



G8 Education^{ltd}

2022 HALF YEAR RESULT

INVESTOR PRESENTATION
24 AUGUST 2022

G8 EDUCATION LTD
ASX: GEM



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Acknowledgement of country

We would like to acknowledge the traditional owners of the land on which we meet and also acknowledge the elders past, present and emerging. We ask all people that walk, work and live on traditional Aboriginal lands, to be respectful of culture and traditions and work, learn and grow as a united community.



AGENDA

CY22 H1 HIGHLIGHTS

Gary Carroll

OPERATING AND FINANCIAL PERFORMANCE

Sharyn Williams

MEDIUM TERM OUTLOOK AND STRATEGY

Gary Carroll

CY22 H1 HIGHLIGHTS



FINANCIAL SUMMARY

- H1 occupancy of 67.1% (down 0.9%pts vs pcp) recovered strongly from the low in early March (down 2.1%pts vs the pcp)
 - This momentum has continued with 'spot' occupancy at 73.8% up 0.8%pts vs the pcp
- Operating EBIT (after lease interest) was significantly impacted in Q1 by Omicron and floods but recovered in Q2 with 'Core' centres delivering higher EBIT than the pcp
- The cost reduction program⁴ was implemented in Q2 with \$2.8m in costs removed in H1 and the remainder to be realised H2
- Statutory NPAT of \$8.5m includes non operating expenses of \$1.2m (CY21 H1: non operating gain \$1.8m)
- Strong balance sheet with the increase in net debt driven by capital management initiatives and a seasonally weaker H1

\$M	CY22 H1	CY21 H1 Restated ¹	% Change
Metrics			
Occupancy (Core) ²	67.1%	68.0%	(0.9%pts)
Operating Revenue ³	416.7	421.5	(1.1%)
Statutory NPAT	8.5	23.5	(63.8%)
Basic Earnings (cps)	1.01	2.77	(63.5%)
Net (Debt) ⁵ / Cash	(86.3)	6.5	n.m
Leverage (Net Debt/EBITDA)	1.0	0.2	n.m
Excluding non-operating items			
Operating EBITDA ³ (after lease interest and depreciation)	32.8	49.6	(33.9%)
Operating EBIT ³ (after lease interest)	21.0	38.9	(46.0%)
Quarter 1	1.0	16.9	(94%)
Quarter 2	20.0	22.0	(8%)

1. CY21 financials restated to include software development expenses, previously capitalised, to align with the change in accounting policy in CY21H2. 2. "Core" includes all centres excluding the 14 centres in the greenfield portfolio 3. "Operating" excludes non-trading items. Refer to Note 2 of 2022 Interim Report. 4. Refer to ASX announcement dated 12 April, 2022 5. 'Spot' occupancy for the week ended 21 August 2022. 5. Excludes insurance premium funding loan which is offset by prepaid insurance.

STRATEGY BUILDING POSITIVE MOMENTUM

Capitalising on strong structural support

Execution	Financial strength	Network optimisation	Strong structural support
<p>Disciplined response to challenging external environment and continuation of the Improvement Program drives solid second quarter performance</p>	<p>On-market share buyback underway funded by strong balance sheet, balancing network investment and shareholder returns</p>	<p>Network optimisation program continued, with improved operational performance for several of the impaired centres</p>	<p>Strong long-term fundamentals underpinning the sector with enhanced subsidy arrangements improving affordability</p>

DRIVERS OF GROUP MOMENTUM

Lead indicators supportive of improved occupancy outcomes

Quality

- 92% of G8 centres rated in CY22 H1 as 'Meeting' or 'Exceeding' versus national LDC average of 88% reflecting improved outcomes from key investment areas:
 - As part of the Improvement Program (IP), learning environments and practices were refreshed delivering 95%¹ 'Meeting' or 'Exceeding' in Quality Area 1 (educational program and practices)
 - Property investment supported the delivery of 100%¹ 'Meeting' or 'Exceeding' in Quality Area 3 (physical environment)

