

# 2022 Interim Results Investor Presentation

evolve  
education group



Little Lights



Little Earth  
MONTESSORI



Brighthouse



cubby care  
The kindest kind of kindy

Roseberry House  
for the love of early learning



Youngstars  
EARLY LEARNING  
CENTRE

# 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 Evolve Education Group Limited ("Evolve Education") for the current period. Please refer to the unaudited financial statements for the period ended 30 June 2022 that have been simultaneously released with this presentation.

The information in this presentation does not purport to be a complete description of Evolve Education. In making an investment decision, investors must rely on their own examination of Evolve 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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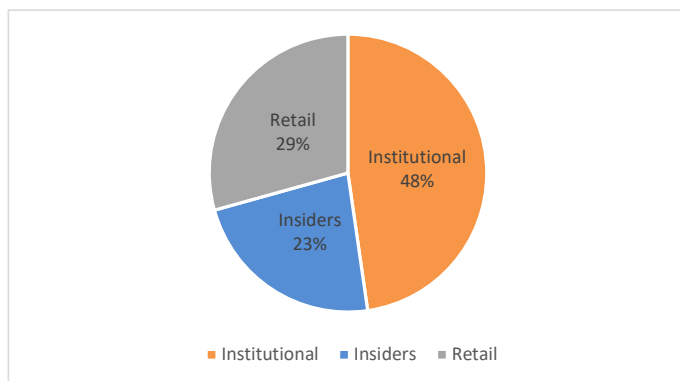
This presentation includes non-GAAP financial measures in various sections. This information has been included on the basis that management and the Board believe that this information assists readers with key drivers of the performance of Evolve Education which are not otherwise disclosed as part of the financial statements. Past performance information given in this presentation is given for illustrative purposes only and should not be relied upon as it is not an indication of future performance.

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# CORPORATE SNAPSHOT

## Shareholder Distribution



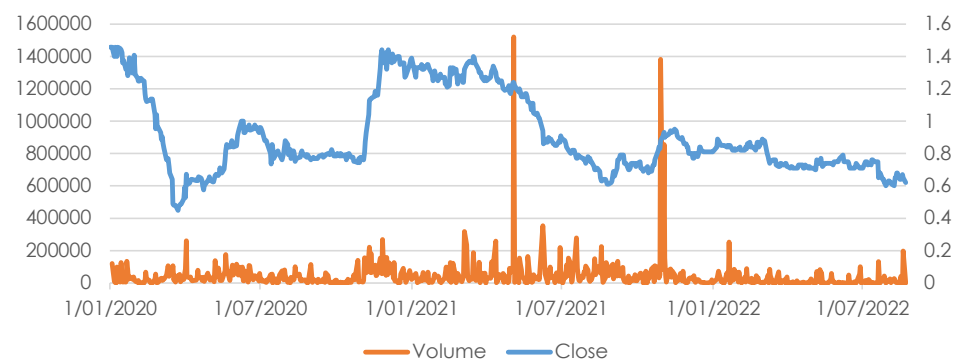
## Substantial shareholders (% of total shares) as at 30 June 2022

J47 Pty Ltd	AU	16.4%
Citicorp Nominees Pty Ltd	AU	12.6%
National Nominees Limited	AU	6.0%
BNP Paribas Nominees Pty Ltd	AU	5.2%
Upton124 Pty Ltd	AU	4.9%

## Management

Chris Scott	Managing Director
Edmund Mah	Group CFO
Andrew Warner	National Operations and Commercial Manager
Matt Veal	Group Financial Controller
Bev Davies	Head of People and Talent
Jenny Aldous	Head of Projects
Tomas Stehlik	Head of IT
Henry Blundell	Head of Property

## Historical Share Price



# BOARD OF DIRECTORS



**Hamish Stevens**  
**Independent Director**  
**Chair of the Board**

Hamish has held independent directorships on several boards since 2010 and is currently Chair of East Health Services, a director of Marsden Maritime Holdings, Northport, Pharmaco NZ, 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 39 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.



