

ASX Announcement

G8 Education Limited
(ASX:GEM)



26 April 2016

**Proposed Tender Offer and Consent Solicitation in respect of
S\$260,000,000 4.75 PER CENT. Fixed Rate Notes due 2017 (ISIN:
SG6QC9000008) (the “Notes”) issued by the Company pursuant to the
S\$600,000,000 Multicurrency Debt Issuance Programme (“Programme”)**

Reference is made to the Notes and the trust deed dated 2 May 2014 made between inter alia the Company, as issuer, and DBS Trustee Limited, as trustee, constituting the Notes (the **“Trust Deed”**).

Capitalised or other terms used but not defined herein shall, unless the context otherwise requires, have the meanings as set out in the invitation memorandum dated 26 April 2016 (the **“Invitation Memorandum”**) issued by the Company.

The Company is pleased to announce that, to prudently manage its capital structure to extend its existing debt maturity profile, it has today commenced an invitation to the holders of the Notes (the **“Noteholders”**) to (a) offer to sell for cash to the Company, any and all of the outstanding Notes held by them, and (b) consent to the Proposal (as defined below), in each case, subject to the terms and conditions of the Invitation Memorandum (the **“Invitation”**). In conjunction with this, the Company will be looking to issue new bonds (including under the Programme) in order to finance its purchase of the Notes validly offered for sale pursuant to the Invitation in accordance with the terms of the Invitation Memorandum (the **“Offered Notes”**). The obligation of the Company to purchase the Offered Notes and the payment of the Purchase Price is conditional on, among other things, the Company obtaining financing for such payments. Such financing may not be sufficient to allow the Company to purchase all the Offered Notes. The Company, in its sole discretion, will determine the aggregate amount of Notes to be repurchased on a pro rata basis. Such pro rata allocation shall in respect of each Noteholder, be rounded to S\$250,000 or, as the case may be, a multiple of S\$250,000 of principal amount of Offered Notes, either up or down at the Company’s sole discretion. The intention is to apply all or substantially all of the new proceeds obtained from such financing to the purchase of the Offered Notes. On the Settlement Date, the Company will, subject to the terms and conditions of the Invitation Memorandum (including the Tender Settlement Conditions having been met), purchase, or procure the purchase of, all or a pro rated portion of the Offered Notes at the Purchase Price, together with accrued and unpaid interest on the Notes up to (but excluding) the Settlement Date and will pay the relevant Consent Fees in respect of the Notes.

In conjunction with the tender offer, the Company also intends to seek the approval of the Noteholders (by way of an extraordinary resolution) to amend the terms and conditions governing the Notes to insert a call option to allow the Company, on giving not less than 3 business days’ notice to the Noteholders in accordance with Condition 16 of the Notes (which notice shall be irrevocable and shall specify the date fixed for redemption), to redeem all (but not some) of the Notes then outstanding (other than Notes which have already been accepted for purchase by the Company) at the Call Option Amount, together

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with interest accrued (but excluding) to the date fixed for redemption (the “**Proposal**”). On the Settlement Date, the Company will, subject to the terms of the conditions of the Invitation Memorandum (including the Consent Settlement Conditions having been met), pay the Early Consent Fee or, as the case may be, the Normal Consent Fee to eligible Noteholders in connection with the Proposal. All Noteholders who deliver a validly completed Tender Application Form to the Tender Agent will be deemed to have consented to the Proposal by way of a vote in favour of the extraordinary resolution in respect of the Proposal.

The Company is also pleased to announce that it has mandated DBS Bank Ltd. as the dealer manager for the Invitation.

The Invitation will commence at 9.00 a.m. (Singapore time) on 26 April 2016 and will expire at 10.00 a.m. (Singapore time) on 16 May 2016, unless extended or earlier terminated (such date and time, as may be extended, the “Expiration Deadline”). Noteholders who wish to receive the Early Consent Fee must submit valid Consents at or prior to the Early Consent Deadline, subject to the terms and conditions of the Invitation Memorandum. Noteholders who submit Consents after the Early Consent Deadline and at or prior to the Expiration Deadline will receive only the Normal Consent Fee.

Offers to sell and Consents delivered by Noteholders are irrevocable and may not be withdrawn, except in limited circumstances as set out in the Invitation Memorandum.

For further details on the Invitation, Noteholders are advised to refer to the notice of meeting published in The Business Times and announced via SGXNET on 26 April 2016.

A copy of the Invitation Memorandum will be mailed to each person who is shown in the record of CDP as a holder of the Notes with an address in Singapore. In order to avoid any violation of laws applicable in countries other than Singapore, the Invitation Memorandum has not been and will not be mailed to Noteholders who do not presently have an address in Singapore (“**Foreign Noteholders**”). Foreign Noteholders who wish to obtain a copy of this Invitation Memorandum should provide in writing such address in Singapore to Deutsche Bank AG, Singapore Branch, as tender agent and delegate paying agent in connection with the Invitation, not later than five days before the Early Consent Deadline.

In addition, the Invitation Memorandum will be made available to Noteholders at the offices of Deutsche Bank AG, Singapore Branch, as tender agent and delegate paying agent in connection with the Invitation, at One Raffles Quay, #16-00 South Tower, Singapore 048583 from 26 April 2016, between 9.00 a.m. and 5.00 p.m. (Singapore time) from Mondays to Fridays (excluding public holidays), up to 10.00 a.m. (Singapore time) on 16 May 2016.

Questions and requests for further information and assistance in relation to the Invitation regarding the Notes should be directed to the Dealer Manager: DBS Bank Ltd. at its address and telephone number set forth on the back of the Invitation Memorandum. Questions and requests for assistance in relation to the submission of Tender Application Forms should be directed to the Tender Agent: Deutsche Bank AG, Singapore Branch, at its address and telephone number set forth on the back of the Invitation

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Memorandum. Questions and requests for assistance in relation to the submission of Voting Instruction Forms should be directed to the Delegate: Deutsche Bank AG, Singapore Branch, at its address and telephone number set forth on the back of the Invitation Memorandum.

ENDS

Chris Scott

Managing Director

NOTE: This announcement does not constitute an invitation to participate in the Invitation. No offer or invitation to issue or redeem any securities is being made pursuant to this release. This announcement must be read in conjunction with the Invitation Memorandum. This announcement does not constitute or form part of, and should not be construed as, an offer for sale or subscription of, or a solicitation of any offer to buy or subscribe for, any securities of the Company or any other entity.



Investing in the future
of childcare.



G8 Education^{ltd}

G8 Education – Investor Presentation

G8 Education Limited (ASX:GEM)

26 April 2016

Transaction Summary

New Issue Overview

Issuer	G8 Education Limited
Guarantors	In accordance with the Programme, the Issuer will ensure that, at all times, the consolidated total assets of the Issuer and the subsidiary guarantors (taken as a whole) shall be at least 90 per cent. of the consolidated total assets of the Group, taken as a whole
Status	Direct, unconditional, unsubordinated and unsecured obligations of the Issuer and the Guarantors
Rating	Unrated
Format	Reg S, S274 & 275 of SFA, issuance off S\$600 Million Multicurrency Debt Issuance Programme (“Programme”)
Currency	[•]
Tenor	[•]
Issue Price	100.00
Payment	Semi-annual, actual/365 (fixed)
Redemption upon Cessation or Suspension of Trading of the Issuer’s Shares at the Option of the Noteholders	At par, in accordance with the Programme
Redemption upon Change of Control at the Option of the Issuer	At 101%, in accordance with the Programme
Redemption for Taxation Reasons at the Option of the Issuer	At par, in accordance with the Programme
Details	SGD250K/Multicurrency Debt Issuance Programme/Singapore Law/CDP
Listing	SGX-ST
Use of Proceeds	To finance (i) the purchase of the aggregate purchase price for the 2017 Notes validly tendered in the Invitation and accepted for purchase by the Issuer, (ii) the redemption of the remaining 2017 Notes and (iii) the aggregate consent fees payable to eligible holders of the 2017 Notes who vote in favour of the extraordinary resolution
Sole Bookrunner	DBS Bank Ltd.

Transaction Summary

Tender Offer and Consent Solicitation Overview

Issuer	G8 Education Limited
Structure	Offer to Purchase for Cash of the 2017 Notes, at Issuer's sole discretion (the "Tender Offer") and request to consent to certain modifications of the relevant Terms and Conditions of the 2017 Notes and related Trust Deed (the "Consent Solicitation Exercise")
Amended Terms and Conditions	The Extraordinary Resolution provides for the call option to be inserted in respect of the 2017 Notes to enable the Issuer to, at any time prior to 19 May 2017, redeem all of the 2017 Notes then outstanding at a redemption price equal to 101.50% on giving not less than 3 business days' notice to the Noteholders.
Target Notes	S\$260m 4.75% bonds due 2017 ("2017 Notes") (SG6QC9000008)
Tender Price	101.50% of the principal amount of 2017 Notes, being S\$253,750 for each S\$250,000 of 2017 Notes
Early Consent Fee	0.50% of the principal amount of 2017 Notes, being S\$1,250 for each S\$250,000 of 2017 Notes
Normal Consent Fee	0.25% of the principal amount of 2017 Notes, being S\$625 for each S\$250,000 of 2017 Notes
Total Consideration (Tender Price & Consent Fee)	Early Bird: 102.00% of the principal amount of 2017 Notes Normal: 101.75% of the principal amount of 2017 Notes
Tender Settlement Amount	Actual amount is subject to final size of the new bonds and the Issuer will determine the aggregate amount of 2017 Notes to be purchased (the "Final Purchase Amount"). If size of the Final Purchase Amount is less than the total amount of 2017 Notes tendered, the Issuer shall proceed to accept tendered 2017 Notes on a pro-rata basis (where in respect of each individual holder, the pro-rata allocation shall be rounded to S\$250,000 or, as the case may be, a multiple of S\$250,000, either up or down at the Issuer's sole discretion).
Dealer Manager	DBS Bank Ltd.
Tender Agent	Deutsche Bank AG, Singapore Branch
Quorum for Noteholders' Meeting	Two or more persons present holding Voting Certificates or being proxies and holding or representing in the aggregate not less than 75 per cent. of the principal amount of the Notes for the time being outstanding, or at an adjourned Meeting not less than 25 per cent. of the principal amount of the Notes for the time being outstanding
To pass the Extraordinary Resolution at the Noteholders' Meeting or Adjourned Noteholders' Meeting	Not less than 75 per cent. of the persons voting