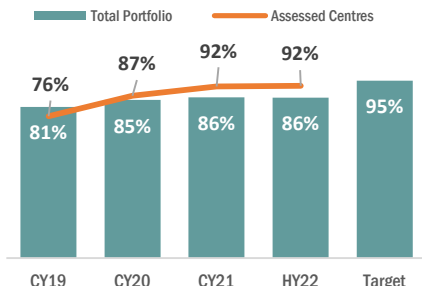
Team

- Sector-wide workforce shortages is the Group's key strategic challenge and an inhibitor to occupancy growth
- Key initiatives to enhance team retention include embedding the Improvement Program, ongoing training and professional development and strengthening the employee value proposition
- Credible retention outcomes in both CM and ECT retention following implementation of a targeted framework
- CM 'First Steps' induction program assisted CM retention in the first 12 months by circa 5%pts
- Focused recruitment reduced the number of centres with multiple vacancies by 55% in H1; and increased the number of roles filled by 49% in CY22 H1 compared to pcp

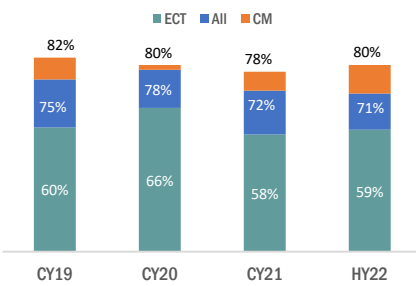
Family

- Continued strong growth in new customer enquiry volumes. Conversion impacted by COVID-19 related deferred starts and team constraints with 56% more families entering the waitlist during the half
- Days in care increased 3.8%, driven by the introduction of the sibling subsidy
- Childcare Saver retention app launched with 8,530 families joined and over \$150,000 in transactions to date
- G8 supported families by waiving parent gap fees during Q1

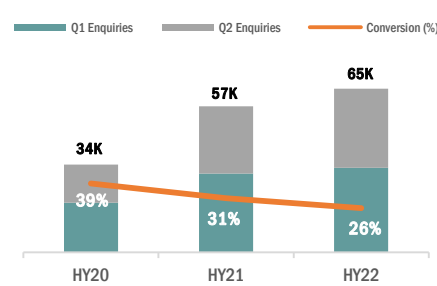
Quality (NQF)



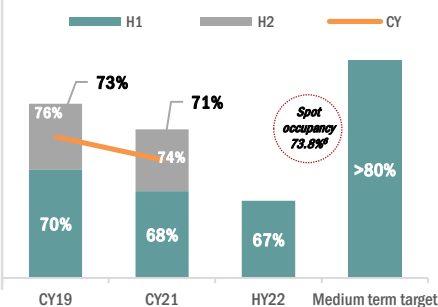
Team retention (LTM)