**Chris Sacre**  
**Non-Independent Director**

Chris Sacre is widely regarded and respected within the childcare industry. Chris developed a passion for the industry in early 2007 when he provided financial consultative services, as an Advisory Manager for PricewaterhouseCoopers to G8 Education (formally Early Learning Services) in the lead up to the public listing. After successfully floating the company in 2007, Chris joined G8 Education as Chief Financial Officer. During his time with G8 Education, Chris was instrumental to the growth of the company with over 400 childcare acquisitions, raising over \$500 million in capital and increasing market capitalisation from \$4 million to \$1.3 billion. Chris is a member of Evolve Education's Audit and Risk Committee.

# 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 of the GWS Giants AFL Club. Adrian is married with three children and very passionate about early education and heavily involved in community groups relating to children.



# 1H22 Overview

## Acquisition Growth - Australia

- No centres were acquired during the half year – uncertainty due to Covid disruptions especially in NZ; focus on integrating the 13 centres acquired in 2021.
- One centre, Youngstars (in NSW) acquired 1 July 2022.
- The Group is actively pursuing further acquisition opportunities across Australia.

## New Zealand Centres Upgrade Plan

- The Board approved a \$4.5 million centre upgrades capital expenditure plan. Centre upgrade works are progressing well.
- Continued focus on providing high quality centre facilities and resources.

## Centre Divestments – New Zealand

- Two low-margin centres divested in March 2022
- Remaining four centres previously designated as held for sale have been retained.





## Covid-19 update

### New Zealand

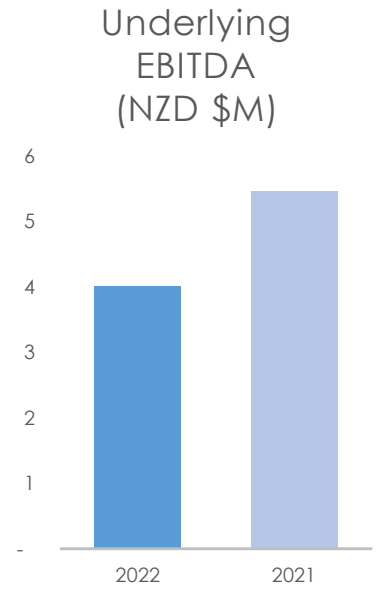
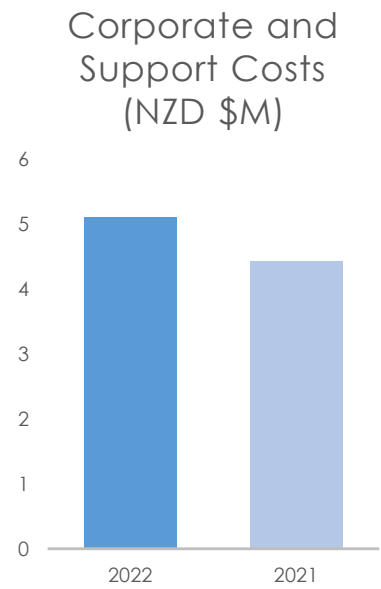
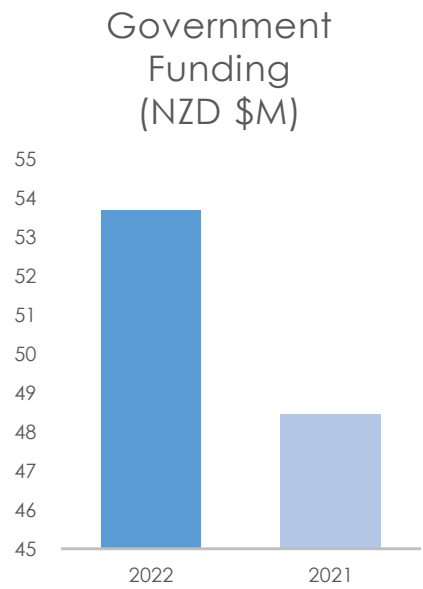
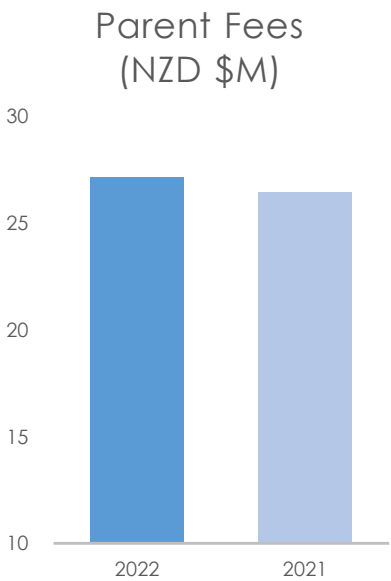
- No government mandated centre closures during this half year.
- Numerous short-term full or partial centre closures due to elevated levels of staff sickness and requirements for staff to isolate if affected by covid-19. Parent fees not charged during closures.
- All staff were retained on full pay. Some assistance via receipt of Covid-19 leave support scheme and short-term absence payments.
- Continued funding from the NZ Ministry of Education.

