THINK Childcare Limited

INVESTOR PRESENTATION

ACQUISITION OF ELEVEN (11) TRADING CHILD CARE SERVICES

21 OCTOBER 2019

Nido Craigieburn

CONTENTS

1 TRANSACTION OVERVIEW AND HIGHLIGHTS

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TRANSACTION OVERVIEW AND HIGHLIGHTS

Acquisition of 11 trading Services representing EDHOD pipeline out to CY20

- Purchase price of $16m or 4 times CY20 EBITDA[1]
- Quality portfolio comprising :
  - eight (8) purpose built Nido Early School *nidoearlyschool.com.au*;
  - one (1) Service has been transitioned to Nido; and
  - two (2) are near new high-quality Services that require rebranding to transition to Nido
- Increases TNKs portfolio of Nido Services from 33 to 44 (average age of Services 1.2 years)
- Demographic demand ratio strong with an average of 3.4 children per licensed place
- Secures the acquisition of the EDHOD pipeline out to CY20
- Vendor has waived rights to earn-outs and TNK has waived rights to claw-backs
- TNK waived rights to the remainder of EDHOD's pipeline to enable the Receivers to continue the sales process
- TNK supports a sale to a third-party incubator and would seek to negotiate an ongoing management arrangement
- TNK maintains previously disclosed guidance for CY19 [1] and CY20 [1]

1. EBITDA (underlying) excludes impact of AASB 16 leases, acquisition costs and one-offs

ACQUISITION METRICS

Strong key portfolio metrics

Eleven services acquisition metrics	Value
Purchase price	$16m
Number of licensed places	1,051
Average fees per day	$119
Average utilisation (at 13 October 2019)	60%
Rent per licensed place	$3k per year
Average lease term (including options)	37 years
Age of services (average)	1.2 years
Acquisition price (average)	$1.5m per service
Locations	VIC, SA, WA, NSW
Demographic demand ratio	3.4 children per licensed place
CY20 EBITDA[1] (underlying) contribution	$4m

1. EBITDA (underlying) excludes impact of AASB 16 leases, acquisition costs and one-offs

2 COMMERCIAL RATIONALE

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COMMERCIAL RATIONALE

Acquisition of eleven (11) trading child care Services from EDHOD for $16m

- EDHOD 11 acquisition comprises of:
  - Five (5) Services forecast to be acquired in Q4 CY19; and
  - Six (6) Services brought forward from Q2 and Q3 CY20
- Transaction reduces TNKs exposure to a business that was experiencing difficulties, evidenced by the appointment of Receivers
- Shifts TNKs source of growth from acquisitions to growth in earnings (e.g. average occupancy of EDHOD 11 is circa 60% and forecast to 76% in the 2H 2020)
- Shareholder value created through the removal of earn-out as Services expected to trade-up in line with Nido portfolio (removal of claw-back which provides Receivers price certainty)
- 21% increase in the portfolio[1] comprises previously identified acquisitions but timing has been brought slightly forward. Benefits include:
  - Opportunity to improve trade-up through targeted local marketing activity *"short runway to 75%"*;
  - No capital investment required; [2]
  - No integration risk as TNK currently manage these Services; and
  - No additional corporate overheads
- TNK maintains previously disclosed EBITDA (underlying) [3] guidance for CY19 and CY20

1. Increase in number of licensed places
2. Minimal costs associated with Nido signage and branding of 2 Services
3. EBITDA (underlying) excludes impact of AASB16, acquisition costs and one-offs

EDHOD UPDATE

Acquisition reduces reliance on third party incubator for CY20

- Receivers actively promoting sale of the EDHOD pipeline which comprises:
  - Seven (7) brownfield Early Learning & Kinder Services of which TNK has waived all rights;
  - Four (4) Nido purpose-built Services expected to open Dec / Jan and which TNK will manage until the earlier of sale to third party incubator or 31 March 2020; and
  - Pipeline of circa twenty-four (24) Services at various stages of development approval
- EDHOD fees and expenses are paid up
- TNK waived rights to the remainder of EDHOD's pipeline to enable the Receivers to continue the sales process
- TNK supports a sale to a third-party incubator and would seek to negotiate an ongoing management arrangement
- Receivers may engage TNK to manage portfolio post 31 March 2020 should third party sale not eventuate

