



2019 Trading Update

27 May 2019



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EDUCATION IS NOT
A PREPARATION FOR
LIFE. EDUCATION IS
LIFE ITSELF.

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1 SERVICE TRADING UPDATE



HIGHLIGHTS

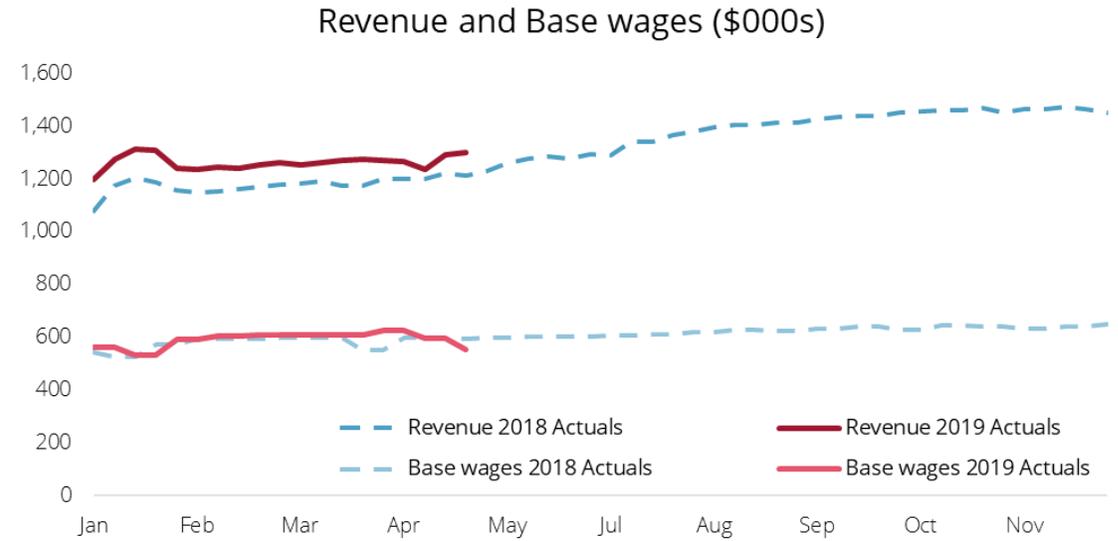
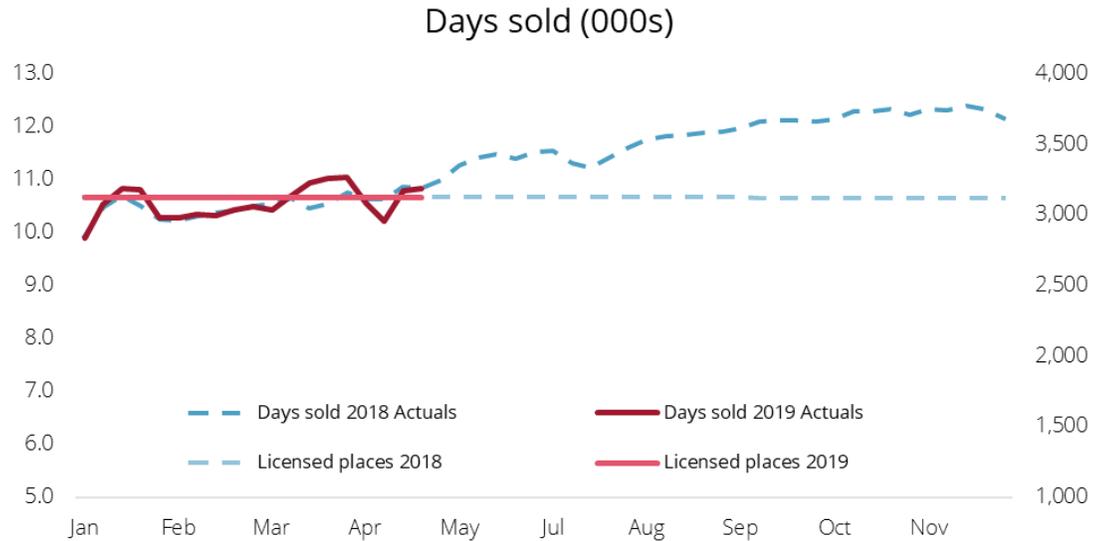
YTD service performance¹ up by 26% for 41 services cohort²

- › Revenue 7% higher than prior comparative period (pcp) driven by higher average fees whilst days sold were in line with pcp
- › 26% improvement in service performance (3.2m vs 2.5m pcp)
- › 2.2 percentage point improvement in service margin mainly driven by focused wage management (wages as percentage of revenue 62.6% vs 64.2% pcp)
- › Completed national rollout of Nido education curriculum (refer slide 11)
- › 50% completed Nido service delivery model (refer slide 12)
- › CCS³ contribution in 1H19 YTD is at 60.6% (pcp was 47.5%)
- › Expected to complete the acquisition of 4 services⁴ from our incubator partners in 1H19
- › Opened 4 purpose-built managed Nido services with 2 greenfield services scheduled to open in June 2019 (VIC and ACT)
- › Closed 2 services on 29 March 2019 which were not aligned to our Nido strategy

1. Service performance refers to service EBITDA
2. 41 services cohort refers to like for like services excluding 2 services closed in March 2019
3. Child Care Subsidy
4. As announced on 25 March 2019 as part of the capital raising investor presentation

