

**Embark Education Group Limited**  
**Annual Shareholders Meeting 6 June 2023**  
**Address by Chair Hamish Stevens**

Good morning everyone and welcome to Embark Education Group's ninth annual shareholder meeting. Although of course, the first under our new name.

My name is Hamish Stevens, and I am the chairman of Embark and it is my pleasure to chair this hybrid annual meeting. I welcome all those attending in person and online. I can confirm we have a quorum and I declare the meeting open.

Voting on the resolutions of this meeting will be conducted by way of poll. Shareholders attending the meeting online, will be able to cast their vote using the electronic voting card received when online registration is validated. Please refer to the virtual annual meeting online portal guide or use the help line specified. Shareholders participating online through the virtual meeting website will also be able to ask questions.

I encourage online shareholders who have questions relating to the business of the meeting, to send their questions through as soon as possible. Please note that only shareholders, proxy holders or shareholder company representatives may vote.

I am delighted to introduce my fellow Directors and senior management.

- Managing director Chris Scott who was elected a director in September 2019.
- Independent director Kim Campbell who was elected a director in September 2020. Kim chairs the Company's Remuneration Committee and is nominated for re-election at this meeting.
- Renita Garard who was appointed as a director on 1 January 2023 and is nominated for re-election at this meeting.

Independent director Adrian Fonseca who was elected a director in September 2020 and who chairs the Company's Audit and Risk Committee is an apology for this meeting.

Also in attendance is our Group CFO Edmund Mah.

Also joining us are our auditors Grant Thornton New Zealand and our New Zealand lawyers Chapman Tripp.

In October 2023 non-executive director Chris Sacre stepped down from the board to focus on his growing business interests outside of Embark. Also, non-executive director Adrian Fonseca has elected to retire from the board at this ASM. Both Chris and Adrian have served the board exceptionally well over the past years and in particular contributed strongly to the strategic re-alignment work undertaken last year. On behalf of the board, I express my sincere thanks to both Chris and Adrian for their service to the board and to the company. We wish them both all the very best.

Two current directors, Kim Campbell and Renita Garard are standing for re-election/election at this meeting. We also have a nomination for Michelle Thomsen as a director. The board supports the nominations of Kim, Renita, and Michelle.

I wish to talk about the 2022 year in review and then we have several resolutions to be put to the meeting in line with the notice of meeting.

## **New Zealand**

The Company completed a strategic realignment of the company during the year that involved the divestment of its New Zealand operations to enable greater focus on its Australian business.

The New Zealand operations had been materially impacted over the previous two and a half years by the Covid-19 pandemic. This included government mandated closures of centres and restrictions on immigration which significantly reduced the number of immigrants coming to New Zealand. This in particular impacted the Auckland area where 45% of our New Zealand licenced places were located.

While the directors believed that this situation would be improved over time, it was also recognised that this comprised a higher degree of risk and would require a significant delay in the resumption of our Australian acquisition strategy. The directors therefore decided to recommend a divestment of the New Zealand business to focus on the more profitable Australian ECE sector. This was approved by shareholders in September 2022.

The New Zealand centres were successfully transferred to Anchorage Capital Partners in September 2022. Embark wanted the sale to be seamless to our families and staff, and this was achieved with all New Zealand teachers and support staff transferred to the new owners.

The divestment of the New Zealand operations is in no way a reflection on our many committed and supportive New Zealand teachers and support staff who contributed tirelessly to the company during very challenging times. The directors are particularly appreciative for their many years of contribution to Embark.

Although there were substantial one-off non-trading book losses and costs associated with this divestment in FY22, the Company is now in a substantially stronger position, both financially and strategically.

The results for the New Zealand operations up until the date of the divestment are shown in the annual report as non-continuing operations. I don't intend to comment on those results in any further detail.

## **Australia**

Our Australian operating result in FY22 showed continued growth over FY21.

I will talk primarily to Underlying EBITDA. Underlying EBITDA is a non-GAAP measure that we believe captures the true operating performance of the business and excludes corporate costs, non-trading items, and IFRS16 charges. Underlying EBITDA has been the prime measure used internally by the board to monitor company performance for several years. A reconciliation of underlying EBITDA to audited net profit is included with the published financial statements.

