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Investor Presentation

16th February 2017

Full Year CY2016 Results

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Operational Results

Full Year CY2016 Results

Market Summary

Issued Shares	41,639,311
Share Price as at 13 th February 2017	\$2.31 (issue price \$1.00)
Market Capitalisation	\$96,186,808
Official listing date	24/10/2014
Issuer code	TNK

Substantial Shareholders – Top 5 as at 13th February 2017

Rank	Name	Type	Shareholding
1	Mathew Edwards	Related	13,956,443
2	Citicorp Nominees Pty Ltd	Institution	4,020,715
3	HSBC Custody Nominees (Australia) Pty Ltd	Institution	3,400,288
4	Riversdale Road Shareholding Company	Institution	2,304,597
5	J P Morgan Nominees Australia Ltd	Institution	1,990,356
	Board - Outside of Mathew Edwards	Related	2,191,695

Financial Summary

	CY16	CY15	Variance
Revenue	\$54,543,000	\$46,512,000	Up 17.3%
NPAT	\$5,367,000	\$4,809,000	Up 11.6%
EBITDA	\$8,495,000	\$7,392,000	Up 14.9%
Underlying EBITDA	\$8,833,000	\$7,394,000	Up 19.5%
Earnings Per Share (EPS)	13.12c	12.14c	Up 8.0%
EPS (no. shares at start of CY2016)	13.55c	12.14c	Up 11.6%
Centre Based Turnover ILP*	\$48,898,000	\$44,267,000	Up 10.5%
Centre Based EBITDA ILP	\$10,463,000	\$9,001,000	Up 16.2%
Centres' Base Wages** to Turnover	49.55%	47.54%	Up 4.2%
Dividend declared for period	9.0c	7.2c	
Acquisition Multiple on ILP	3.09	3.84	
Increase in Head Office Costs from CY2015	\$924,000	N/A	
Total Capital Expenditure	\$1,741,000	\$1,200,000	Up 45.0%