3 ACQUISITION IMPACT ANALYSIS

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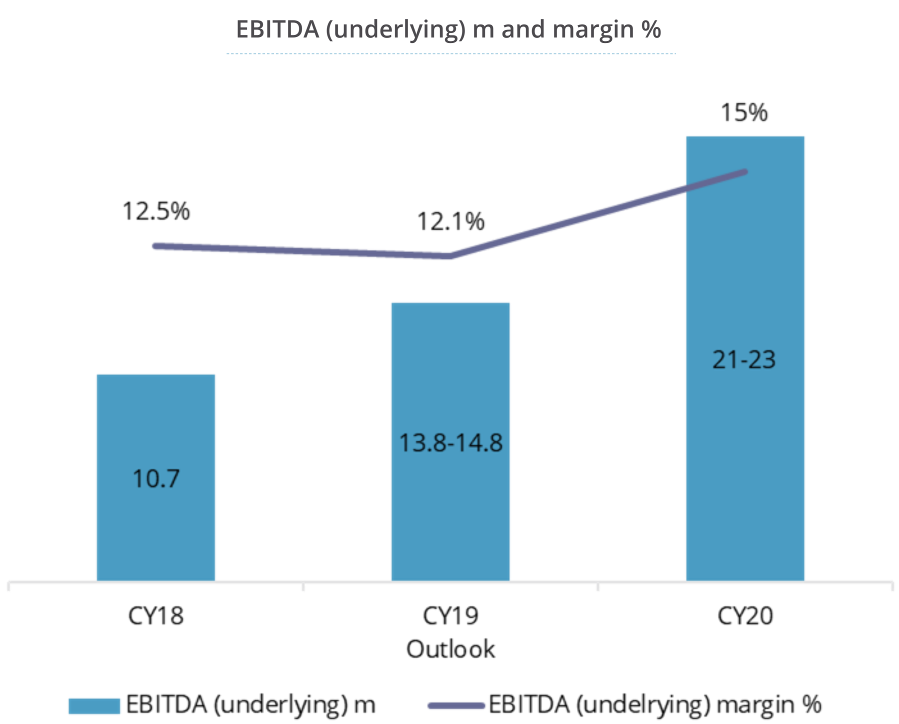
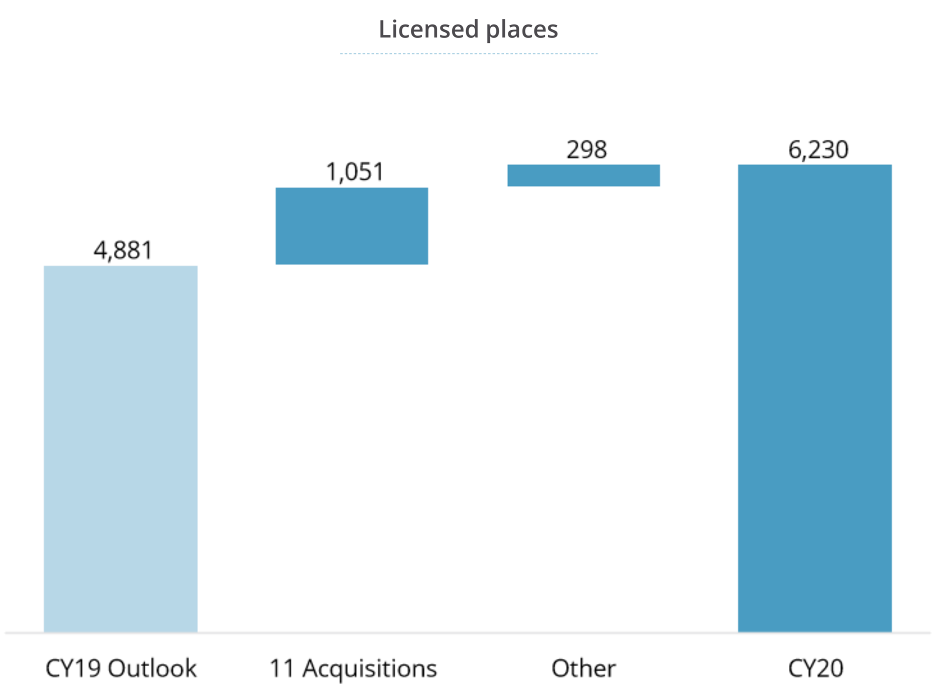
IMPACT ANALYSIS ACQUISITION OF 11 SERVICES

