



ASX Announcement

ASX Code: NDO

Four Incubator Child Care Services acquired for \$12mil

30 September 2024

Nido Education Limited (ASX: NDO) (**Nido**) is pleased to announce it has completed the acquisitions of four Services from its incubation pipeline.

Service Performance Metrics

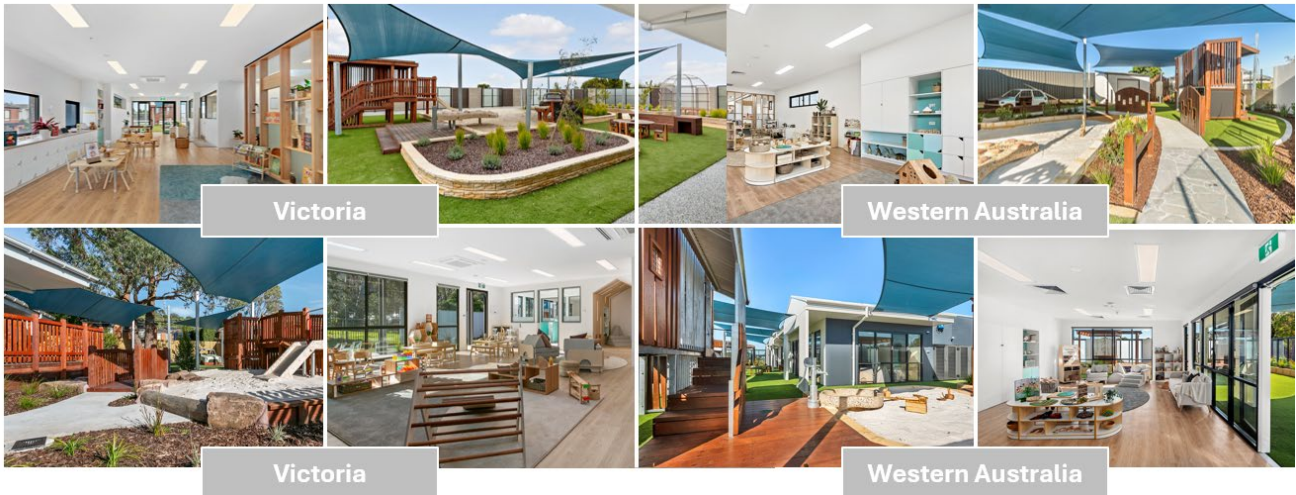
| | |
|---------------------------------|---------------------------------------|
| Acquisition investment | \$11.85m |
| EBIT (pre-AASB16) impact CY2015 | \$2.6m |
| Average Daily Fee | \$172 |
| Licensed Places | 349 |
| Average weeks open | 58 weeks |
| Location | 2 in Victoria, 2 in Western Australia |

Nido's first acquisitions since IPO have been completed ahead of expectation. The Services have traded up strongly with the oldest opening in June 2023 and the latest opening in October 2023. These short trade up periods highlight Nido's successful site selection process and Nido's capability in delivering greenfield developments.

The acquisitions are de-risked through an earnout and claw-back of up to 10% of the acquisition investment based on the earnings for the first 12-months of Nido's ownership.

The Services were acquired from three vendors, with two Services coming from our primary incubator NAED.

Whilst the acquisitions will not have a material impact on CY2024 after acquisition costs are taken into consideration. The Services are forecast to generate earnings in CY2025 in the order of \$2.6m EBIT.



Incubation Explained

Growth Pipeline

Nido now has 12 remaining Services in incubation, with three Services opened in September 2024. The pipeline remains strong with circa 100 sites at various stages of development and 100 to 150 new opportunities offered every month, underpinning Nido's growth expectations.

Nido's de-risked Incubation model

The typical growth model in child care has been a roll-up, simply acquiring on market from a variety of vendors. Nido's unique growth model gives it the ability to only acquire proven, profitable Services that are purpose-built with all locations approved by Nido.

Nido's growth comes at a multiple of 4.5x EBIT with an earnout and claw-back of up to 10% of the capital invested, further de-risking the acquisition. All the Services are purpose built and managed by Nido from day one, ensuring consistency in the quality and no integration risk post acquisition.

Finding a new site

Nido Sources the site, undertakes analysis regarding demand, convenience, capacity, competition and viability. Presents the site to the Incubator for approval. Nido negotiates commercial leasing terms and leasing documentation.

NAED Using its own assessment process, approves the site and associated agreements. Enters into the agreement for lease and the lease agreement.

Opening a Service

Nido receives \$250,000 as an establishment fee when a Service commences trading.

Nido Undertakes all the work from the design of the Service, working with architects, developers and the builders. Nido markets the Service, equips the Service with resources, manages all recruitment of the employees, and undertakes all training and onboarding. Nido completes all works and applies for the licence to operate each Service.

NAED Funds all aspects of the fit-out and resources for the Service and contracts all the employees.

Managing a Service

Nido receives a per Service management fee of \$120,000 annually.

Nido Manages all operational aspects of the Service day-to-day. This includes human resources, financial management, payroll, operational compliance, maintenance and ensuring it meets the Nido standards. Nido reports to the Incubator through Business Intelligence dashboards, giving NAED full operational visibility.

NAED Funds all aspects of the business, including capex, trading losses and rental bonds.

Nido call option to acquire

Trading up and sale to Nido.

Nido Once a Service achieves the acquisition metrics of an average 80% occupancy and an average \$5,500 EBIT per place over a 6-month period. Nido has a call option, live for the next 12 months, to acquire the Service at 4.5 x EBIT.

NAED Continues to fund all aspects of the business.

Overview of Nido

What does Nido do?

Nido owns, operates and manages child care Services and manages the development of new Services (leasehold):

- Owns 56 Services (post the acquisition of the four incubator Services).
- Manages 46 Services on behalf of third parties, 12 of these are in incubation providing future acquisition opportunities in 2025.
- Manages a pipeline of circa 100 Services at various stages of development.

How does Nido generate revenue?

Nido's revenue streams:

- Child care fees from operating and owning 56 Services.
- Various Government funding for Kindergarten and Service based programs.
- Fees from managing 46 Services (\$100-\$120K per annum per Service).
- Establishment Fees for opening Services for the Incubator, NAED, (\$250K per Service).

Our websites: www.nidoeducation.edu.au and www.nido.edu.au

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This ASX announcement was authorised for release by the Board of Nido Education Limited.

Investor enquiries

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