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ASX Announcement
Mayfield Childcare Limited (ASX:MFD)
29 February 2024

Financial Results for the FY23 Full Year & FY24 Guidance

Mayfield Childcare Limited (the "Company", "Mayfield") is pleased to announce its results for the full-year ended 31 December 2023 (FY23).

Following a challenging start to the year, the Company is pleased to report a strong turnaround in results as we move from Q4 into the new year. Q4 results reflect the business having achieved a normalised run rate of performance, which has continued into January 2024. Accordingly, the Company is pleased to note the FY24 underlying Group EBITDA[3] guidance of $9M - $9.5M, with further upside anticipated should the sale of centres approved for divestment proceed.

Highlights

- **Return to Normalised Performance in Q4:** As anticipated in the Company's half-year update, the Company is pleased to have achieved a strong uplift in trading results in Q4 with underlying Centre EBITDA[2] improving 87% to $3.7M (Q3 2023: $1.9M) and underlying Group EBITDA[3] improving 254% to $2.1M (Q3 2023: $0.6M) which excludes $1.1M of recoveries received under the settlement with the former CEO.
- **Continued Momentum in 2024**: The Company has achieved continued momentum in January, generating underlying Centre EBITDA[2] of $0.8M and underlying Group EBITDA[3] of $0.4M reflecting a 31.6% and 77.1% increase on respective pcp. January results are notwithstanding weather disruption at 5 centres in Far North Queensland and Victoria which resulted in temporary closures.
- **FY24 Guidance**: The Company provides FY24 underlying Group EBITDA[3] guidance of $9M - $9.5M. Centres approved for divestment, of which three are currently under offer but remain subject to lease assignment negotiations, will provide additional upside of $1.0M - $1.5M underlying Centre EBITDA[2] on an annualised basis in FY24 once divested. The Company continues to work to divest all approved centres as a matter priority.
- **Occupancy**: Core portfolio occupancy[4] (excluding approved divestments) was 75.2% (CY22: 75.3%). As a cohort, 80% of the core portfolio had an occupancy of approximately 80%. Occupancy of the Group[4] was 67.8% (CY22: 69.0%) reflecting the underperformance of centres approved for divestment. The Company anticipates further upside in occupancy growth as it continues to resolve staff shortages at a number of centres.

1. Underlying Centre EBITDA and Underlying Group EBITDA are non-statutory financial concepts and measures which are not prescribed by Australian Accounting Standards
(AAS). The Directors consider that these measures are useful in gaining an understanding of the performance of the entity, consistent with internal reporting.
2. Underlying Centre EBITDA removes the impact of the AASB 16 Leases accounting standard, for an explanation of the impact of this standard please refer to Note 1 of the 2023 Annual Financial Statements.
3. Underlying Group EBITDA removes the impact of the AASB 16 Leases accounting standard and removes the impact of a once-off $1.39M accounting provision related to historical amounts received in funding that Mayfield may not have been entitled to receive, due to a non-compliant fee billing policy implemented in 2018 by previous management.
4. Excludes centre closed due to fire in 2021 and re-opened in 1H 2023.

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- **Strong Acquisition Performance**: The four centre acquisitions completed in 2023 performed strongly, delivering occupancy of 78.4% and trading ahead of forecast, resulting in a post-trading acquisition multiple of 4.5 times on an annualised basis.
- **Capital Management & Dividend Status**: The Company's improved trading results and healthy free cashflow has resulted in the further reduction of debt drawn on its available bank loan facilities net of cash at hand to $7.2M as at 31 December 2023 (30 June 2023: $11.6M) allowing for a potential reinstatement of the dividend at 30 June 2024 subject to bank approval.
- **Quality Rating Uplift:** The Group continues to achieve uplift in quality assessments with 92% of centres now 'Meeting' or 'Exceeding' the National Quality Standards, reflecting a 14% increase on the prior year.
- **Strengthened Incubator** – the Company is pleased to advise that it has negotiated in principle a revised incubator partnership model with Genius Learning Pty Ltd (Genius Learning) based on a review of the 2021 acquisitions completed by previous management and stakeholder feedback. The revised terms (subject to shareholder approval as required) will incorporate an earn-out and 100% deferred consideration, coupled with further rights to reporting and Mayfield management control of incubator centres prior to acquisition. The 2024 Childcare Development Plan will exclude any centre recently acquired by Genius Learning from G8 Education (ASX:GEM). All acquisitions will be subject to an Independent Due Diligence Report and Shareholder Approval.
- **Strategic Review with Canaccord Genuity** – as indicated within the Company's half-year update, having completed remediation efforts and strengthened its operational foundations, the Company continues to focus on growth. Accordingly, the Company is pleased to announce that it is in the final stages of appointing Canaccord Genuity to explore a range of value accretive opportunities for shareholders.

