ASX Announcement

G8 Education Limited
(ASX:GEM)

G8 Education[ltd]

22 February 2016

Amendment to Investor Presentation

G8 Education Limited (ASX:GEM) would like to correct a typographical error on page 12 of the Investor Presentation announced on 22 February 2016. Stated 2015 EBIT for pre 2011 vintage was reported as 4,019,000 and should be 24,019,000.

ENDS
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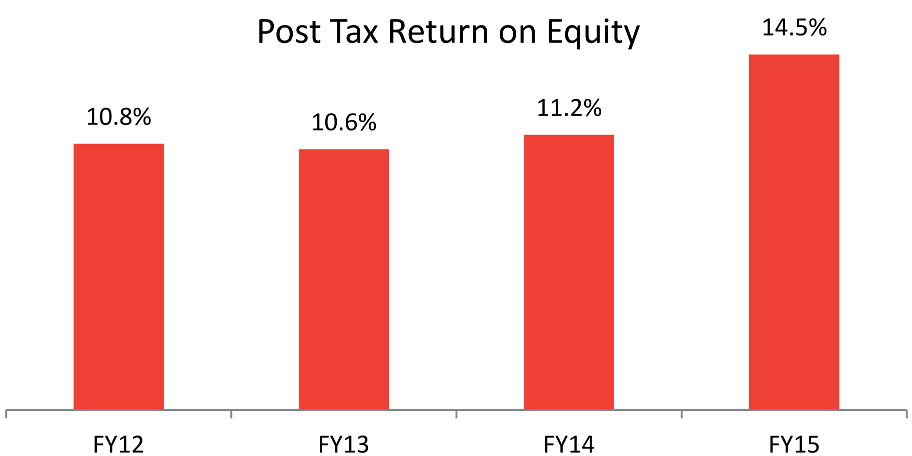
G8 Education – 2015 Results Presentation

G8 Education Limited (ASX:GEM)
22 February 2016

Corporate Snapshot

Key Financial Highlights	CY15
Underlying EBIT	$145.4m
Like For Like Centre Organic EBIT Growth	$8.3m
Underlying EBITDA / Net Interest Paid	8.0x
Underlying EBITDA to Net Debt	2.1x
Post Tax Return on Equity	14.5%
Cash Conversion from Underlying EBITDA	99%
Underlying Earnings per Share Growth	29%

Capital Structure	
Fully Paid Ordinary Shares (current)	374.7m
Share Price (as at 3 Feb 2016)	$3.32
Market Capitalisation (as at 3 Feb 2016)	$1.25bn
Cash (as at 31 Dec 15)	$194m
Senior Secured Debt - Undrawn (as at 31 Dec 15)	$50m
Senior A$ Unsecured Notes	$120m
Senior S$ Unsecured Notes	$260m
Senior SGD Unsecured Notes - To be redeemed 29/02/16	$155m



Substantial Shareholder	Shares	% Holding
Challenger Limited	26.3m	7.0%
UBS Group AG	22.4m	6.0%

Key developments since last reporting date

Since our last reporting date, the following key developments have taken place:

1. Appointment of a new Chairman of the Board of Directors – Mark Johnson
2. Appointment of a new Group Auditor – Ernst and Young
3. Appointment of an additional Independent Non Executive Director – David Foster
4. Confirmation of the early redemption of SGD$155m outstanding unsecured notes
5. Indicative terms received for proposed refinancing of outstanding SGD$260m unsecured notes

Financial Strategy

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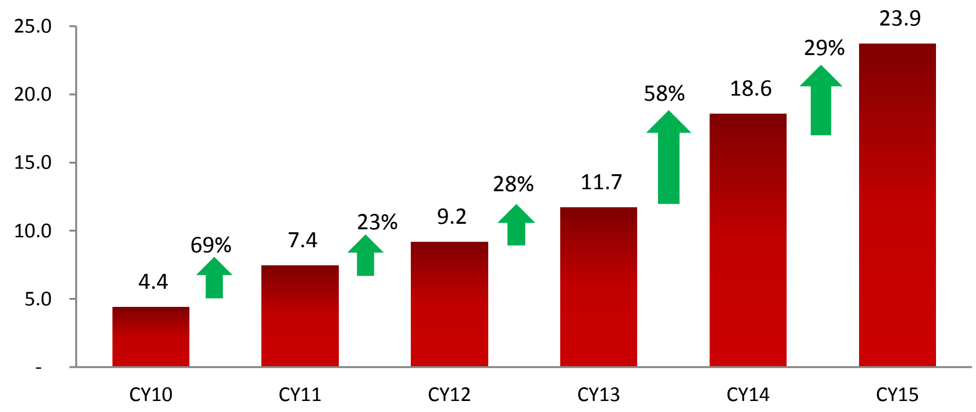
The Group's primary financial objective is to maintain year on year **double digit earnings per share** growth through:

1. Occupancy Growth — Driven by sustaining the execution of the G8 corporate model with an emphasis on first class care provision through on going investment in our staff, facilities and brands
2. EBIT Growth — Driven by maintaining revenue growth in excess of cost growth (positive jaws) and exercising discipline at the support office cost level
3. Portfolio Growth — Driven by ongoing bolt on acquisitions of earnings accretive premium child care centres

Group Underlying EPS (cents)



Corporate Objectives for CY16:

- Generate double digit EPS growth
- Refinance SGD$260m unsecured notes
- Acquire between $50m and $150m in centre acquisitions
- Maintain net debt to EBITDA at or under 2x.

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Group Financial Update

CY 15 Income Statement

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Consolidated Year end 31 December	2015 $'000	2014 $'000
Revenue*	703,547	488,402
Expenses	(543,124)	(382,437)
Earnings Before Interest and Tax	**160,423**	**105,965**
Financing Cost (net of interest income)*	(37,650)	(33,404)
Net Profit Before Tax	**122,773**	**72,561**
Net Profit After Tax	**88,581**	**52,731**
Less non-operating transactions:		
Deferred consideration not paid**[1]	(5,755)	(9,178)
Acquisition expenses	916	3,354
Share based payment expense **	344	107
Profit on sale of financial assets^[2]	(7,343)	-
Write off of SGD borrowing costs relating to sale of financial assets^	2,010	-
Write off of borrowing costs on refinance**^	-	566
Foreign currency translation loss**^	8,378	13,033
Underlying Net Profit After Tax	**87,131**	**60,613**
Effective Tax Rate	*28%*	*27%*
Underlying EPS (cents per share)	**23.87**	**18.57**
Underlying Earnings Before Interest and Tax	**145,438**	**100,248**

* Excludes interest income of $2.6m which is included in finance costs
** These items are non cash adjustments
^ These items have been adjusted for tax

[1] Deferred consideration not paid relates to the write back of centre based earnouts not achieved
[2] Profit on sale of Affinity (AFJ) shares was $10.5m pre tax excluding cost of SGD bond raising

- Revenue increased by 44% year on year rising from $488m in 2014 to $703m in 2015.
- Wages as a percentage of revenue from continuing operations were 55.5% in 2015 versus 56.0% in 2014.
- Rent expense in 2015 was 11.3% of revenue from continuing operations compared to 11.6% in 2014.
- The Group continued to generate year on year improvements in underlying EBIT margin recording 21.2% for the period.
- Underlying earnings before interest and tax, net profit after tax and underlying earnings per share increased by 45%, 44% and 29% respectively.
- The finance cost shown is net of interest income ($2.6m) and includes the foreign currency loss ($12.0m) on the SGD bonds as well as the borrowing costs ($5.6m) written off associated with the bonds.

Balance Sheet

G8 Education ltd

	2015 $'000	2014 $'000
ASSETS		
Current assets		
Cash and cash equivalents	193,840	120,804
Trade and other receivables	22,943	14,164
Other current assets	9,754	13,642
Total current assets	**226,537**	**148,610**
Non-current assets		
Property plant and equipment	41,370	29,575
Deferred tax assets	21,678	15,448
Goodwill	944,604	809,162
Total non-current assets	**1,007,652**	**854,185**
Total assets	**1,234,189**	**1,002,795**
LIABILITIES		
Current liabilities		
Trade and other payables	83,054	75,567
Borrowings	148,891	-
Employee entitlements	22,824	18,110
Derivative financial instruments	1,184	230
Current tax liabilities	4,400	9,655
Total current liabilities	**260,353**	**103,562**
Non-current liabilities		
Borrowings	366,270	352,944
Other payables	712	652
Provisions	4,069	3,628
Total non-current liabilities	**371,051**	**357,224**
Total liabilities	**631,404**	**460,786**
Net assets	**602,785**	**542,009**

Following the decision to appoint Ernst & Young as external auditor for 2016, the Company has engaged Ernst & Young to perform specific procedures to compare G8's current accounting policies, as disclosed in note 1 in the Annual Report, to Australian accounting standards. As a result of the procedures, the Directors are satisfied that no change in accounting policies is required that will result in a change in balances previously reported by G8.

