THINK Childcare Limited

Investor Presentation

31 August, 2015

HY1 2015 Results

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Market Summary

Issued Shares	**39,600,000**
Share Price 27th August	$0.90 (issue price $1.00)
Market Capitalisation	$35,640,000
Official listing date	24/10/2014
Issuer code	TNK

Substantial Shareholders – Top 4

Rank	Name	No. of Shares	% of Issued Shares
1	Mathew Edwards & Associated entities	13,545,100	34.2%
2	Perpetual Pure Microcap Pool	3,599,386	9.1%
3	Colonial First State Investments Limited	2,900,000	7.3%
4	Riversdale Road Shareholding Company	2,504,000	6.3%
	Board holding outside of Mathew Edwards	*2,052,529*	*5.2%*

Board of Directors

The Board of THINK 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 Berkeley Consultants (public relations firm)
- Advisor to public and private boards

Managing Director and CEO**: Mathew Edwards**

- Formerly Managing Director of Learning and Education Australia ("LEA") from 2008, which owned 12 of the THINK centres
- Formerly LEA's business focused on developing greenfield childcare 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 from June 2013
- Formerly a Director of: Games 'R' Us Aust, Senacon Limited and Nubax Limited

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, Chairman of Guest Group and NED (Past Chairman) of Prestige Inhome Care

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Business Overview

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Business Metrics Overview

		Metrics*
Centres		30
Licensed Places		2,244
Average Centre size		75
Occupancy at:	1 Jan	67%
	30 Jun	77%
	21 Aug	81%
Revenue HY1 15		$20.4mil
Average revenue per Centre HY1 15		$680K
Base wage cost per child per day (peak 02/15)		$50.06
Base wage cost per child per day (21/8/15)		$44.57

**This information is based on unaudited management accounts and management information systems employed in the business.*

Capital Works Program

We are continuing our capital works program. We have spent c$534k to the end of July 15 and have a further c$600K to deploy, including c$400k across 6 centres that have an average occupancy of 63.5%. These works will be completed over the next 90 days and we expect to see significant improvement in occupancy going into the year end.

Before

After

$400K to deploy on underperforming centres over the next 90 days should significantly impact occupancy.

Before and after photos of a Victorian THINK childcare centre

Growth Strategy

THINK has a dual growth strategy:

Organic growth

- Through growing existing occupancy levels
- Alignment of day rates compared to competitive position
- Efficient systems and cost control
- Centre refresh programs
- Marketing initiatives

Growth through acquisition

- Disciplined acquisition process
- Opportunity to acquire from the general market
- Opportunity to acquire managed centres (incubator feeder strategy)
- Development partners

Operations Platform

Program	Comments	Go live
Centre Weekly Budgets	Centre Directors have a weekly budget that they self populate, this allows them to identify in real time adjustments needed to achieve budgets, further empowering them at a centre level.	Live
Time and Attendance (TA)	Online rostering and labour costing in real time. This allows us to better predict labour costs before we incur them.	October 2015
QK Kiosk	Children's attendance time data capture, sign in and out, allowing even better management of rosters.	November 2015
QK Enrol	All enquiries via our websites and at a centre level are captured live into our POS system, and auditable remotely, allowing a better conversion of enquiries.	December 2015
QKeYLM	Online platform allowing Educators to plan programs for children, make observations, take photos and track an individual child's development. It also provides a parent portal to allow them at anytime to track their child's progress.	January 2016
Payroll system	Sophisticated payroll platform that integrates with TA and our accounting system. Educator portal to allow self management. It provides significant scalability and data analysis.	January 2016

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Financial Information

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THINK P&L to 30 June 2015

’000	HY1 15 Actual
Revenue	**20,437**
Employee expenses	(13,807)
Building occupancy	(2,617)
Direct expenses	(910)
Formation & acquisition	(74)
Marketing expenses	(304)
Other expenses	(786)
Total expenses	(18,498)
EBITDA	**1,939**
Depreciation	(159)
EBIT	**1,780**
Net finance	(199)
Income tax	(474)
NPAT	**1,107**

On the 18 June 2015 THINK announced the half year EBITDA would be approximately $1.4m. The additional $0.5m EBITDA reported is partially a result of the period end accrual for Government funding which was uncertain as at the June 18 market update.