Transaction Timetable

Indicative Timetable of the Tender Offer and Consent Solicitation Exercise (All dates and times are subject to change at the Company's discretion)

26 April 2016	Tender Offer and Consent Solicitation Exercise commences
26 April 2016	Singapore Roadshow
9 May 2016, 10:00am (Singapore time)	Early Tender and Consent deadline
16 May 2016, 10:00am (Singapore time)	Normal Tender and Consent deadline
18 May 2016, 10:00am (Singapore time)	Noteholders' Meeting
(A) If Quorum is achieved at the first Noteholders' Meeting	
19 May 2016	Announcement of results
19 – 23 May 2016	Target Settlement of Tender / Consent Fees
(B) If Noteholders' Meeting is adjourned	
19 May 2016	Publish Notice of Adjourned Meeting
31 May 2016, 10:00am (Singapore time)	Final Consent deadline
2 June 2016, 10:00am (Singapore time)	Adjourned Noteholders' Meeting
3 June 2016	Announcement of results
3 – 7 June 2016	Target Settlement of Tender / Consent Fees

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G8 Education^{ltd}

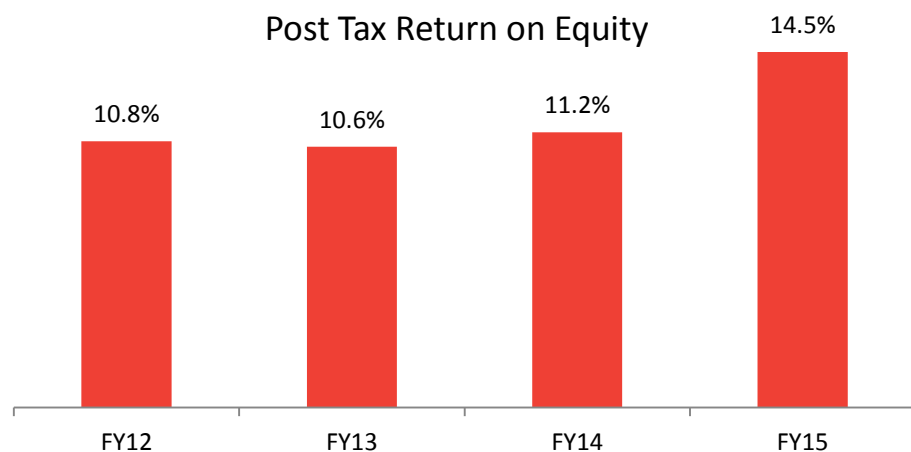


Business Overview

Corporate Snapshot

Key Financial Highlights	FY15
Underlying EBIT	\$145.4m
Like For Like Centre Organic EBIT Growth	\$8.3m
Underlying EBITDA / Net Interest Paid	8.0x
Underlying EBITDA to Net Debt	2.1x
Post Tax Return on Equity	14.5%
Cash Conversion from Underlying EBITDA	99%
Underlying Earnings per Share Growth	29%

Capital Structure	
Fully Paid Ordinary Shares (current)	374.7m
Share Price (as at 19 Apr 2016)	\$3.95
Market Capitalisation (as at 19 Apr 2016)	\$1.4bn
Cash (as at 31 Dec 15)	\$194m
Senior Secured Debt - Undrawn (as at 31 Dec 15)	\$50m
Senior A\$ Unsecured Notes	\$120m
Senior S\$ Unsecured Notes	\$260m
Senior SGD Unsecured Notes - Redeemed 29/02/16	\$155m



Substantial Shareholder	Shares	% Holding
Challenger Limited	26.3m	7.0%
UBS Group AG	22.4m	6.0%

Mission Statement

G8's key strategic objective is to be the leading provider of high quality, developmental and education childcare services in both Australia and Singapore.

By building and operating a portfolio of outstanding early childhood education brands, focusing on the importance of early childhood education and by making good centres great centres by delivering outstanding early childhood education management the Group's objectives are achieved.



Quality Education & Care

- G8 believes that continually investing in its facilities provides the tools for its educators to continue to deliver exceptional care and education for the thousands of children that attend G8's childcare and education centres

Employees

- G8 is committed to maintaining a positive workplace culture and is focused on becoming an employer of choice through offering a number of workplace benefits for over 10,000 employees

Community

- G8 now operates under 24 brands in Australia and Singapore. Community engagement on every level is an essential component of our strategy and a key point of difference for the group

Overview

G8 Education Limited ('**G8 Education**') is an Australasian childcare services provider that is listed on the Australian Stock Exchange ('**ASX**') under the ticker code 'GEM', with a market capitalisation of approximately \$1.4 billion as at 19th April 2016.

We have a total portfolio of 489 childcare and education centres in Australia and Singapore.

Our acquisition strategy has been to buy profitable centres which are in operation and to integrate and manage a number of key operational metrics and performance indicators to improve individual centre performance in line with the overall group performance.

Australia

G8 Education has a portfolio of 471 childcare and education centres.

G8 Education is the largest for-profit operator in Australia.

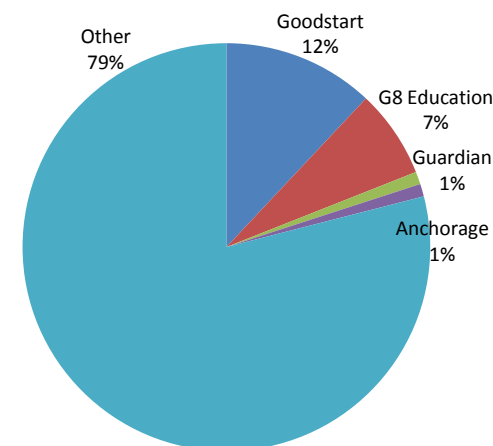
G8 Education estimates that there are 6,500 long day care centres across Australia, resulting in G8 Education currently having over 7% market share. 4,000 of these centres are within the addressable market.

The Australian childcare services industry comprises 11,420 centres (including family day care, occasional care, long day care and outside school care) run by 7,850 operators, employing 122,000 people and generates A\$7.8 billion revenue p.a.

Singapore

G8 Education currently owns 18 childcare and education centres and operates 37 franchised childcare and education centres in Singapore.

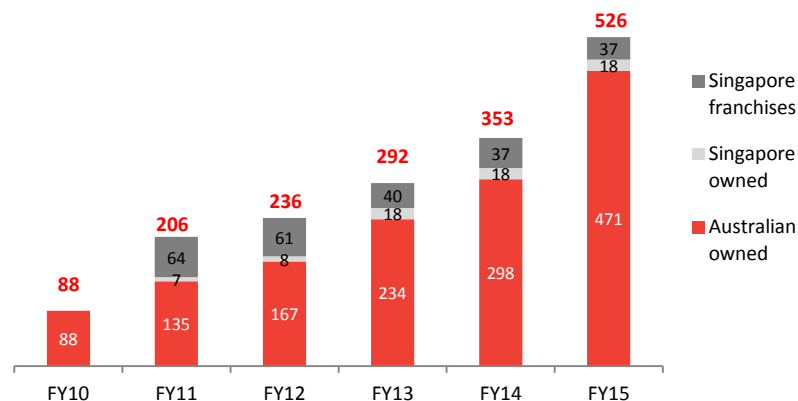
Figure 1: Child care services in Australia - market share



Source: Company Data; Q8710 - Child Care Services in Australia, Feb, 2014, IBISWorld Pty Ltd

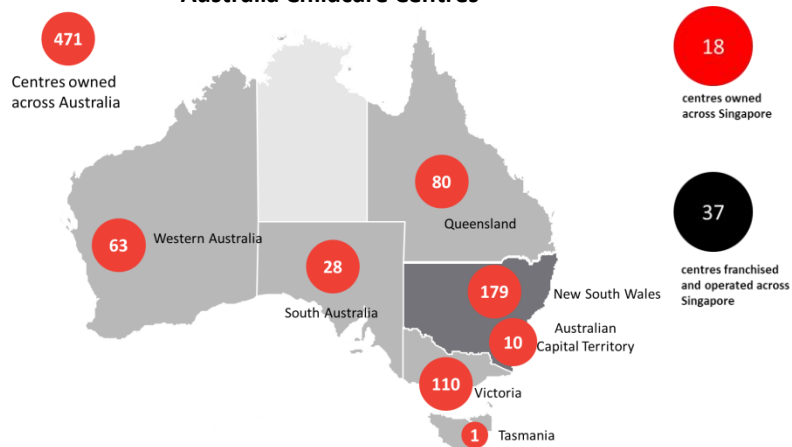
Group Centre Portfolio

G8 Education Childcare and Education Centre Portfolio



- The Group added **44** new centres and **13,697** licensed places in 2015
- Disciplined consolidation in high demand areas continues to be our focus
- As at 31 Dec 2015 the Group owned 471 centres in Australia and 18 centres in Singapore with a total of **35,221** licensed places
- Average lease tenure for the portfolio is 18 years, 86% of leases owned by individuals, 43% of leases have inflation clauses linked to CPI

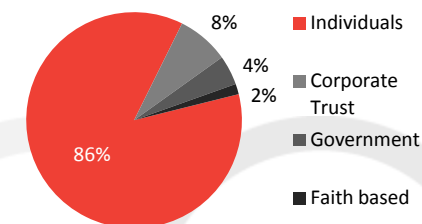
Australia Childcare Centres



Singapore Childcare Centres



Distribution of landlords by type



Source: Company Information



Owned

G8 Education acquired 7 centres in 2011, with a further centre being acquired in 2012. G8 Education took ownership of a further 10 centres in 2013.