- Trade and other receivables – An increase of $8.7m was due to the timing of year end cut off and the consequent impact on debtors combined with a rise in GST receivable.
- Other current assets - A decrease in deposits on acquisitions caused other current assets to fall from $13.6m to $9.7m.
- Property, plant and equipment – PP&E increased by $11.8m due acquisitions and centre based CAPEX.
- Goodwill – There was a $135.4m increase in goodwill reflecting the purchase price of centres settled in 2015.
- Trade and other payables – This increase of $10.6m is largely due to a rise in other payables and accruals partially offset by a reduction in deferred centre acquisition payments.
- Current borrowings - $148.9m relates to the SGD unsecured note to finance the cash component of the Affinity Education acquisition. This will be repaid on the 29 February 2016.
- Non-current borrowings – The increase in this liability is a function of the year end revaluation of the SGD bond at year end.

Cash Flow

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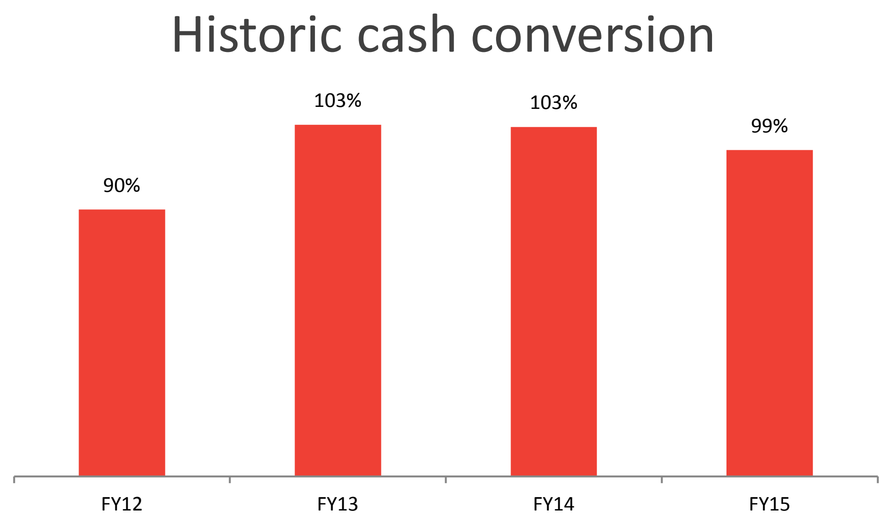
	2015 $'000	2014 $'000
Cash flows from Operating Activities		
Receipts from customers	676,870	494,744
Payments to suppliers and employees	(516,762)	(383,483)
Interest received	2,861	2,919
Interest paid	(22,354)	(14,240)
Income taxes paid	(45,563)	(25,224)
Net cash inflows from operating activities	**95,052**	**74,716**
Cash flows from Investing Activities		
Payments for purchase of businesses (net of cash acquired)	(128,940)	(447,751)
Repayment of loans by Key Management Personnel	-	1,642
Proceeds from sale of shares	52,073	-
Payments for purchase of shares	(33,182)	-
Payments for property plant and equipment	(21,082)	(16,508)
Net cash outflows from investing activities	**(131,131)**	**(462,617)**
Cash flows from Financing Activities		
Share issue costs	(151)	(7,249)
Debt issue costs	(4,282)	(7,845)
Dividends paid	(53,244)	(33,273)
Proceeds from issue of corporate note	153,617	272,963
Proceeds from issue of shares	12,934	216,499
Repayment of borrowings	-	(46,579)
Net cash inflows from financing activities	**108,874**	**394,516**
Net increase in cash and cash equivalents	**72,795**	**6,615**
Cash and cash equivalents at the beginning of the financial year	120,179	114,029
Effects of exchange rate changes on cash	852	(465)
Cash and cash equivalents at the end of the financial year	**193,826**	**120,179**

- Operating cash flow in 2015 was strong at $95.1m compared to $74.7m in 2014.
- Cash conversion remained impressive at 99% calculated as operating cashflow plus net interest paid and tax paid divided by Underlying EBITDA.
- Payments for businesses of $128.9m represents the payments of centres announced in 2014 and 2015 which settled in 2015.
- Proceeds and payments from the sale/purchase of financial assets relates to the shares held in Affinity Education subsequently sold to Anchorage Capital.
- Payments for PP&E relate to capital improvements to the centres.
- Cash flow from financing activities increased by $108.8m during the year due to the issue of the SGD corporate note, plus the proceeds from issue of shares which related to the Dec 14 dividend underwritten by UBS.