SERVICE TRADING UPDATE

Weekly revenue up by 7% YOY on a like for like¹ basis



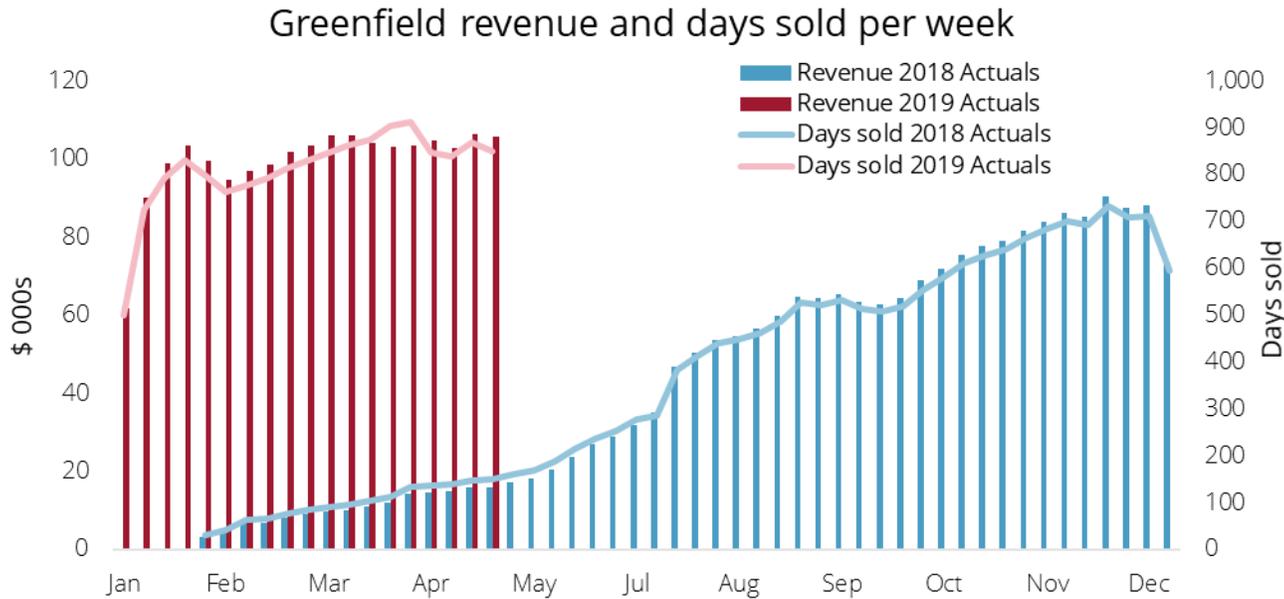
› YTD on a like for like basis (41 services cohort) compared to pcp:

- › Days sold were in line with pcp despite less attendance due to late Easter/ANZAC Day holidays where there were less casual bookings compared to prior year
- › Revenue was higher by an average of 7% per week (86k)
- › Base wages were higher at 2% compared with pcp driven by higher rate per hour (4.6%) offset by reduction of 12,000 hours (2.6%). Wages as a percentage of revenue was 1.6% lower than pcp

1. 41 services cohort refers to like for like services excluding 2 services closed in March 2019

GREENFIELD PERFORMANCE

Greenfield 2018 portfolio ramp up in line with expectation



› Ramp up of days sold of 2018 greenfield services portfolio (3) are in line with expectations.

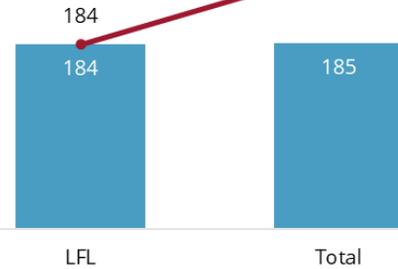
OPERATIONAL METRICS – BY SERVICE TYPE (APRIL YTD)

Overall improvement in operational metrics

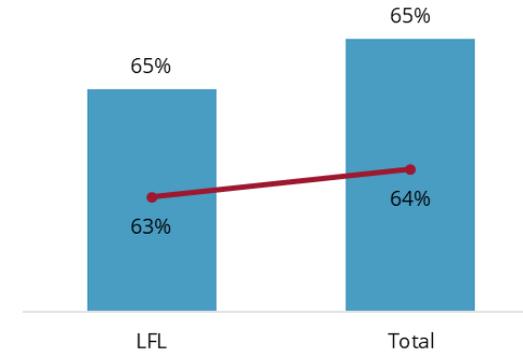
Daily average fees



Days sold

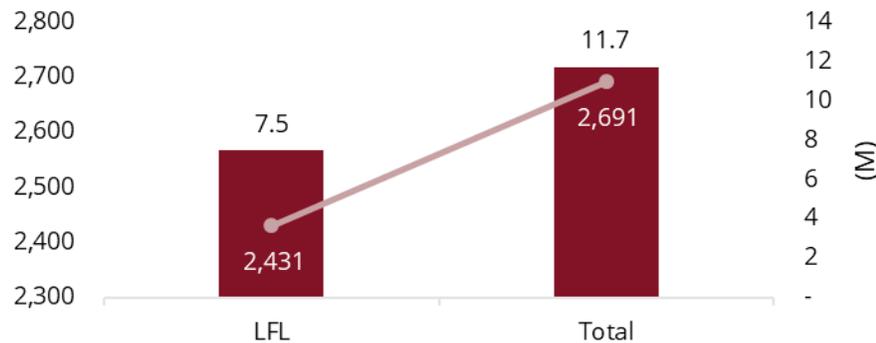


Wages as % of revenue



2019 Rent per licensed place

Annual rent Rent per licensed place



- › Overall improvement in operational metrics for average fees (6%) and days sold (40%) whilst wages as a percentage of revenue is favourable by 1.6 percentage points vs pcp
- › Higher rent per licensed place in respect of 2018 acquisitions and greenfield reflects the higher capital contribution by the landlord for the Nido purpose built service. Like for like¹ services attract a lower rent per licensed place reflecting the lack of capital investment made by the landlord which will be made TNK

1. 41 services cohort refers to like for like services excluding 2 services closed in March 2019

2 NIDO TRANSITION



STRATEGY RECAP



- › Bringing learning to life
- › Delivering premium service to suburban markets
- › Fostering creative environments

Think Childcare's strategy is to build a best in sector care offering through an exceeding quality level of national curriculum, state of the art environments and a highly motivated and engaged team.