### Australia

- All centres remained open throughout 1H2022.
- No government assistance measures.

# Financial Highlights

1H2022 vs 1H2021  
(NZD\$M)





# Financial Highlights

1H2022 vs 1H2021  
(NZD\$M)

NZD \$'000s	1H2022	1H2021	Variance	%
Parent Fees	27,165	26,450	715	3%
Government Funding	53,687	48,441	5,246	11%
<b>Total revenue</b>	<b>80,852</b>	<b>74,891</b>	<b>5,961</b>	<b>8%</b>
Centre wages	-48,628	-43,472	-5,156	12%
<b>Centre gross profit</b>	<b>32,224</b>	<b>31,419</b>	<b>805</b>	<b>3%</b>
Centre rent	-14,004	-13,140	-864	-7%
Other centre expenses	-9,109	-8,381	-728	-9%
<b>Centre EBITDA</b>	<b>9,111</b>	<b>9,898</b>	<b>-787</b>	<b>-8%</b>
Corporate costs	-565	-581	16	3%
Support Office cost	-4,539	-3,853	-686	-18%
<b>Underlying EBITDA</b>	<b>4,007</b>	<b>5,464</b>	<b>-1,457</b>	<b>-27%</b>

- All centre-related items have increased due to the addition of 13 centres in Australia during the 2021 year.
- Wages in New Zealand boosted by adoption of the KTCA pay scale (largely covered by higher government funding) and costs of covering sick or isolating staff.
- Corporate costs reduced by 3%. Support office costs increased due to the scaling up of Australian operations and targeted investment in the capability of the NZ operations.
- Underlying EBITDA decreased by \$1.5 million, due to disruption of New Zealand operations offset by larger contribution from Australian centres.

# Financial Highlights

## Balance Sheet

	June 22 Unaudited	Dec 21 Audited
	\$'000	\$'000
Cash and cash equivalents	8,464	47,579
Trade and other receivables	6,000	3,121
Funding receivable	5,908	-
Current income tax assets	1,038	-
Property, plant and equipment	8,394	7,604
Right-of-use assets	183,258	184,082
Deferred tax assets	15,599	14,061
Intangible assets	163,210	160,493
Term deposits	5,213	5,101
Assets classified as held for sale	-	2,976
<b>Total assets</b>	<b>397,084</b>	<b>425,017</b>
Trade and other payables	5,106	11,526
Current income tax liabilities	-	1,787
Funding received in advance	-	7,743
Employee entitlements	10,712	9,087
Borrowings	22,387	36,216
Lease liabilities	227,509	222,327
Liabilities classified as held for sale	-	4,446
<b>Total liabilities</b>	<b>265,714</b>	<b>293,133</b>
<b>Net assets</b>	<b>131,370</b>	<b>131,884</b>

- \$14m of Notes were repurchased and cancelled in June.
- Swing in government funding balance due to timing of bulk funding payments (made each year on 1<sup>st</sup> March, 1<sup>st</sup> July and 1<sup>st</sup> November).
- Reduction in cash balance due to the above items as well as payment for earnouts on centres acquired in Australia in 2021.
- No assets now designated as held for sale.
- The Group was in compliance with all debt covenants during the current and previous periods.