Chief Executive Officer, Ashok Naveinthiran stated: "This year has been pivotal in laying down the foundations necessary for future growth. By focusing on our people and shared objectives, we've fostered a performance mindset across the organisation. This shift is already showing promise, not just in the morale and engagement of our team but in our financial results as well. Our focus on the management of costs and budgets is setting the foundations for further margin uplift, demonstrating our commitment to operational excellence."

"We have started 2024 positively, building on the progress of last year. Our early achievements are a testament to the strength of our new foundations and the effectiveness of our strategic focus areas: people, culture, quality, performance, and financial management. With these pillars firmly in place, we are well-positioned to

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pursue growth opportunities, unlock shareholder value, and work towards the reinstatement of the dividend at the half year."

Financial Overview

As anticipated in the Company's half-year update, the Company is pleased to have achieved a strong uplift in trading results in Q4 and has continued this momentum in 2024:

- Long Day Care Revenue for the consolidated Group increased by 12% to $76.1 million, driven by an increase in family utilisation and the contribution of new centres acquired in the first half of the year.
- Notwithstanding a challenging corporate environment, excluding centres approved for divestment, underlying Centre EBITDA[2] continued to perform in-line with the prior year, generating $11.7M (CY22: $11.1M).
- The Group strengthened its trading performance in the second half of the year, with underlying Group EBITDA[3] of $3.7M (1H 2023: $0.8M) driven by a significant uplift in Q4 performance which contributed $3.1M (Q3 2023: $0.6M). Underlying Group EBITDA[3] of $4.6M (CY22: $11.3M) was a result of the previously announced challenging trading results in the first three quarters of the year.
- The Group continued the momentum achieved in Q4 2023 with positive results in January of $0.8M underlying Centre EBITDA[2] and $0.4M underlying Group EBITDA[3], reflecting a 31.6% and 77.1% increase on respective pcp.

The Company has been diligent in managing its capital and as at the date of this announcement has ~$4.4 million available on its primary working capital facility and $11.9 million available under its acquisition Facility.

Corporate Update

As announced to the market in December 2023, the Company is pleased to have received all settlement sums owed under its Settlement Deed with former CEO, Dean Clarke, in relation to misallocations, misappropriations and investigation costs. The Company has reported all matters to the relevant authorities and will continue to work co-operatively as required.

The Board will seek to reinstate the interim dividend at 30 June 2024 subject to our Lender's approval and contingent on first half performance. A key consideration to the reinstatement will be the revision of our banking covenant definitions to allow for abnormal costs and the $1.39M accounting provision raised in Q4 2023 relating to historical amounts received in funding that Mayfield may not have been entitled to receive due to a non-compliant fee billing policy implemented in 2018 by previous management, as notified to shareholders on 22 December 2023. Discussions commenced with our Lender in 2023 and positive steps have been undertaken in this regard.

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Outlook & Guidance

- Having completed an extensive program of work in 2023 we maintain a positive outlook for 2024. Our efforts for the upcoming year will be focused on organic growth by driving enrolment conversion rates, implementing further recruitment initiatives to remove staff bottlenecks and a focus on operational excellence and performance management at a centre level.
- We anticipate cost pressures to persist at a centre level for a longer duration than what inflation trends may indicate. Rationalising suppliers and refining our procurement strategy to drive cost savings will be a key focus area in this regard.
- The CCS affordability improvements implemented in 2023 are expected to continue to drive demand, however, we anticipate that some of this will be curtailed by continued staffing shortages across the industry which will limit our ability to maximise our enrolment pipeline. Workforce management will be a critical area of focus.

We are pleased to provide FY24 underlying Group EBITDA[3] guidance of $9M - $9.5M. Centres approved for divestment will provide additional upside of $1.0M - $1.5M underlying Centre EBITDA[3] on an annualised basis in FY24 once divested.

This ASX announcement has been approved for release by the Board of Directors of Mayfield Childcare Limited.

For further information, please contact:

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