Currently 18 centres are owned by G8 Education across Singapore.

Franchised Centres

The model under which the Singapore 'franchise' centres operate is a fee for service.

Currently, 37 centres are franchised and managed by G8 Education across Singapore under the Our Juniors and Cherie Hearts brands.



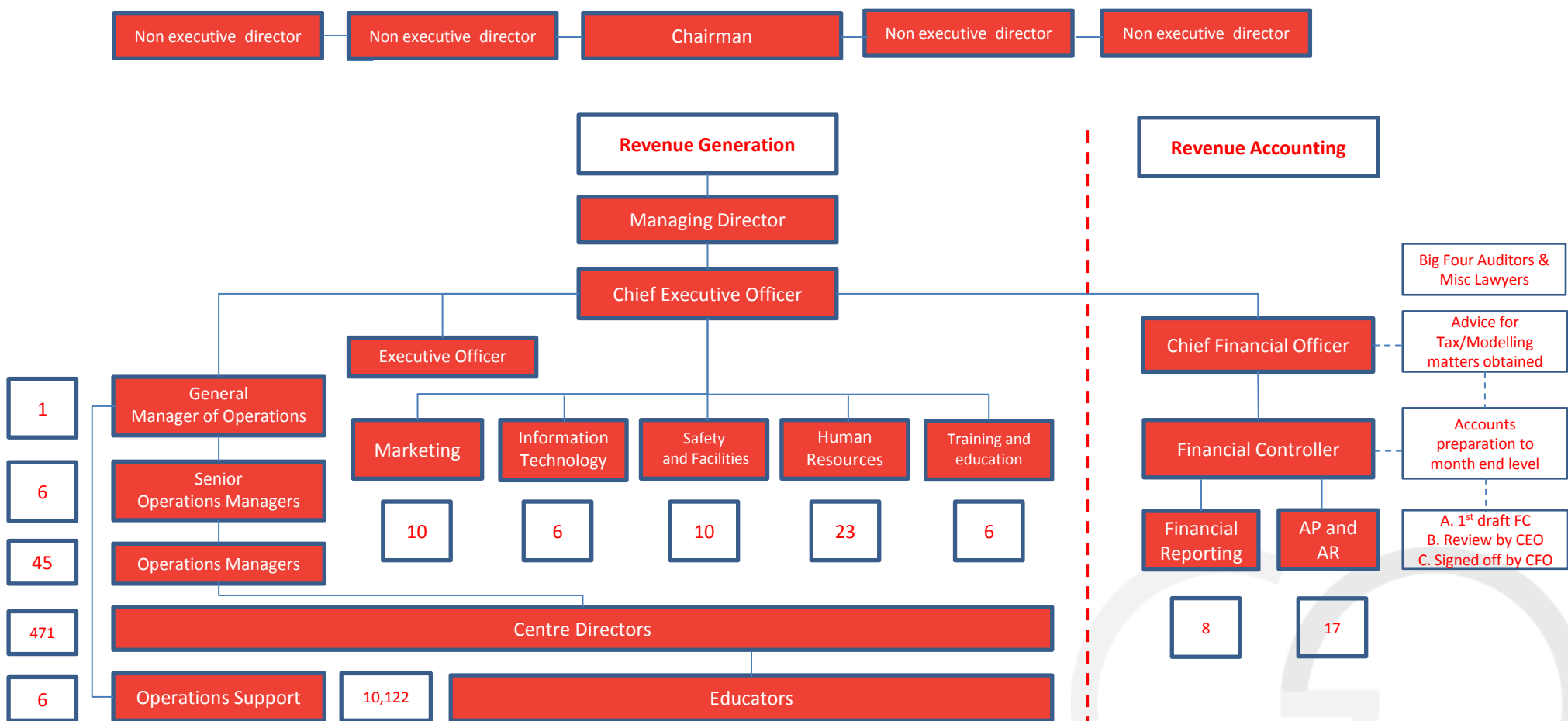
BRAND	# OF CENTRES (OWNED)	# OF CENTRES (FRANCHISED)
Cherie Hearts	13	32
Bright Juniors	4	-
Our Juniors	1	5
TOTAL	18	37

Brands - Australia

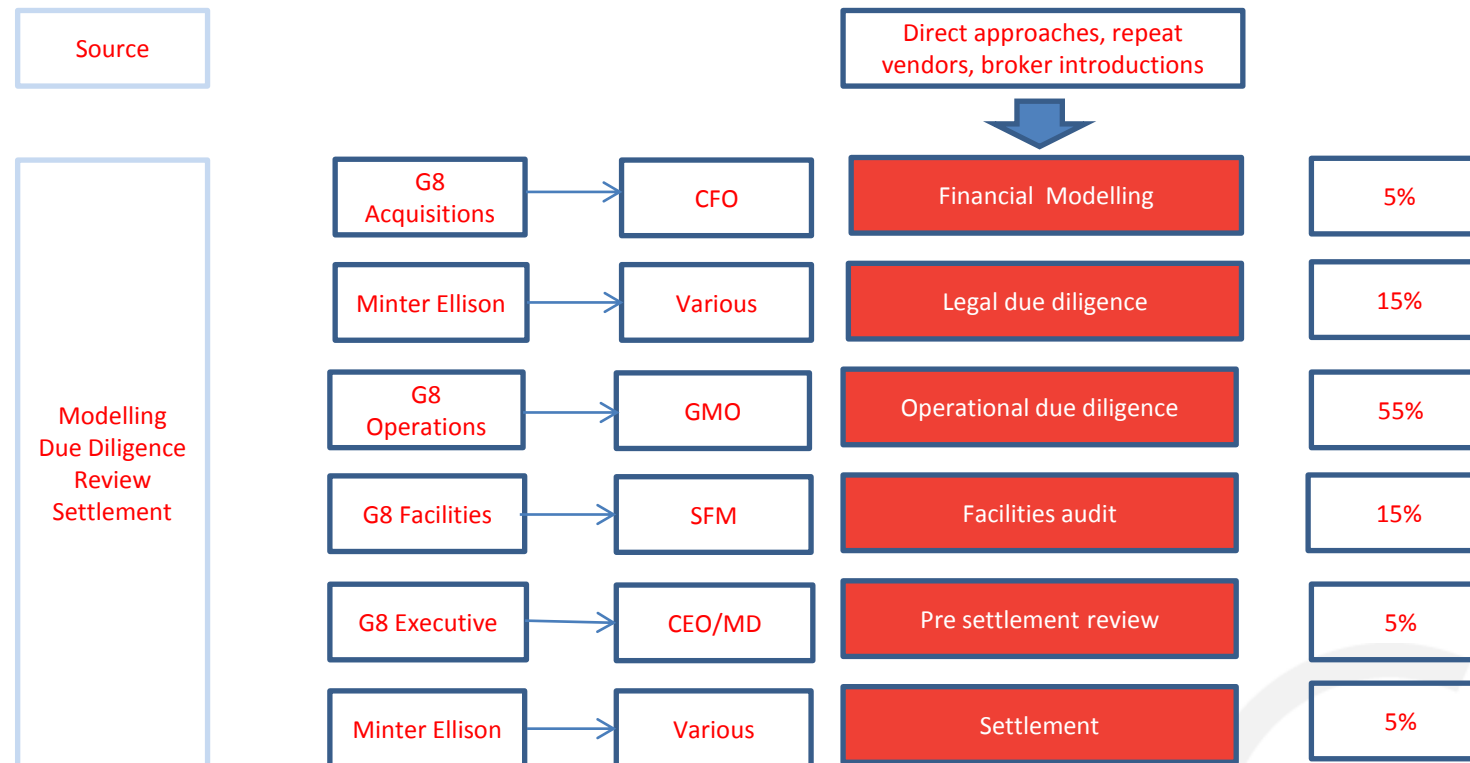


Brand	Total
Casa Bambini	3
Community Kids	84
Early Learning Services	48
First Grammar	29
Great Beginnings	35
Headstart	20
Kinder Haven	17
Kool Kids	10
Kindy Patch	37
NurtureOne	22
Pelican	9
Penguin	7
World of Learning	68
Creative Garden	17
Bambinos	12
Jellybeans	21
Sandcastles	7
The Learning Sanctuary	9
Buggles	16
Total	471

Business Organisation Flow Chart



Acquisitions Responsibility Flow Chart



Board of Directors



G8 Education^{ltd}



Mark Johnson

B.Com, FCA, FAICD

Chairman

Mark Johnson is an experienced chairman and company director. Prior to embarking on his Board career, Mark was the CEO and Senior Partner of PricewaterhouseCoopers (PwC) from July 2008 to June 2012. His former roles include Chairman of the PwC Foundation, member of the Auditing and Assurance Board and Deputy Chair of the Finance and Reporting Committee at the Australian Institute of Company Directors.



Chris Scott

B.Econ. (Hons)

Managing Director

Chris has over 25 years experience in senior management positions. He has spent over 30 years in business in Singapore where he was involved in a number of successful businesses.

Chris was also the founder and managing director of ASX listed S8 which was an integrated travel company that made 36 acquisitions over 5 years and was capitalised at A\$700 million. His operational, analytical and strategic skills are critical in the selection of potential acquisitions.



Brian Bailison

B.Com., B.Acc (Cum Laude),
ACA

Non Executive Director

Brian has over 17 years experience in finance, corporate finance and operations from senior roles in listed and unlisted businesses in South Africa and Australia, including senior positions at Rand Merchant Bank Limited (South Africa's largest bank-assurance business), the Ivany Investment Group (diversified investment Group) and Payce Consolidated Limited which operated 59 child care centres prior to them becoming part of the Group.



Matthew Reynolds

B. Sc. (Hons), LLB (Hons),
MQLS

Non Executive Director

Matthew is currently a partner at HWL Ebsworth Lawyers and has experience in capital markets, ASX listing, private equity and mergers and acquisitions. He specialises in providing tailored legal and strategic advice in a highly regulated and technical market and has advised on a large number of complex capital and merger and acquisition projects.