21% increase in owned licensed places

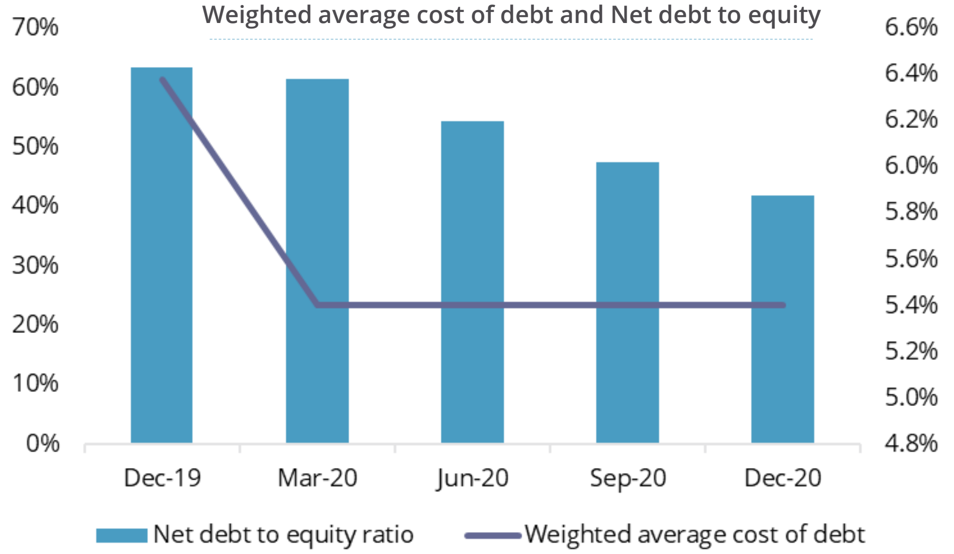


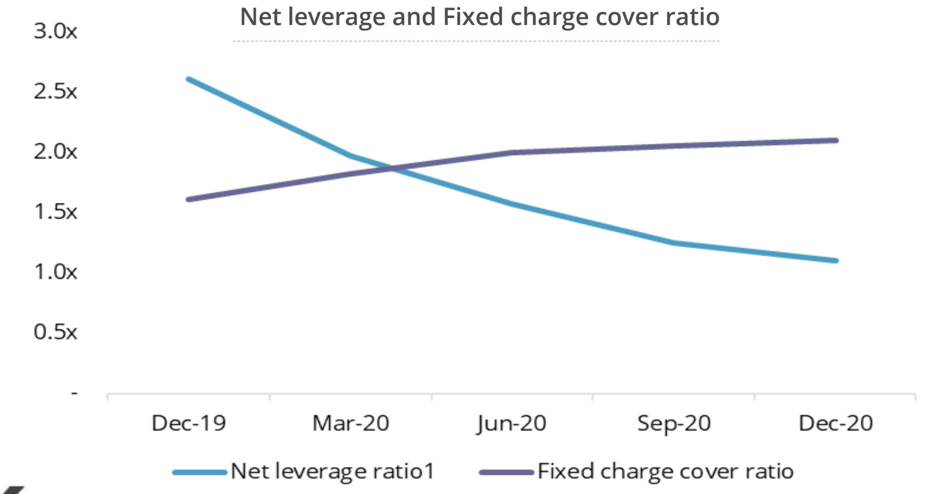


- Acquisition of eleven (11) Services represents 21% increase in owned licensed places
- EDHOD Services expected to mature in CY20[1] and contribute $4m to EBITDA (underlying)
- Margin improvement of 2.9 percentage points expected as the Services trade-up (CY19 impacted negatively by TNK greenfield trade-up)