Cashflow Generation & Conversion



Note: Cash conversion = Operating Cashflow plus net interest paid and tax paid divided by Underlying EBITDA.

G8 has consistently delivered high levels of cash conversion from underlying EBITDA

- Stable and growing revenues generated by occupancy growth and market based fee rises
- Controllable and well understood operating costs
- Capital light business model with visible capital expenditure requirements

Debt Structure

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G8's debt structure as at 31 December 2015 consists of the following debt instruments:

Principle	Currency	Cost	Maturity
A$70,000,000	AUD	7.65%	7 August 2019
A$50,000,000	AUD	BBSW + 3.90%	17 February 2018
S$175,000,000	SGD	4.75%	19 May 2017
S$85,000,000	SGD	4.75%	19 May 2017
S$155,000,000 *	SGD	3.50%	31 July 2016

* This note is scheduled to be redeemed on 29 February 2016 from existing cash reserves

Key Financial Ratios	As at 31 December 2015
Leverage = Net Debt to CY15 Underlying EBITDA	2.1x
Interest Coverage = Underlying EBITDA to Net interest paid	8.0x
Undrawn Debt	A$50m
Current Annual interest cost	A$21m

Gross debt to EBITDA and interest coverage continue to highlight conservative capital management strategies.

The Group has received proposals to refinance the SGD260m bonds. This is expected to be completed before half year. It is the intention of the Group to hedge any residual FX exposure on the current SGD bonds to the refinancing date and fully hedge the new bonds to maturity.

The Group will re-enter into a tender process for a senior secured revolving line of credit in the second half of 2016.

The Group continued to operate well within its financial covenants.

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Key performance metrics

Full year like for like EBIT performance

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Full Year Like for Like EBIT $000

Vintage	Number of centres	2011	2012	2013	2014	2015	Growth CY15 on CY14
Acquired pre 2011	74	15,682	17,298	21,021	21,579	24,019	2,440
% increase			*10%*	*22%*	*3%*	*11%*	
Acquired in 2011	43	-	12,933	15,476	18,288	20,603	2,315
% increase				*20%*	*18%*	*13%*	
Acquired in 2012	33	-	-	14,737	16,040	17,561	1,521
% increase					9%	9%	
Acquired in 2013	74	-	-	-	21,268	23,320	2,051
% increase						*10%*	
Centre EBIT from 2014 settled Acquisitions	203					72,578	
Centre EBIT from 2015 settled Acquisitions	44					6,897	
Head Office and Corporate Costs						(19,540)	
Total Group Underlying EBIT	**471**					**145,438**	**8,328**

Like for likes calculated based on ownership of centre for a full calendar year. Acquisitions made part way through a year are captured in the following years data.

- Like for like EBIT margin increased to 23.8% in 2015 from 22.8% in 2014
- Like for like EBIT grew by $8.3m which represents a 11% growth rate on 2014