- › Nido is an aspirational brand, combining quality of care, innovation in service management, and architecturally designed spaces which foster creativity. The 'nest' is a safe and secure home away from home
- › Education is child-led supported by the Educator as the facilitator; the curriculum fosters creativity, experiential learning and interactions
- › Innovative service delivery model draws on expertise across people, education, service delivery, and business disciplines
- › Environment as the third teacher features:
 - › Architecturally designed spaces, ateliers and purposeful structures
 - › Interiors feature natural materials, natural light, uplifting colours, uncluttered with diverse experiential activity areas

TRANSITION TO NIDO – 3 PILLARS



Education curriculum

- › Bringing Learning to Life project
- › Delivered Nido Curriculum Leader practice guides
- › Launched Curriculum Leader professional learning days and national network groups
- › Elevated curriculum development by leveraging global practices
- › Transitioning to online planning platform (Storypark)

100%



Service delivery model

- › Service delivery model well advanced with General Manager roles established to drive operational excellence
- › Transition at services tracking to schedule with first three groups completed
- › Services engagement surveys to be completed 1H19 to identify potential areas of improvement (health check)

50%



Capital improvement program

- › Strategic review of services identified, 2 services incompatible with Nido were closed
- › 14 priority services identified for capital improvement program to drive best in market
- › Review of remaining portfolio underway with expected plans due for completion June 2019
- › Planning and delivery in tranches to drive continuous improvement

30%

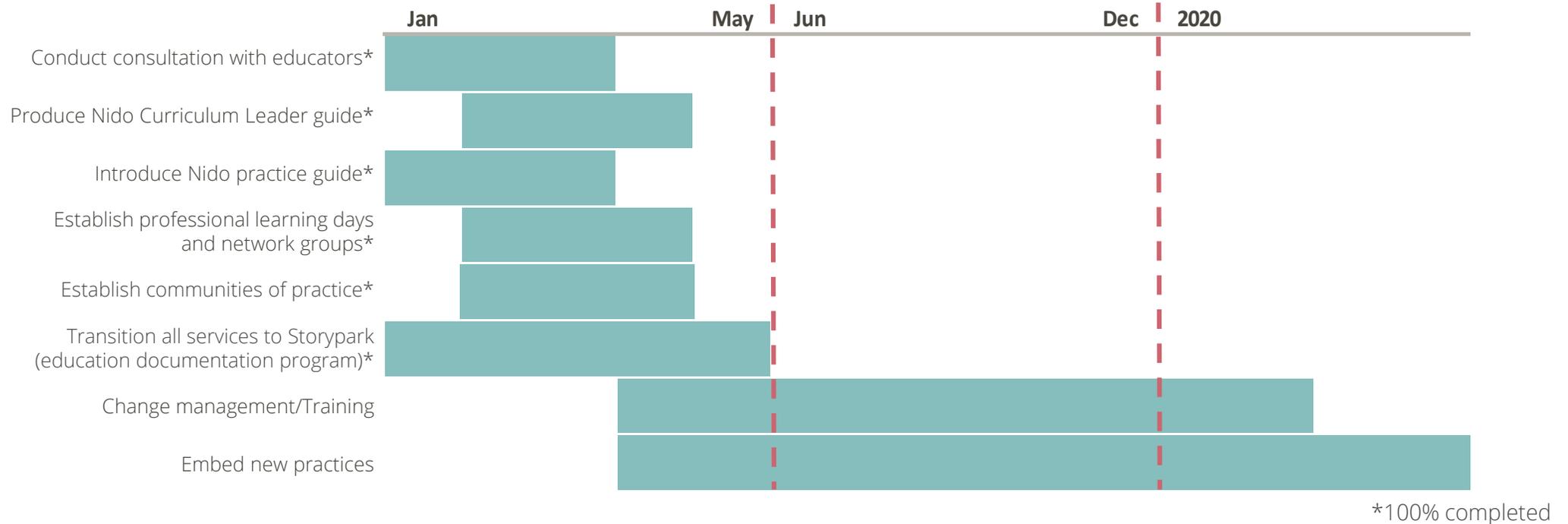


“2018 we packed the car, 2019 we are on our journey and 2020 we arrive at our destination.”