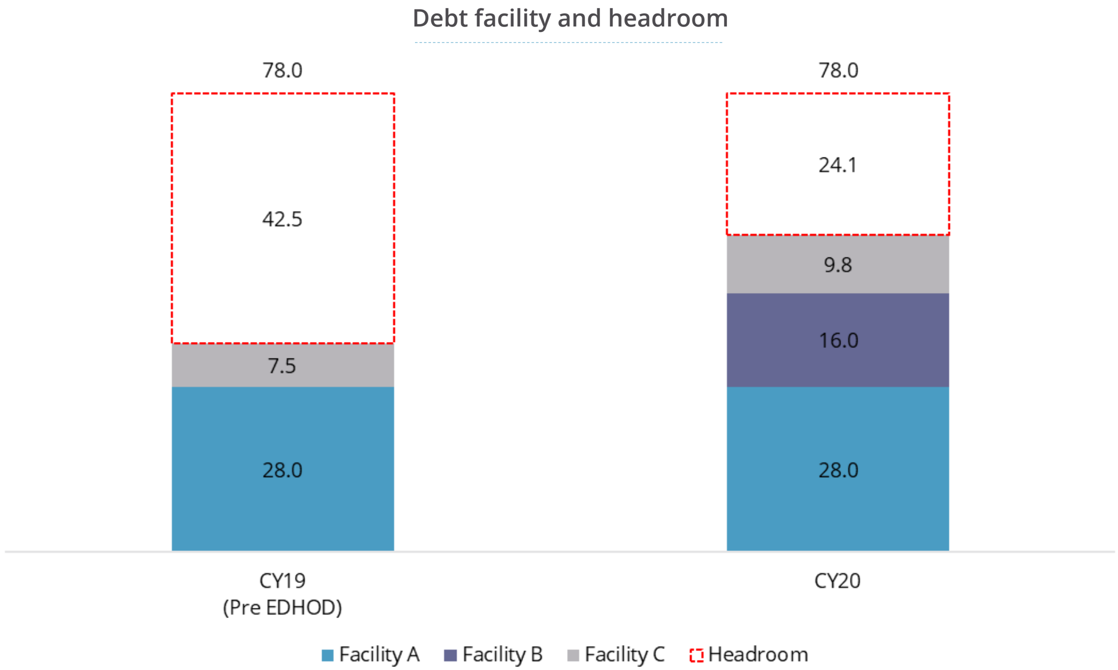
1. CY20 excludes impact of Stapling Proposal which is subject to shareholder approval