Like for Like - Occupancy

LFL Peak Occupancy

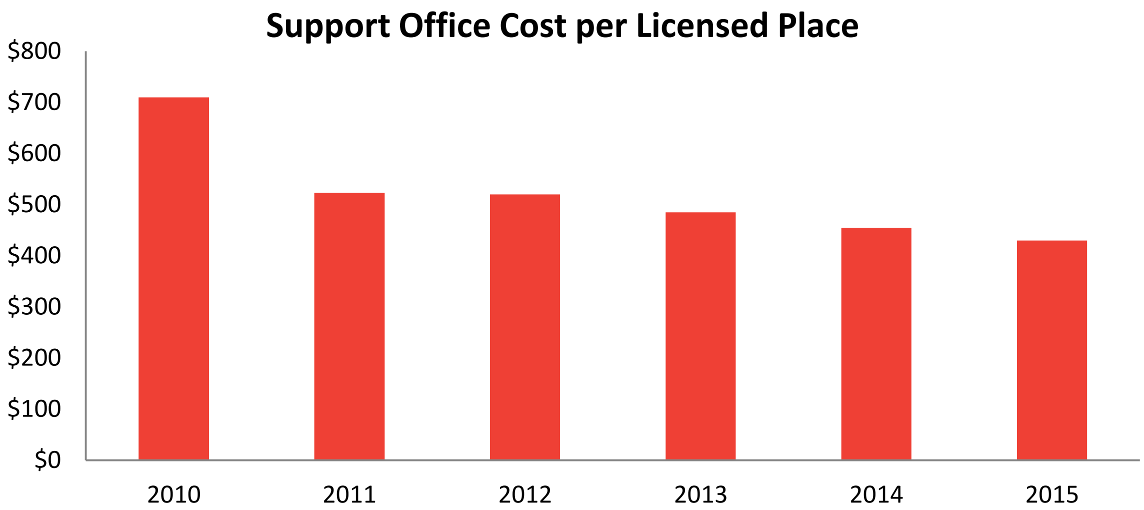
Vintage	Number of centres	2011	2012	2013	2014	2015
Acquired pre 2011	74	86%	86%	87%	87%	85%
Acquired in 2011	43	-	93%	95%	94%	93%
Acquired in 2012	33	-		95%	94%	93%
Acquired in 2013	74				87%	85%

Like for likes calculated based on ownership for a full calendar year. Acquisitions made part way through a year are captured in the following years data. Acquisitions made in 2014 are excluded.

Peak occupancy refers to the highest monthly occupancy achieved throughout the year.

Support Office Cost per Licensed Place

	2010	2011	2012	2013	2014	2015
Number of Places	6,304	9,868	12,661	17,597	32,782	35,221
Support Office Cost per Licensed Place	$710	$523	$520	$485	$455	$439



Support office cost per place includes all costs associated with the operation and execution of our centre based strategy. It does not include corporate costs relating to our capital structure such as listing fees nor depreciation and amortisation

- Support office cost per licensed place fell in 2015 to $439.
- Efficiency and productivity gains from process upgrades and application of technology continues to push costs lower.
- Ongoing discipline in recruitment have allowed wage costs to remain anchored.

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Organic Growth Case Studies

Operational case studies

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A selection of group acquisitions demonstrates the Group's ability to drive organic EBIT growth via the execution of the G8 corporate model:

- Ramsay Bourne – 25 Centres acquired in March 2010
- Local Kids – 19 Centres acquired in September 2010
- Kindy Patch - 24 Centres acquired in January 2011
- Kids Korner - 6 Centres acquired in April 2011
- Pacific Group - 16 Centres acquired in September 2012
- Roly Poly - 8 Centres acquired in September 2013

The aggregate EBIT of these centres when combined in 2015 generates $40.8m which on a purchase price of $97.5m implies an effective acquisition multiple in CY15 of 2.39x.

The increase in other operating costs as a percentage of revenue reflects the Group's commitment to continual investment in educational resources and facility maintenance.

Purchase Price $'000	97,480

$'000	CY15
Revenue	155,239
Employment Expenses	82,370
as % of revenue	*53.1%*
Rent Expenses	14,842
as % of revenue	*9.6%*
Other Operating Costs	17,250
as % of revenue	*11.1%*
EBIT	40,777
EBIT Margin	*26.3%*
Effective Acquisition Multiple	**2.39**

Operational Excellence – Case Studies

Name of Acquisition	Ramsay Bourne
Number of Centres	25
Date Acquired	Mar-10
Purchase Price	16,000,000

$'000	CY11	CY12	CY13	CY14	CY15
Revenue	25,130	27,706	30,130	33,489	36,133
Revenue Growth (%)		*10.3%*	*8.7%*	*11.1%*	*7.9%*
Employment Expenses	14,418	15,690	16,906	18,650	19,591
as % of revenue	*57.4%*	*56.6%*	*56.1%*	*55.7%*	*54.2%*
Rent Expenses	2,424	2,586	2,679	2,850	2,906
as % of revenue	*9.6%*	*9.3%*	*8.9%*	*8.5%*	*8.0%*
Other Operating Costs	2,678	2,998	3,433	3,914	4,453
as % of revenue	*10.7%*	*10.8%*	*11.4%*	*11.7%*	*12.3%*
EBIT	5,609	6,432	7,112	8,075	9,184
EBIT Margin	*22.3%*	*23.2%*	*23.6%*	*24.1%*	*25.4%*
Acquisition Multiple	2.85	2.49	2.25	1.98	1.74

