

2022 Full Year Results

Investor Presentation



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CENTRE



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House**



Disclaimer



The information in this presentation is an overview and does not contain all information necessary to make an investment decision. It is intended to constitute a summary of certain information relating to the performance of Embark Education Group Limited ("Embark Education") for the current period. Please refer to the **unaudited financial statements for the period ended 31 December 2022** that have been simultaneously released with this presentation.

Effective from 1 April 2020, the Group's reporting date changed from 31 March to 31 December.

The information in this presentation does not purport to be a complete description of Embark Education. In making an investment decision, investors must rely on their own examination of Embark Education, including the merits and risks involved. Investors should consult with their own legal, tax, business and/or financial advisors in connection with any acquisition of financial products.

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FY2022

SETTING THE PATH FORWARD

- NZ business sold at the end of September
- Balance sheet substantially strengthened
- Australian business continues to show strong growth



FY22 Overview

NEW ZEALAND BUSINESS SOLD AT END SEPTEMBER

- Challenging operating conditions in New Zealand since Covid-19. Extent and timing of recovery post Covid-19 highly uncertain.
- Loss on disposal of \$42.7 million.
- Cash proceeds of \$39.8 million.

MEDIUM TERM NOTES (MTNs) FULLY REPAID

- A\$35m MTNs (7.5% p.a. interest) due December 2025 were fully redeemed in December 2022.
- No borrowing at the end of December 2022 – positions Embark well to leverage for growth in Australia.

AUSTRALIAN BUSINESS CONTINUES STRONG GROWTH

- Revenue growth of 35% in 2022 to \$59.5 million.
- Underlying centre EBITDA growth of 32% to \$16.0 million.
- January 2023 occupancy 3.4% higher than January 2022.



Financial Summary

STRONG PERFORMANCE FROM CONTINUING OPERATIONS



- 35% revenue increase in 2022
- 130% higher profit before net finance costs and income tax in 2022
- \$41.4m loss from discontinued operations (NZ), after \$42.7m loss on disposal

Consolidated Statement of Comprehensive Income FOR THE YEAR ENDED 31 DECEMBER 2022

	YEAR 31 DECEMBER 2022	YEAR 31 DECEMBER 2021 (RESTATED)
	\$'000	\$'000
Continuing operations		
Childcare fees	19,807	15,569
Government funding	39,713	28,445
Total revenue	59,520	44,014
Expenses		
Employee benefits expenses	(37,144)	(28,956)
Building occupancy expenses	(935)	(528)
Direct expenses of providing services	(7,090)	(5,236)
Acquisition expenses	-	(1,020)
Depreciation	(3,446)	(2,639)
Amortisation	-	(64)
Other expenses	(3,834)	(2,498)
Operating expenses	(52,449)	(40,941)
Profit/(loss) before net finance costs and income tax	7,071	3,073
Finance income	368	230
Finance costs	(9,309)	(7,827)
Net finance costs	(8,941)	(7,597)
Profit/(loss) before income tax	(1,870)	(4,524)
Income tax benefit/(expense)	(716)	(838)
Profit/(loss) after income tax from continuing operations	(2,586)	(5,362)
Discontinued operations		
Profit (loss) from discontinued operation, net of tax	(41,410)	6,103
Profit (loss) after income tax attributable to the shareholders of the Company	(43,996)	741