Enquiries/ conversion⁵



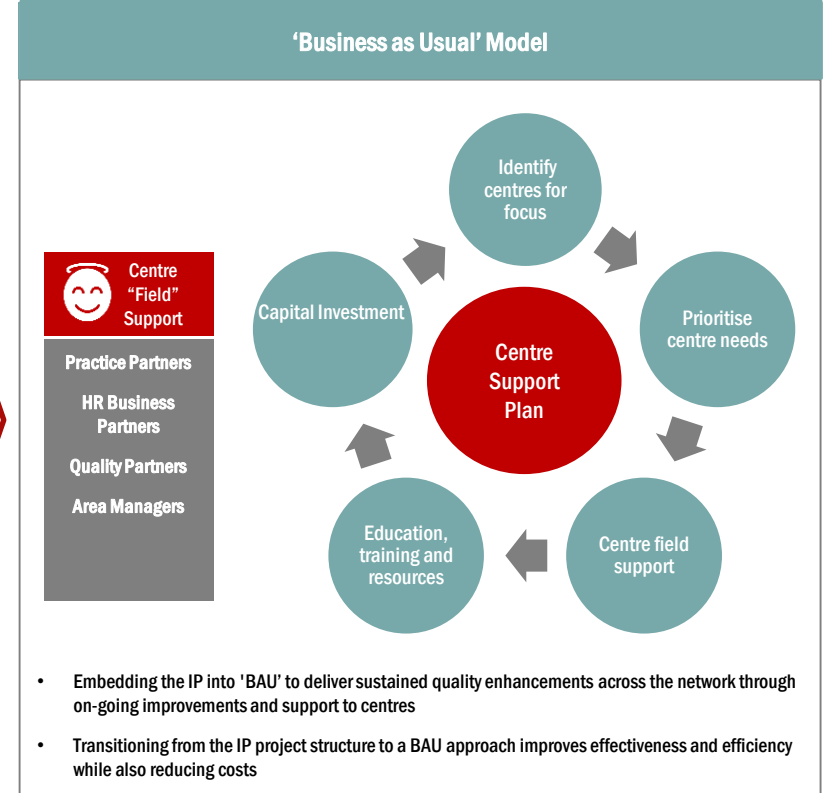
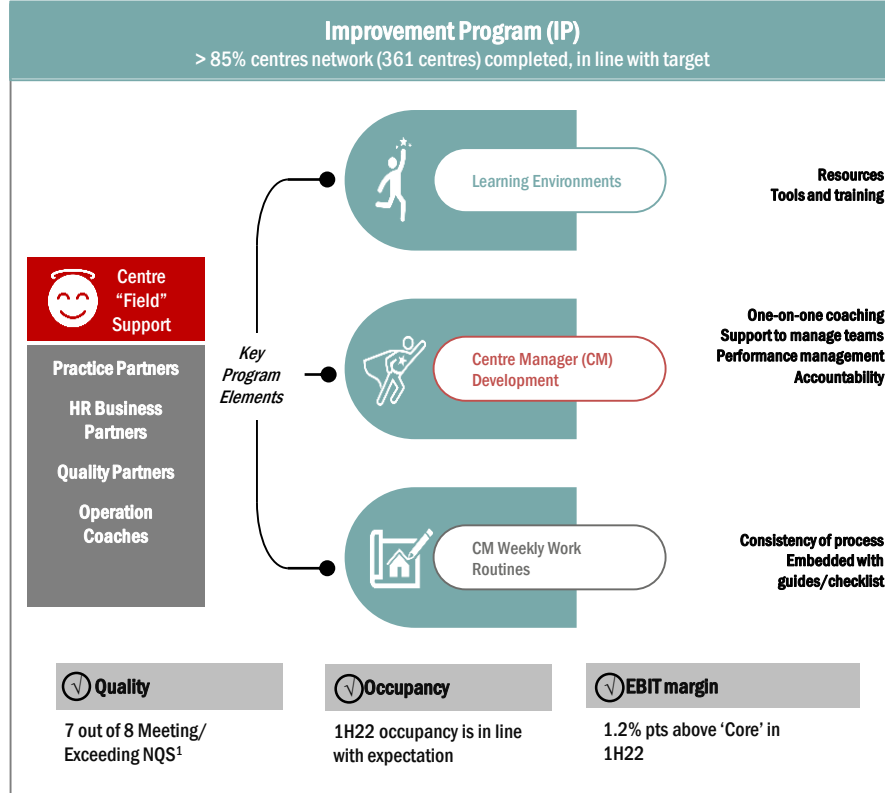
Core occupancy



1. CY19 + CY20 IP centres assessed under the NQF in CY21 and H122; and CY21 H1 IP centres assessed in CY22 H1. 2. 'Meeting' or 'Exceeding' National Quality Standards under the National Quality Framework. 3. Assessed centres in that period. 4. CM = Centre Manager and ECT = Early Childhood Teacher. 5. Enquiries not available for CY19 - platform progressively rolled out from April 2019. 6. Spot occupancy as at week ended 21 August 2022

IMPROVEMENT PROGRAM

Evolving from project approach to embedded BAU model



1. CY19, CY20, CY21 Improvement Program Centres assessed in 1H22. 2. CY19 and CY20 Improvement Program Centres. 3. 106 completed in CY19 and CY20 and 118 completed in CY21 and 137 in 1H22.

