



6 May 2016

**ASX Limited**

Via Electronic Lodgement

## **Annual General Meeting Presentation**

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The presentation for today's Annual General Meeting is ***attached***.

**END RELEASE**

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# AGM Investor Presentation

6 May 2016

Full Year 2015 Results and Beyond

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# Operational Results

CY2015 Results and Beyond

# Business Metrics Overview

Operations	Metrics (Jan 15)	Post Re-measure*	Post Acquisitions	CY2016 YTD (Mar 16)
Centres	30	30	32	32
Licensed Places	2,244	2,319	2,476	2,476
Average Centre size	75	77	77	77
			Mar 15	Mar 16
Average Fees per day			\$93	\$101

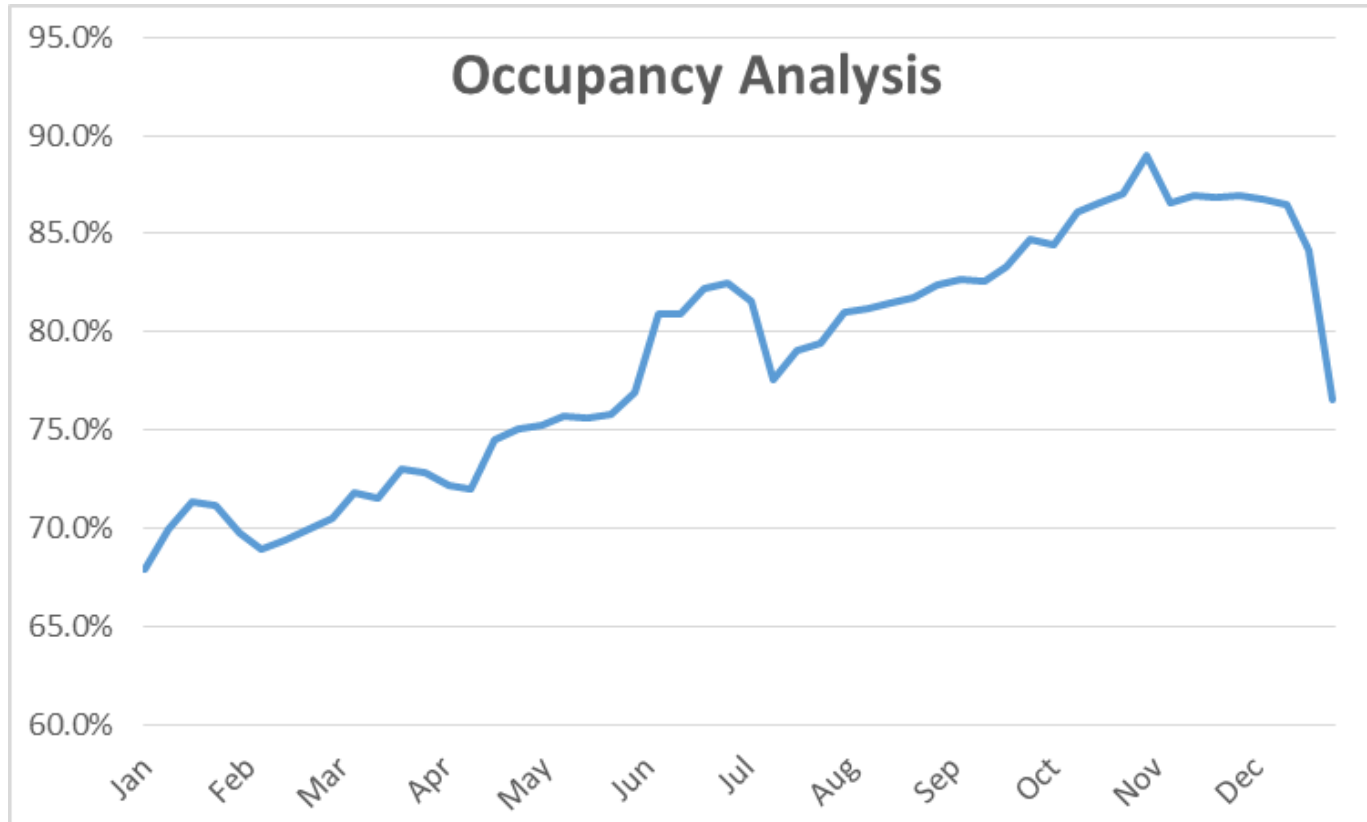
## Forecast Interim Dividend

Forecast HY2016 **	Franked
3.5c per share (Sept 2016)	To the maximum available

\* During CY2015, and in preparation for the Staff Ratio changes, the centres were remeasured and reconfigured. The re-measure resulted in 75 additional child care places.