Mathew Edwards, Managing Director and Chief Executive Officer

EDUCATION CURRICULUM TRANSITION – 100% COMPLETE

Nido curriculum and philosophy transition tracking in line with expectation



- › Nido education curriculum and ongoing development of learning programs to undergo continuous improvement
- › Target Nido approach to be embedded by CY20

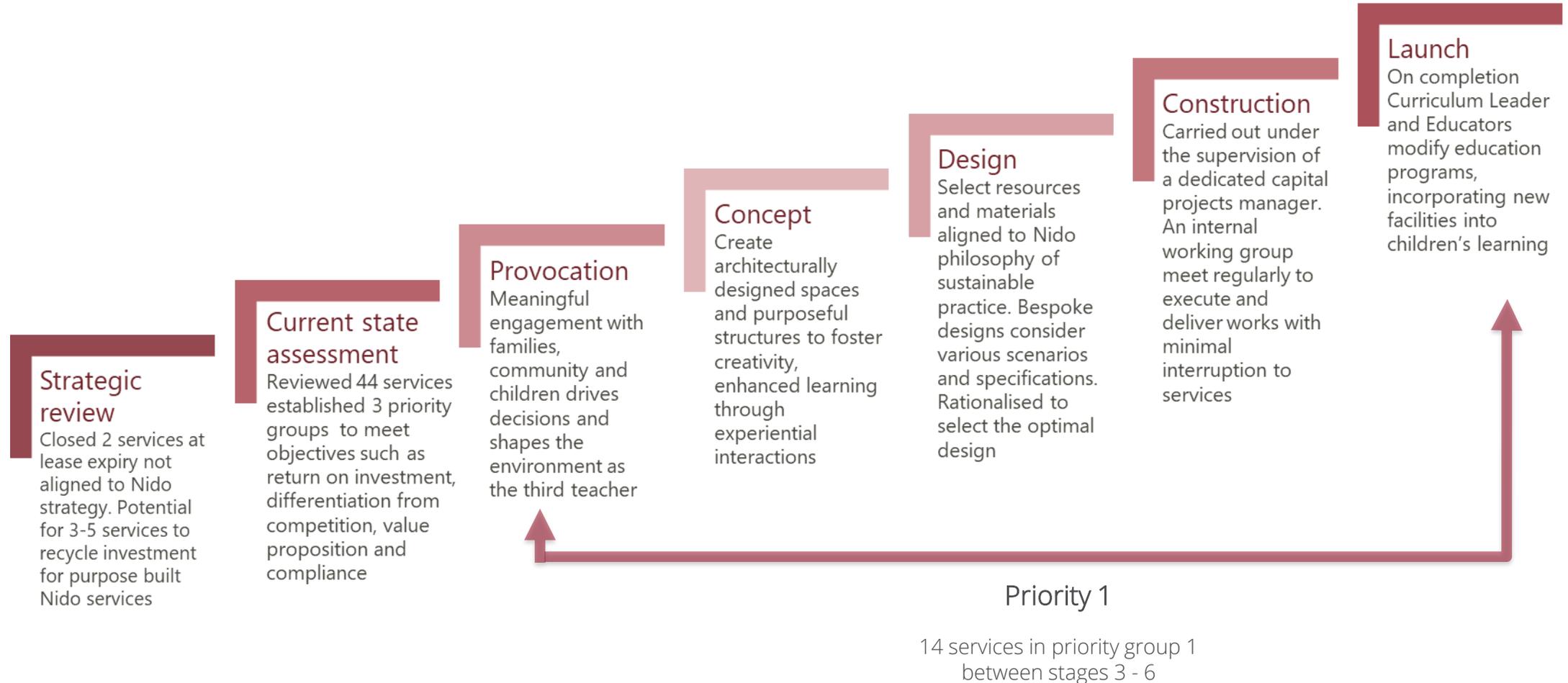
SERVICE DELIVERY MODEL – TRANSITION 50% COMPLETE

Innovative service delivery model to exceed families' expectations



CAPITAL IMPROVEMENT PRIORITY GROUP 1 – 14 SERVICES

Mapping to excellence



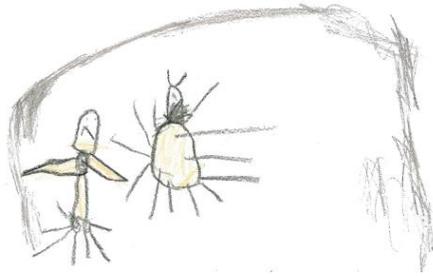
CAPITAL IMPROVEMENT

Consultation in design with families, Educators and children – building partnerships with families

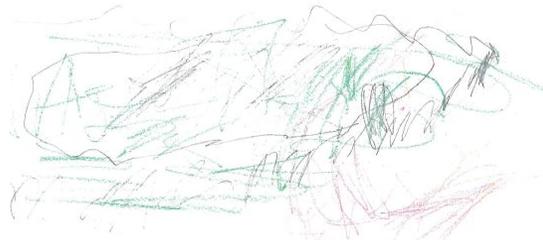
If you could have one thing at your Service, what would you have?