Name of Acquisition	Local Kids
Number of Centres	19
Date Acquired	Sep-10
Purchase Price	14,300,000

$'000	CY11	CY12	CY13	CY14	CY15
Revenue	22,094	24,685	27,192	27,385	29,064
Revenue Growth (%)		*11.7%*	*10.2%*	*0.7%*	*6.1%*
Employment Expenses	13,357	15,017	15,959	16,119	16,568
as % of revenue	*60.5%*	*60.8%*	*58.7%*	*58.9%*	*57.0%*
Rent Expenses	2,687	2,751	2,742	2,722	2,802
as % of revenue	*12.2%*	*11.1%*	*10.1%*	*9.9%*	*9.6%*
Other Operating Costs	2,332	2,781	3,081	3,170	3,478
as % of revenue	*10.6%*	*11.3%*	*11.3%*	*11.6%*	*12.0%*
EBIT	3,718	4,136	5,410	5,374	6,216
EBIT Margin	*16.8%*	*16.8%*	*19.9%*	*19.6%*	*21.4%*
Acquisition Multiple	3.85	3.46	2.64	2.66	2.30

Operational Excellence – Case Studies

Name of Acquisition	Kindy Patch
Number of Centres	24
Date Acquired	Jan-11
Purchase Price	22,300,000

$'000	CY12	CY13	CY14	CY15
Revenue	29,868	32,539	34,218	37,248
Revenue Growth (%)		*8.9%*	*5.2%*	*8.9%*
Employment Expenses	17,816	18,712	18,569	18,697
as % of revenue	*59.6%*	*57.5%*	*54.3%*	*50.2%*
Rent Expenses	3,286	3,307	3,294	3,398
as % of revenue	*11.0%*	*10.2%*	*9.6%*	*9.1%*
Other Operating Costs	2,845	3,150	3,337	4,081
as % of revenue	*9.5%*	*9.7%*	*9.8%*	*11.0%*
EBIT	5,921	7,369	9,018	11,072
EBIT Margin	*19.8%*	*22.6%*	*26.4%*	*29.7%*
Acquisition Multiple	3.77	3.03	2.47	2.01

Name of Acquisition	Kids Korner
Number of Centres	6
Date Acquired	Apr-11
Purchase Price	7,080,000

$'000	CY12	CY13	CY14	CY15
Revenue	8,275	9,178	9,959	10,824
Revenue Growth (%)		*10.9%*	*8.5%*	*8.7%*
Employment Expenses	4,268	4,641	4,782	4,785
as % of revenue	*51.6%*	*50.6%*	*48.0%*	*44.2%*
Rent Expenses	1,562	1,623	1,691	1,752
as % of revenue	*18.9%*	*17.7%*	*17.0%*	*16.2%*
Other Operating Costs	748	807	888	1,018
as % of revenue	*9.0%*	*8.8%*	*8.9%*	*9.4%*
EBIT	1,698	2,107	2,597	3,270
EBIT Margin	*20.5%*	*23.0%*	*26.1%*	*30.2%*
Acquisition Multiple	4.17	3.36	2.73	2.17

Operational Excellence – Case Studies

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Name of Acquisition	Pacific Group
Number of Centres	16
Date Acquired	Sep-12
Purchase Price	28,000,000

$'000	CY13	CY14	CY15
Revenue	28,563	30,840	33,000
Revenue Growth (%)		*8.0%*	*7.0%*
Employment Expenses	16,256	17,566	18,663
as % of revenue	*56.9%*	*57.0%*	*56.6%*
Rent Expenses	2,768	2,880	3,032
as % of revenue	*9.7%*	*9.3%*	*9.2%*
Other Operating Costs	2,964	3,025	3,329
as % of revenue	*10.4%*	*9.8%*	*10.1%*
EBIT	6,575	7,369	7,976
EBIT Margin	*23.0%*	*23.9%*	*24.2%*
Acquisition Multiple	4.26	3.80	3.51

