Affinity Education Group

Market Update presentation

7 July 2015

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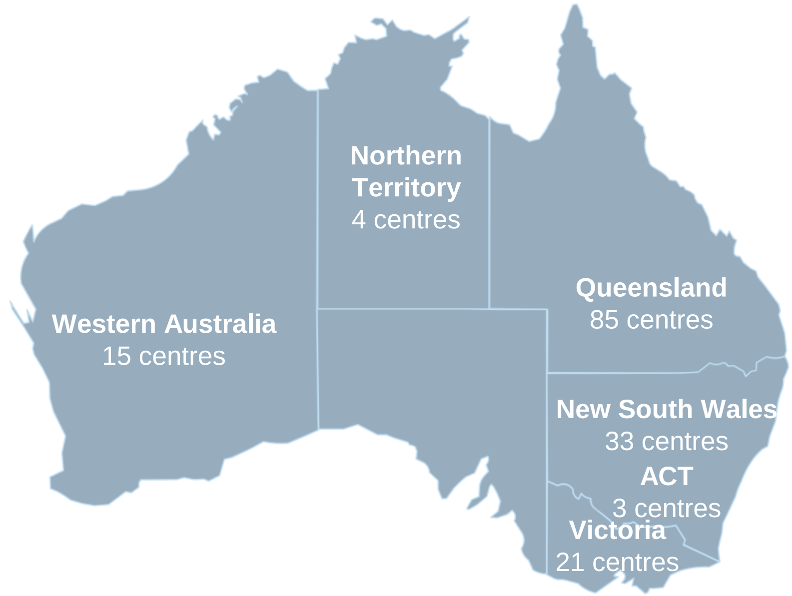
GROUP

FY15 Highlights

Earnings Guidance	✓ Underlying EBITDA forecast for H1 of \$7.5m to \$8.5m ✓ Underlying EBITDA forecast for FY15 of \$27m to \$32m prior to any new acquisitions ✓ H1/H2 seasonality in FY15 consistent with H1/H2 split from prior year
Dividend	✓ Maiden dividend is expected to be announced for FY2015, up to 60% of NPAT
Operational Update	✓ Occupancy seasonality results in stronger second half ✓ Wage to Revenue improving into H215 ✓ Employee Engagement remains strong ✓ Integration continuing to deliver
Portfolio Summary	✓ Portfolio of 161 centres at 30 June 2015 ✓ Net debt of \$21m, gearing approx. 10% ✓ Acquisition pipeline continues

Geographically diversified portfolio of 161 centres located across Australia

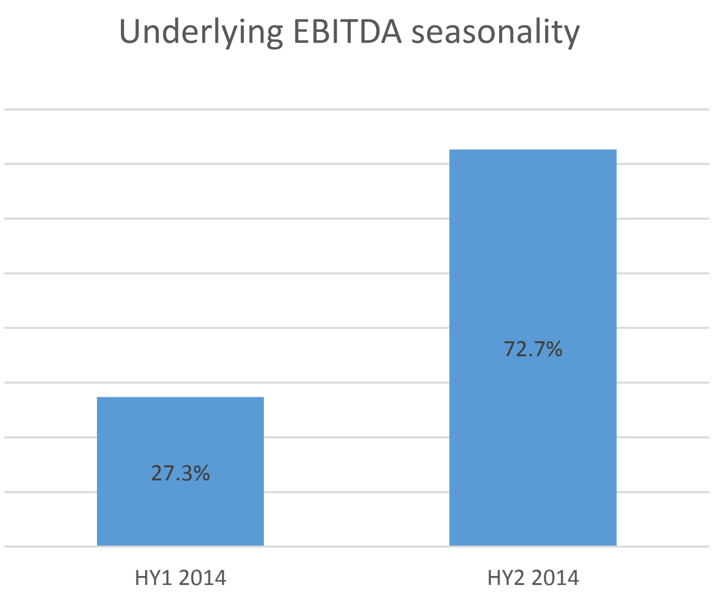


- Balance between metropolitan and non metropolitan locations
- Higher weighting towards areas with households with incomes less than $160,000

Earnings Guidance

H2 earnings growth driven by seasonality, occupancy, fee increases, cost control and acquisitions

- Drivers of FY15 H2 earnings increases:
  - Seasonality increase
  - Increase in weighted average occupancy
  - Fee increases implemented
  - Completed acquisitions contributions
  - Further wages reduction
- Earnings guidance is based on current portfolio only, further acquisitions will increase earnings
- A continuation of the first half occupancy trend is the key assumption at the lower end of the range
- An increase in the second half to FY14 occupancy levels would deliver EBITDA at the higher end of the range
- FY15 forecast earnings split is consistent with FY14



Operational Update - Occupancy

Occupancy continues to grow

- H2 FY15 **Occupancy** Forecast
  - Starting point of 77% as at June 2015, with weekly growth expected between of 0.4% - 0.6%
  - Occupancy expected to peak in the mid to high eighties around October and November
- Occupancy **Action Plans**
  - Focussing on attracting new families to our centres
    - Bespoke marketing campaigns tailored to the specific region, including community involvement
    - Investing in our staff to enhance educational programs and attract improved local support
  - Focussing on upselling to existing families
    - Creating awareness of the development and socialisation benefits of children attending our programs
    - Informing families of existing Government subsidies and assisting them to maximise their usage

Operational Update - Wages

Wage efficiency improving

- Update on **Wage to Revenue** performance
  - Trended down by 2% in the month of June
  - Expected to continue to trend downwards for the remainder of the year
  - Key initiatives to facilitate this downwards trend are:
    - National Operations Manager 1 on 1 reviews with underperforming Centre Managers
    - Human Resources review of focus centres and underperforming employees
    - Continued internal focus, with full review of child to carer ratios done on a daily basis
    - Effective transition of children where age allows, to higher-ratio studios
    - Strategic roster management, sharing staff within close geographical areas to reduce overall costs

Operational Update – Other Initiatives

Update on recent acquisitions and other Operations initiatives

- Update on recent **Integrations**:
  - Tadpoles: occupancy currently in line with expectations, with wage to revenue trending down under Affinity ownership
  - Kids Academy: occupancy currently in line with expectations, with wage to revenue trending down under Affinity ownership
- Update on 3% **fee increase** rollout
  - Individual review of all centres conducted, consistent bi-annual fee increase, in line with family expectations
  - Average increase of 3% across the portfolio, notified late June and implemented effective 6 July 2015
  - Minimal complaints received from families

- Australian Institute of Management (**AIM**) **course**:
  - Second tranche of training delivered to Area Managers
  - First tranche of training delivered to Centre Managers
  - Direct output is operational improvement plans being developed by all Managers

Strong Fundamentals

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Strong company and industry fundamentals

- **Strong Balance Sheet** - As at 30 June the company had $34m drawn and $13m cash, providing net debt of $21m
- **Good operating cashflow** - operating cashflow was strong throughout H115
- **Growth opportunities continue** - Acquisitions pipeline continues with further opportunities expected across Q3 and Q4 with discipline maintained on accretion
- **Government Support** – Assuming the Government's Families Package is implemented, its expected to increase funding by approximately $800m per annum from 2017, this will benefit families in the $100k to $160k household income, with payments made directly to service providers, Affinity Education is well placed to work with Government and stakeholders going forward
- **Dividends** – the company's maiden dividend is expected to be announced during the course of 2015

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