Boxes and balloons and things to write my name - Lucy



A tunnel and some spooky things in there - Noah

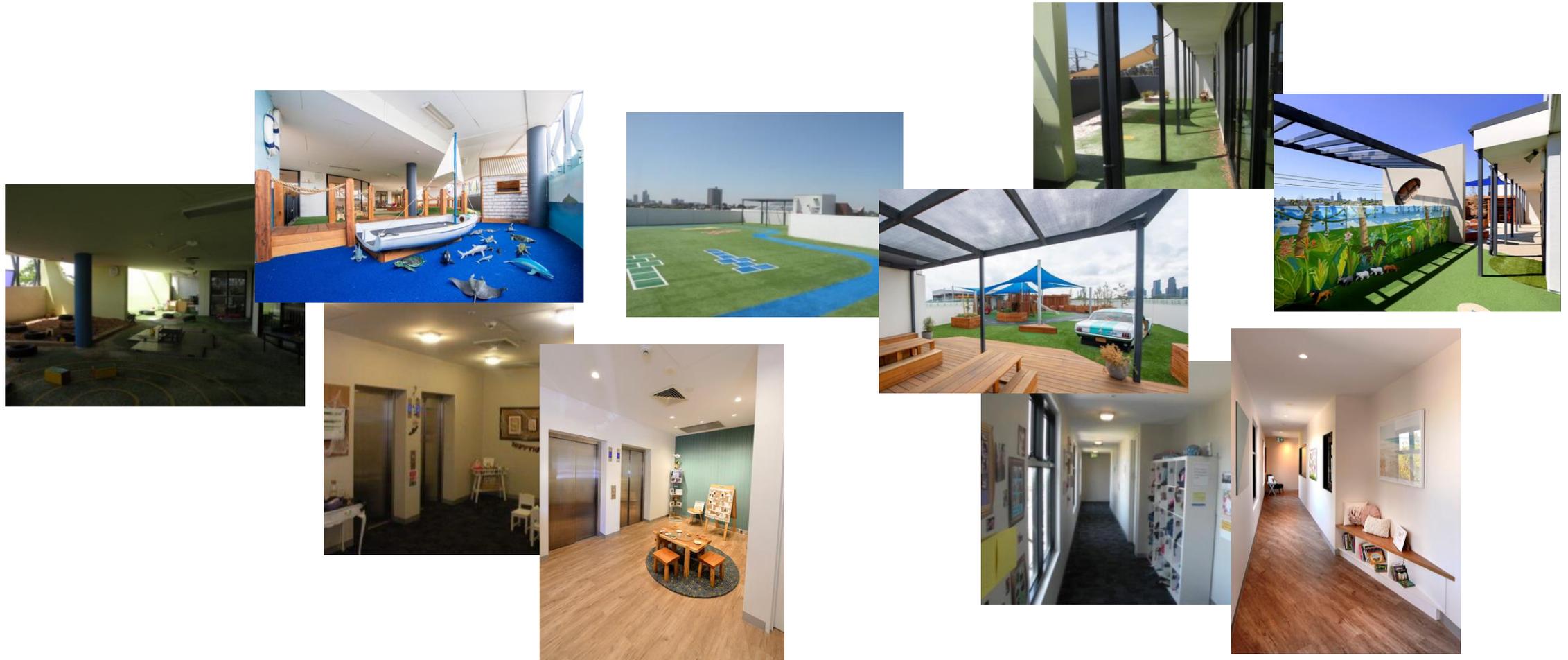


A pond, water and some ducks - Ryder



NIDO PORT MELBOURNE TRANSITION

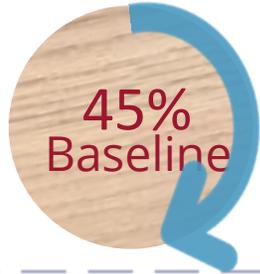
\$1.3m capital works transformation taking this service to best in market



3 PROJECT ELEVATE



PROJECT ELEVATE UPDATE



	Completed	In progress	Not started	Concept development
People	<ul style="list-style-type: none"> Nido Service Delivery project plan Role clarification Workers Compensation management 	<ul style="list-style-type: none"> Strategic workforce planning Remuneration and rewards framework Performance management framework 	<ul style="list-style-type: none"> Scale-up of Educator recruitment model 	<ul style="list-style-type: none"> Wellbeing program Leadership development program Interior Architect
Education	<ul style="list-style-type: none"> National curriculum Enhanced on-line training phase 1 Nido practice guide 	<ul style="list-style-type: none"> Enhanced on-line training phase 2 Policy and procedures review Internal quality assessment tools (for 7 Quality areas) 	<ul style="list-style-type: none"> Early Childhood Teacher professional development program Kinder-specific curriculum 	<ul style="list-style-type: none"> Corporate and government partnership Educator Leadership program
Service Delivery	<ul style="list-style-type: none"> Child Care Subsidy transition Website consolidation (53) Campaign collateral 	<ul style="list-style-type: none"> Nido transition Quality Improvement process implementation Assessment and ratings review 	<ul style="list-style-type: none"> Brand awareness strategy Brand profiling Marketing channel review 	<ul style="list-style-type: none"> Customer engagement Local, digital and social media strategy ROI tracking
Finance and Operations	<ul style="list-style-type: none"> Debt refinance Lease management system Head office upgrade 	<ul style="list-style-type: none"> Workforce planning Fixed asset and capital investment program WA and Vic satellite office upgrade Risk and Compliance framework 	<ul style="list-style-type: none"> Risk and Compliance integration Enquiry management Technology audit Technology and project management 	<ul style="list-style-type: none"> National facilities management Transaction services transformation National procurement Workflow management Investor relations strategy