Susan Forrester

BA, LLB(Hons) EMBA, FAICD

Non Executive Director

Susan Forrester is an experienced company director with a diverse portfolio career. She has a significant blend of commercial, financial and legal management experience gained across public, private organisations.

She is currently chair for National Veterinary Care Ltd (ASX: NVL) and Oncore Group Holdings Pty Ltd, is a non-executive director of Over the Wire Group Ltd and Uniting Care Qld. She serves as Independent Chair of the Audit Committee of Transport and Main Roads Qld. She also leads the Strategy Practice of Board Matters Pty Ltd, where she provides expert advice to listed and unlisted Boards on Board.



David Foster

B.App.Sci, MBA, GAICD,
SFFin

Non Executive Director

David Foster enjoyed a successful career in financial services spanning over 25 years. His last executive role was as CEO of Suncorp Bank, Australia's 5th largest bank.

Since leaving Suncorp, Mr Foster has further developed his career as an experienced Non-Executive Director with a portfolio of Board roles across a diverse range of industries including financial services, retailing, local government, education and professional services. He currently serves as a Director on the Boards of the Thorn Group Limited (ASX:TGA) and Kina Securities Limited (ASX:KSL) and chairs both their Audit and Risk Committees.

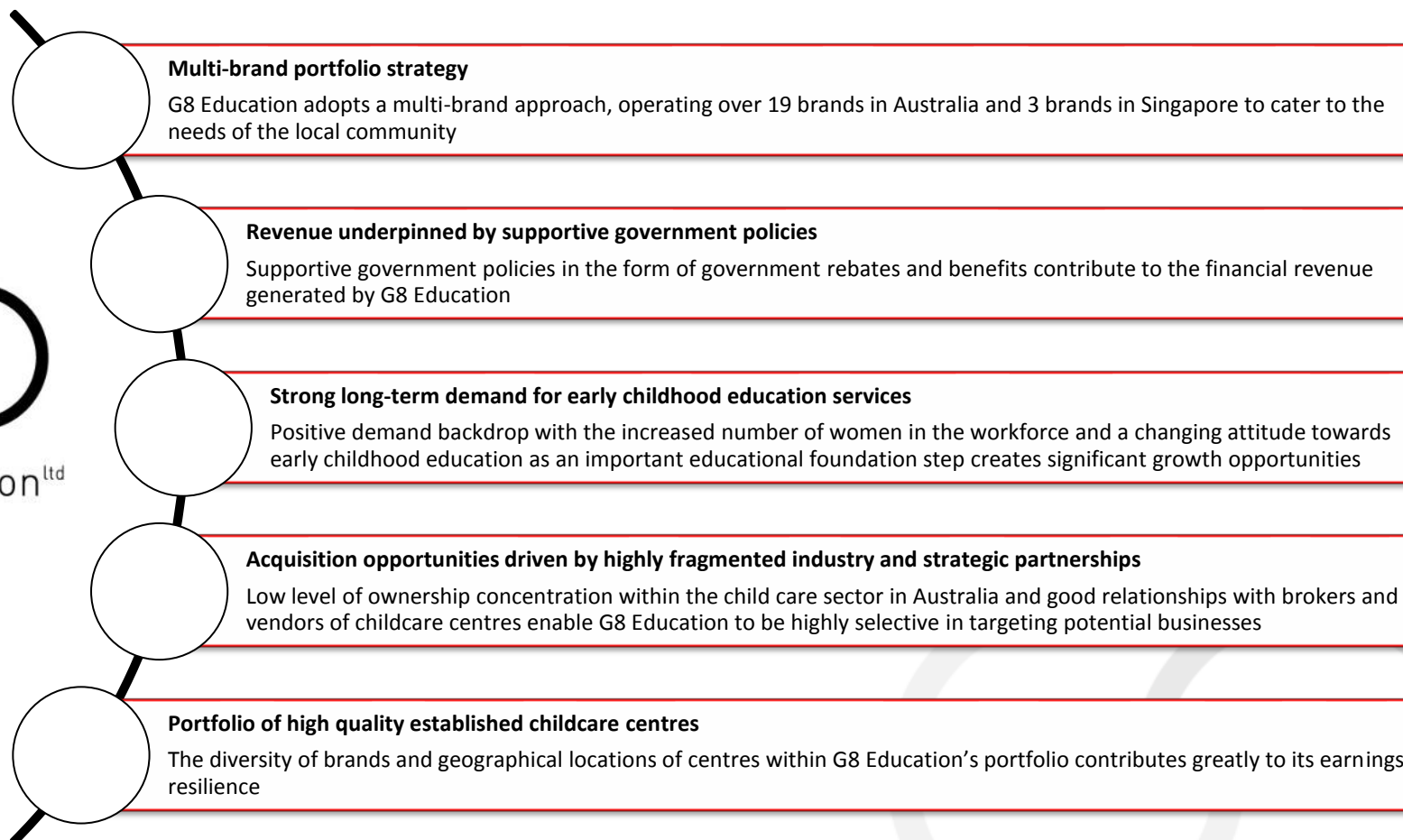


G8 Education^{ltd}



Competitive Strengths

Competitive Strengths





G8 Education^{ltd}



Business Strategies

Acquisition Strategy

G8 Education focuses on identifying childcare centre brands within socio-economic areas which have the potential to increase placements, and which are capable of being acquired on terms based on a multiple of centre EBIT as determined by G8 Education from time to time

Quality Care and Education

G8 Education believes that continually investing in its facilities provides the tools for its educators to continue to deliver exceptional care and education for the children. In 2015, G8 Education spent approximately A\$9 million on improving childcare facilities within its centres.

Employees

G8 Education is committed to maintaining a positive workplace culture. With a continued focus on providing the highest level of employee workplace satisfaction and engagement, staff turnover within G8 Education has declined.

Community

G8 Education provided care and education to over tens of thousands of children in Australia and Singapore in 2015. Its centres are a collaboration of children, parents and educators and continue to be an integral part of their local community offering support to the families, charities and community events.



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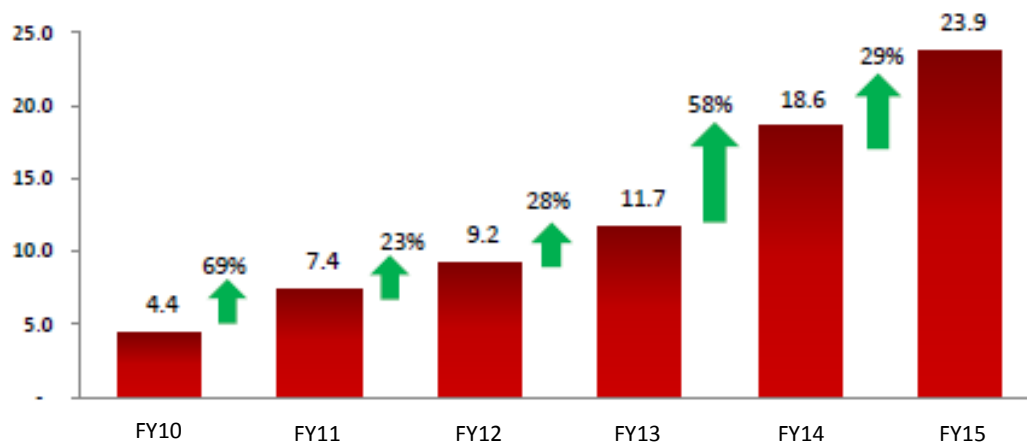


Financial Overview

The Group's primary financial objective is to maintain year on year **double digit earnings per share** growth through:

1. Occupancy Growth Driven by sustaining the execution of the G8 corporate model with an emphasis on first class care provision through on going investment in our staff, facilities and brands
2. EBIT Growth Driven by maintaining revenue growth in excess of cost growth (positive jaws) and exercising discipline at the support office cost level
3. Portfolio Growth Driven by ongoing bolt on acquisitions of earnings accretive premium child care centres

Group Underlying EPS (cents)

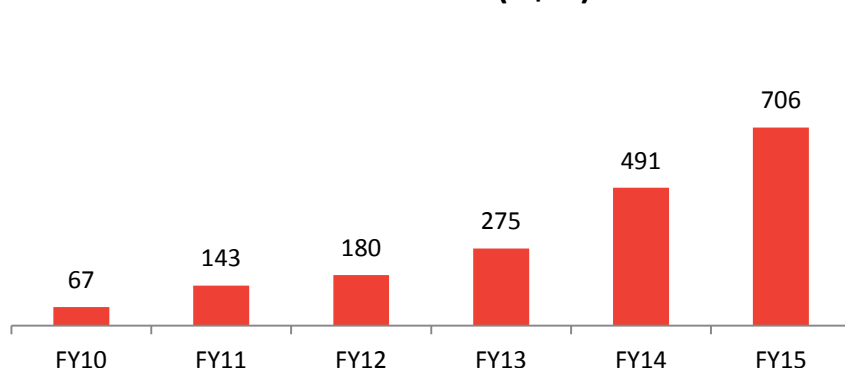


Corporate Objectives for FY16:

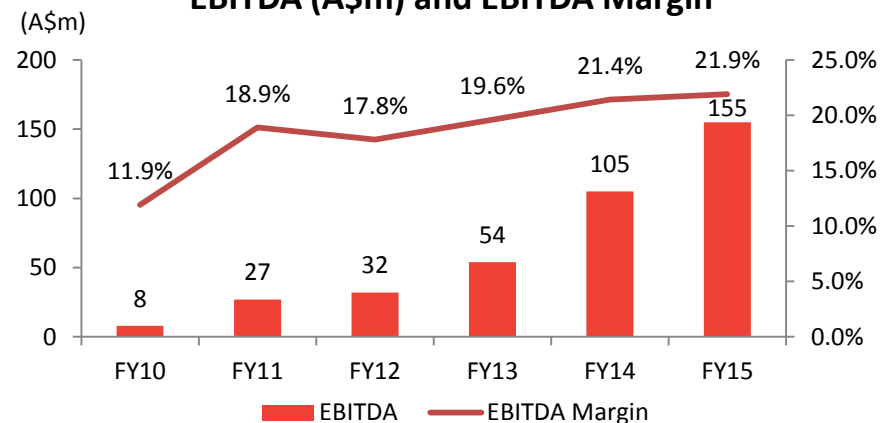
- Generate double digit EPS growth
- Acquire between \$50m and \$150m in centre acquisitions
- Maintain net debt to EBITDA at or under 2x