\*\* Subject to audited half year 30 June 2016 figures and Board approval.

# Occupancy CY2015



- Occupancy grew during CY2015 in line with seasonal expectations, peaking at 87.2% in October;
- Acquisitions added 0.9% to occupancy from end of September and 0.3% to the yearly average;
- Average occupancy CY2015 was 78.8%.

# CY2016 Performance Forecast

We commenced CY2015 with newly settled centres that required capital works, marketing and an investment into educational resources in order to increase occupancy. In the second half of CY2015 centre performance improved following Educators and the broader community responding positively to our “centre improvement plan” (CIP).

- Invested into our Educators, the culture of the group and resources at a centre level
- Invested in excess of \$1mil into our centre improvement plan (yards, painting and general presentation);
- CY2016 will see us invest a further \$1.3mil to enhance the yards, paint and re-configure centres;

The full effects of works done in CY2015 will be felt over CY2016, whilst some centres responded with growth quickly, others will take a little longer as the positive reputation builds in the community.

In CY2016 we are also investing into our Head Office Team, appointing Managers to the areas of: Acquisitions, IT, Marketing, Learning & Development and HR.

This will allow us to better support our Educators and to build a more robust platform from which to grow organically and through acquisitions.

**Year to date (Jan – Mar) we are outperforming CY2015 and management expects we will end CY2016 10% up on CY2015 underlying EBITDA; being before further acquisitions are considered.**

# Growth Strategy

TNK has a dual growth strategy:

## Organic growth

- Through growing existing occupancy levels (CY2015 average 78.8%);
- Efficient systems and cost control;
- Centre refresh programs (\$1.3mil allocated for CY2016);
- Continuing and extending our marketing initiatives;
- Increase in fees from managed centres;
- Fee increases over CPI and labour costs;
- Implementation of technology

## Growth through acquisition

We are continuing to assess opportunities to acquire centres that;

- Make strategic sense and;
- Add to shareholder value





# Financial Information

CY2015 Results

# Key Financial Metrics

## Financial Metrics CY15 *(unless otherwise noted)*

NPAT	\$4.81mil
Earnings per Share (EPS)	12.14¢
Dividend per Share (DPS), franked to 33%	7.2¢
Net Profit margin <i>(NP/Revenue)</i>	10.3%
Enterprise Value (EV) <i>(Shares * price [4/5/16] + net Debt [31/3/16])</i>	\$58.6m

## Financial Metrics

Debt / Equity <sup>+</sup>	17.5%
Gearing <sup>*</sup>	14.9%
EBIT/Interest	16.8
Debt/Assets	10.1%

+ *(Net Debt/Equity)*

\*\* *Gearing is calculated as (Net Debt / (Equity + Net Debt))*

# Profit & Loss CY2015

	Actual	Prospectus	Variance		Comments
	CY15	Forecast	\$ '000	%	
	\$'m	\$'m			
<b>Revenue</b>	<b>46.50</b>	<b>43.42</b>	<b>3.09</b>	7.1%	Increased childcare revenue from trading
Employee expenses	(28.94)	(26.73)	(2.21)	8.3%	
Building occupancy	(5.63)	(4.81)	(0.82)	17.1%	Higher outgoings
Direct expenses	(1.84)	(2.02)	0.17	(8.6%)	
Formation & Acquisition	(0.33)	(0.10)	(0.22)	216.5%	AAS 3 expenses on acquisition
Marketing expenses	(0.54)	(0.88)	0.33	(38.0%)	
Other expenses	(1.83)	(2.09)	0.25	(12.1%)	
<b>Total expenses</b>	<b>(39.11)</b>	<b>(36.62)</b>	<b>(2.49)</b>	6.8%	
<b>EBITDA</b>	<b>7.39</b>	<b>6.80</b>	<b>0.59</b>	8.7%	
Depreciation	(0.33)	(0.24)	(0.09)	39.0%	Additions and AAS3 finalisation
<b>EBIT</b>	<b>7.06</b>	<b>6.57</b>	<b>0.50</b>	7.6%	
Net finance costs	(0.41)	(0.38)	(0.03)	7.9%	
Income tax	(1.85)	(1.86)	0.01	(0.5%)	
<b>NPAT</b>	<b>4.81</b>	<b>4.33</b>	<b>0.48</b>	<b>11.1%</b>	