4 GUIDANCE



CY19 GUIDANCE

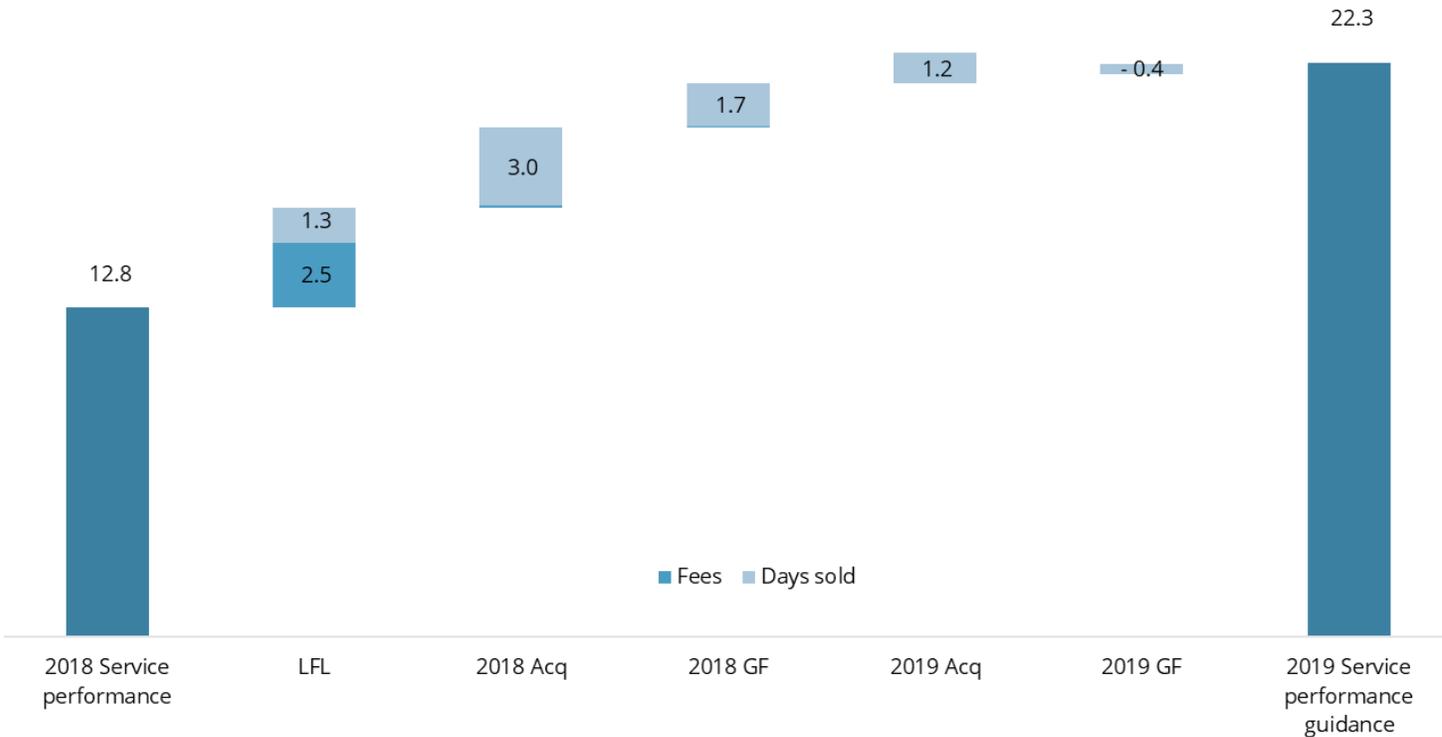
Service margin improves 2.9% year on year

- › Confirmation of Guidance provided to the market of EBITDA (underlying) of 13.8m – 14.8m¹
- › Target service performance margin of 18.8% represents an improvement of 290bp on pcp of 15.9%
- › Employee expenses increase represents full-year impact of CY18 roles and corporate overheads include one-off costs for Project Elevate and HR projects
- › Higher depreciation expense reflecting impact of prior capital investment program assets being depreciated
- › 2019 Statutory reflect the impact of the new Accounting Standard AASB 16 Leases (for contracted leases). This standard recognises depreciation in respect of a Right of Use Asset and a notional interest expense in respect of future lease liability. Statutory NPAT will be impacted by future acquisitions
- › 2019 Guidance reverse the impact of AASB 16 and recognise rent expense incurred during the year to show underlying performance
- › Dividend policy remains unchanged

(\$M)	AASB 117			AASB 16		Variance Guidance vs pcp
	2019 Statutory	Operating lease expense	Depreciation and interest	2019 Guidance	2018 Actuals	
Revenue	118.8	-	-	118.8	80.6	38.2
Labour	(71.3)	-	-	(71.3)	(49.2)	(22.1)
Occupancy	(5.9)	11.8	-	(17.6)	(12.4)	(5.2)
Service overheads	(7.6)	-	-	(7.6)	(6.2)	(1.4)
Service performance	34.1	11.8	-	22.3	12.8	9.5
Management fees	3.5	-	-	3.5	4.6	(1.1)
Employee expenses	(7.1)	-	-	(7.1)	(4.7)	(2.4)
Corporate overheads	(3.8)	0.2	-	(4.0)	(2.1)	(1.9)
Corporate costs/revenue	(7.3)	0.2	-	(7.5)	(2.1)	(5.4)
EBITDA (Underlying)	26.7	12.0	-	14.8	10.7	4.0
Acquisition expenses	(0.7)	-	-	(0.7)	(0.5)	(0.1)
Earn-out	0.3	-	-	0.3	0.5	(0.2)
EBITDA (Statutory)	26.3	12.0	-	14.4	10.7	3.7
Finance costs	(9.3)		(5.9)	(3.4)	(2.0)	(1.3)
Depreciation	(10.5)		(7.1)	(3.4)	(1.6)	(1.8)
Tax	(2.3)			(2.3)	(2.1)	(0.3)
NPAT	4.2	12.0	(13.0)	5.2	5.0	0.3
Service margin				18.8%	15.9%	2.9%
EBITDA (underlying) margin				12.0%	12.5%	-0.4%
Wages as percentage of revenue				60.0%	61.0%	1.0%
Average fee per child per day				121	114	6.1
Days sold				969,544	684,258	285,285