Track Record of Financial Performance

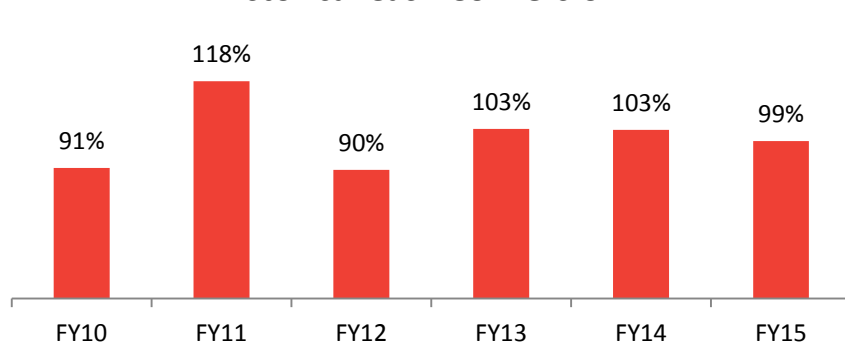
Total Revenue (A\$m)



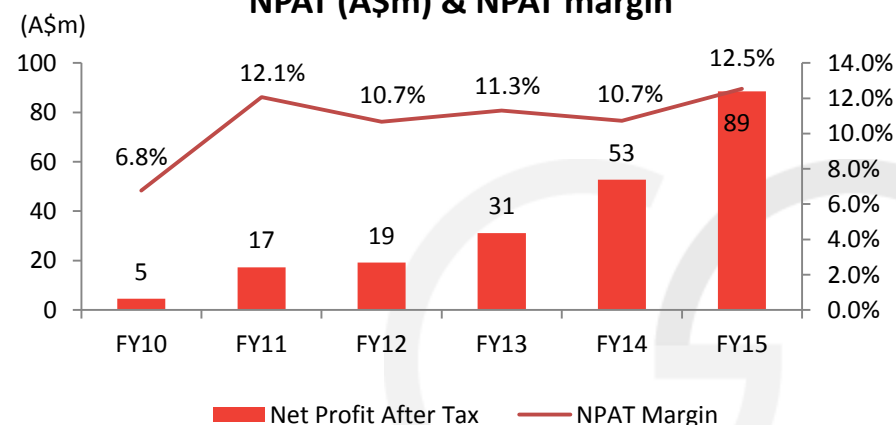
EBITDA (A\$m) and EBITDA Margin



Historical Cash Conversion⁽¹⁾



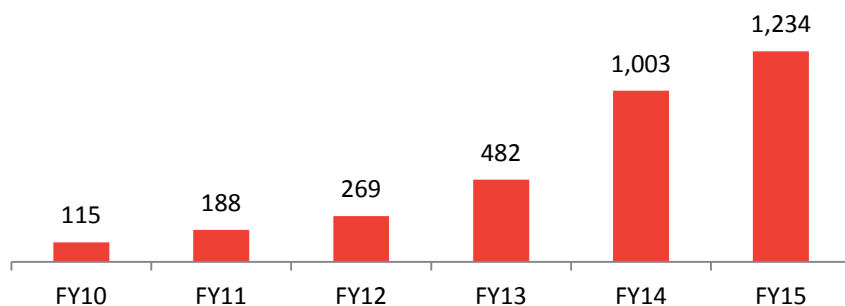
NPAT (A\$m) & NPAT margin



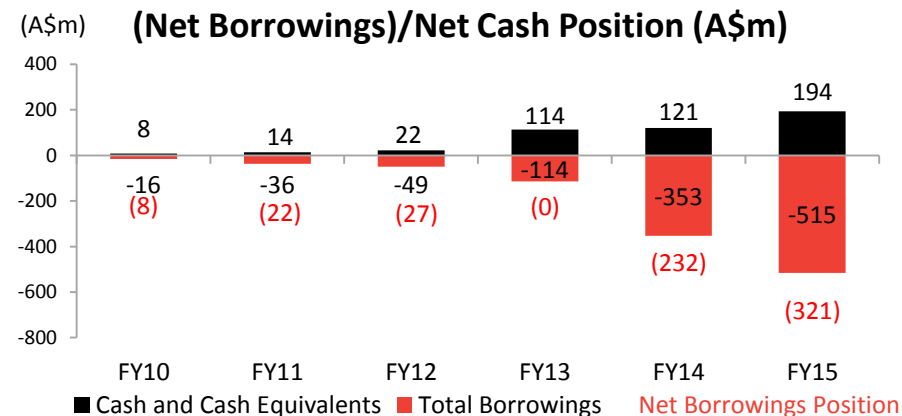
⁽¹⁾ Note: Cash conversion = Operating Cashflow plus net interest paid and tax paid divided by Underlying EBITDA.

Key Balance Sheet Statistics

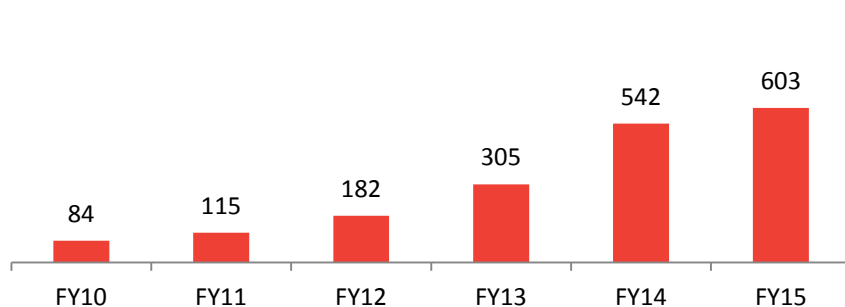
Total Assets (A\$m)



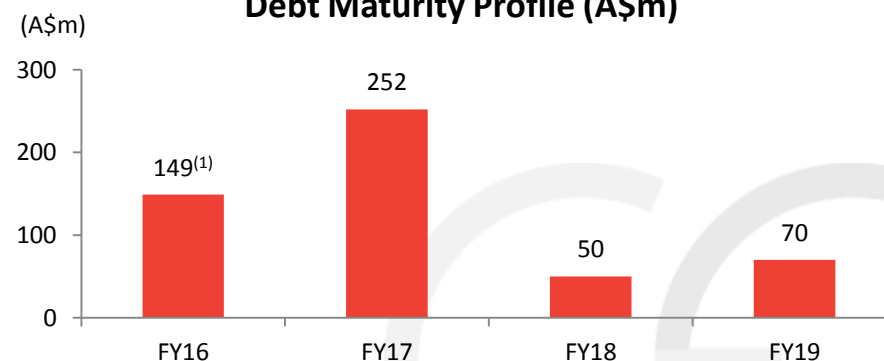
(Net Borrowings)/Net Cash Position (A\$m)



Total Equity (A\$m)



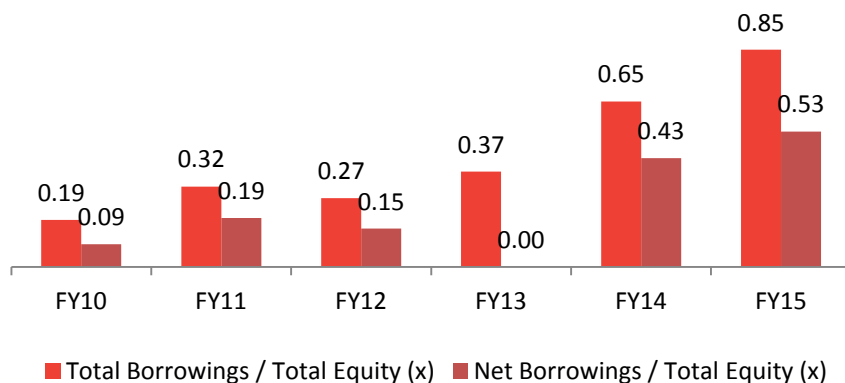
Debt Maturity Profile (A\$m)



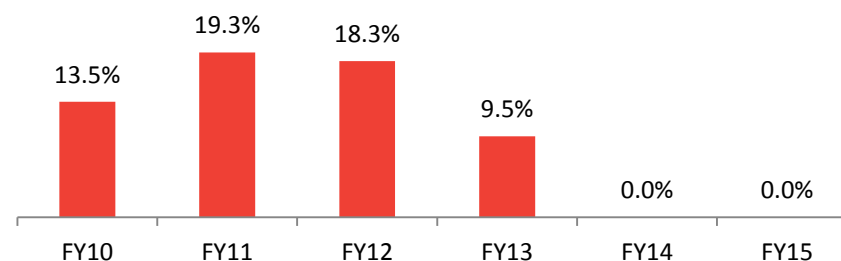
⁽¹⁾ S\$155m of bonds have been redeemed on 29 Feb 2016

Prudent Capital Management

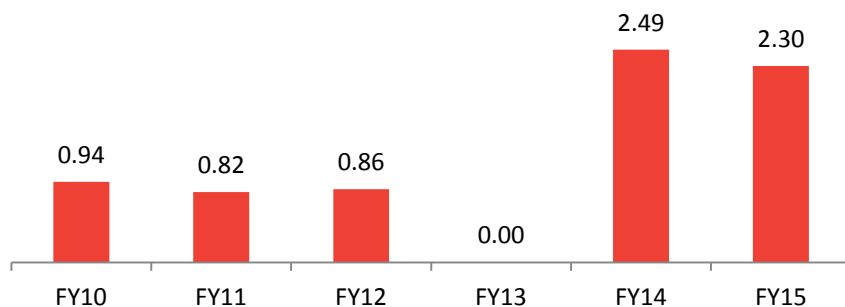
Gearing Ratio (x)



