



1 March 2023

- **Group loss of \$44m attributable primarily to the one-off non-operational loss on the divestment of New Zealand assets.**
 - **Retained Australian business continues to show strong growth.**
 - **Group's balance sheet has been substantially strengthened.**

Embark Education Group Limited (ASX/NZX: EVO) has today released its preliminary full year results for the year ended 31 December 2022.

A year of transition

The Group result includes the one-off non-operational book loss of NZ\$42.7m relating to the divestment of the New Zealand ECE business on 30 September 2022. Following a very challenging two and a half years for the ECE sector in New Zealand, the directors approved a strategic realignment of the Group involving the divestment of the New Zealand operations to enable a focus on growing the more profitable Australia business.

The New Zealand divestment transaction was completed successfully, and all teaching and support staff were transferred to the new owner.

In December 2022 the company repaid all its outstanding medium term notes and currently holds no debt, compared with debt of NZ\$36.2m at the end of 2021. The company has cash reserves of NZ\$26.7m as of 25 February 2023. Overall, this is a substantially stronger position than the same time last year.

Following the divestment of the NZ business, Australian centre acquisitions are actively being sought. Acquisitions will be funded from cash reserves and operating cash flows.

Australian business showing strong growth

The financial result for year ended 31 December 2022 shows strong growth in the retained Australian operations with Australian revenue increasing 35% to NZ\$59.5m, Underlying centre based EBITDA* increasing to NZ\$16.0m and Underlying EBITDA (after support office costs) increasing by 32% to NZ\$14.4m.

2022 commenced slowly due to lingering Covid-19 effects. Some centres had long wait lists, but centre rooms were closed due to staff shortages attributable partly to illness but also to staff unavailability.

Staff shortages began to ameliorate later in 2022 – particularly after the A\$750 per week Covid support payment ceased on 1 June 2022. This improvement was visible in occupancy which was



below budget from 1 January 2022 but finally moved materially above budget in the second half of the year. Occupancy in 2023 has started very strongly as can be seen from the figures below:

Occupancy (%)	Jan	Feb	Jun	Nov	Dec
2022	70.6	73.0	81.1	87.2	80.9
2023	74.0	78.0			

Strong occupancy in January and February generally augurs well for the rest of the year although this can be variable.

Furthermore, there will be increases to government subsidies (CCS) from 1 July 2023, and it is likely that nearly all family income bands will benefit from these changes.

Much stronger occupancy has a robust impact on Underlying EBITDA:

Weekly Centre EBITDA (A\$000s)	w/e 29 Jan	w/e 19 Feb	w/e 27 Nov	w/e 25 Dec
2022	\$127	\$162	\$343	\$311
2023	\$195	\$220		

Underlying EBITDA (A\$000s)	Jan 2022	Jan 2023
Centre based EBITDA	\$619	\$1,067
EBITDA after support office costs	\$502	\$916

Note:

- Support office costs include expenses associated with finance team and area managers.
- Underlying EBITDA after support office costs does not include corporate expenses which comprise director fees, audit fees, listing fees and corporate personnel.

Australian growth strategy is being actively pursued

The Company is pursuing the two aspects of the Australian growth strategy – organic growth within existing centres, and growth by acquisitions of existing childcare businesses. Embark is not intending to undertake greenfield developments.

Acquisitions – Embark currently has legal documentation in place for the purchase of three childcare centres. In aggregate, these three centres offer 325 places with estimated annual, centre based EBITDA at A\$2.1m for a total purchase price of A\$7.2m. All contracts are subject to customary conditions with respect to licensing, lease assignment and due diligence.



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Other acquisition opportunities are being actively pursued.

Organic Growth – Much was achieved in 2022 in this area, and more is expected to be achieved in 2023. Achieving organic growth follows from a disciplined approach to wage efficiencies; minimising discounting; reducing bad debt; increasing occupancy levels and the use of technology to minimise the growth of Support Office as the number of centres increases.

The Company's audited financial statements together with the Annual Report will be released by 31 March 2023.

* Underlying centre based EBITDA and Underlying EBITDA are non-GAAP measures used by Embark to monitor its financial performance. These measures are calculated on a pre-IFRS16 basis and exclude acquisition and integration costs, impairment losses (or reversals of impairment losses) and restructuring costs.

This announcement has been authorised for release by the Embark Board of Directors.

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