EBITDA BRIDGE — SERVICE PERFORMANCE BY TYPE

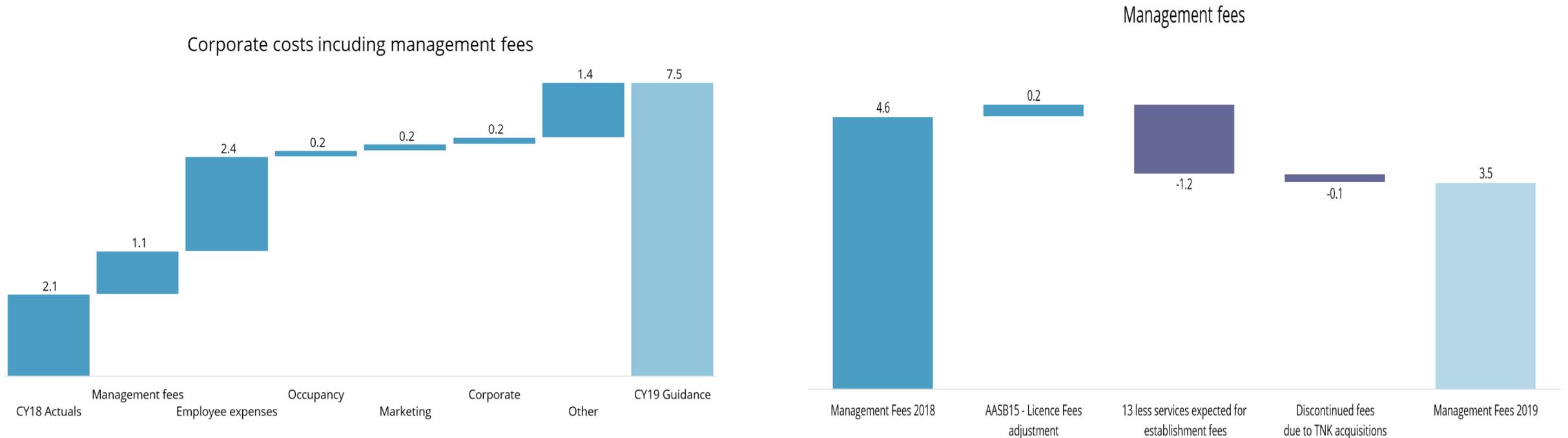
74% increase in service performance guidance driven by days sold



- › Improved service performance margin driven by an increase in days sold contributing 6.8m and increase in average fees contributing 2.5m
- › 2018 Acq contribution of an additional 3.0m service performance compared with pcp, representing the full year impact of services acquired in 2H18
- › 2018 GF contribution represents a 1.7m turnaround (pcp loss of 0.8m)
- › 2019 GF target trade-up losses of 0.4m

EBITDA BRIDGE — CORPORATE OVERHEADS AND MANAGEMENT FEES

On-going investment in transformation projects and corporate capabilities

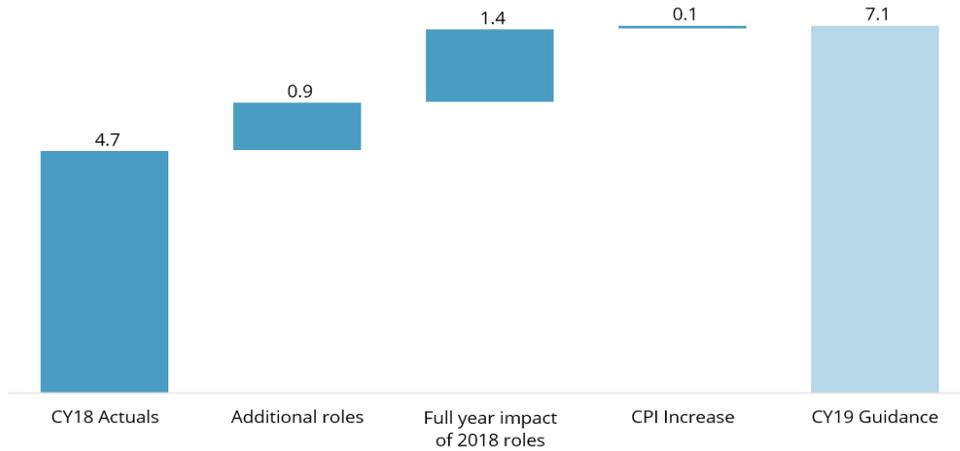


- › Corporate overheads increase due to
 - › Annualised impact of roles filled in 2018 to enhance corporate capabilities to support future growth
 - › Continued investment in Project Elevate
- › Lower establishment fees as fewer (incubator) services expected to achieve development approval in CY19 compared with pcp

EBITDA BRIDGE — EMPLOYEE AND OTHER CORPORATE EXPENSES

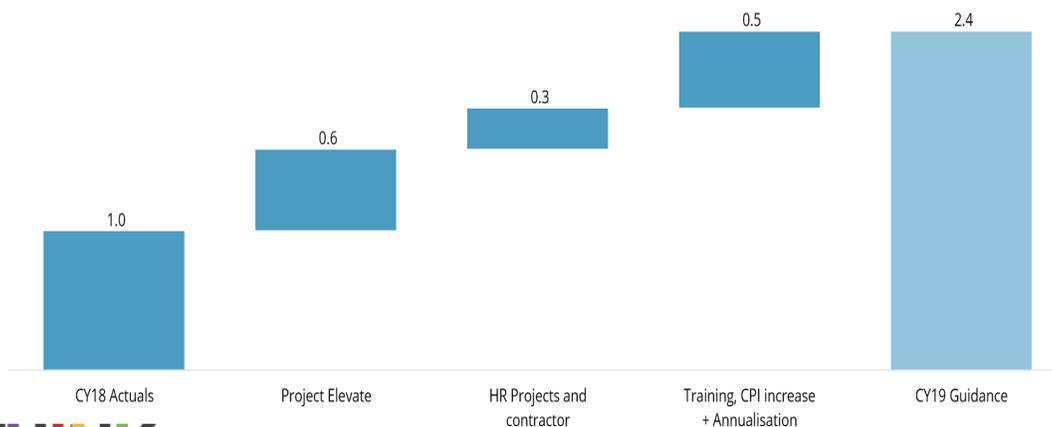
Investment in corporate capabilities to support scale and future growth