Balance sheet strengthened after sale of NZ business



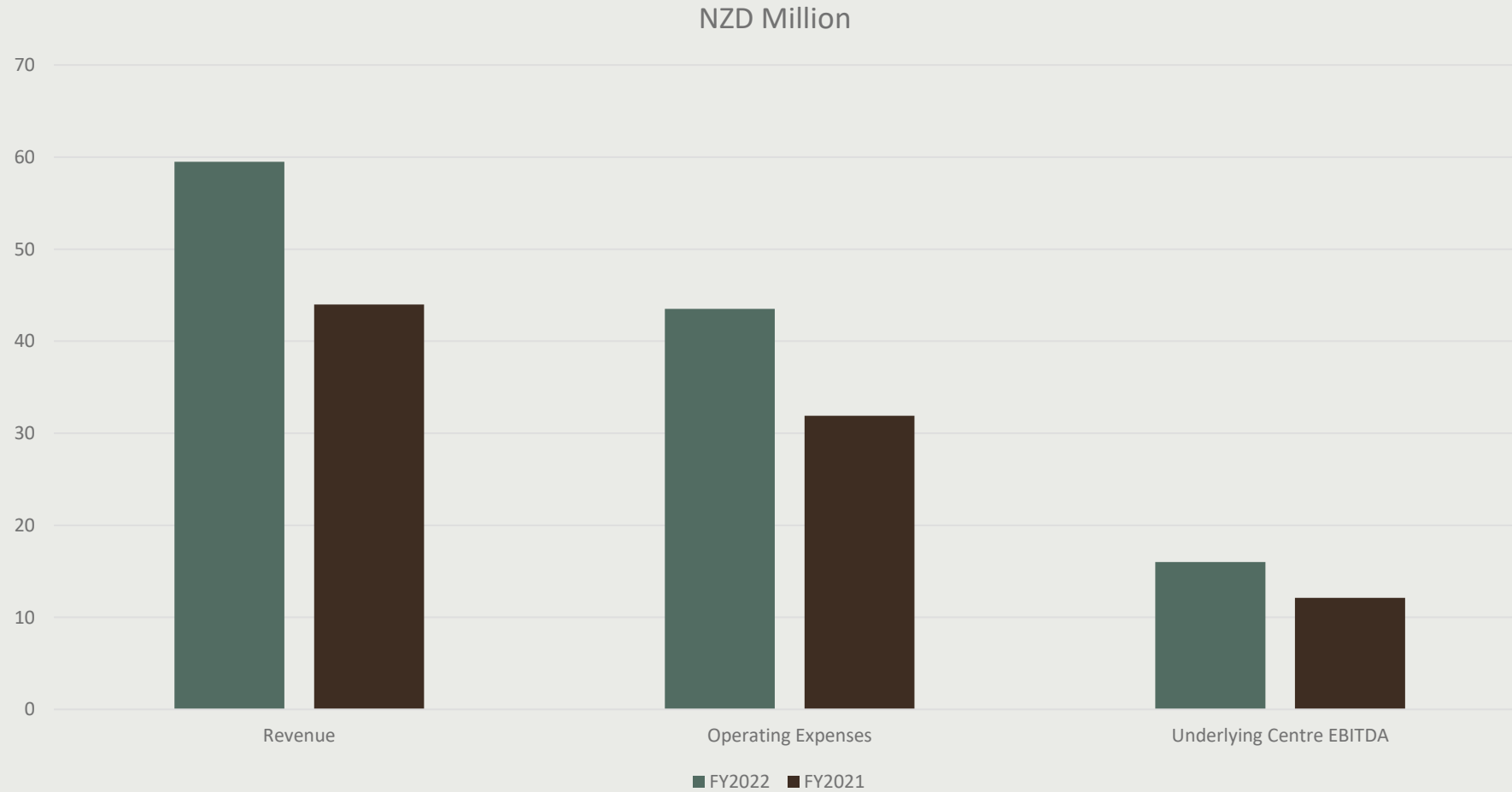
- No borrowing at 31 December 2022 as Medium Term Notes fully repaid
- Cash of \$17.3m and term deposits of \$9.2m at year end

Consolidated Statement of Financial Position As at 31 December 2021

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021
	\$'000	\$'000
ASSETS		
Current assets		
Cash and cash equivalents	17,299	47,579
Funding receivable	614	-
Current tax assets	196	-
Trade and other receivables	3,018	3,121
Total current assets	21,127	50,700
Assets classified as held for sale	-	2,976
Non-current assets		
Intangible assets	65,062	160,493
Property, plant and equipment	1,698	7,604
Right-of-use assets	66,930	184,082
Term deposits	9,153	5,101
Deferred tax assets	3,593	14,061
Total non-current assets	146,436	371,341
Total assets	167,563	425,017
LIABILITIES		
Current liabilities		
Trade and other payables	3,836	11,526
Funding received in advance	-	7,743
Current tax liabilities	-	1,787
Lease liabilities	6,548	7,702
Employee entitlements	5,199	9,087
Total current liabilities	15,583	37,845
Liabilities classified as held for sale	-	4,446
Non-current liabilities		
Borrowings	-	36,216
Lease liabilities	70,253	214,626
Total non-current liabilities	70,253	250,842
Total liabilities	85,836	293,133
Net assets	81,727	131,884
EQUITY		
Issued share capital	260,014	260,014
Foreign currency translation reserve	(259)	(417)
Retained deficit	(178,028)	(127,713)
Total equity	81,727	131,884

