THINK Childcare Limited

Investor Presentation
Capital Raising

25 March 2019

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Executive summary

Acquisitions in line with strategy	› Acquisition of four newly constructed child care services from incubator partners › All purpose built Nido services › Acquisition price of \$6.5m (excluding costs), representing a 4.0x EBITDA multiple, with potential earn-out of 1.0x EBITDA › \$1.6m projected EBITDA contribution in the first 12 months post acquisition › Represents acquisitions in line with incubator acquisition strategy and Nido transition
Capital raising	› Institutional Placement of approximately 11.4 million shares (New Shares) to raise \$18.0m › Offer price of \$1.58 per New Share under the Institutional Placement › 7.3% discount to last close of \$1.71 on 22 March 2019

Use of funds	› Proceeds to be used to fund:
	  › Four acquisitions of newly constructed purpose built Nido services
	  › Six expected further acquisitions and two greenfield roll-outs in 2019, as previously outlined as part of the Think Childcare (TNK) strategy
	  › Capital investment program
	  › Replacement of the \$3.2m underwritten DRP
	  › Working capital, earn-outs and transaction costs

CY19 outlook	› CY19 EBITDA (underlying) range \$13.8m – \$14.8m (including acquisitions) › Remaining CY19 acquisitions assumed to occur in Q4

1 Strategic rationale

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Executing on stated strategy

To be sector leader in the innovation of early childhood education

- Bringing learning to life
- Delivering premium service to surburban markets
- Fostering creative environments

KINDER GRADUATIONS
1,373[1]

TRANSITION PLAN TO NIDO
100%

EDUCATORS
1,444[1]

CAPITAL INVESTMENT
$3.1m[1]

1. Achieved in CY18

Strategic rationale

Positioning for growth

- Think Childcare Limited (TNK or the Company) undertakes the equity raise
  - It provides TNK with a capital runway to acquire, develop, upgrade and execute on our transition to our premium Nido brand
  - Unlocks headroom in our facility and ensures we are nimble and in a strong position to complete on acquisitions as they reach bankable metrics under our incubator model
  - Puts us in a strong position should a strategic acquisition present itself
  - Allows us to reduce our debt exposure

2 Acquisitions

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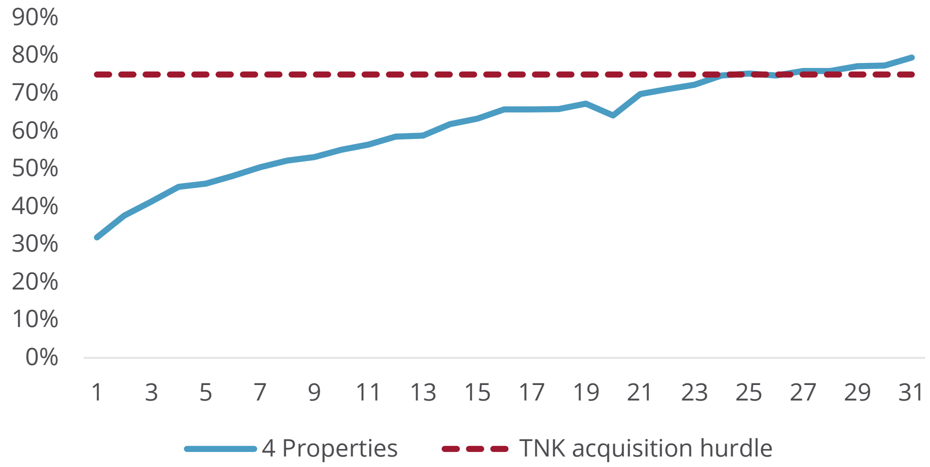
Four purpose built Nido services

Ramp-up profile outperforms portfolio average

- Purpose built flagship Nido branded services
- Strong utilisation ramp up from inception reaching 79% within 31 weeks
- Purchased at 4.0x EBITDA subject to earn-out and clawback
- Executing on incubator strategy
- Continues our journey to quality

Ramp up profile[1]