Debt facility headroom of $24m post acquisition





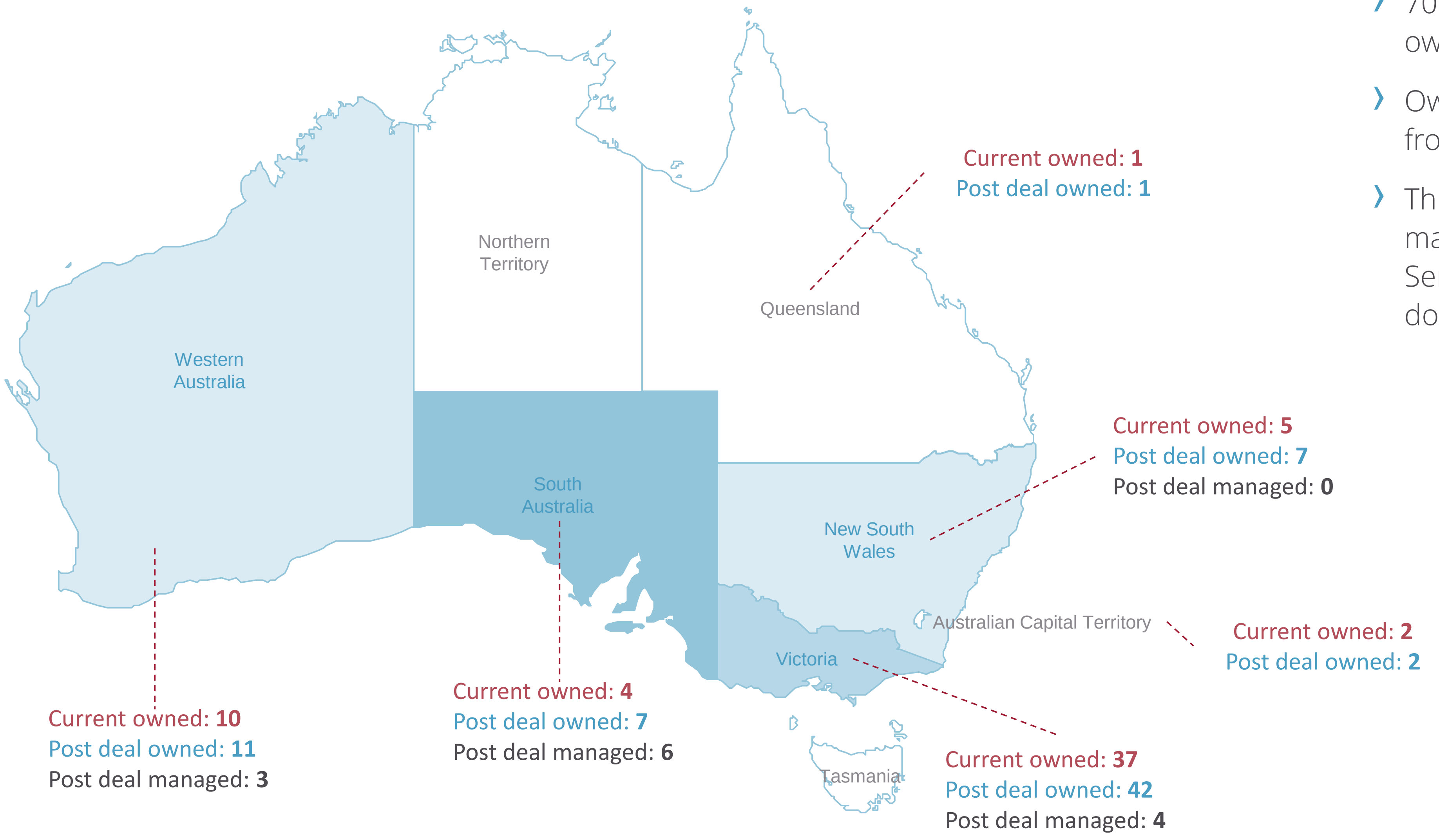
- Weighted average cost of debt to improve from 6.4% in CY19 to 5.4% in CY20[2] due to reduction of interest rate and higher utilisation reducing line fees
- Facility C is drawn as rental guarantees and is contingent in nature



1. As defined in Macquarie Bank Limited syndicated facility agreement
2. CY20 excludes impact of Stapling Proposal. Headroom of $16.6m including Stapling Proposal (subject to approval)

