affinity Education is pleased to confirm that it continues to have the complete support of CBA, with full availability of all existing debt facilities. Whilst the CBA support is unwavering the group has identified that diversification of its funding will enhance and ultimately grow these existing debt arrangements. As a result Affinity Education is in advance discussions to introduce a second lender into the company's funding mix, at the time that suits the company. This will be a positive result by diversifying and growing senior debt availability, and strengthening the company's future capital position. Further details on this will be announced at the time when terms and conditions are satisfactorily finalised.



Earlier this year the company provided an indication of a steady and consistent growth strategy targeting 20-25% growth per annum in the portfolio, in the ordinary course of business. This will provide a positive and predictable capital and earnings position for the company moving forward.

The strategy for the board remains on properly integrating all acquisitions to the company's existing stable platform, whilst also targeting improvement in operational performance and continuing investment in the group's platform and infrastructure to drive future organic growth.

The board are of the view that the company is well placed to consolidate its existing operations and target steady growth. With the continued improvement in the business, the company is pleased to announce that its dividend policy to pay up to 60% of net profit after tax, will commence with its maiden dividend for the full year of 2015. This full year dividend is expected to be fully franked and no interim dividend is expected. This is an exciting milestone for the company that signals the strengthening cashflow from operations.

With respect to the resolutions to be presented here today, a poll will be taken across all of them, with the results to be announced and uploaded to the exchange, post the completion of the meeting.

I would like to make a couple of comments in relation to the questions raised on the proposed STI and LTI plans. It is the company's intention to target a STI in the range of 50 to 75% of the base package for key management personnel (KMP), where the STI will be subject to the scalable performance of financial and personal related KPIs. For example these KPIs will include the achievement of budgeted profit, staff engagement, centre based operational targets and investor engagement. Financial related KPIs account for 70% of the measures and personal related KPIs for the remaining 30%. To achieve 100% of the STI, KMP will need to achieve 100% of the financial and personal KPIs.

In relation to the proposed LTI for 2015, I would like to comment that the selection of underlying EPS was deemed as the preference to more closely align the business to its investment and performance strategies. The definition of underlying EPS excludes those costs associated with acquisitions, which include: stamp duty, agent's commissions, legal and due diligence related costs. Items affecting statutory profit after tax will be addressed in the short term incentives. Each year the Remuneration & Nomination Committee will consider whether underlying profit after tax, rather than statutory profit after tax, remains the most appropriate measure. It is anticipated that when the company develops past its initial growth stage, statutory profit after tax will be used in determining earnings per share for any Performance Rights issued after that time.



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In closing I would like to thank our shareholders for their continued support of Affinity Education, an additional thanks to all those shareholders who were able to attend today's meeting. I assure you that the board and management are working hard to realise Affinity's potential and improve our performance in the early education sector.

Stuart James
Chairman