# The Reconciled Financial Puzzle

	CY15	Prospectus	Variance
<b>REVENUE</b>			
Statutory Revenue	46,512		
Adjustment for new centres (*)	(1,007)		
Less interest income	(10)		
<b>Underlying Revenue</b>	<b>45,495</b>	<b>43,417 Up</b>	<b>4.6%</b>
<b>EBITDA</b>			
Statutory NPAT	4,809		
<b>Add:</b>			
<i>Taxation</i>	1,845		
<i>Depreciation</i>	328		
<i>Finance Costs</i>	420		
<b>Less:</b>			
<i>Interest income</i>	(10)		
<b>Acquisition Adjustments:</b>			
<i>Acquisition Expenses</i>	326		
<i>Adj for newly acquired centres (*)</i>	(324)		
<b>Underlying EBITDA</b>	<b>7,394</b>	<b>6,801 Up</b>	<b>8.0%</b>

Underlying Revenue, underlying EBITDA, and EBITDA are financial measures which are not prescribed by Australian Accounting Standards ("AAS") and represent the results under AAS *adjusted* for non-cash and other items.

The directors consider the underlying results to reflect the core earnings of the consolidated entity consistent with TNK's IPO prospectus forecast.

\* Adjustments to remove the centre level revenue and EBITDA for the 2 centres acquired in 2015 and to add back the management fees forgone on these centres post acquisition.

# Balance Sheet as at Dec 2015

	Actual CY15	Actual CY14	Variance		Comments
	\$'m	\$'m	\$'m	%	
<b>Current assets</b>					
Cash at bank	2.36	4.36	(2.00)	(45.9%)	Offset of \$2.5m Dec 2015
Trade and other receivables	1.18	2.91	(1.74)	(59.6%)	Govt release of funds Q115
Other current assets	0.86	0.41	0.46	112.1%	Deposit on new centre
<b>Total- current assets</b>	<b>4.40</b>	<b>7.67</b>	<b>(3.28)</b>	<b>(42.7%)</b>	
<b>Non- current assets</b>					
Property plant and equipment	1.89	0.97	0.92	94.8%	Investment in centres
Deferred tax assets	1.85	1.89	(0.04)	(2.2%)	
Other non- current assets	1.78	0.87	0.90	103.8%	Replacement of Bank Guarantees
Intangible assets	20.30	17.13	3.17	18.5%	Acquisitions
<b>Total- non-current assets</b>	<b>25.81</b>	<b>20.85</b>	<b>4.95</b>	<b>23.8%</b>	
<b>Total assets</b>	<b>30.20</b>	<b>28.53</b>	<b>1.68</b>	<b>5.9%</b>	
<b>Current liabilities</b>					
Trade and other payables	3.28	8.73	(5.45)	(62.5%)	
Employee entitlements	1.57	1.44	0.13	9.0%	
Borrowings	0.05	-	0.05		
Current tax liabilities	1.78	-	1.78		
Other	0.18	-	0.18		
<b>Total- current liabilities</b>	<b>6.86</b>	<b>10.17</b>	<b>(3.32)</b>	<b>(32.6%)</b>	
<b>Non- current liabilities</b>					
Borrowings	5.36	5.00	0.36	7.2%	
Provisions	0.61	0.78	(0.18)	(22.5%)	
<b>Total- non-current liabilities</b>	<b>5.97</b>	<b>5.78</b>	<b>0.18</b>	<b>3.2%</b>	
<b>Total liabilities</b>	<b>12.82</b>	<b>15.95</b>	<b>(3.13)</b>	<b>(19.6%)</b>	
<b>Net assets</b>	<b>17.38</b>	<b>12.57</b>	<b>4.81</b>	<b>38.3%</b>	