GEOGRAPHIC LOCATIONS

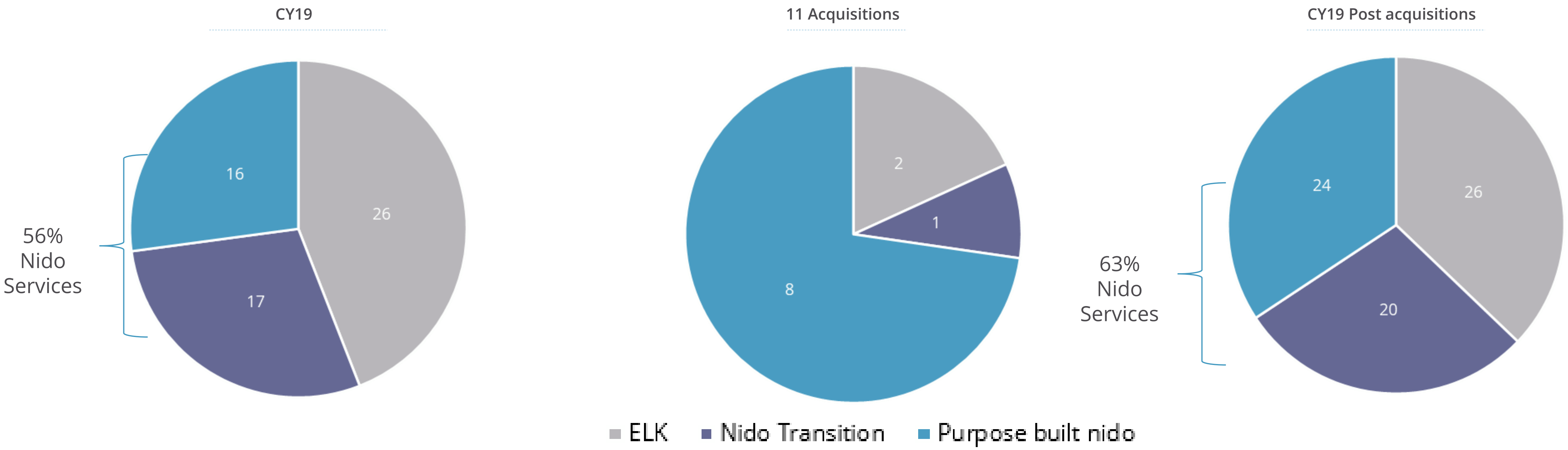
Consolidation of owned Services



- 70 Services owned, a 21% increase in owned licensed places
- Owned v managed Services increase from 71% to 84%
- Thirteen (13) Services under management, with seven (7) Edhod Services for sale to third parties as they do not meet the Nido value proposition