## Portfolio footprint in NZ and Australia

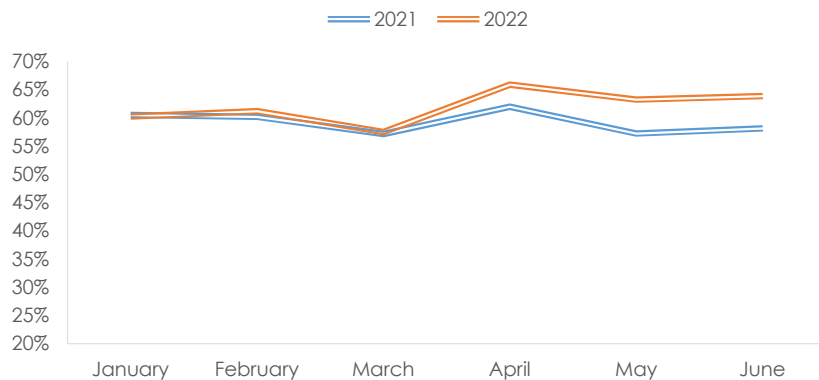
- NZ – 107 centres
- AU – 24 centres



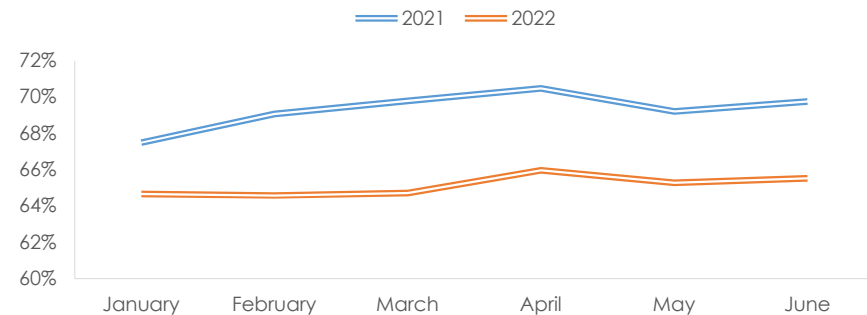
# New Zealand

- NZ occupancy averaging 65% in 2022. Due to Covid disruptions in 1H 2022, occupancy has not returned to pre-pandemic levels yet.
- Steady increases in total revenue per FTE per day despite disruptions and temporary centre closures.
- Wages elevated due to costs of covering sick and isolating staff.
- Metrics remain distorted by Covid-19.