Note: First 31 weeks from opening

1. Based on average of four acquired services

Key acquisition detail

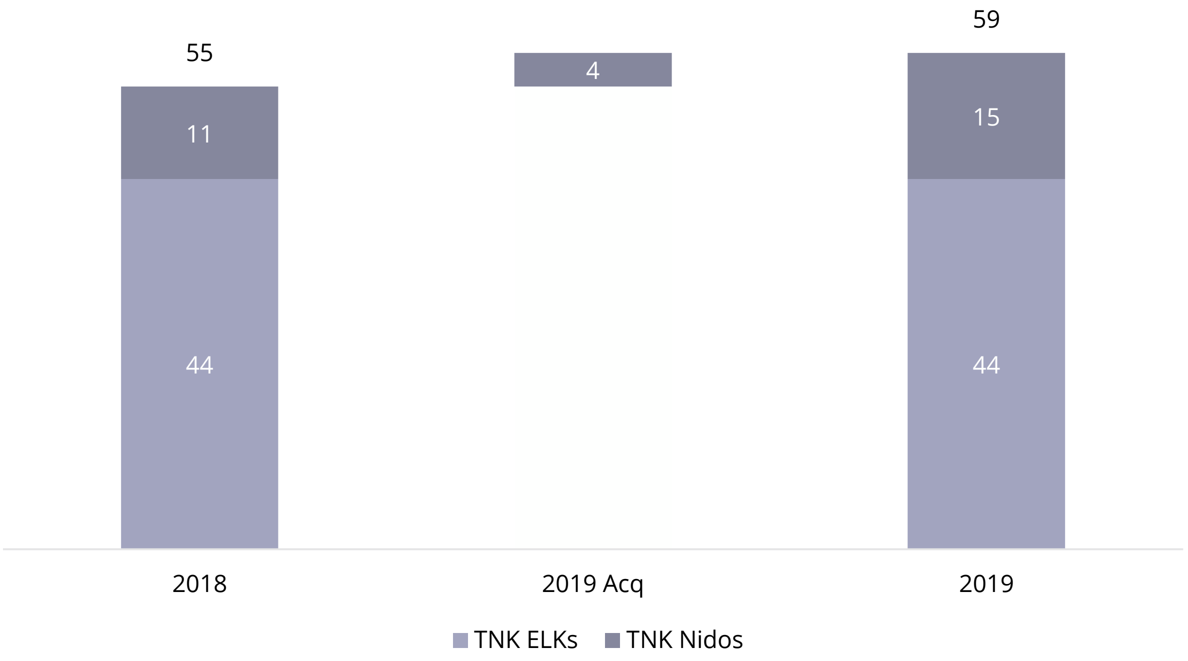
Expected to outperform acquisition criteria

Overview of four acquired services	Value
Initial purchase price (including costs)	$6.8m
EV / EBITDA multiple	4.0x
Potential earn-out (1x EBITDA multiple)	$1.6m
Avg Utilisation (at 17 March 2019)	89%
Avg daily fees	$117
Number of licensed places	308
Weighted average lease term (including options)	31 years
Rent per licensed place	$3,312 per year
Service performance per licensed place	$5,253 annualised
Locations	WA (Perth metropolitan)
Age of services	All built in last 2 years
Demographics of areas ratio (supply:demand)	1:4, with benefit from future development

Portfolio growth

Acquisition of 4 services adds to Nido strategy

TNK owned number of services 2018 vs 2019



- Post acquisition our portfolio will consist of 25% Nido owned services
- Purpose built services under the Nido brand
- Further diversifies portfolio from being predominately within Victoria
- Continues our strategy to 100 percent transition to Nido

