



6 August 2020

ASX Limited
Market Announcement

**Think Childcare Group (ASX Code: TNK)
Think Childcare Development Limited – completes acquisition and debt facility**

Think Childcare Development settles 6 Services and 1 Greenfield site

On 1 July 2020, Think Childcare Development Limited (**TND**) announced it had entered into binding agreements to acquire six (6) trading Nido Services. TND is pleased to announce that it has settled the acquisition of the six (6) trading Nido Services and added one (1) greenfield site to its pipeline.

Key information	
Number of Services	6
Purchase price	\$5m
Number of licensed places	576
Average fees per day	\$120
Average lease term (including options)	39 years
Rent per licensed place	\$3.3k per year
Age of Service	0.5 years
Location	WA,VIC,SA
Average demographic ratio	4.0
End value*	\$12.7m

* inclusive of (one) 1 greenfield site

A further 3 sites, expected to open by the end of 2020, have been secured by entities controlled by a third-party incubator, David Lyons, who is co-founder of Nido Early School (Nido). Lyons has developed over 30 Services and currently has 10+ Services in his pipeline.

For further information on the Nido Early School philosophy, please refer to the video available at: https://www.youtube.com/watch?v=O9Zo_ch2so4

Think Childcare Development closes debt facility

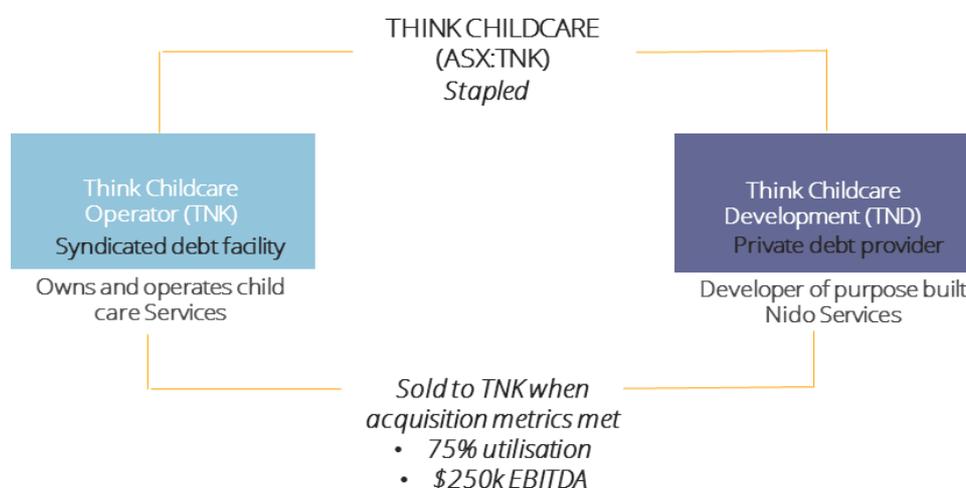
TND is pleased to announce that it has achieved financial close of its debt facility, which will allow it to execute on its leasehold child care development strategy.

TND engaged Neu Capital as independent debt advisors and following a competitive process secured the \$11.5m debt facility.

The facility is market priced against the development risk and is separate from TNK's Syndicated Facility.

Stapled Structure – balances growth with security holder protection

On 23 December 2019, Think Childcare Limited announced the implementation of the scheme of arrangement and stapling proposal. Think Childcare Group (**ASX-TNK**) comprises Think Childcare Limited (**TNK**) and Think Childcare Development Limited (**TND**) and is listed on the Australian Securities Exchange as a stapled security under the ASX ticker code 'TNK'. A 'TNK' stapled security consists of a share in TNK and a share in TND.



What does Think Childcare Development (TND) do?

TND is a developer of greenfield leasehold child care Services, taking on the initial trade-up risk. Once the Service achieves acquisition metrics including minimum occupancy of 75% and a \$250K earnings before interest tax, depreciation and amortisation (EBITDA), it sells the Service to TNK at 4x earnings.

What does Think Childcare (TNK) do?

TNK is 80% along the journey to becoming an operator of high quality and high performing child care Services. It does not develop new Services and does not bear the risk of the initial trade-up losses. TNK is transitioning all Services to Nido.

Benefits of Stapled Structure

- › It has allowed separate financing for each of TNK and TND, which is right priced versus risk
- › Quarantines the trade-up risk in TND of developing new child care Services
- › Removes substantial leakage of the goodwill to third parties when TNK acquires mature Services from TND
- › Allows TNK to control its growth

For further information on the benefits of the stapled structure, please refer to the Scheme Booklet announced on 1 November 2019.

How others grow

- › Acquire on market from private vendors at between 5 to 7x earnings
- › Derive value from an expectation that their earnings multiple may be greater than the acquisition multiple
- › Often experience difficulties with integrating into their portfolio and maintaining performance
- › Competitive landscape with limited availability of quality businesses to acquire at prices that are accretive

How we grow is unique with 50+ Services to be developed over the next 24 months

Two means of growth:

1. External development of new Nido Services (**external incubation**) 30+ sites; and
 2. Internal development of new Nido Services (**internal incubation by TND**) 26 sites.
- › We acquire at 4x EBITDA with an earnout and clawback to ensure we only pay a maximum of 4x earnings
 - › We manage from day 1 so no integration risk
 - › A known pipeline over the next 36 months
 - › Call option sits with TNK, to allow us to control the timing of acquisitions
 - › We are in the process of divesting some Services allowing for the recycling of capital into purpose build high occupancy Nido Services.

END

For further information:

Mathew Edwards

Managing Director and CEO, Think Childcare Limited
Director, Think Childcare Development Limited

E ir@thinkchildcare.com.au

This announcement has been authorised for release by Mathew Edwards, Managing Director and CEO of Think Childcare Limited and Non-Executive Director of Think Childcare Development Limited