*ILP – Initial Listing Portfolio

**Wages excluding on costs

Dividend

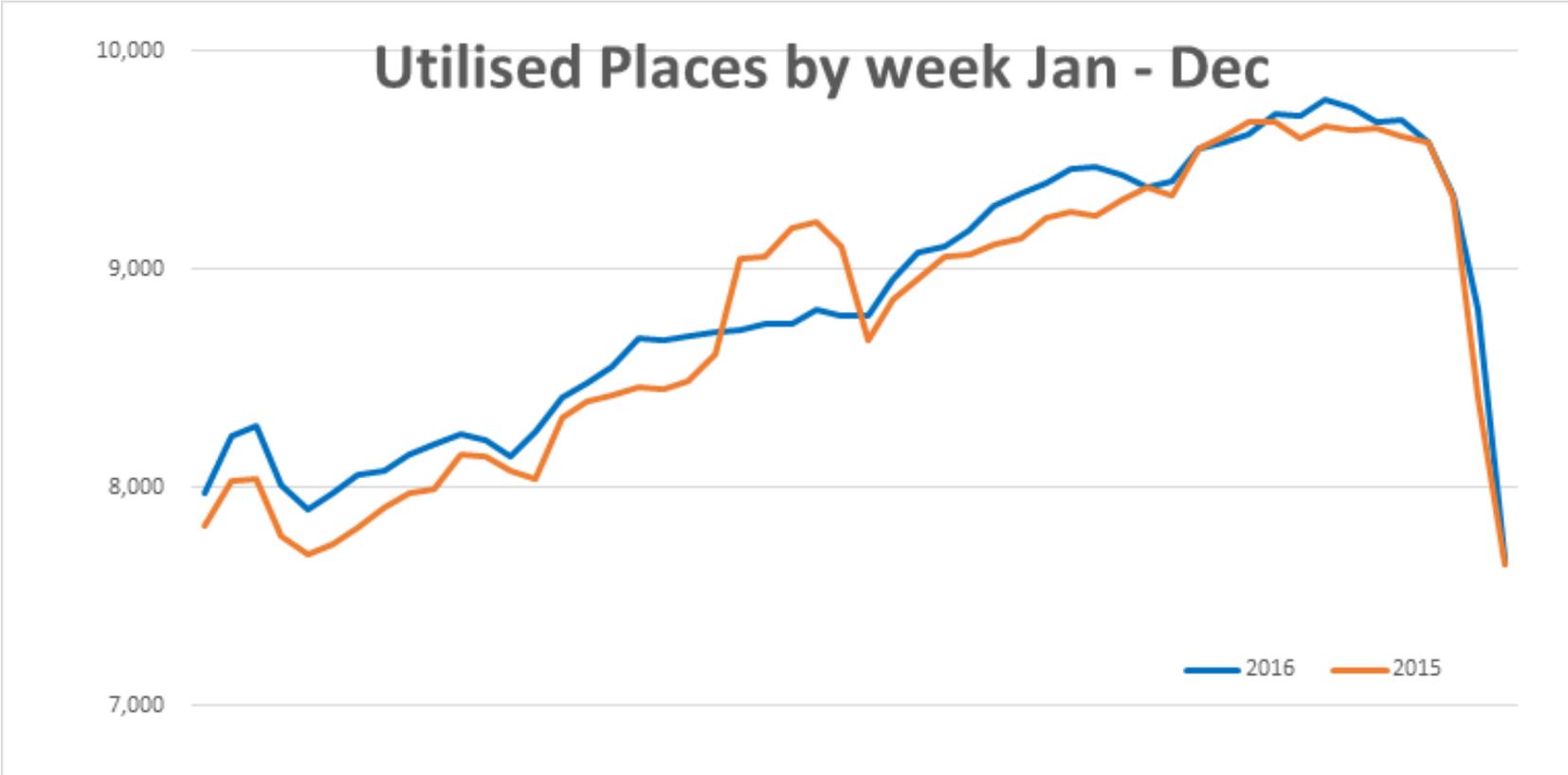
	CY16
Interim Dividend HY2016	4.0c per share
Final Dividend CY2016	5.0c per share
Total CY2016 Dividend	9.0c per share
Franking	100%
Dividend Announced	16 February 17
DRP* pricing	5% discount to the VWAP
VWAP calculation period	17 February – 9 March 17
Dividend payment & issue under the DRP	24 March 17
<i>Previous DRP price \$2.096</i>	<i>September 16</i>

**Dividend Re-investment Plan (“DRP”)*

2016 Year in Review

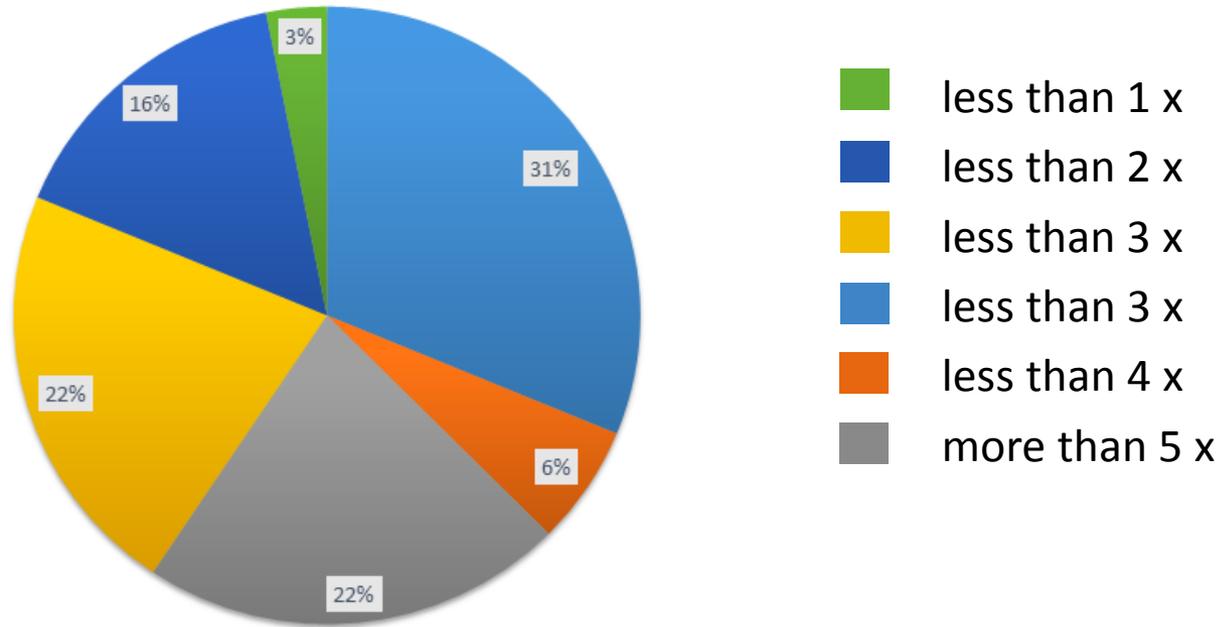
- Second full year of operations for TNK.
- Completed the rollout of all our technology platforms to manage accounts, payroll, time and attendance, electronic sign in and out of children and online portal for parents to track their child's development.
- Continued our capital improvement program and completed the integration of our initial portfolio of 30 centres.
- Acquired three trading centres (all settled in late 2016).
- Acquired three greenfield centres (centres that hadn't traded previously, now all open and trading).
- Incurred \$924K in HO expenses over CY2015, in part this allowed us to extend our support team head count to build a more robust foundation for future growth.
- Delivered a 11.6% growth in NPAT and a 8.0% growth in EPS.
- We invested over \$1.7m in capital improvements, with yard upgrades, painting, flooring and resources for our Educators and the children.
- We empowered our Centres to manage their wages using our online platforms with a positive effect.
- Opened 3 Incubator centres.