THINK remains optimistic of achieving its full year prospectus forecast.

THINK Balance Sheet at 30 June 2015

	HY1 15 '000s
Current Assets	
Cash Assets	721
Trade & Other Receivables	2,084
Other current assets	70
Total Current Assets	**2,875**
Non-Current Assets	
Property, Plant & Equipment	1,542
Deferred Tax Asset	1,862
Other non-current assets	2,466
Intangible Assets	17,425
Total Non-Current Assets	**23,295**
Total Assets	**26,170**

	HY1 15 '000s
Current Liabilities	
Payables	(2,477)
Income Tax	(409)
Employee Entitlements	(1,696)
Total Current Liabilities	**(4,582)**
Non-Current Liabilities	
Interest Bearing Debt	(6,589)
Employee Entitlements	(809)
Total Non-Current Liabilities	**(7,398)**
Total Liabilities	**(11,980)**
Net Assets	**14,190**
Equity	
Issued Capital	37,664
Reserves	(18,569)
Accumulated Losses	(4,905)
EQUITY	**14,190**

Balance Sheet Commentary

- Post Dec 14, the Balance Sheet changed in line with the deployment of the banking facility with the payment of listing creditors etc.;
- Trade Debtors reduced significantly with the payment of government CCB & CCR following the delayed approval of the portfolio as registered childcare providers through January and early February 15;
- Current Assets are less than Current Labilities as reported due to:
  - Employee Liabilities that are unlikely to be all paid within the next 12 months;
  - The tax liability is a provision and will crystallise only when the inaugural tax return has been lodged in March 2016; and
  - A government grant of $551k that will be, but is yet to be, acquitted in full;
- THINK is a cash flow positive business currently generating in excess of $700k per month;
- Surplus funds will be deployed towards centre acquisitions, system development and capital expenditure, as well as providing for taxation and future dividends;
- Debt increased in the period as we put Rental Bonds into place, which switched out c$800k of cash retentions previously held on deposit; and
- THINK has not at this time had to avail itself of its $2m overdraft facility.

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Operational

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Portfolio Characteristics

- Initial portfolio of 30 centres concentrated in Victoria for operational efficiencies;
    - Victorian childcare centres offering approved kindergarten programs are eligible to receive kindergarten funding from the State Government;
    - All Victorian centres within a two hour drive of the CBD;
- Significant organic profit growth potential in existing portfolio;
    - Capital works and adding resources;
    - Cost management;
    - Driving occupancy through marketing;
    - Daily fee alignment;
- Head Office and cost management efficiencies; and
- Beachhead operations in NSW, SA & WA (via combination of owned and managed centres) from which the operations will expand.

THINK P&L Forecast CY15

- Guidance was provided on 18 June indicating an EBITDA for the first half of $1.4m;
- The additional $0.5m EBITDA now reported is partially a result of the period end accrual for Government funds receivable;
- Management continue to expect to make up the HY1 shortfall to meet guidance in the 2nd half of the year, which is a seasonally stronger trading period;
- THINK management remains optimistic of achieving the full year (calendar 2015) prospectus forecast of $6.8m EBITDA and $4.3m NPAT; and
- Dividends per share are expected to be consistent with the guidance of up to 7.1c to be paid post the calendar 2015 final results.

Our wonderful people

Centre (Team) Integration

Our focus from the outset was to integrate the Educators into THINK. We had the expectation that our approach of "empowerment" at a centre level, which is a significant departure from current sector practices, would for most, be a little confronting. We have been absolutely delighted with the energy and enthusiasm across all the team.