Employee expenses



- › Full year impact of roles filled in 2018 in marketing, finance and people and culture teams
- › Additional support roles mainly in the operations team to support future growth

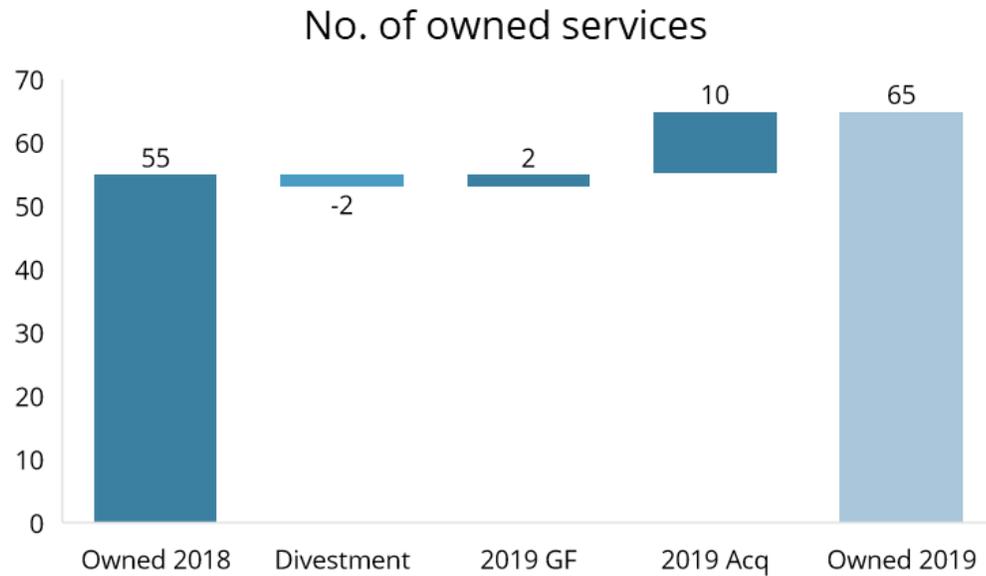
Other expenses



- › Investment in Project Elevate to support subsequent phases

CY19 ACQUISITION/DIVESTMENTS

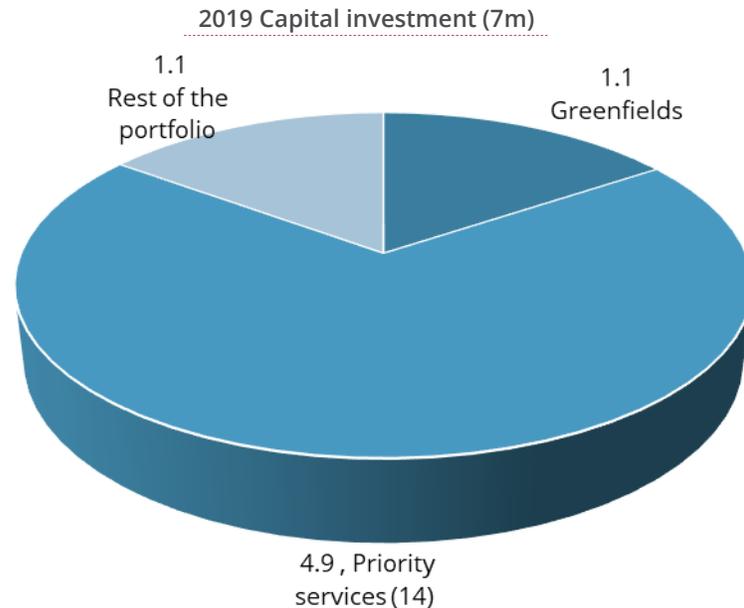
Portfolio growth of 18% achieved via acquisitions through incubator partners



- › Closed 2 of our services from the base portfolio which did not strategically align with our Nido strategy
- › 2 GF services to open 1H and 10 services to be acquired through incubator partners

CY19 CAPITAL INVESTMENT TO ACHIEVE BEST IN MARKET

Opportunity to recycle capital to fund capital improvement beyond the 14 priority services



- › Conducted strategic review of the portfolio and closed 2 services at lease expiry
- › Shortlisted 14 priority services based on objectives such as competition, return on investment, value proposition and compliance
- › Potential for 3-5 services to recycle capital for purpose built Nido services

5 CONTACT DETAILS



CORPORATE DETAILS

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6 APPENDIX



KEY METRICS

	Days sold			Average Fees			Labour/Revenue			Service margins		
	2019	2018	Variance	2019	2018	Variance	2019	2018	Variance	2019	2018	Variance
LFL	624,578	604,325	20,252	122.7	115.0	7.7	59.5%	60.6%	1.1%	20.5%	17.0%	3.5%
Total	969,544	684,258	285,285	120.5	114.4	6.1	60.0%	61.0%	1.0%	18.8%	15.9%	2.9%

	Number of services owned			Number of licensed places			
	2019	2018	Variance	2019	2018	Variance	
LFL	41	43	-2	3,067	3,198	-	131
Total	65	55	10	5,429	4,479		950



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