3 Sources & application of funds

Sources and uses of funds

CY19 strategy fully funded

Sources	$'m
Capital raising	18.0
Total	18.0

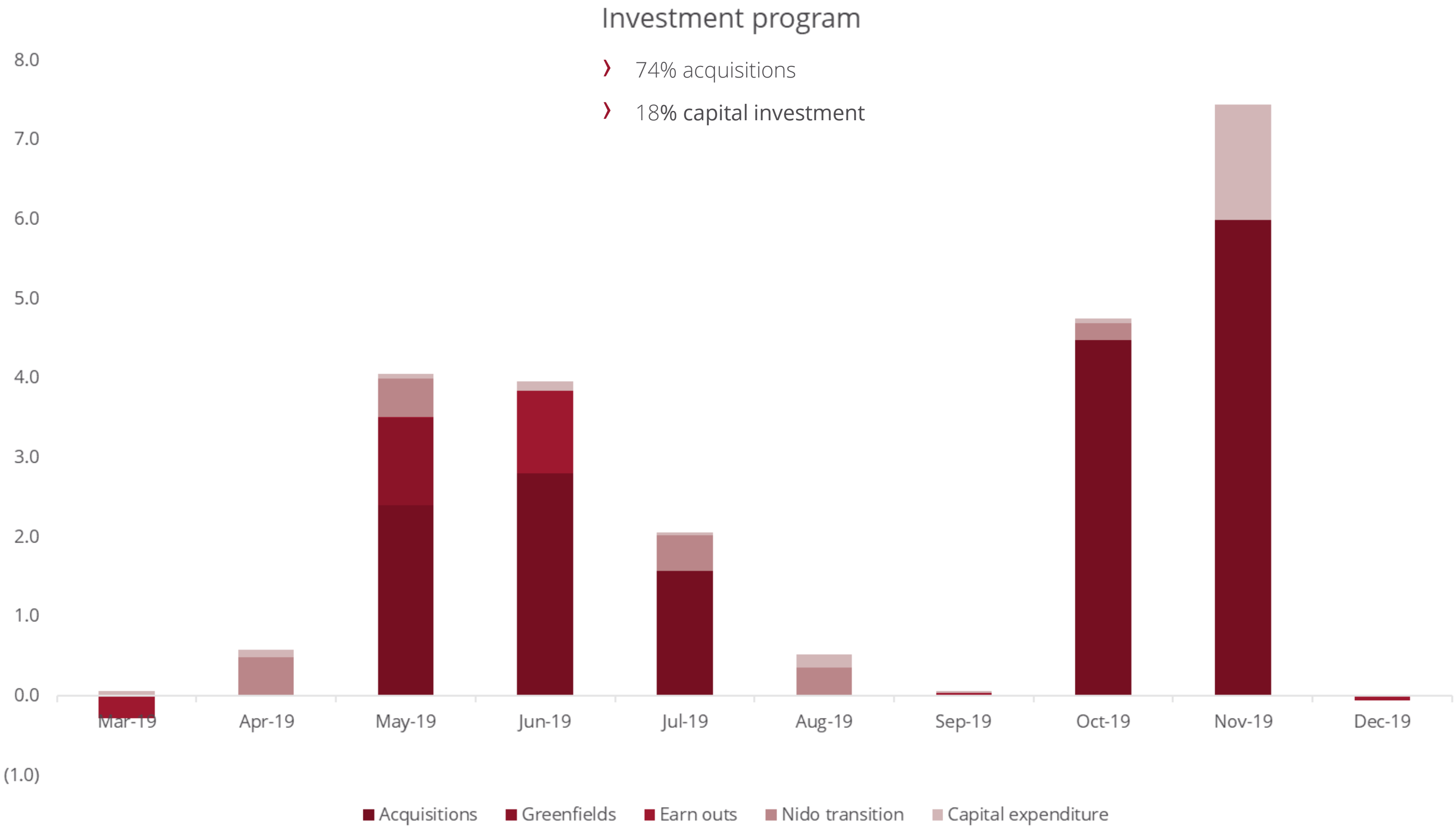
Uses	$'m
Acquisitions (including costs)	6.8
Capital investment program	2.1
Nido transition	2.0
Greenfield - 2019 (2)	1.1
Replace underwritten DRP	3.2
Working capital & transaction costs	2.8
	18.0

- 2H19 Acquisitions, greenfield, Nido transition and capital development funded from debt facility and cash available
- Preserve headroom and improves leverage ratio
- Replenish working capital through funding of CY18 final dividend

Investment program CY19

92% funds raised applied to growth and investment strategy

- Funding in place for CY19 investment program
- Timing of acquisition and investment is influenced by a number of factors and therefore may change



4 Financials

Proforma balance sheet

Further strengthens balance sheet

($000s)	CY18 (Audited)	Transaction impact [1]	CY18 (Proforma)
Cash	3.6	10.5	14.1
Receiveables and other assets	6.2		6.2
Plant, Property & Equipment	11.0	0.6	11.6
Intangible assets	57.3	6.1	63.4
Total Assets	78.0	17.3	95.3
Borrowings	26.3		26.3
Other Liabilities	13.1		13.1
Total Liabilities	39.4	0.0	39.4
Equity	38.6	17.3	55.9
Net debt / PF EBITDA	**1.6x**		**0.9x**