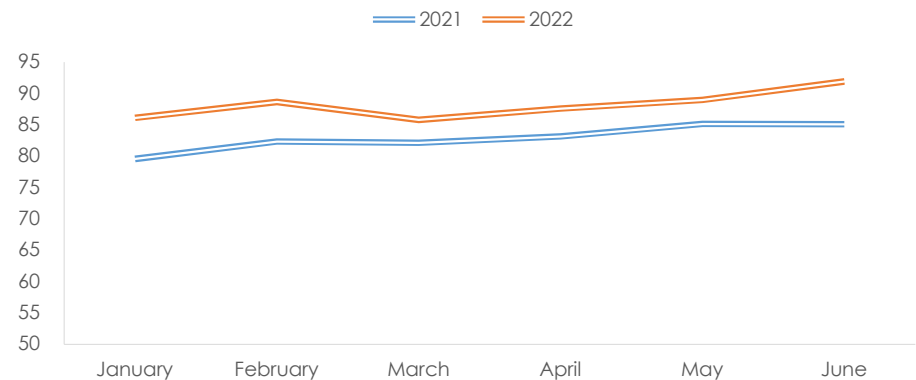
## WAGE TO REVENUE RATIO



## YTD OCCUPANCY



## TOTAL REVENUE PER FTE PER DAY



# Revenue and Underlying EBITDA Reconciliation – New Zealand

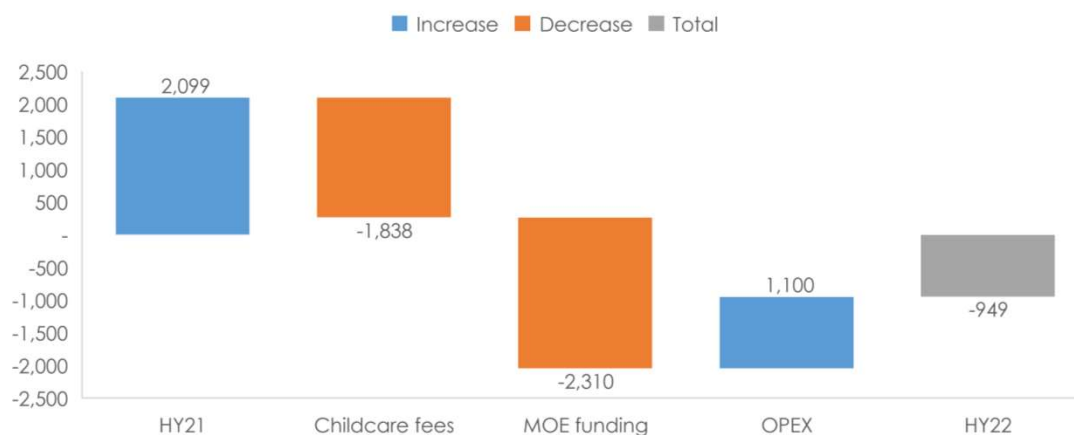
## 1H22 Revenue Bridge (NZD \$000's)

- Decrease in childcare fees due to temporary centre closures and a decrease of two centres owned.
- Decrease in number of centres and an additional unfunded public holiday has also reduced MOE funding.



## 1H22 Underlying EBITDA Bridge (NZD \$000's)

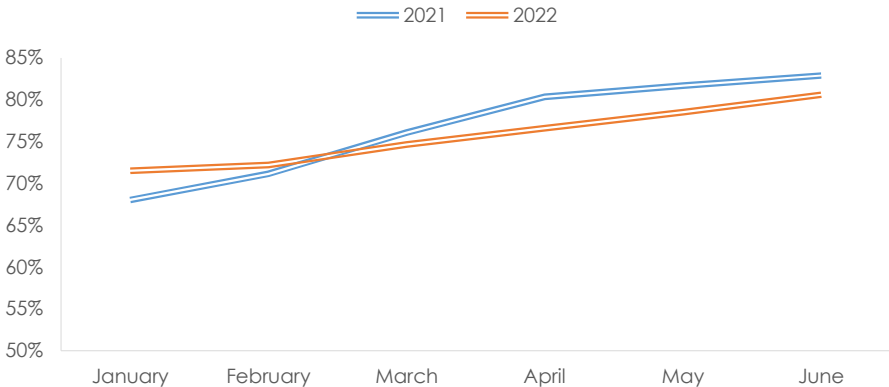
- Reduced expenditure reflecting disruptions and centre closures. Cost savings not sufficient to offset the lower revenue.



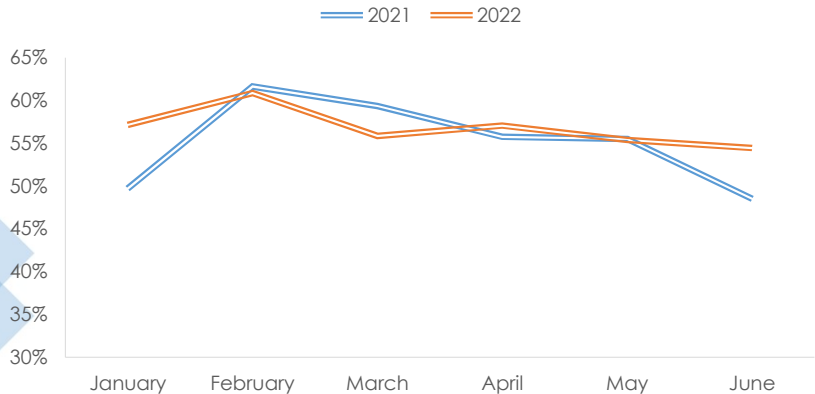
# Australia

- Occupancy growing, almost back to 2021 levels
- Metrics have been distorted by Covid-19 over the period, though returning to normal.