The Operations Team, Centre Directors and Educators have embraced the core values that underpin THINK and made it their own. It gives us a solid foundation to grow from, allowing organic growth and the ability to acquire without diluting the performance of the group.

Ready for further organic growth and acquisitions

How our people are having a positive impact

Whilst we don't have a core value of "work like a Trojan and come in on weekends and work nights at home", they do it anyway. We do have the core value of "Passion", and the team's passion to develop each centre to be best in market is showing wonderful results in occupancy, Assessment results (Federal Government Childcare Quality Assurance equivalent) and in the educational outcomes for children.

The effort the Team is putting in at Centre Support, Operations and at the Centre level is well beyond the call of duty. It continues to delight and inspire us, from their efforts we can do great things.

Together Everyone Achieves More (TEAM)

Acquisitions

- THINK has exchanged and completed due diligence on the two previously announced acquisitions;
- Proceeding to settlement and will further update the market post settlement;

Two acquisitions (announced)	**Acquisition Metrics**
Projected profit fiscal 2016 stand alone	$822,794
Projected profit fiscal 2016 after payroll tax	$747,314
Purchase Price	$3,050,000
Multiple on a standalone basis	3.71
Multiple after payroll tax	4.08
Licensed places	157
Average occupancy	93%
Source	Managed Centres (Incubator Partners)

- Agreed terms on two further acquisitions, once contracts are exchanged will update the market; and
- Reviewing further acquisitions.

Managed Centres *(Incubator Partners)*

- THINK has contracts to manage 17 externally-owned childcare centres (over 1500 licensed places).
- THINK management fee income stream:
  - $40K initial finder's fee of for each referred centre or new site.
  - $60K pa to $100K pa (centres over 120 paces) ongoing management fee.
- The managed centres are allowing THINK to establish further beachheads with managed centres in WA and SA.
- THINK is managing the review of a further 20+ sites for Incubator Partners, some of these centres will begin to come on stream mid 2016. We will provide further guidance on the number and timing as management contracts are concluded.

Overhead cost

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	GEM (2010)	GEM (6/15)	AFJ*	TNK+
# Licenced Places	6,304	33,403	12,000	2,244
$ Per licenced place (plp)	$710	$447	$1,000	$805

