

26 August 2021

## Half Year Results and Trading Update

Listed New Zealand and Australian childcare and education centre operator Evolve Education Group Limited (ASX/NZX: EVO) has today announced financial results for the half year ended 30 June 2021.

Revenue for the 6 months ended 30 June 2021 of \$74.9m was almost 15% higher than revenue for the statutory comparative period (6 months ended 30 September 2020).

Loss after tax for the 6 months ended 30 June was \$0.52m compared to profit after tax of \$6.23m for the 6 months ended 30 September 2020).

(Note: EVO's balance date changed during calendar year 2020 from 31 March to 31 December)

The table below shows EVO's trading performance for the 6 months ended 30 June 2021. To provide a meaningful comparison, the results for the 6 months ended 30 June 2021 have been compared below with the performance for the 6 months ended 30 June 2020. The impact of the New Zealand and Australia wage subsidies has also been shown separately.

NZD \$'000s	1H2021	1H2020	Wage subsidy	1H2020 adjusted	Variance	%
Parent Fees	26,450	16,438		16,438	10,012	61%
Government Funding	48,441	45,475		45,475	2,966	7%
<b>Total revenue</b>	<b>74,891</b>	<b>61,913</b>		<b>61,913</b>	<b>12,978</b>	<b>21%</b>
Centre wages	-43,472	-28,367	-13,505	-41,872	-1,600	-4%
<b>Centre gross profit</b>	<b>31,419</b>	<b>33,546</b>	<b>-13,505</b>	<b>20,041</b>	<b>11,378</b>	<b>57%</b>
Centre rent	-13,140	-12,544		-12,544	-596	-5%
Other centre expenses	-8,381	-7,098		-7,098	-1,283	-18%
<b>Centre EBITDA</b>	<b>9,898</b>	<b>13,904</b>	<b>-13,505</b>	<b>399</b>	<b>9,499</b>	<b>2381%</b>
Corporate costs	-581	-731		-731	150	21%
Support Office cost	-3,853	-3,169	-678	-3,847	-6	0%
<b>Underlying EBITDA</b>	<b>5,464</b>	<b>10,004</b>	<b>-14,183</b>	<b>-4,179</b>	<b>9,643</b>	<b>231%</b>

Note: Underlying EBITDA is a non-GAAP measure used by EVO to report its trading performance. It is calculated on a pre-IFRS 16 basis and excludes gains and losses on the sale or closure of businesses, acquisition and integration costs, impairment losses, restructuring costs and non-operational items.

As advised previously, the change in balance date has resulted in significant seasonality in the results in both NZ and Australia. One third of full year EBITDA is expected to fall in the first half of the year and two thirds in the second half. This is due to:

- In New Zealand 8 of 11 public holidays fall in the first half of the year. Government funding is not provided for public holidays.
- In Australia older children depart for primary school in February of each year.

This seasonality must be taken into account when extrapolating first half year results.

### **Centre Acquisition Status**

EVO now operates 111 early education centres in NZ and 21 in Australia. Three more centres are subject to conditional agreements with settlement expected within the next 6 weeks in Australia.

Further acquisitions are being pursued in Australia in order to deploy capital raised at the end of March 2021. All recent acquisitions have been acquired on expected EBITDA in excess of \$500,000 per centre.

### **Trading Update**

Set out below is relevant data for the week ended 15 August:

	Aust (AUD)	NZ (NZD)
Centres	21	111
Revenue	\$966k	\$2.35m
Centre EBITDA	\$299k	\$327k
Occupancy	84%	68%

Occupancy in Australia is expected to grow until late November whilst revenue in NZ will be constrained by the shortage of early childhood teachers.

### **Guidance For CY21 And CY22**

On 8 June 2021, EVO gave the following guidance for Underlying EBITDA:

- 1 For FY21 (ending 31/12/21) - between \$16m and \$18.5m.
- 2 For FY22 (ending 31/12/22) - between \$23m and \$25m.

It was the intention to reaffirm this guidance until the latest Covid 19 lockdowns in NZ, NSW and Victoria.

On 23 August 2021, the Australian government announced further support for the childcare sector for designated Covid hotspots – a 25% increase in Child Care Support payments. EVO Australia has 9 centres in hotspot areas whilst the remaining 12 are open and unaffected by lockdowns.

In NZ, all centres have been closed due to Covid restrictions since 18 August 2021, and EVO has waived parent fees while centres are closed. The wage subsidy which was available in 2020 is still available but the eligibility criteria is more restrictive, and EVO may not qualify unless there are eligibility changes. There is a further support scheme available through the Resurgence Support Payment and EVO is assessing its eligibility as well as the quantum of total support which is available.

Given the uncertainty about both the quantum of support available in NZ and the length of the current Covid lockdowns, the Board has determined that it is prudent to withdraw guidance for CY2021.

However, guidance for 2022 is confirmed at underlying EBITDA of \$23m to \$25m –subject to there being no material Covid 19 related issues in CY2022.

Please refer to the Interim Financial Statements and Investor Presentation which have been released today for detailed information.

For any further inquiries please contact:

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