Four years ago, in the months before Covid-19, we commenced an Australian acquisition strategy with the objective of broadening and strengthening the Company's earnings, and in calendar year 2019 we acquired 10 centres. The acquisition programme was put on hold in 2020 due to Covid but in March 2021 we resumed our programme resulting in the purchase of 13 centres in calendar year 2021. A further centre was purchased in the second half of FY22 bringing our total number of centres to 24.

The board acknowledges the efforts of our Australian team not only in identifying great locations but also ensuring we have integrated the centres well into the Embark family.

Following the sale of the Company's New Zealand operations in 2022 Embark has refocused on its Australian acquisition strategy. Acquisitions will be funded from the cash reserves emanating from the New Zealand divestment, and also from the expected strong operating cash flows from the Australian business. The Company already has several acquisition opportunities in negotiation. Our focus will continue to be on identifying existing good quality centres, but which show further opportunity for growth. Embark is not intending to undertake greenfield developments.

As Australia emerged from the Covid-19 restrictions of the past three years our Australian operations have continued to show strong growth. For the 12 months to 31 December 2022 Australia revenue increased 31% to A\$54.4m and Underlying EBITDA increased 33% to A\$13.2m.

This was a particularly solid result given that most of this growth was weighted toward the latter half of the year. Covid-19 still impacted in the earlier months. Further, some centres

experienced long wait lists as we were unable to fully open all rooms, attributable partly to illness but also to general teaching staff shortages. These staff shortages began to reduce later in 2022.

Achieving organic growth follows from a disciplined approach to wage efficiencies; minimising discounting; reducing bad debt; increasing occupancy levels and the use of technology to minimise the growth of Support Office as the number of centres increases.

In addition to organic growth the company welcomed one new centre in July 2022. This brings the total number of Australian centres to 24 and total licensed places to 2,198. And as I mentioned earlier we are looking to add more centres this year.

We are not providing guidance for the coming year. But I can tell you the Australian operations are off to a flying start. For the four months to April 2023 revenue is 20% ahead of last year and underlying EBITDA is 48% ahead of last year.

In December 2022 the company repaid all its outstanding medium term notes and currently holds no debt, compared with debt of NZ\$36.2m at the end of 2021. The company has cash reserves of A\$26m as of 31 May 2023. Overall, this is a substantially stronger position than the same time last year.

And in October 2022 we changed our name from Evolve to Embark.

### **Redomiciling**

Since the divestment of the New Zealand operations, we have considered a change in the jurisdiction within Embark is domiciled. Embark no longer has any operations in New Zealand and operates only in Australia. There is therefore a more natural alignment in having an Australian domiciled listed entity above the Australian operating company, including to reduce tax complexities that arise in paying returns to shareholders from a New Zealand listed entity.

You will have all received a Scheme Booklet outlining in detail the way in which this change will be effected and the steps required. However, I will discuss the process relating to this matter and take questions shortly when we discuss the resolutions required at this meeting.

**Dividend**

The company paid a dividend of NZ 3.5 cents per share December 2022. We intend to maintain regular dividends once we have concluded the re-domiciling of the company that will enable us to pay dividends in an overall more tax efficient manner.

**Thank you**

I now want now to acknowledge the huge support we have received from our 2,200 employees across our 130 centres during the 2022 year. The residual impacts of Covid still added challenges to this year and our New Zealand and Australian teams have at all times ensured throughout that our children and families' safety and well-being was paramount. Thank you for your unswerving dedication and commitment.

I would also like to thank all our wonderful families that have continued supporting us through this challenging period and wish to reiterate the commitment of the Board during this time. Our number one priority will always to be to provide your children with a secure, safe, and stimulating environment.

And a big thanks to Managing Director Chris Scott and my other fellow board members who have worked tirelessly over the past year to execute the significant strategic change to our Company.

And a very sincere thank you to you, our shareholders for your support.