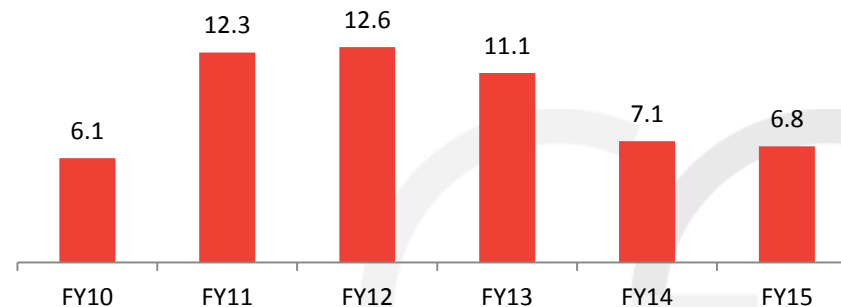
Total Secured Debt / Total Assets (%)



Net Borrowings / EBITDA (x)



EBITDA / Finance Charges (x)



Debt Structure

G8's debt structure as at 31 December 2015 consists of the following debt instruments:

Principle	Currency	Cost	Maturity
A\$70,000,000	AUD	7.65%	7 August 2019
A\$50,000,000	AUD	BBSW + 3.90%	17 February 2018
S\$175,000,000	SGD	4.75%	19 May 2017
S\$85,000,000	SGD	4.75%	19 May 2017
S\$155,000,000 *	SGD	3.50%	31 July 2016

* This note was redeemed on 29 February 2016 from existing cash reserves

Key Financial Ratios	As at 31 December 2015
Leverage = Net Debt to FY15 Underlying EBITDA	2.1x
Interest Coverage = Underlying EBITDA to Net interest paid	8.0x
Undrawn Debt	A\$50m
Current Annual interest cost	A\$21m

Gross debt to EBITDA and interest coverage continue to highlight conservative capital management strategies.

The Group continued to operate well within its financial covenants.

On 3 August 2015, the Group announced a variation of its existing financing arrangement with the Bank of Western Australia and that the facility would include a new A\$50 million undrawn senior secured debt facility.



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Key performance metrics

Full year like for like EBIT performance

Full Year Like for Like EBIT \$000

Vintage	Number of centres	2011	2012	2013	2014	2015	Growth FY15 on FY14
Acquired pre 2011	74	15,682	17,298	21,021	21,579	24,019	2,440
% increase			10%	22%	3%	11%	
Acquired in 2011	43	-	12,933	15,476	18,288	20,603	2,315
% increase				20%	18%	13%	
Acquired in 2012	33	-	-	14,737	16,040	17,561	1,521
% increase					9%	9%	
Acquired in 2013	74	-	-	-	21,268	23,320	2,051
% increase						10%	
Centre EBIT from 2014 settled Acquisitions	203					72,578	
Centre EBIT from 2015 settled Acquisitions	44					6,897	
Head Office and Corporate Costs						(19,540)	
Total Group Underlying EBIT	471					145,438	8,328

- Like for like EBIT margin increased to 23.8% in 2015 from 22.8% in 2014
- Like for like EBIT grew by \$8.3m which represents a 11% growth rate on 2014

Like for likes calculated based on ownership of centre for a full calendar year. Acquisitions made part way through a year are captured in the following years data.

Like for Like - Occupancy

LFL Peak Occupancy

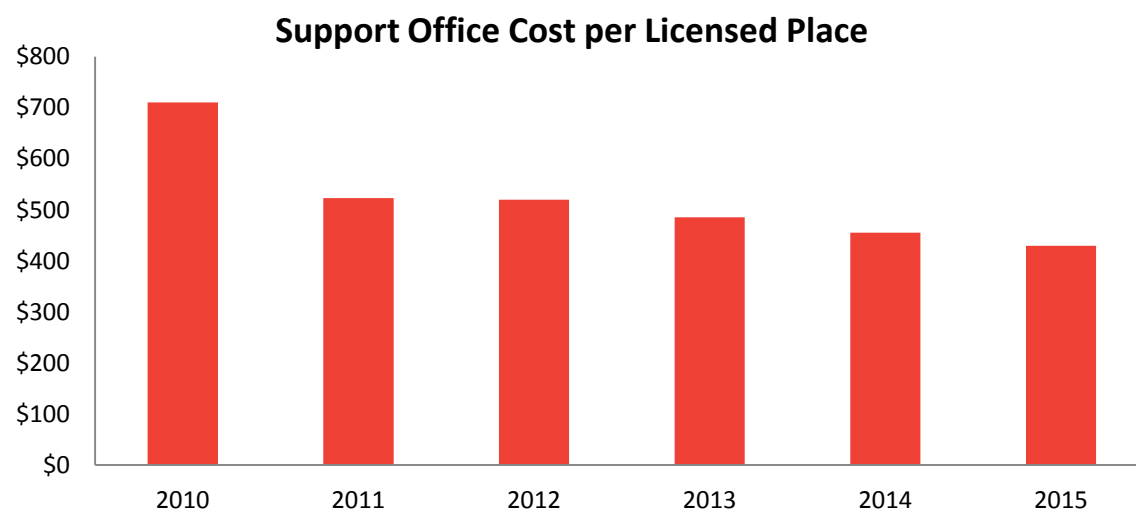
Vintage	Number of centres	2011	2012	2013	2014	2015
Acquired pre 2011	74	86%	86%	87%	87%	85%
Acquired in 2011	43	-	93%	95%	94%	93%
Acquired in 2012	33	-		95%	94%	93%
Acquired in 2013	74				87%	85%

Like for likes calculated based on ownership for a full calendar year. Acquisitions made part way through a year are captured in the following years data. Acquisitions made in 2014 are excluded.

Peak occupancy refers to the highest monthly occupancy achieved throughout the year.

Support Office Cost per Licensed Place

	2010	2011	2012	2013	2014	2015
Number of Places	6,304	9,868	12,661	17,597	32,782	35,221
Support Office Cost per Licensed Place	\$710	\$523	\$520	\$485	\$455	\$439



Support office cost per place includes all costs associated with the operation and execution of our centre based strategy. It does not include corporate costs relating to our capital structure such as listing fees nor depreciation and amortisation

- Support office cost per licensed place fell in 2015 to \$439.
- Efficiency and productivity gains from process upgrades and application of technology continues to push costs lower.
- Ongoing discipline in recruitment have allowed wage costs to remain anchored.



G8 Education^{ltd}



Organic Growth Case Studies

Operational case studies

A selection of group acquisitions demonstrates the Group's ability to drive organic EBIT growth via the execution of the G8 corporate model:

- Ramsay Bourne – 25 Centres acquired in March 2010
- Local Kids – 19 Centres acquired in September 2010
- Kindy Patch - 24 Centres acquired in January 2011
- Kids Korner - 6 Centres acquired in April 2011
- Pacific Group - 16 Centres acquired in September 2012
- Roly Poly - 8 Centres acquired in September 2013

The aggregate EBIT of these centres when combined in 2015 generates \$40.8m which on a purchase price of \$97.5m implies an effective acquisition multiple in FY15 of 2.39x.

The increase in other operating costs as a percentage of revenue reflects the Group's commitment to continual investment in educational resources and facility maintenance.

Purchase Price \$'000	97,480
\$'000	CY15
Revenue	155,239
Employment Expenses	82,370
<i>as % of revenue</i>	<i>53.1%</i>
Rent Expenses	14,842
<i>as % of revenue</i>	<i>9.6%</i>
Other Operating Costs	17,250
<i>as % of revenue</i>	<i>11.1%</i>
EBIT	40,777
<i>EBIT Margin</i>	<i>26.3%</i>
Effective Acquisition Multiple	2.39

Operational Excellence – Case Studies

Name of Acquisition	Ramsay Bourne
Number of Centres	25
Date Acquired	Mar-10
Purchase Price	16,000,000

Name of Acquisition	Local Kids
Number of Centres	19
Date Acquired	Sep-10
Purchase Price	14,300,000

\$'000	FY11	FY12	FY13	FY14	FY15
Revenue	25,130	27,706	30,130	33,489	36,133
Revenue Growth (%)		10.3%	8.7%	11.1%	7.9%
Employment Expenses	14,418	15,690	16,906	18,650	19,591
as % of revenue	57.4%	56.6%	56.1%	55.7%	54.2%
Rent Expenses	2,424	2,586	2,679	2,850	2,906
as % of revenue	9.6%	9.3%	8.9%	8.5%	8.0%
Other Operating Costs	2,678	2,998	3,433	3,914	4,453
as % of revenue	10.7%	10.8%	11.4%	11.7%	12.3%
EBIT	5,609	6,432	7,112	8,075	9,184
EBIT Margin	22.3%	23.2%	23.6%	24.1%	25.4%
Acquisition Multiple	2.85	2.49	2.25	1.98	1.74

\$'000	FY11	FY12	FY13	FY14	FY15
Revenue	22,094	24,685	27,192	27,385	29,064
Revenue Growth (%)		11.7%	10.2%	0.7%	6.1%
Employment Expenses	13,357	15,017	15,959	16,119	16,568
as % of revenue	60.5%	60.8%	58.7%	58.9%	57.0%
Rent Expenses	2,687	2,751	2,742	2,722	2,802
as % of revenue	12.2%	11.1%	10.1%	9.9%	9.6%
Other Operating Costs	2,332	2,781	3,081	3,170	3,478
as % of revenue	10.6%	11.3%	11.3%	11.6%	12.0%
EBIT	3,718	4,136	5,410	5,374	6,216
EBIT Margin	16.8%	16.8%	19.9%	19.6%	21.4%
Acquisition Multiple	3.85	3.46	2.64	2.66	2.30

Operational Excellence – Case Studies

Name of Acquisition	Kindy Patch
Number of Centres	24
Date Acquired	Jan-11
Purchase Price	22,300,000

Name of Acquisition	Kids Korner
Number of Centres	6
Date Acquired	Apr-11
Purchase Price	7,080,000