Financial Highlights

AUSTRALIAN CENTRES (FY2022 v FY2021)



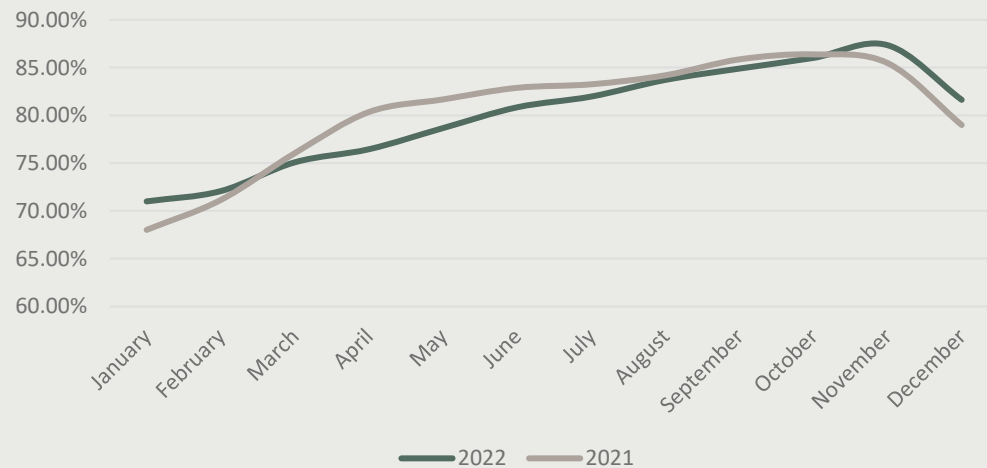
Australia



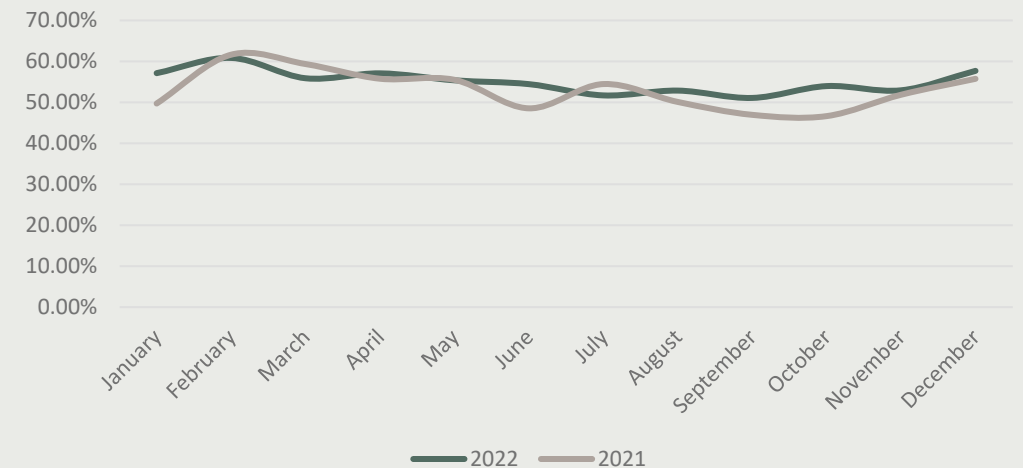
- Average 2022 Centre Occupancy of 80%



Monthly Occupancy



Wage to Revenue Ratio



Board of Directors

RENITA GARARD JOINS THE BOARD AS INDEPENDENT DIRECTOR



Hamish Stevens
Independent Director
Chair of the Board

Hamish has held independent directorships on several boards since 2010 and is currently Chair of Pharmaco NZ and East Health Services, a director of Marsden Maritime Holdings, Northport, Radius Residential Care and Counties Energy. Prior to his governance career Hamish held senior finance positions with Heinz Watties, Tip Top Ice Cream and DB Breweries. Hamish is a qualified Chartered Accountant and is a Chartered Fellow of the Institute of Directors.