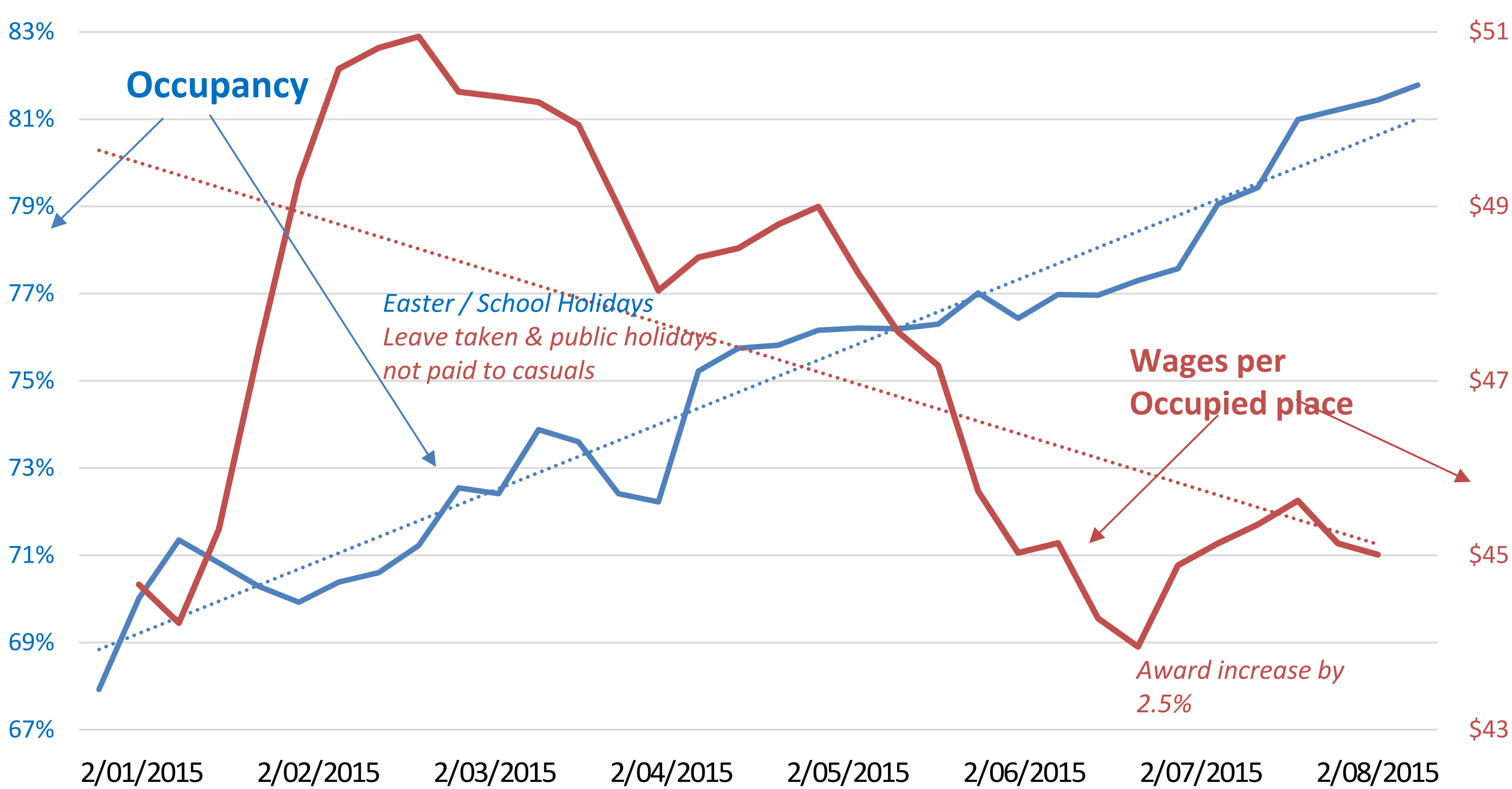
- THINK compares favourably with GEM given the relative number of licenced places;
- At 6,304 places in 2010 (2.8 x THINK's places), GEM's respective cost was $710 plp;
- THINK has a comparatively lean administration and finance team, and whilst this will be bolstered over the coming period, we believe that our head office costs plp will reduce as it grows its portfolio through the leveraging of technology and staff empowerment to divest more operational administration to the centre level.

**AFJ's information has been sourced from the GEM Bidder's Statement of 3/8/15 (P19 http://www.asx.com.au/asxpdf/20150820/pdf/430n87fz66nzn7.pdf)*
+ TNK's head office costs have excluded depreciation, interest and listing fees.

Key Performance Indicators

- The KPI's of the sector relate to occupancy and cost management;
- The largest sector cost is centre-based Payroll;
- Payroll costs are determined by the management of ratios (semi variable in part as related to occupancy) and to award wages (determined and fixed);
- The following chart outlines occupancy growth for HY1 15 plotted against declining wage costs (as a % per occupied place) showing:
  - Relatively consistent growth in occupancy throughout H1 from a low of 67.9% to 81.8%, or 12.9% growth in occupancy or 18.7% real growth from the base;
  - Rise in wages in Q1 outstripping occupancy growth as staff completed annual leave and ratio management required higher staff costs due to semi full classrooms pending occupancy growth. The management of this is typically undertaken pre Christmas, and due to later than anticipated settlement of the centres the normal planning process could not be implemented;
  - Significant decline of wage costs in Q2 due to centre based ownership of rostering, improved management tools, weekly budgets and cultural alignment of the new centres.

Occupancy & wage analysis



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Corporate Details

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Corporate Details

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