Net Debt / Proforma EBITDA ratio[2]

0.9x

Debt to equity

47%

Debt to asset

28%

Facility headroom + cash on hand

57.5m

1. Net of capital raising fees
2. Based on CY18 net debt pro forma for these four acquisitions and the capital raise, and median of CY19 guidance from page 3

Proforma transaction impact

Transaction has a marginal impact on EPS and provides significant capital for continued growth

($000s)	CY18 (Audited)	4 properties impact [1]	CY18 (Proforma) [1]
EBITDA	10.7	1.6	12.3
Depreciation	(1.6)	(0.1)	(1.7)
EBIT	9.1	1.5	10.6
Interest	(2.0)	0.0	(2.0)
Tax	(2.1)	(0.5)	(2.5)
NPAT	5.0	1.1	6.1
EPS (cents)	10.3	9.3	10.1

1. Annualised proforma for impact of acquisitions and capital raise

5 Offer details

Capital raising details

Institutional Placement	› Institutional Placement of approximately 11.4 million New Shares to raise $18.0m › Offer price of $1.58 per New Share under the Institutional Placement › 7.3 % discount to last close of $1.71 on 22 March 2019

Use of proceeds	› Proceeds to be used to fund:
	  › Replacement of the $3.2m underwritten DRP
	  › Four acquisitions (Acquisition of new childcare services)
	  › Six expected further acquisitions and two greenfield roll-outs in 2019, as previously outlined as part of the TNK strategy
	  › Working capital and capital investment in the business
	  › Transaction costs

Ranking	› The New Shares issued under the Offer which are expected to be allotted on 29 March 2019 will rank equally with existing TNK shares › The New Shares issued under the Offer will not be entitled to receive the CY18 final dividend
Lead manager	› Canaccord Genuity and Wilsons are acting as Joint Lead Managers

Offer timetable[1]

Trading halt implemented	Monday, 25 March 2019
Bookbuild conducted	Monday, 25 March 2019
Announcement of completion of Institutional Placement and trading halt lifted	Tuesday, 26 March 2019
Settlement date of New Shares issued under the Institutional Placement	Thursday, 28 March 2019
Allotment of New Shares issued under the Institutional Placement	Friday, 29 March 2019

Notes:
1. Dates and times are indicative only and subject to change without notice. TNK reserves the right to alter the dates in this presentation at its discretion and without notice, subject to the ASX Listing Rules and Corporations Act 2001 (Cth). All dates refer to Sydney, Australia time.

6 Risks

Key risks

This section outlines some of the key risks associated with an investment in TNK shares, together with risks relating specifically to the acquisition and participation in the Institutional Placement. This is not an exhaustive list of the relevant risks and the risks set out below are not in order of importance.

Additional risks not presently known to TNK, or that are not presently considered by TNK to be material, may also become important factors that adversely affect TNK. If any of the following risks materialise, TNK's business, financial condition and financial performance, and the price of its shares may be adversely affected. Investors should note that the occurrence or consequences of some of the risks described in this section are partially or completely outside of the control of TNK, its Directors and senior management.

In deciding whether to participate in the Institutional Placement, you should read this presentation in its entirety and carefully consider the risks outlined in this section. You should also read this presentation in conjunction with TNK's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange ("ASX"), which are available at www.asx.com.au (ASX:TNK) and you should also consider consulting your financial or legal adviser so as to ensure you fully understand the terms of the Placement and the inherent risks.

Transaction specific risks

Reliance on information provided for due diligence

- TNK has undertaken a due diligence review in respect of the acquisition of the child care services. Despite taking reasonable efforts, TNK has not been able to verify the accuracy, reliability or completeness of all the information provided against independent data.
- There is a risk that information provided by the sellers (including financial information) was incomplete, inaccurate or unreliable and there is no assurance that the due diligence was conclusive or identified all material issues in relation to the acquisitions. Limited contractual representations and warranties have been obtained from the sellers in respect of the adequacy and accuracy of the materials disclosed during the due diligence process.