\$'000	FY12	FY13	FY14	FY15
Revenue	29,868	32,539	34,218	37,248
Revenue Growth (%)		8.9%	5.2%	8.9%
Employment Expenses	17,816	18,712	18,569	18,697
as % of revenue	59.6%	57.5%	54.3%	50.2%
Rent Expenses	3,286	3,307	3,294	3,398
as % of revenue	11.0%	10.2%	9.6%	9.1%
Other Operating Costs	2,845	3,150	3,337	4,081
as % of revenue	9.5%	9.7%	9.8%	11.0%
EBIT	5,921	7,369	9,018	11,072
EBIT Margin	19.8%	22.6%	26.4%	29.7%
Acquisition Multiple	3.77	3.03	2.47	2.01

\$'000	FY12	FY13	FY14	FY15
Revenue	8,275	9,178	9,959	10,824
Revenue Growth (%)		10.9%	8.5%	8.7%
Employment Expenses	4,268	4,641	4,782	4,785
as % of revenue	51.6%	50.6%	48.0%	44.2%
Rent Expenses	1,562	1,623	1,691	1,752
as % of revenue	18.9%	17.7%	17.0%	16.2%
Other Operating Costs	748	807	888	1,018
as % of revenue	9.0%	8.8%	8.9%	9.4%
EBIT	1,698	2,107	2,597	3,270
EBIT Margin	20.5%	23.0%	26.1%	30.2%
Acquisition Multiple	4.17	3.36	2.73	2.17

Operational Excellence – Case Studies

Name of Acquisition	Pacific Group
Number of Centres	16
Date Acquired	Sep-12
Purchase Price	28,000,000

\$'000	FY13	FY14	FY15
Revenue	28,563	30,840	33,000
Revenue Growth (%)		8.0%	7.0%
Employment Expenses	16,256	17,566	18,663
as % of revenue	56.9%	57.0%	56.6%
Rent Expenses	2,768	2,880	3,032
as % of revenue	9.7%	9.3%	9.2%
Other Operating Costs	2,964	3,025	3,329
as % of revenue	10.4%	9.8%	10.1%
EBIT	6,575	7,369	7,976
EBIT Margin	23.0%	23.9%	24.2%
Acquisition Multiple	4.26	3.80	3.51

Name of Acquisition	Roly Poly
Number of Centres	8
Date Acquired	Sep-13
Purchase Price	9,800,000

\$'000	FY14	FY15
Revenue	8,500	8,969
Revenue Growth (%)		5.5%
Employment Expenses	3,914	4,067
as % of revenue	46.0%	45.3%
Rent Expenses	915	952
as % of revenue	10.8%	10.6%
Other Operating Costs	784	891
as % of revenue	9.2%	9.9%
EBIT	2,887	3,059
EBIT Margin	34.0%	34.1%
Acquisition Multiple	3.39	3.20



APPENDIX 1: GOVERNMENT REGULATION, FUNDING & POLICY

Early Childhood and Development Agency

The Early Childhood and Development Agency serves as the regulatory and developmental authority for the early childhood sector in Singapore, overseeing all aspects of children's development below the age of 6, across both kindergartens and childcare centres.

Early Childhood and Development Agency is an autonomous agency jointly overseen by the Ministry of Education and the Ministry of Social and Family Development, and hosted under the Ministry of Social and Family Development.

Early Childhood and Development Agency was officially launched on 1 April 2013 and integrates the regulation, planning, professional development and public education functions of Ministry of Education 's Pre-School Education Branch and Ministry of Social and Family Development's Child Care Division.

Early Childhood and Development Agency's key responsibilities are to:

- Oversee measures to raise quality standards of early childhood programmes, including regulation, quality assurance, and the provision of early childhood development resources;
- Facilitate the training and continuing professional development of early childhood professionals;
- Master-plan for infrastructure and manpower resources to support the early childhood sector;
- Provide subsidies and grants to keep quality pre-school programmes affordable, especially for low and middle income families; and
- Conduct public education and outreach to raise parents' awareness and support for their children's development.

Childcare subsidies

To enhance the affordability of childcare services in Singapore, the Singaporean Government provides child care subsidies to working and non-working mothers whose children are enrolled in a licensed centre.

From 1 April 2013, the ComCare Child Care Subsidies (also known as the Centre Based Financial Assistance for Child Care or CFAC) was combined with the universal working mother subsidy, into one subsidy framework. This simplifies the application process for parents and childcare operators.

All parents will continue to receive a Basic Subsidy. Families with a gross monthly income of up to S\$7,500 will receive an Additional Subsidy depending on the monthly income.

Childcare centres can apply on behalf of parents for these Subsidies to the Early Childhood and Development Agency.

Basic Subsidy	Working mothers qualify for a Basic Subsidy of up to S\$600 for infant care and S\$300 for child care. Non working mothers receive S\$150 for both child care and infant care.
Additional Subsidy	Families with a gross household income of S\$7,500 and below, or larger families with a per capita income of S\$1,875 and below, will benefit from an additional subsidy of at least S\$200 for infant care and S\$100 for childcare.

National Quality Framework

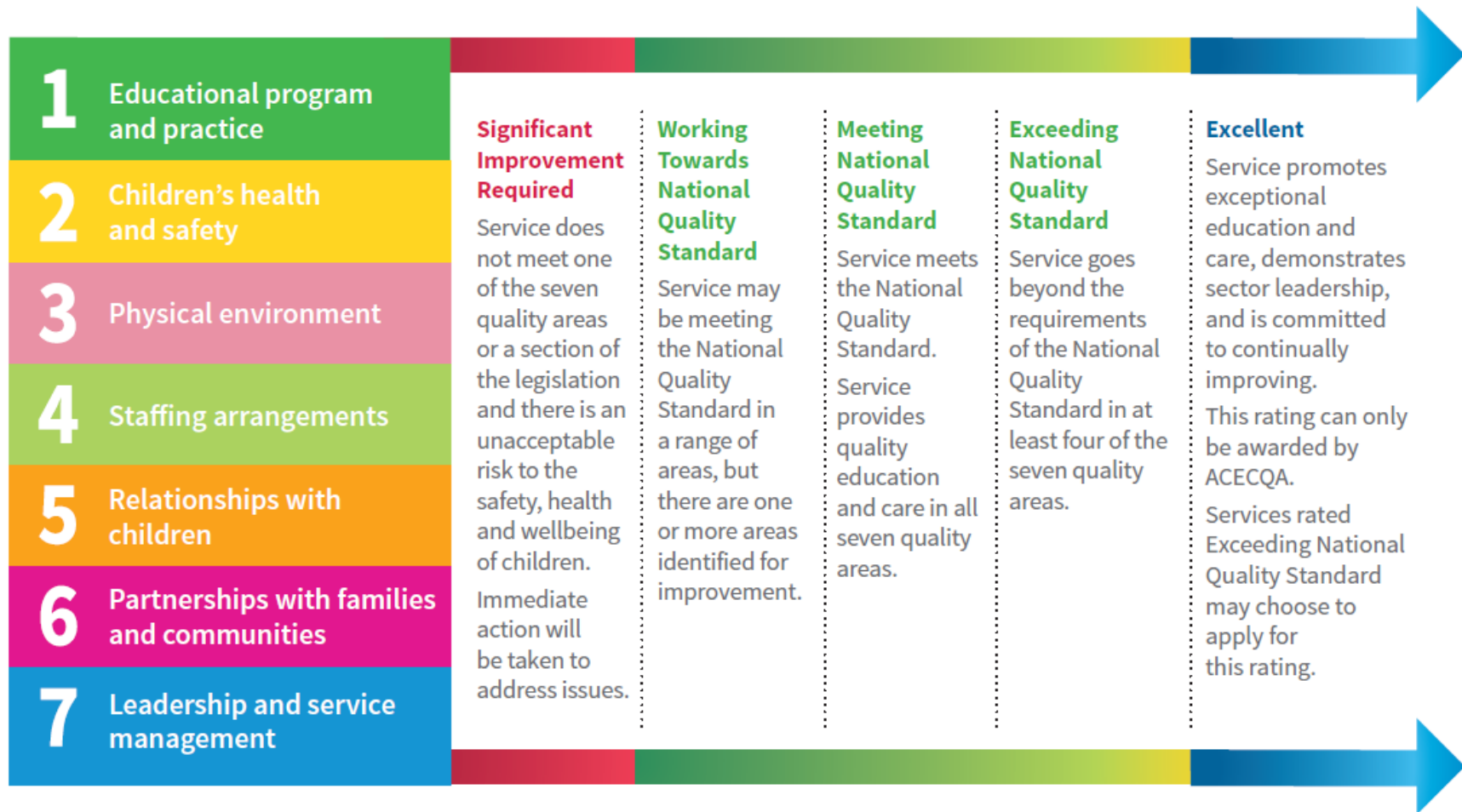
The recent introduction of the National Quality Framework has resulted in a large change to the regulatory environment of the childcare industry in Australia. Introduced in January 2012, the framework replaces existing state-based standards, licensing and regulations. As an agreement between the Commonwealth, State and Territory Governments of Australia, it establishes a standardised national quality assessment and regulation framework for early childhood education and care. The National Quality Framework initially covers most long day care services, outside school hours care services, preschools (or kindergartens) and family day care services; however, some services are excluded such as occasional care and education and in-home care and education.

National Quality Standard

The National Quality Standard is a key aspect of the National Quality Framework and sets a national benchmark against which early childhood education and care services, and outside school hours care services, are rated.

Services are assessed and given a rating against seven 'Quality Areas' as well as an overall rating. The ratings process aims to drive continuous quality improvement and provide families with better information for making choices about their children's education and care.

National Quality Standard



Government Funding - Australia

Commonwealth Government

The Commonwealth Government provides fee assistance to families to increase the accessibility of childcare. Government investment in childcare has increased significantly over the last decade (Figure 2) and is expected to continue (Figure 3).