Chris Scott
Managing Director
Executive Director (Non-Independent)

Chris Scott has over 40 years' experience in senior management positions. He has spent over 35 years in business in Singapore where he founded a number of successful businesses. Chris founded S8 Limited which listed on the ASX in 2001. S8 was an integrated travel Company that acquired 36 businesses over a 5-year period and was capitalised at \$700 million. S8 Limited was the subject of a successful takeover bid in late 2006.

Chris was the Founder and, from 2010 to 2016, the Managing Director of ASX listed G8 Education which evolved into Australia's largest listed early education and childcare provider. During this period, the G8 Education Limited portfolio grew from 38 to over 500 pre-school education centres in Australia (plus 20 in Singapore). Chris was also instrumental in raising over \$500 million in equity capital and more than \$500 million in debt (including Singapore dollar bonds). G8 Education's market capitalisation grew from \$4 million in 2010 to a peak of approximately \$1.9 billion.



Renita Garard
Independent Director

Renita Garard (AM, OLY, FCA) was appointed to the Board on 1 January 2023.

Renita has significant experience in financial governance, risk management and stakeholder engagement across various sectors.

Based in Queensland, Australia, Renita is currently the Managing Director of Aspire 2 Thrive Pty Ltd and a Director of Queensland Rugby Football League Limited, The Energy Collective Limited, Queensland Academy of Sport and 4 Aussie Heroes Foundation Limited. Renita is also the Chair of the Audit Committee of Townsville City Council.

Renita is a Fellow of the Institute of Chartered Accountants of Australia and New Zealand (FCA) and received the Order of Australia medal in 1996. In addition to her accomplishments in business and governance, Renita is a successful athlete, captaining the Australian women's hockey team to the Olympic gold medal in 2000.

Board of Directors



Kim Campbell
Independent Director
Chair of Remuneration & People Committee

Kim Campbell attended the University of Canterbury completing a Bachelor of Arts majoring in Geography. Kim was the CEO of the Employers & Manufacturers Association. Kim is currently a Director of Douglas Pharmaceuticals, Director of EMH Trade Ltd, Chair of Auckland Manufacturers Association and a Director of New Image International Limited.



Adrian Fonseca
Independent Director
Chair of Audit and Risk Committee

Adrian Fonseca attended the University of Melbourne completing a Bachelor of Laws (Hons) and Bachelor of Commerce. Adrian practised as a banking and finance lawyer at global firms Allens and Ashurst before spending 17 years in investment banking in Sydney, Singapore and London with Macquarie Bank, Deutsche Bank and Barclays Bank. In his last role Adrian was head of a Strategic Solutions and Financing Team at Deutsche Bank in Singapore. Adrian is currently the Founder and Managing Director of Oxanda Education – a large Australian early learning centre owner/ operator with centres across NSW (including Western Sydney), Victoria and Queensland. Adrian is a Board Member and Deputy Chairman of the GWS Giants AFL Club and Deputy Chairman of the GWS Giants Foundation. Adrian is married with three children and very passionate about early education and heavily involved in community groups relating to children.