# Cash Flow

	Actual CY15	Prospectus Forecast
	\$ 'm	\$ 'm
<b><i>Cash flows from operating activities</i></b>		
Cash receipts from parents and government funding	46.15	44.67
Payments to suppliers and employees	( 39.72)	( 38.75)
Government grants received	0.92	
Interest received	0.01	
Interest and other finance costs paid	( 0.42)	( 0.36)
<b><i>Net cash from operating activities</i></b>	<b>6.94</b>	<b>5.56</b>
<b><i>Cash flows from investing activities</i></b>		
Payments for purchase of business, net of cash acquired	( 4.59)	-
Prepayments relating to future acquisitions	( 0.24)	-
Payments for property, plant and equipment	( 1.07)	( 0.20)
Payments for security deposits	( 0.90)	
<b><i>Net cash used in investing activities</i></b>	<b>( 6.81)</b>	<b>( 0.20)</b>

	Actual CY15	Prospectus Forecast
<b><i>Cash flows from financing activities</i></b>		
Proceeds from issue of shares	-	-
Payments of share issue costs, net of tax	( 2.24)	-
Proceeds of borrowings	2.78	-
Repayment of borrowings	( 2.50)	-
Payments of costs relating to bank facility	( 0.16)	-
<b><i>Net cash from/(used in) financing activities</i></b>	<b>( 2.13)</b>	<b>-</b>
<b><i>Net increase/(decrease) in cash and cash equivalents</i></b>	<b>( 2.00)</b>	<b>5.36</b>
<b><i>Cash and cash equivalents at the beginning of the financial year</i></b>	<b>4.36</b>	<b>( 1.14)</b>
<b><i>Cash and cash equivalents at the end of the financial year</i></b>	<b>2.36</b>	<b>4.23</b>



## Corporate Details

# Market Summary

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<b>Issued Shares</b>	<b>41,163,087</b>
Share Price as at 4 <sup>th</sup> May 2016	\$1.34 (issue price \$1.00)
Market Capitalisation	\$54,952,721 (4 May 2016)
Official listing date	24/10/2014
Issuer code	TNK

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## Substantial Shareholders – Top 5 as at 19<sup>th</sup> April 2016

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Rank	Name	Type	Shareholding 19 Apr 16
1	Mathew Edwards	Related	13,989,469
2	Colonial First State Global Asset Management (Growth)	Institution	3,080,779
3	Perpetual Investments Ltd.	Institution	2,707,049
4	Riversdale Road	Private	2,687,100
5	NovaPort Capital Pty. Ltd.	Institution	1,673,180
	Board - Outside of Mathew Edwards	Related	2,177,360

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# Board of Directors



**The Board of TNK comprises two executive Directors and two non-executive Directors:**

**Non-Executive Chairman: Mark Kerr**

- Chairman of Contango Microcap Limited and Hawthorn Resources Limited
- Director of Contango Income Generator Limited and Alice Queen Limited
- Advisor to public and private boards

**Managing Director and CEO: Mathew Edwards**

- Managing Director of Learning and Education Australia (“LEA”) (2008-2014), which owned 12 of the TNK centres
- Formerly LEA’s business focused on developing greenfield child care sites and trading up under-performing centres
- Former Director of Australian Daycare Group

**Executive Director and CFO: Paul Gwilym**

- A Chartered Accountant with over 20 years’ experience in accounting and financial management
- Formerly CFO of LEA (2013-2014)

**Non-Executive Director: Andrew Hanson**

- A Chartered Accountant with over 27 years at PricewaterhouseCoopers including 16 years as a Partner
- Advisor to the Board of Beacon Lighting Group Ltd., Chairman of Guest Group Pty Ltd and Director (previous past Chairman) of Prestige Inhome Care Pty. Ltd.

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