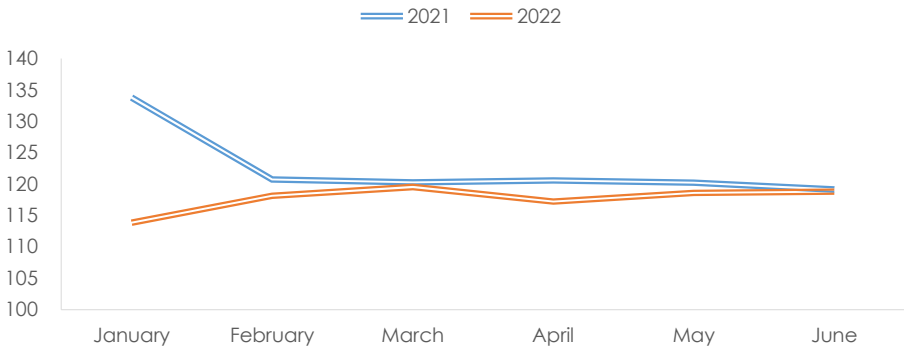
### YTD OCCUPANCY



### WAGE TO REVENUE RATIO



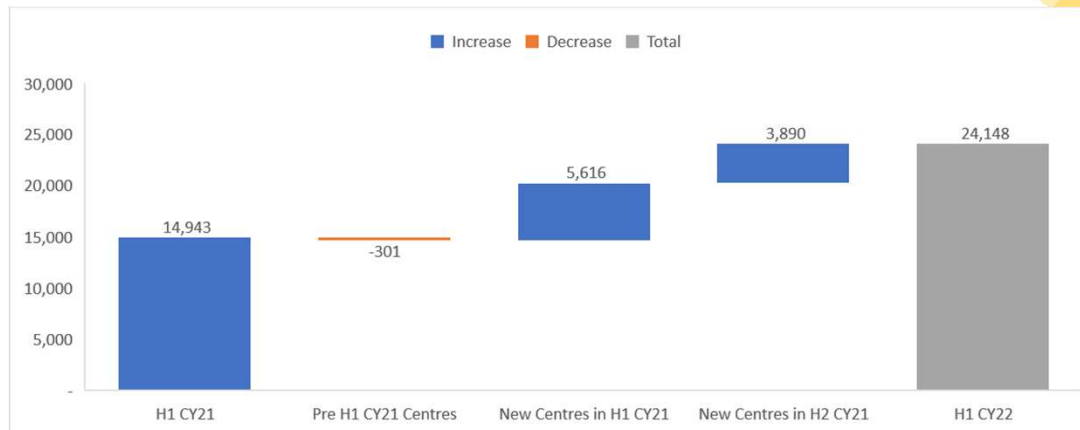
### TOTAL REVENUE PER BOOKING PER DAY



# Revenue and Underlying EBITDA Reconciliation - Australia

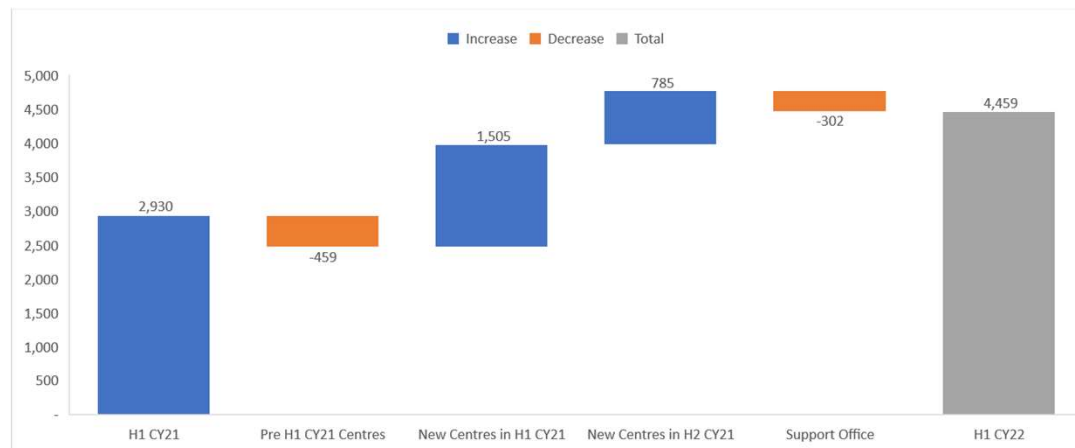
## 1H22 Revenue Bridge (A\$000's)

- Revenue was A\$24.1m, up 62%.
- New centres acquired in 2021 contributed \$9.5m.



## 1H22 Underlying EBITDA Bridge (A\$000's)

- Underlying EBITDA for 1H22 is A\$4.5m, up 54%.
- New centres contributed \$2.3m of total Underlying EBITDA (47%), offset by small increase in support office costs of \$0.3m.



# Operating Performance

## Highlights

- Continued disruptions arising from Covid-19 and winter related illness in NZ
- Evolve has continued to support families by waiving parent fees during centre closures in NZ
- Evolve NZ opted into KTCA pay parity (steps 1-5) in return for higher funding rates from MOE
- Acquired centres in Australia performed well







STRATEGY AND OUTLOOK

# Strategy and Outlook

- Further acquisitions in Australia are planned for
- New Zealand Centre improvements
  - Strong focus on driving occupancy improvements
  - More efficient staff rostering
  - Centre upgrade projects
- Turnaround or divestment of poorly performing centres in New Zealand





# APPENDIX

# Statement of Comprehensive Income (unaudited)

		UNAUDITED 6 MONTHS 30 JUNE 2022	UNAUDITED 6 MONTHS 30 JUNE 2021
	Note	\$'000	\$'000
Childcare fees	3	27,165	26,450
Government funding	3	53,687	48,441
<b>Total revenue</b>		<b>80,852</b>	<b>74,891</b>
<b>Expenses</b>			