NIDO STRATEGY

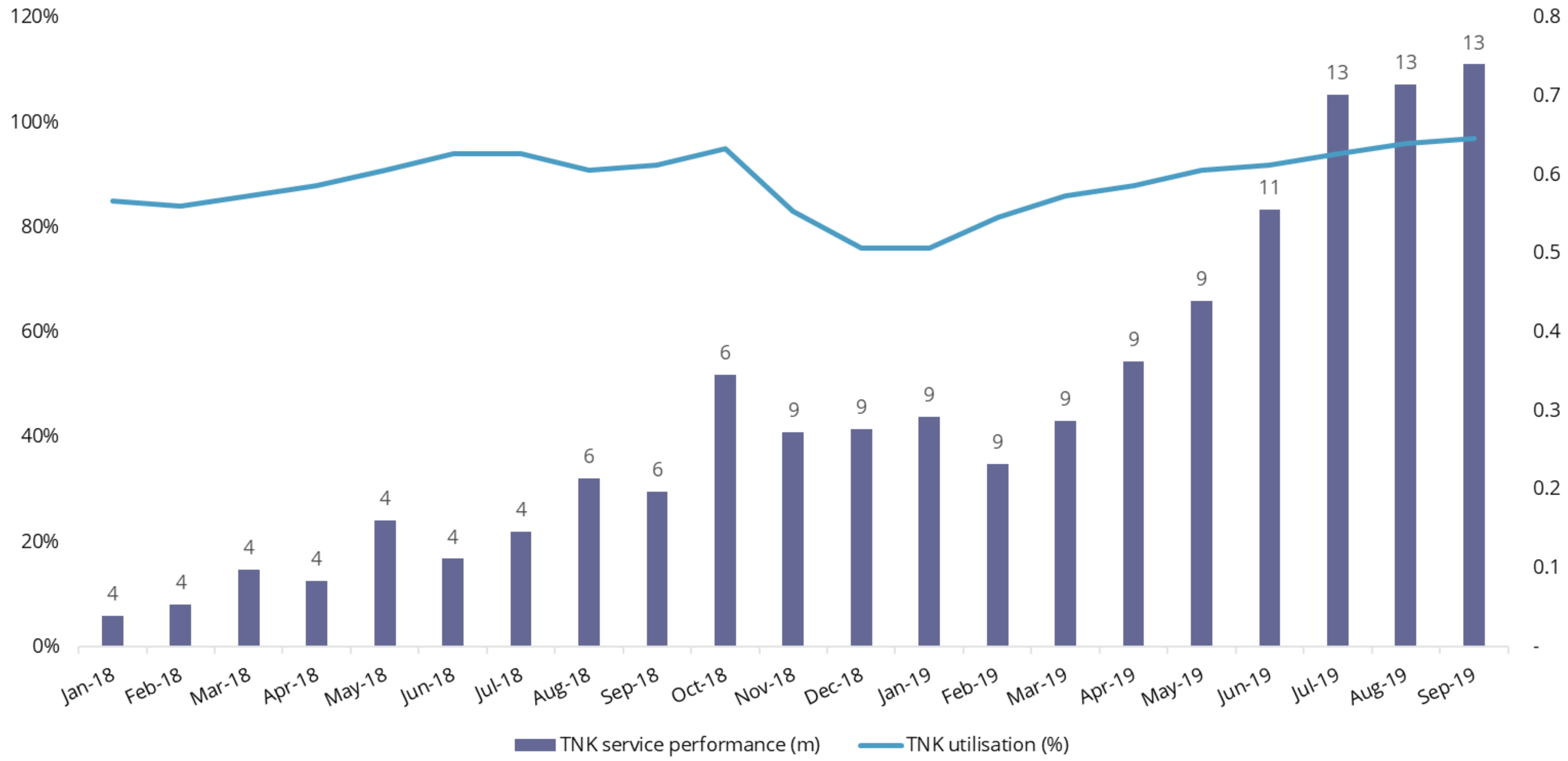
Continued delivery of Nido strategy



- Purchase of EDHOD eleven (11) Services enables TNK to extend its Nido footprint; mapping to best in sector education, care and state of the art environments
- Increases TNK's portfolio of Nido Services from 33 to 44 (2 Services that are Early Learning & Kinder at acquisition will be transitioned to Nido post acquisition)

INCUBATOR ACQUISITION PERFORMANCE

Incubator acquisitions trading at 97% utilisation



- Last 13 Services acquired since January 2018 through our incubator partners are trading at an average utilisation of 97%
- These Services make up 22% of the current portfolio with 1,163 licensed places

HTTPS://NIDOEARLYSCHOOL.COM.AU/

4 HOUSE VIEW SECTOR TRENDS

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HOUSE VIEW SECTOR TRENDS

TNK well placed to benefit from sector dynamics

- Acquisition multiples remain strong for high quality and high occupancy Services (5-8 times) and demand for these Services by overseas entrants and private equity firms make on-market acquisitions highly competitive
- Acquisitions of 1 or 2 Services from mum and dad operators to a corporate structure involve material integration risk
- Speculative development of new sites has become more difficult as banks and landlords have tightened lending and security requirements, resulting in the following:
  - Rents are normalising;
  - Tenant covenant has become increasingly important in development feasibility;
  - Large developers are focused on infill areas that provide barriers to entry; and
  - Consequentially, over-supply is abating
- The market feels more buoyant, enquiries are increasing, the average days a child is in care has grown, those offering quality that are the best positioned to capture this opportunity
- Large operators are investing heavily into capital improvements in order to elevate their care offering, however repositioning a Service in its 2-5km market is a slow burn relative to a new build that is able to position itself as a leading service provider in its market day-one
- Child Care Subsidy (CCS) has shifted the demand dial and has absorbed over supply in some markets. The real benefit of CCS is seen in mortgage belt areas and where greater employment opportunities exist. CCS is achieving its objective of promoting workforce participation

5 APPENDIX

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Nido Airport West

KEY METRICS - OPERATIONAL

5% Service margin improvement in CY20

Operational metrics	CY19 Outlook	CY20[1]		Variance CY19 vs CY20
No. of services (Owned)[2]	70	73		3
No. of licensed places	5,932	6,230		298
Days of learning	954,420	1,294,231		339,811
Daily average fees	119	128		9
Base wage per child per day	56	58		- 1.5
Service margin	18%	23%		5%
EBITDA (Undelrying) margin	12%	15%		3%
Wages as percentage of revenue	60%	57%		3%
Consumables as percentage of revenue	2.8%	2.8%		0%
Corporate overheads as percentage of revenue	8%	8%		0%
Rent as percentage of revenue	12%	10%		1%
Rent per licensed place (annualised)	2,772	2,919		- 147

- Services expected to mature in CY20 and contribute $4m to EBITDA (underlying)
- No impact on EBITDA (underlying) in CY19 for 2 months

1. CY20 excludes impact of Stapling Proposal which is subject to shareholder approval
2. CY20 assumes 3 acquisitions from incubator partners

INVESTOR CONFERENCE DIAL IN DETAILS

Date: Monday, 21 October 2019 at 11am AEDT

Joining the conference

For participants

- All participants must pre-register to join this conference using the Participant Registration link below.
- Once registered, an email will be sent with important details for this conference such as the call date and time, as well as a full list of participant dial in numbers to join the call. Also included is a unique Registrant ID. This ID is to be kept confidential and not shared with other participants

Participant Registration Site:

http://apac.directeventreg.com/registration/event/6259087

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