ENVIRONMENT, SOCIAL & GOVERNANCE

Targeting continuous improvement

Our sustainability achievements (CY22 H1)

- ✓ **92% 'Meeting' or 'Exceeding' rating** for centres assessed under the **National Quality Standard (NQS)** in CY22 H1
- ✓ **Study Pathways Program** enrolments increased a further 5% in CY22H1 to 1,131 active enrolments; a total increase of 45% since 2019
- ✓ **Child safety and protection training** programs completed by 89% of the team
- ✓ **Educational programs in place** for > 45K children regarding climate change and ways to reduce impacts to the environment
- ✓ **Modern Slavery Supply Chain Review** - Supplier Code of Conduct & Procurement Policy in development; standard contract terms updated to include modern slavery provisions
- ✓ **Strong Diversity** – Head of People Connection & Belonging appointed; 62.5% Female Executive Leaders; 66% Female Non-Executive Directors
- ✓ **Executive remuneration** - linked to key sustainability focus areas
- ✓ **Environment** – Reporting on Scope 1 and Scope 2 emissions, broader Scope 3 disclosures in CY22

SUSTAINABLE DEVELOPMENT GOALS



What's next for sustainability

Below are the key next steps which build upon the important work already being undertaken in this space, including the sustainability initiatives driven by the children and team in our Centres:

- **Reconciliation Action Plan** – G8 will embark on a journey to further its inclusion, awareness and engagement with Aboriginal and Torres Strait Islander peoples and contribute to national reconciliation
- **Reduction in Carbon Emissions** – G8 will target a reduction in Scope 1 and Scope 2 carbon emissions across 2023-2025
- **Inclusion** – Leor In-Centre Allied Health Hub pilot is underway
- **Waste reduction** – expansion of recycling initiatives

OPERATING AND FINANCIAL PERFORMANCE



CORE¹ OCCUPANCY

Regional outperformance maintained

Geographic portfolio diversification, with limited CBD exposure, provided some insulation against lockdowns and isolation requirements

- Regional centres outperformance continued reflecting strong net migration to the regions since CY20, with occupancy 1.8% pts higher than CY21
- Queensland, NSW and WA ended the half higher than both CY21 H1 and CY19 H1 with COVID-19 impacts mitigated by the Improvement Program and lower supply growth (ex-WA)
- Victoria was significantly impacted by the cumulative effect of lockdowns and while it is closing the gap on CY21, remains behind pre-COVID levels
- Recovery has been slower in South Australia as a result of market impacts and ACT due to G8 specific issues
- Supply of net new centres is lower than prior year, driven by the COVID-19 environment, increased construction and funding costs and labour shortages

Occupancy by region

Region	Core Average Occupancy					Centres ²	Licenced Places ²
	CY22 H1	CY21 H1	CY22 v CY21	CY19 H1	CY22 v CY19		
CBD	32.9%	43.7%	(10.8%pts)	76.9%	(44.0%pts)	7	510
Metro	61.3%	63.9%	(2.6%pts)	69.0%	(7.6%pts)	239	19,635
Regional	75.5%	73.7%	1.8%pts	70.9%	4.6%pts	186	15,864
National	67.1%	68.0%	(0.9%pts)	70.0%	(2.8%pts)	432	36,009

Occupancy by state

State	Core Average Occupancy					Supply YoY	Centres ²	Licenced Places ²
	CY22 H1	CY21 H1	CY22 v CY21	CY19 H1	CY22 v CY19			
ACT	48.0%	57.0%	(8.9%pts)	76.7%	(28.6%pts)	(0.6%)	9	894
NSW	70.2%	70.0%	0.2%pts	70.1%	0.0%pts	1.6%	164	11,576
QLD	70.0%	71.9%	(1.9%pts)	72.3%	(2.3%pts)	2.1%	61	5,283
SA	67.7%	70.0%	(2.3%pts)	72.8%	(5.1%pts)	3.5%	25	2,005
VIC	64.4%	64.9%	(0.5%pts)	70.3%	(5.9%pts)	4.8%	135	13,176
WA	68.1%	68.6%	(0.5%pts)	63.2%	4.9%pts	4.4%	38	3,075
National	67.1%	68.0%	(0.9%pts)	70.0%	(2.8%pts)	2.7%	432	36,009