Utilised Place – Initial Listing Portfolio



Centre Acquisition Multiple

Acquisition Multiple
Based on 2016 Contribution
32 Centres



- The overall multiple on the centres traded for the full CY2016 (32 centres) was **3.09 x**, based on a weighted centre contribution to acquisition value
- 78% of the centres are trading below a 4 x multiple based on their CY2016 contribution

Business Metrics Overview

Operations	FY CY14 (Dec 14)	FY CY15 (Dec 15)	HY CY16 (Jun 16)	FY CY16 (Dec 16)
Centres	30	32	32	38
Licensed Places	2,319	2,476	2,476	3,147
Average Centre size	77	77	77	83
Average Fees per day	\$85	\$92	\$101	\$103
Centres' Base Wages to Turnover	45.44%	47.54%	51.02%	49.55%



Financial Information

Full Year CY2016 Results

Key Financial Metrics

	<u>CY16</u>	<u>CY15</u>		<u>CY16</u>	<u>CY15</u>
NPAT	\$5.37m	\$4.81m	Net Debt / Equity ⁺	40.3%	17.5%
Earnings per Share (EPS)	13.12c	12.14c	Gearing*	28.7%	14.9%
Interim Dividend per Share- Fully franked	4.0c	Nil	Debt/ (Equity + Common control) ⁺⁺	21.3%	8.4%
Final Dividend per Share- Fully franked (2015- 33% franked)	5.0c	7.2c	Debt/(total assets+ Common control) ^{**}	13.7%	6.2%
Net Profit Margin (NP/Revenue)	9.84%	10.34%	EBIT/Interest (times)	21.7	16.8
Enterprise Value (EV)	\$106.36m	\$43.03m	Debt/ Assets	19.7%	10.1%

**EV = market value of equity (Share price at 15/02/17 x no of shares in issue)
+ market value of debt - cash*

*+ (Net Debt/Equity)
* Gearing is calculated as (Net Debt / (Equity + Net Debt)
⁺⁺ Net debt/equity +Common control reserve
^{**} Net debt/ Total Assets +Common control reserve*

