ASX Announcement

G8 Education Limited
(ASX:GEM)

11 June 2020

For personal use only

EXPECTED NON-CASH IMPAIRMENT CHARGE

The Board of G8 Education Limited ("**G8**", and its subsidiaries the "**Group**", ASX: GEM) announces that it expects to recognise a non-cash impairment charge in its CY20 half-year results.

The strategic portfolio review that commenced in the second half of 2019 has been substantially completed. As foreshadowed in the Investor presentation dated 9 April 2020, the review has considered the additional impacts of the COVID-19 operating environment which has exacerbated the challenging industry supply environment that has been in place for the past 12 – 24 months.

The review involved a detailed assessment of the Group's assets in accordance with accounting standards, focusing in particular on the uncertainty and risk of delays in economic recovery and subsequent impact on performance. The likely slower recovery profile arising from COVID-19 was then reflected in short to medium term cashflows for the Group, with a resulting reduction in the carrying value of assets. Valuation principles place a greater emphasis on shorter rather than less certain longer-term cash flows when considering asset valuations.

Accordingly, the Company expects to recognise an after-tax impairment charge in the range of $230m to $250m in its half year accounts for the period ended 30 June 2020 predominantly relating to:

- the carrying value of intangible assets, principally goodwill; and
- the right of use asset and tangible assets relating to a number of underperforming centres, including some recently acquired Greenfield centres.

Any impairment will be non-cash in nature and will have no impact on the Company's debt facilities or compliance with its banking covenants. It also provides the Group with more flexibility with respect to how it manages those underperforming assets.

The final outcome of the impairment review is subject to audit and approval of the CY20 half-year financial statements.

The Directors note the recent support of the industry by Government, our confidence in the long-term future of the business and the robust financial position of the group following its recent capital raising.

ENDS

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

For further information, contact:

Investors
Gary Carroll, CEO
+61 7 5581 5313
gary.carroll@g8education.edu.au

Sharyn Williams, Chief Financial Officer
+61 7 5581 5404
Sharyn.Williams@g8education.edu.au

Media
Chloe Rees
Cato & Clive
0417 665 416 / chloe@catoandclive.com