The Commonwealth Government provides families with two main forms of financial assistance – Child Care Benefit and the Child Care Rebate. These two assistance programs are central in supporting families to increase their participation in the workforce and the early education and development of their children.

Child Care Benefit

The Child Care Benefit, which was introduced on 1 July 2000 to replace previous Commonwealth Government funding programs, is an income tested payment based on family income which reduces the cost of childcare. Payments are typically paid directly to providers approved to receive the Child Care Benefit to reduce the out-of-pocket fees payable, although parents and guardians can elect to have the payment received as a lump sum. The Child Care Benefit is indexed to changes in the Consumer Price Index (“CPI”).

Child Care Rebate

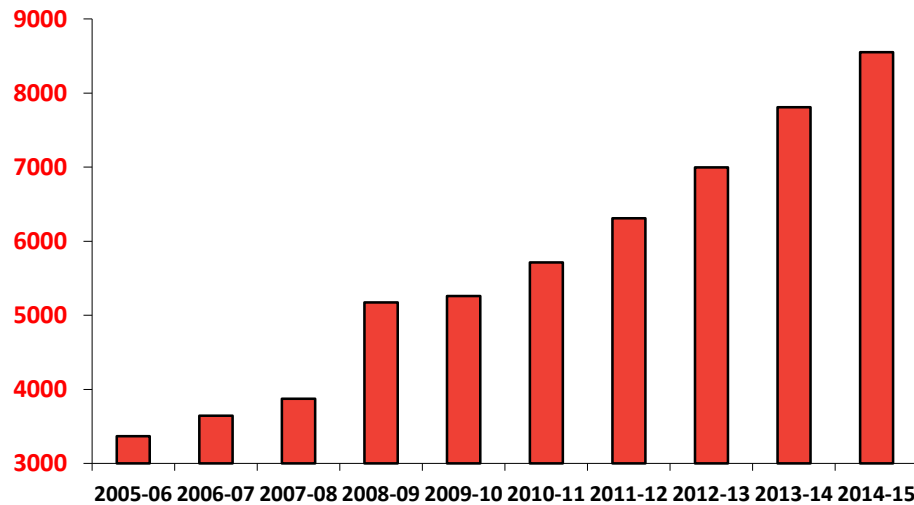
The Child Care Rebate was introduced in 2004 to supplement the Child Care Benefit and is a non-income tested payment to help recover the out of pocket costs to parents and guardians, of childcare. The rebate covers up to 50% of out of pocket costs up to a maximum of A\$7,500 per child, per year where it will remain, subject to the passage of legislation, until 30 June 2017.

Other Commonwealth Government funding

In addition to the Child Care Benefit and Child Care Rebate, the Commonwealth Government also has in place other support initiatives to assist with the cost of childcare. These include the Jobs, Education and Training Child Care fee assistance program, the Grandparent Child Care Benefit and the Special Child Care Benefit.

Government Funding - Australia

Figure 2: Total Government Expenditure (\$'M)



Source: Australian Government Productivity Commission - Report on Government Services 2016: Total government expenditure on early childhood education and care. Figures include amounts relating to early childhood education and care (ECEC) services, which include childcare services and pre-school services

Figure 3: Growth in Commonwealth Government Funding expected through to FY17

Government funding			
	FY15 \$bn	FY16 \$bn	FY17 \$bn
Child Care Benefit	3.36	3.62	3.84
Child Care Rebate	3.07	3.53	3.99
Total Funding	6.43	7.15	7.83
Increase Year-on-Year		11.2%	9.5%

Source: DSS & Education and Training portfolio budget statements 2014-2015 and 2015-2016, HGIB. Figures relate to daycare only, which is the childcare service which the Issuer provides and is part of the overall early childhood education and care services data used in Figure 2.



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APPENDIX 2: FY 15 FINANCIAL STATEMENTS

FY 15 Income Statement



G8 Education^{ltd}

Consolidated Year end 31 December	2015 \$'000	2014 \$'000
Revenue*	703,547	488,402
Expenses	(543,124)	(382,437)
Earnings Before Interest and Tax	160,423	105,965
Financing Cost (net of interest income)*	(37,650)	(33,404)
Net Profit Before Tax	122,773	72,561
Net Profit After Tax	88,581	52,731
Less non-operating transactions:		
Deferred consideration not paid**1	(5,755)	(9,178)
Acquisition expenses	916	3,354
Share based payment expense **	344	107
Profit on sale of financial assets^2	(7,343)	-
Write off of SGD borrowing costs relating to sale of financial assets^	2,010	-
Write off of borrowing costs on refinance**^	-	566
Foreign currency translation loss**^	8,378	13,033
Underlying Net Profit After Tax	87,131	60,613
<i>Effective Tax Rate</i>	<i>28%</i>	<i>27%</i>
Underlying EPS (cents per share)	23.87	18.57
Underlying Earnings Before Interest and Tax	145,438	100,248

* Excludes interest income of \$2.6m which is included in finance costs

** These items are non cash adjustments

^ These items have been adjusted for tax

¹ Deferred consideration not paid relates to the write back of centre based earnouts not achieved

² Profit on sale of Affinity (AFJ) shares was \$10.5m pre tax excluding cost of SGD bond raising

- Revenue increased by 44% year on year rising from \$488m in 2014 to \$703m in 2015.
- Wages as a percentage of revenue from continuing operations were 55.5% in 2015 versus 56.0% in 2014.
- Rent expense in 2015 was 11.3% of revenue from continuing operations compared to 11.6% in 2014.
- The Group continued to generate year on year improvements in underlying EBIT margin recording 21.2% for the period.
- Underlying earnings before interest and tax, net profit after tax and underlying earnings per share increased by 45%, 44% and 29% respectively.
- The finance cost shown is net of interest income (\$2.6m) and includes the foreign currency loss (\$12.0m) on the SGD bonds as well as the borrowing costs (\$5.6m) written off associated with the bonds.

FY 15 Balance Sheet

	2015 \$'000	2014 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	193,840	120,804
Trade and other receivables	22,943	14,164
Other current assets	9,754	13,642
Total current assets	226,537	148,610
Non-current assets		
Property plant and equipment	41,370	29,575
Deferred tax assets	21,678	15,448
Goodwill	944,604	809,162
Total non-current assets	1,007,652	854,185
Total assets	1,234,189	1,002,795
LIABILITIES		
Current liabilities		
Trade and other payables	83,054	75,567
Borrowings	148,891	-
Employee entitlements	22,824	18,110
Derivative financial instruments	1,184	230
Current tax liabilities	4,400	9,655
Total current liabilities	260,353	103,562
Non-current liabilities		
Borrowings	366,270	352,944
Other payables	712	652
Provisions	4,069	3,628
Total non-current liabilities	371,051	357,224
Total liabilities	631,404	460,786
Net assets	602,785	542,009

Following the decision to appoint Ernst & Young as external auditor for 2016, the Company has engaged Ernst & Young to perform specific procedures to compare G8's current accounting policies, as disclosed in note 1 in the Annual Report, to Australian accounting standards. As a result of the procedures, the Directors are satisfied that no change in accounting policies is required that will result in a change in balances previously reported by G8.

- Trade and other receivables – An increase of \$8.7m was due to the timing of year end cut off and the consequent impact on debtors combined with a rise in GST receivable.
- Other current assets - A decrease in deposits on acquisitions caused other current assets to fall from \$13.6m to \$9.7m.
- Property, plant and equipment – PP&E increased by \$11.8m due to acquisitions and centre based CAPEX.
- Goodwill – There was a \$135.4m increase in goodwill reflecting the purchase price of centres settled in 2015.
- Trade and other payables – This increase of \$10.6m is largely due to a rise in other payables and accruals partially offset by a reduction in deferred centre acquisition payments.
- Current borrowings - \$148.9m relates to the SGD unsecured note to finance the cash component of the Affinity Education acquisition. This will be repaid on the 29 February 2016.
- Non-current borrowings – The increase in this liability is a function of the year end revaluation of the SGD bond at year end.

FY 15 Cash Flow

	2015 \$'000	2014 \$'000
Cash flows from Operating Activities		
Receipts from customers	676,870	494,744
Payments to suppliers and employees	(516,762)	(383,483)
Interest received	2,861	2,919
Interest paid	(22,354)	(14,240)
Income taxes paid	(45,563)	(25,224)
Net cash inflows from operating activities	95,052	74,716
Cash flows from Investing Activities		
Payments for purchase of businesses (net of cash acquired)	(128,940)	(447,751)
Repayment of loans by Key Management Personnel	-	1,642
Proceeds from sale of shares	52,073	-
Payments for purchase of shares	(33,182)	-
Payments for property plant and equipment	(21,082)	(16,508)
Net cash outflows from investing activities	(131,131)	(462,617)
Cash flows from Financing Activities		
Share issue costs	(151)	(7,249)
Debt issue costs	(4,282)	(7,845)
Dividends paid	(53,244)	(33,273)
Proceeds from issue of corporate note	153,617	272,963
Proceeds from issue of shares	12,934	216,499
Repayment of borrowings	-	(46,579)
Net cash inflows from financing activities	108,874	394,516
Net increase in cash and cash equivalents	72,795	6,615
Cash and cash equivalents at the beginning of the financial year	120,179	114,029
Effects of exchange rate changes on cash	852	(465)
Cash and cash equivalents at the end of the financial year	193,826	120,179

- Operating cash flow in 2015 was strong at \$95.1m compared to \$74.7m in 2014.
- Cash conversion remained impressive at 99% calculated as operating cashflow plus net interest paid and tax paid divided by underlying EBITDA.
- Payments for businesses of \$128.9m represents the payments of centres announced in 2014 and 2015 which settled in 2015.
- Proceeds and payments from the sale/purchase of financial assets relates to the shares held in Affinity Education subsequently sold to Anchorage Capital.
- Payments for PP&E relate to capital improvements to the centres.
- Cash flow from financing activities increased by \$108.8m during the year due to the issue of the SGD corporate note, plus the proceeds from issue of shares which related to the Dec 14 dividend underwritten by UBS.