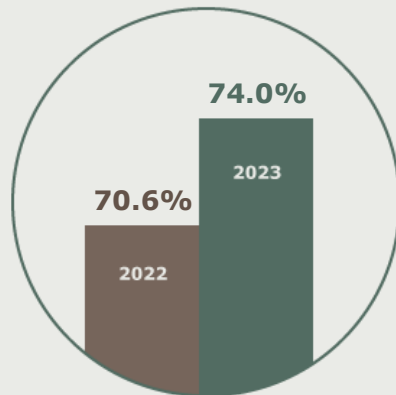
Strategy and Outlook



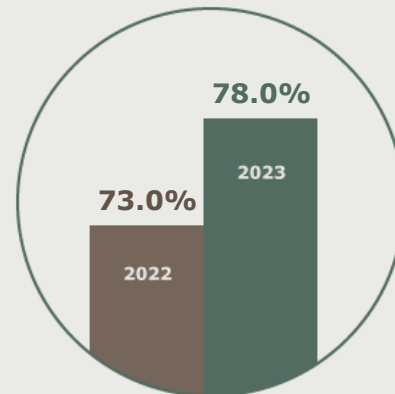
Encouraging Start to 2023

- 2022 started slowly due to lingering Covid-19 effects
- Occupancy in January (74.0%) and February 2023 (78.0%) higher than in January (70.6%) and February 2022 (73.0%)

JANUARY



FEBRUARY



Acquisitions to Ramp Up

- 24 centres in Australia - one Australian centre acquired in July 2022
- Uncertainty about recovery of NZ operations curtailed expansion in Australia
- With NZ business sold, Embark is now able to ramp up acquisitions in Australia





Appendix



Statement of Comprehensive Income

(UNAUDITED)



	YEAR 31 DECEMBER 2022	YEAR 31 DECEMBER 2021 (RESTATED)
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Childcare fees	19,807	15,569
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Discontinued operations		
Profit (loss) from discontinued operation, net of tax	(41,410)	6,103
Profit (loss) after income tax attributable to the shareholders of the Company	(43,996)	741
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	158	(401)
Total comprehensive income (loss) attributable to the shareholders of the Company	(43,838)	340

Statement of Financial Position

(UNAUDITED)



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ASSETS		
Current assets		
Cash and cash equivalents	17,299	47,579
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Net assets	81,727	131,884
EQUITY		
Issued share capital	260,014	260,014
Foreign currency translation reserve	(259)	(417)
Retained deficit	(178,028)	(127,713)
Total equity	81,727	131,884

Statement of Cash Flows

(UNAUDITED)



	YEAR 31 DECEMBER 2022	YEAR 31 DECEMBER 2021 (RESTATED)
	\$'000	\$'000
Cash flows from operating activities		
Receipts from childcare fees	48,637	51,754
Receipts from government funding	85,035	109,606
Government grants received (Wage subsidy & JobKeeper)	816	276
Payments to suppliers and employees	(109,815)	(118,384)
Income taxes paid	(4,520)	(2,611)
Interest received	371	230
Net cash flows (to)/from operating activities	20,524	40,871
Cash flows from investing activities		
Payments for purchase of businesses	(5,356)	(37,882)
Proceeds from sale of businesses	31,182	-
Proceeds from sale of property, plant and equipment	-	75
Payments for software, property, plant and equipment	(3,971)	(3,270)
Term deposit	(4,052)	(1,035)
Acquisition costs	-	(1,981)
Net cash flows (to)/from investing activities	17,803	(44,093)
Cash flows from financing activities		
Proceeds from issues of shares	-	23,521
Share issue costs	-	(1,483)
Dividends paid	(6,319)	-
Note issue costs	-	(216)
Interest paid on borrowings	(2,854)	(2,787)
Repayment of borrowings	(36,454)	-
Lease interest payments	(15,553)	(17,417)
Lease principal repayments	(7,449)	(8,066)
Net cash flows (to)/from financing activities	(68,629)	(6,448)
Net (decrease)/increase in cash and cash equivalents	(30,302)	(9,670)
Cash and cash equivalents at the beginning of the year	47,579	59,139
Foreign currency translation adjustment	22	(1,890)
Cash and cash equivalents at the end of the year	17,299	47,579

Glossary



Term	Definition
EBITDA	Earnings before interest, taxation, depreciation and amortisation.
Underlying EBITDA	Earnings before interest, taxation, depreciation and amortisation less the effects of NZ IFRS 16: Leases, gains and losses on the sale or closure of businesses, acquisition and integration costs, impairment losses (or reversals of impairment losses), restructuring costs and non-operational items.
Underlying Centre EBITDA	Underlying EBITDA of centres (before Support Office expenses).
Occupancy	Number of children attending per period specified as a percentage of the service's licensed places.
Wage to Revenue ratio	Employee benefits expense as a percentage of total revenue.