Transaction specific risks

Completion risk

- Completion of the acquisition of the child care services are conditional on certain matters (including leases or subleases, service and supply agreements and employee retention arrangements and obtaining applicable operational permits) which are considered by TNK to be customary conditions for a transaction of this nature and TNK anticipates that the conditions will be able to be satisfied in the required timeframes;
- There is a risk that any condition may not be able to be satisfied or waived and that completion of the acquisitions may be delayed or cancelled if TNK fails to complete, TNK will need to consider alternative uses for the proceeds of the equity raising or options for returning capital. Failure to complete the acquisitions may have an adverse impact on TNK's financial performance, financial position and share price.

Acquisition accounting

- In accounting for the acquisitions, TNK has performed a preliminary fair value assessment of all of the assets, liabilities and contingent liabilities of the child care services to be acquired, which included the identification and valuation of identifiable intangible assets. TNK will undertake a formal fair value assessment of all of the assets, liabilities and contingent liabilities of the child care services post-acquisition, which may give rise to a materially different fair value allocation to that used for the purposes of the financial information set out in this presentation. Such a scenario will result in a reallocation of the fair value of assets and liabilities acquired to or from goodwill and also an increase or decrease in depreciation and amortisation charges in TNK's income statement (and a respective increase or decrease in net profit after tax).

Risks specific to Think Childcare

Changes in law and government policy

- The child care industry in Australia is heavily regulated under the *Education and Care Services National Law* and supporting regulations, which provide a detailed and prescriptive framework for the management and operation of child care businesses in Australia.
- Any change or addition to the laws, regulation or government policy imposed by the Commonwealth, State and Territory or Local Governments, or changes to their interpretation or enforcement, could affect the operation of the services and could impact on the profitability of TNK and demand for its services. Any regulatory or policy change could include, but not be limited to, the level of funding provided by the government and changes that may increase current forecast operating costs. Furthermore, changes to the requirements under the National Quality Framework such as educator-to-child ratios and educator qualification requirements may increase expenses incurred by the Company. Other government legislation, including changes to the taxation system, may affect future earnings of and the relative attractiveness of investing in TNK.

Changes to government assistance

- The Commonwealth Government provides substantial assistance to the child care industry, and users of the child care industry, through schemes such as the Child Care Subsidy. This funding represents a significant proportion of TNK's revenues. These schemes are subject to review at any time by the Commonwealth Government. Any reduction in the funding level (or the proportion of funding allocated to child care services) or changes to the eligibility criteria of these schemes will have a significantly adverse impact on the operations of TNK.

Increased or new competition

- The market for child care and early education services in Australia is competitive due to its fragmented nature. TNK will compete with other long day care and outside school hours care providers. Competition is primarily based on the quality of care offered, the location of a child care service and cost.
- Any increase in competition or deterioration in the competitive position of TNK could have a material adverse impact on TNK's earnings and financial position.

General risks

General economic condition

Changes in the general economic outlook in Australia may impact the performance of TNK and its businesses. Such changes may include:

- contractions in the Australian economy or increases in the rate of inflation resulting from domestic or international conditions (including movements in domestic interest rates and reduced economy activity);
- increases in expenses (including the cost of goods and services used by TNK);
- increases in unemployment rates; and
- fluctuations in equity markets in Australia.

General market and share price risks

- There are general risks associated with any investment in the share market. The price of TNK shares may increase or decrease due to a number of factors. Those factors include fluctuations in domestic or global financial markets and general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation, the removal or inclusion of TNK from market indices, and the nature of markets in which TNK operates. These factors may cause the price of TNK shares to trade below the price at which they are offered under the Institutional Placement, notwithstanding TNK financial or operating performance.

Tax and accounting

- Australian accounting standards and tax laws (including GST and stamp duties), or the way they are interpreted, are subject to change from time to time, which may impact TNK's financial position or performance.

General risks

Dividends

- There are a range of factors that determine the payment of dividends on TNK's shares. These include the profitability of the business, its cash reserves, future capital requirements and obligations under debt facilities. TNK's Board will determine any future dividend levels based upon the Company's operating results and financial standing at the time. There is no guarantee that any dividend will be paid by TNK, or guarantee that future dividends will equal or exceed previous payments.

Litigation

- Legal proceedings and claims may arise from time to time in the ordinary course of TNK's business and may result in high legal costs, adverse monetary judgments and/or damage to TNK's reputation which could have an adverse impact on TNK's financial position and financial performance and the price of its shares.

Other risks

- For further information in relation to other risks which might affect TNK, please refer to TNK's 2018 Annual Report.

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- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

7 Contact details

Corporate details

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