

ASX Announcement

G8 Education Limited
(ASX:GEM)



14 November 2019

G8 ANNOUNCES SALE OF 25 CENTRES IN WESTERN AUSTRALIA TO SPARROW EARLY LEARNING PTY LTD

G8 Education Limited (the “Group” or “G8”, ASX: GEM) has entered into an agreement to sell 25 of its centres in Western Australia to Sparrow Early Learning Pty Ltd (“Sparrow”). Sparrow is an existing provider of early childhood education through its network of 34 long day care centres in Queensland and Victoria.

The centres, which were identified as part of G8’s ongoing portfolio review, are to be sold for ~\$6.4 million, which equates to an FY19f EBIT multiple of c. 4.1x. The funds will initially be used to repay debt with a view to ultimately recycling proceeds into growth opportunities as they arise. The divestment is not expected to have a material impact on the Group’s statutory results.

Completion of the sale of the centres is targeted to occur in December 2019 and is subject to standard conditions precedent for a transaction of this nature, including landlord consent and service approval.

The divestment, which optimises the business in Western Australia, will result in an overall portfolio occupancy uplift of >1% pts and an occupancy uplift of 10% pts for G8 centres in Western Australia. The Group will realise substantial capex savings along with an annual cost reduction of \$330k pa.

The sale of these centres is consistent with G8’s commitment to proactively reviewing the Group’s portfolio. The Group will continue to maintain a rigorous approach to portfolio analysis in line with that commitment.

G8 Chief Executive Officer and Managing Director, Gary Carroll said:

“The sale of these centres is consistent with our strategy of regularly reviewing our portfolio to optimise the performance of the Group’s centre network.”

“The divestment will enable G8 to increase its focus on the execution of our strategic program and the existing Greenfield pipeline.”

“We will work with Sparrow Early Learning Pty Ltd to ensure there is a smooth transition for families, children and team members.”

Ends

Investors

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