1. "Core" includes all centres excluding the 14 centres in the greenfield portfolio

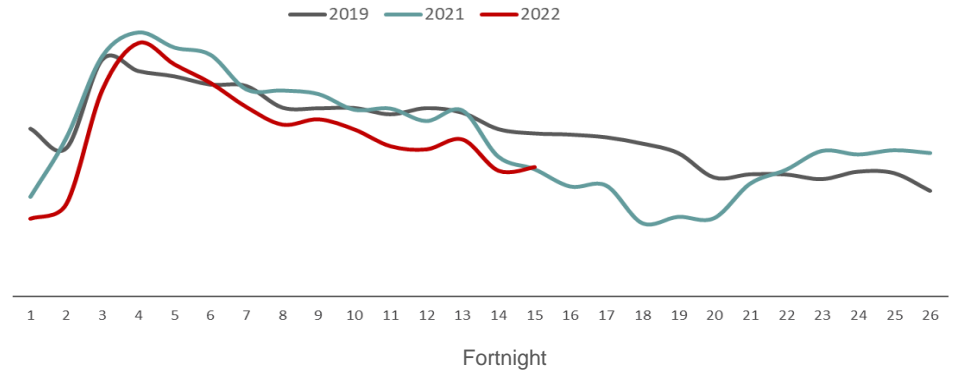
2. Includes all operational Non-Greenfield centres as at 30 June 2022

WAGE PERFORMANCE

Wages managed to attendance levels

- Improved systems, training and processes have resulted in positive wage performance
- Wage hours per booking is lower than the prior year driven by an effective response to the challenging environment and despite lower occupancy levels that cause inefficiencies in a regulated ratio wage environment
- Absenteeism levels and growth in occupancy will influence wage hours per booking in future periods
- In the prior year, Fortnights 14 to 22 reflect reduced hours as COVID-19 movement restrictions impact attendance levels and Fortnights 23 onwards reflect normalisation of attendances and lower occupancy levels
- Above award remuneration position maintained for CM's and ECT's
- From a wage rate perspective, a 4.6% increase in the Child Services Award was effective 1 July 2022

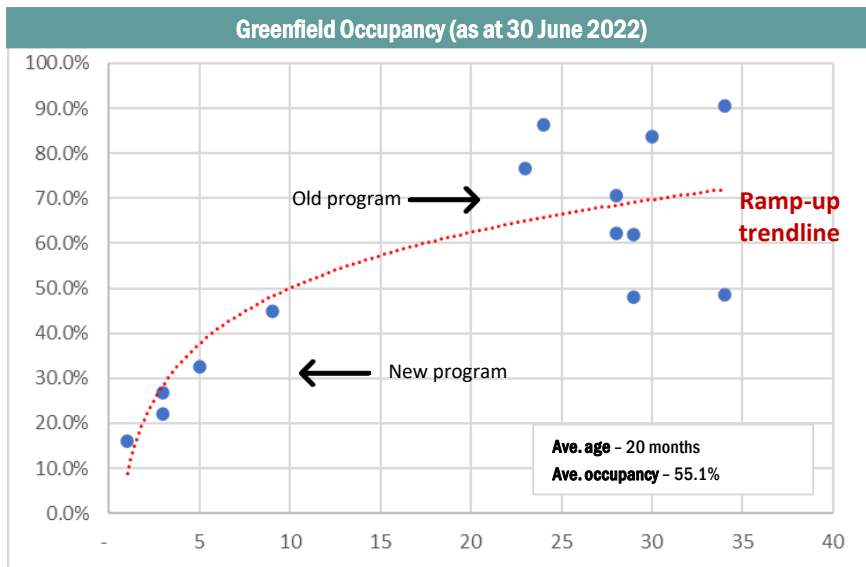
Wage hours per booking by fortnight



GREENFIELDS

Changing portfolio shape in CY22 reflecting mature centre exits and openings

- Refreshed Greenfield approach to further enhance the centre network
 - New centre openings subject to robust market assessment including supply/demand, site location and demographics
 - Capital light approach to deliver strong returns at occupancy maturity
 - Improved lease terms
 - Revised operational approach
- The pipeline of planned new CY22 centres has been impacted by COVID-19 with 6 centres now targeted
- The targeted openings and removal of 6 maturing centres (transferred to the Core at 1 January 2022) is expected to drive a CY22 greenfield loss of circa \$3m