Profit & Loss FY2016

	CY16 \$m	CY15 \$m	Variance \$m	Variance
REVENUE	54.54	46.51	8.03	17.27%
Employee expenses	34.18	28.94	5.24	18.11%
Occupancy expenses	6.42	5.63	0.79	14.00%
Direct expenses	2.15	1.84	0.30	16.45%
Marketing expenses	0.80	0.54	0.25	46.32%
Coporate expenses	0.47	0.27	0.20	74.91%
Acquisition expense	0.09	0.33	(0.24)	(72.70%)
Other expenses	1.74	1.57	0.17	10.98%
Share based payments	0.22	-	0.22	100.00%
Total expenses	46.05	39.11	6.94	17.73%
EBITDA	8.50	7.40	1.10	14.79%
Depreciation	0.60	0.33	0.28	84.15%
EBIT	7.89	7.07	0.82	11.58%
Net finance costs	0.36	0.42	(0.06)	(13.57%)
Income tax	2.16	1.85	0.32	17.24%
NPAT	5.37	4.81	0.56	11.60%

Revenue:

Increase in number of centres, increased fees and occupancy

Employee expenses:

New centres, changes in ratios and 2.5% award increases

Share based payments:

Issue of ESOP in CY16

Depreciation:

\$1.7m has been deployed in capital improvement on the centres

Underlying Profit & Loss FY2016

	CY16 \$'000	CY15 \$'000	Variance	
REVENUE	54,543	46,512	<i>Up</i>	17%
EBITDA				
Profit after income tax	5,367	4,809	<i>Up</i>	12%
Add: Income tax expense	2,163	1,845		
Add: Depreciation and amortisation	604	328		
Add: Finance cost	363	420		
Less: Interest income	(2)	(10)		
EBITDA	8,495	7,392	<i>Up</i>	15%
Add: Acquisition expenses	89	326		
Add/ Less: Adj for newly acquired centres	249	(324)		
Underlying EBITDA	8,833	7,394	<i>Up</i>	19%
DEBT less Cash	8,542	3,048		
Debt / Equity*	40.28%	17.54%		
Gearing**	28.71%	14.92%		

**(Net debt= Current+ non- current borrowings – cash)/ Total equity*

***Net debt/ (total equity + net debt)*

*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.

Balance Sheet as at 31st December 2016

	CY16 31-Dec-16 \$ 'm	CY15 31-Dec-15 \$ 'm	Variance \$'m	%
Current assets				
Cash at bank	1.80	2.36	(0.56)	(24%)
Trade and other	1.94	1.18	0.76	65%
Other current assets	1.18	0.86	0.32	37%
Total-current assets	4.91	4.40	0.52	12%
Current assets				
Property plant & equipment	3.32	1.89	1.44	76%
Intangible assets	31.35	20.30	11.05	54%
Deferred tax assets	1.54	1.85	(0.31)	(17%)
Other non-current assets	2.29	1.78	0.52	29%
Total-non-current assets	38.51	25.81	12.70	49%
Total assets	43.42	30.201	13.22	61%

	CY16 31-Dec-16 \$ 'm	CY15 31-Dec-15 \$ 'm	Variance \$'m	%
Current liabilities				
Trade & other payables	4.57	3.28	1.30	40%
Borrowings	0.06	0.05	0.01	19%
Current tax payable	0.55	1.78	(1.23)	(69%)
Employee benefits	1.80	1.57	0.23	15%
Contingent & deferred payable	2.51	0.18	2.33	100%
Total-current liabilities	9.49	6.855	2.63	38%
Non-current liabilities				
Borrowings	10.28	5.36	4.92	92%
Employee benefits	0.55	0.61	(0.06)	(10%)
Contingent & deferred payable	1.90	0.00	1.90	100%
Total-non-current liabilities	12.73	5.97	6.76	113%
Total liabilities	22.21	12.82	9.39	73%
NET ASSETS	21.21	17.38	3.83	22%
Equity				
Issued capital	40.40	37.66	2.74	7%
Reserves	(18.84)	(19.05)	0.22	(1%)
Accumulated losses	(0.36)	(1.23)	0.87	(71%)
TOTAL EQUITY	21.21	17.38	3.83	22%