Employee benefits expenses	4	(51,218)	(47,022)
Building occupancy expenses		(1,207)	(1,278)
Direct expenses of providing services		(9,727)	(8,212)
Acquisition expenses		-	(1,638)
Depreciation		(7,555)	(7,142)
Amortisation		(19)	(34)
Impairment expense		(2,379)	-
Other expenses		(726)	(739)
<b>Total expenses</b>		<b>(72,831)</b>	<b>(66,065)</b>
<b>Profit before net finance expense and income tax</b>		<b>8,021</b>	<b>8,826</b>
Finance income		183	91
Finance costs		(11,479)	(9,820)
<b>Net finance expense</b>		<b>(11,296)</b>	<b>(9,729)</b>
<b>Loss before income tax</b>		<b>(3,275)</b>	<b>(903)</b>
Income tax benefit		1,042	387
<b>Loss after income tax attributable to shareholders of the Company</b>		<b>(2,233)</b>	<b>(516)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		1,719	(16)
<b>Total comprehensive loss attributable to the shareholders of the Company</b>		<b>(514)</b>	<b>(532)</b>
All amounts are from continuing operations			
<b>Earnings per share</b>		<b>Cents</b>	<b>Cents</b>
Basic and diluted (loss)/earnings per share from continuing operations		(1.4)	(0.2)
Basic and diluted (loss)/earnings per share attributable to the shareholders of the Company		(1.4)	(0.2)

# 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.
Group	Comprises Evolve Education Group Limited and its subsidiaries across New Zealand and Australia
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
Total Revenue per FTE per day	Revenue earned per full-time-equivalent child booking per day
Total Revenue per Booking per day	Revenue earned per child booking per day