CY22 H1 performance

- H1 average occupancy - 55.1%
- H1 NPBT¹ \$1.5m loss vs. \$0.7m profit in HY21
- 4 greenfield centre opened in H1, 2 centres to open H2

Greenfield portfolio movements

	# Centres	# LP's	1H21 NPBT
Portfolio at open	16	1730	0.7
Centres transferred to core 31 Dec	(6)	(394)	(0.7)
Portfolio at open 1 January	10	2124	-
Centres opened	4	615	
Portfolio at next open period	14	1509	

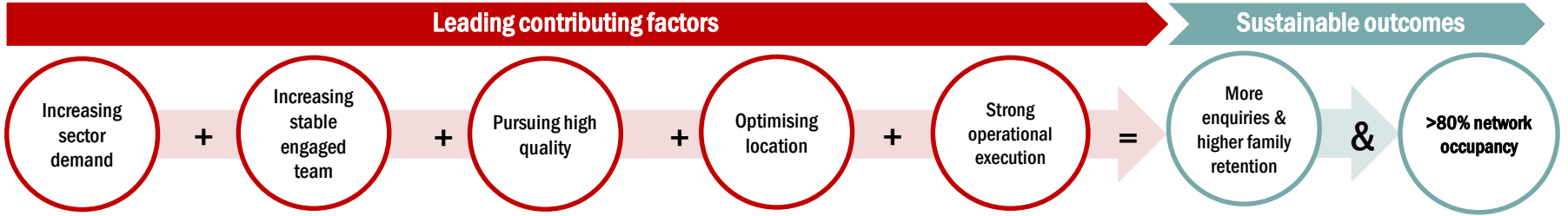
¹ NBPT includes \$200k field support team employment expenses and \$63k setup costs for GF centres yet to open

MEDIUM TERM OUTLOOK AND STRATEGY



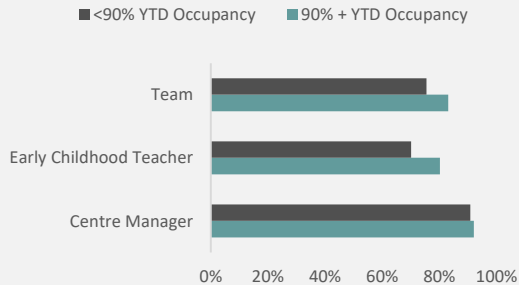
STRATEGIC DIRECTION

Pathway to above 80% occupancy

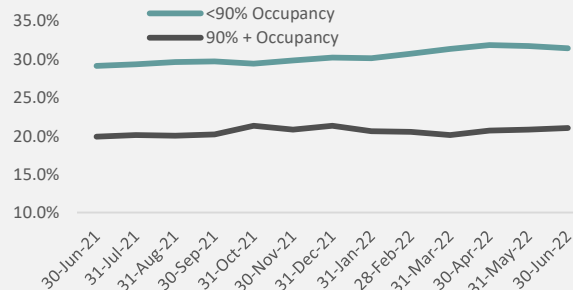


Selected characteristics of centres with >90% occupancy

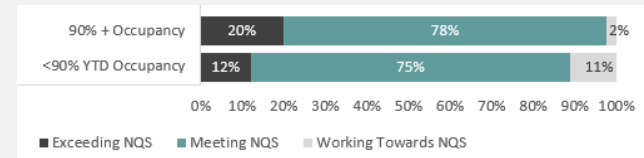
Team engagement



Team turnover



Quality area 1 - Education & practice



Earnings per licenced place is 42% greater for centres where occupancy is >90%