Cash Flow

for the year ended 31 Dec 2016

	Actual CY16	Actual CY15
	\$m	\$m
Cash flows from operating activities		
Cash receipts from parents and Gov.	\$51.96	\$44.94
Cash receipts from parents and Gov. funding		
Payments to suppliers and employees	(\$44.91)	(\$39.72)
Government grants received	\$2.01	\$2.13
Interest and other finance costs paid	(\$0.32)	(\$0.41)
Income taxes paid	(\$3.11)	\$0.00
Net cash from operating activities	\$5.62	\$6.94
Cash flows from investing activities		
Payments for purchase of centres	(\$6.77)	(\$4.59)
Payments for future acquisitions	(\$0.06)	(\$0.24)
Payments for PPE	(\$1.65)	(\$1.07)
Payments for security deposits	(\$0.52)	(\$0.90)
Payments for intangibles	(\$0.21)	\$0.00
Proceeds from disposal of PPE	\$0.01	\$0.00
Net cash used in investing activities	(\$9.21)	(\$6.81)

	Actual CY16	Actual CY15
Cash flows from financing activities		
Proceeds from issue of shares	\$2.80	\$0.00
Payments of share issue costs, net of tax	-	(\$2.24)
Proceeds from borrowings	\$4.87	\$2.78
Repayments of borrowings	-	(\$2.50)
Dividends paid	(\$4.50)	\$0.00
Payments of costs relating to bank facility	(\$0.13)	(\$0.16)
Payment for finance leases	(\$0.03)	\$0.00
Net cash from/(used in) financing activities	\$3.02	(\$2.13)
Net Decrease in cash and cash equivalents	(\$0.57)	(\$2.00)
Cash and cash equivalents at the 1 Jan 2016	\$2.36	\$4.36
Cash and cash equivalents at the 31 Dec 2016	\$1.79	\$2.36



Looking Forward

TNK has a dual growth strategy

Organic: *we have implemented programs to grow occupancy and reduce relative costs by;*

- | | |
|---|---|
| <hr/> <ul style="list-style-type: none">• Aggressive marketing strategies <hr/> | <hr/> <ul style="list-style-type: none">• New yards, new paint, new signs <hr/> |
| <hr/> <ul style="list-style-type: none">• Fee increases over CPI and labour costs <hr/> | <hr/> <ul style="list-style-type: none">• Focus on labour cost controls <hr/> |

Growth through acquisition

Trading Centres: *we are continuing to assess opportunities to acquire centres that;*

- | | |
|--|--|
| <hr/> <ul style="list-style-type: none">• Make strategic sense <hr/> | <hr/> <ul style="list-style-type: none">• Add to shareholder value <hr/> |
|--|--|

Greenfield Centres: *as a management team, we have historically, successfully developed greenfield sites from opening into highly profitable centres.*

We believe by selecting strong locations, that have limited competition, in high demand areas we can add significantly to shareholder value over the mid to long term. The intent is to create goodwill organically rather than buying it on market. Whilst we, in the main, will continue to grow through acquiring trading centres, we will seek strategic greenfield developments within the mix of the portfolio. We do this with the support of our bankers.

Looking forward

2017

We expect 2017 will be a big year for THINK: it will see us grow in the number of owned and managed centres. We expect to open 3 to 4 centres from greenfield developments under THINK and manage the development of 6 to 8 centres for our Incubator partners. We will continue to invest capital into our existing portfolio and our recently acquired centres.

Political and legislative overview

The Government has introduced the Omnibus Bill, which will be considered in the last two weeks of March by the Senate, following a short Senate Inquiry. The Bill contains many cost saving measures (18 schedules) that are currently unpalatable to Labor, the Greens, the Nick Xenophon Team, other cross bench Senators and the wider community. It also contains the much needed Childcare reforms, which will generally reduce the cost of childcare and ensure for parents that their children can get access to at least 15 hours of affordable care per week.

As a nation we are striving to give our children the best start in life and with 85% of your entire life's learning occurring in the first 5 years, it is critical that they achieve the same access to early education as other nations. We believe that in 2017 political common-sense will prevail, and politicians will stop using the futures of our children as a tactical pawn in a political game, and the Child Care Reform package will be considered on its merits.

If passed, the changes will take effect in July 2018. The impact of the additional \$1.4 billion spending in the package on the sector will be an overall positive, with net out of pocket costs for most families expected to fall. However until legislation is passed we will not know the full impact. We will keep the market updated as the Senate inquiry reports and as the Bill is amended and debated.



Corporate Details

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 centers
- 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.

Corporate Details



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