ASX Announcement

G8 Education Limited
(ASX:GEM)

8 June 2020

Early Learning Sector Government Funding Packages Update

G8 Education Limited (the “**Group**” or “**G8**“, ASX: GEM) provides the following update in relation to the Federal Government’s Early Childhood Education and Care Relief Package (**ECEC Relief Package**), the JobKeeper wage subsidy as well as outlining a new Transition Payment to support the sector.

Government Updates

The Federal Government today announced that payments under the ECEC Relief Package would cease the week ending 12 July 2020 and that normal Child Care Subsidy (**CCS**) arrangements (i.e. Government CCS payments and parent co-payments) would resume thereafter.

The Federal Government has also announced that the JobKeeper wage subsidy will cease for employees of the early learning sector from 20 July 2020.

However, in order to continue to support the early learning sector during this period of reduced occupancy levels, early learning and care providers, including G8, will receive a Transition Payment equal to 25% of each centre’s fee levels prior to the impact of COVID-19 (calculated based on fees received by G8 in the fortnight prior to 1 March 2020). This equates to half of the amount received under the ECEC Relief Package but is paid in addition to the normal CCS and co-parent payments. The Transition Payment will be paid commencing 13 July 2020 until 27 September 2020 and is conditional on early learning and care providers maintaining average gross employment levels during this period.

During the period from 13 July to 27 September 2020, G8’s fees will be set in line with the February reference period used to calculate the Transition Payment.

The Federal Government further announced that activity test requirements, one of the factors in determining a family’s access to the CCS, will be eased for families impacted by COVID-19 (e.g. due to loss of employment etc.) until 4 October 2020. This will assist in making early learning more accessible and affordable to certain families, including those whose employment has been impacted due to COVID-19.

This revised government support package, and the re-commencement of CCS, gives providers greater flexibility to increase bookings and attendances by removing the cap on revenues imposed by the prior relief arrangements.

G8 Chief Executive Officer and Managing Director Gary Carroll commented:

“It’s been positive to see the sector being universally recognised as essential to the Australian community and economy. I am particularly proud of our team who, during this turbulent period, have continued to provide critical early learning services to the many Australian families who depend on us. Our focus is on continuing to provide the best possible early learning experience to all children in our care and for all families who need us, something G8 is well positioned to do.

“The transitional arrangements announced today are welcome as they provide operators with increased flexibility to support families as the economy recovers. We look forward to continuing to engage with government and other stakeholders to ensure the right settings are in place to support our families and team members.”

Financial Impact

The revised government support packages announced today are structured such that G8 expects to be in no worse a position relative to the prior support measures, even at more subdued occupancy levels than current.[1] G8 also confirms that total cost savings are in line with the target outlined in the Investor Presentation released on 9 April 2020.

In addition to the Transition Payment, from 13 July 2020 the Group will generate revenue from the revised CCS and parent co-payments, which are payable based on bookings at G8 centres each week rather than physical attendance.

The Group's booked occupancy is currently circa 65%, however, physical attendance is circa 52% as some parents continue to choose to keep their children at home despite having a booking at a centre. During May physical attendance improved circa 20% pts off the April low of circa 30%.

Booked occupancy is expected to be impacted by various factors, including the reintroduction of parent co-payments under the CCS arrangements, students returning to school, parents returning to work (including at office locations) and unemployment rates. The Group is not in a position at this stage to comment on the net effect of these factors on booked occupancy, however, the gap between booked occupancy and attendance levels is expected to continue to narrow.

We look forward to providing a further trading update at the Group's Annual General Meeting on 17 June 2020.

ENDS

This document has been authorised for release by the Board of Directors.

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[1] On 9 April 2020 the Group outlined in its Investor Presentation that proforma average monthly revenue and key cash costs were forecast to result in neutral cashflows during the COVID-19 period, expected to be the 6 months from April through to the end of September 2020.