Name of Acquisition	Roly Poly
Number of Centres	8
Date Acquired	Sep-13
Purchase Price	9,800,000

$'000	CY14	CY15
Revenue	8,500	8,969
Revenue Growth (%)		*5.5%*
Employment Expenses	3,914	4,067
as % of revenue	*46.0%*	*45.3%*
Rent Expenses	915	952
as % of revenue	*10.8%*	*10.6%*
Other Operating Costs	784	891
as % of revenue	*9.2%*	*9.9%*
EBIT	2,887	3,059
EBIT Margin	*34.0%*	*34.1%*
Acquisition Multiple	3.39	3.20

Operational Update

Business Organisation Flow Chart

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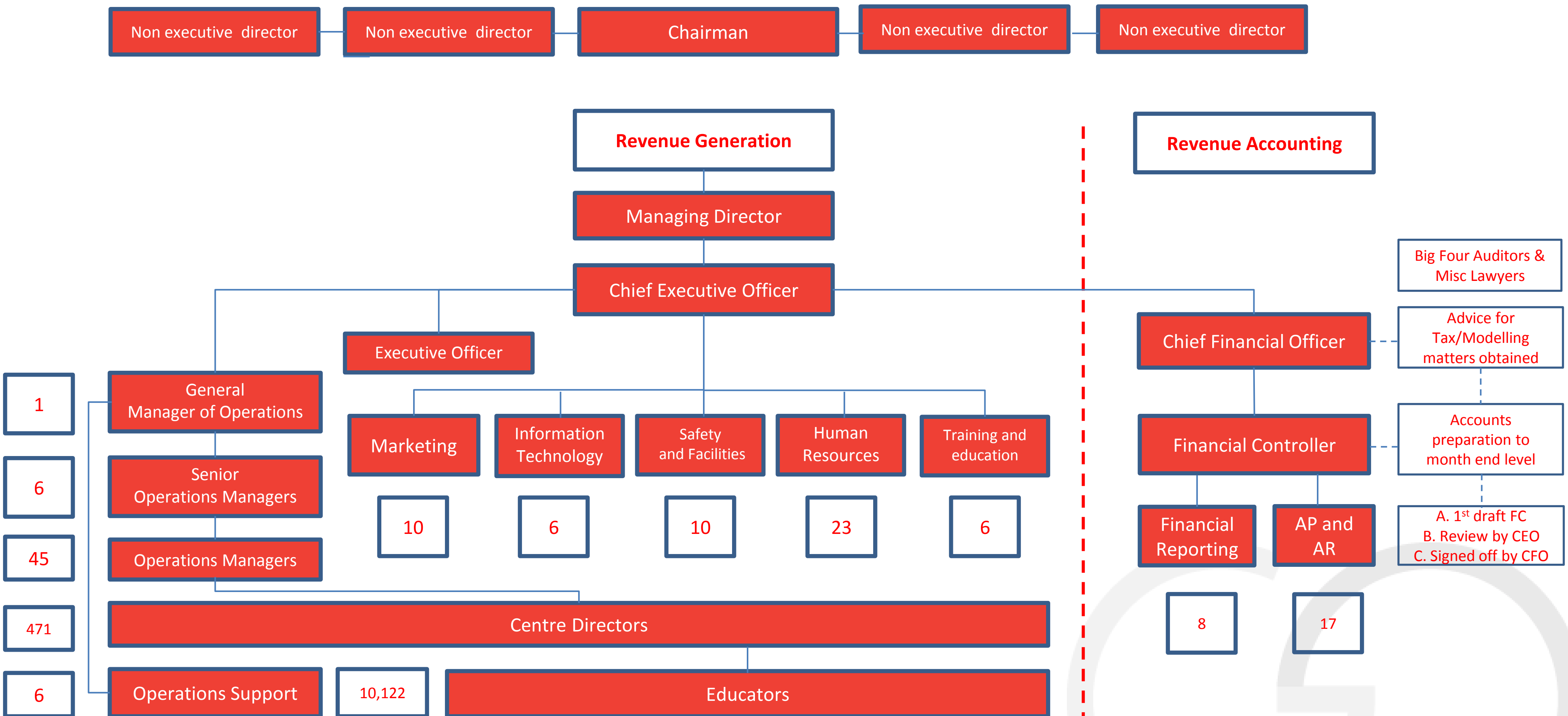
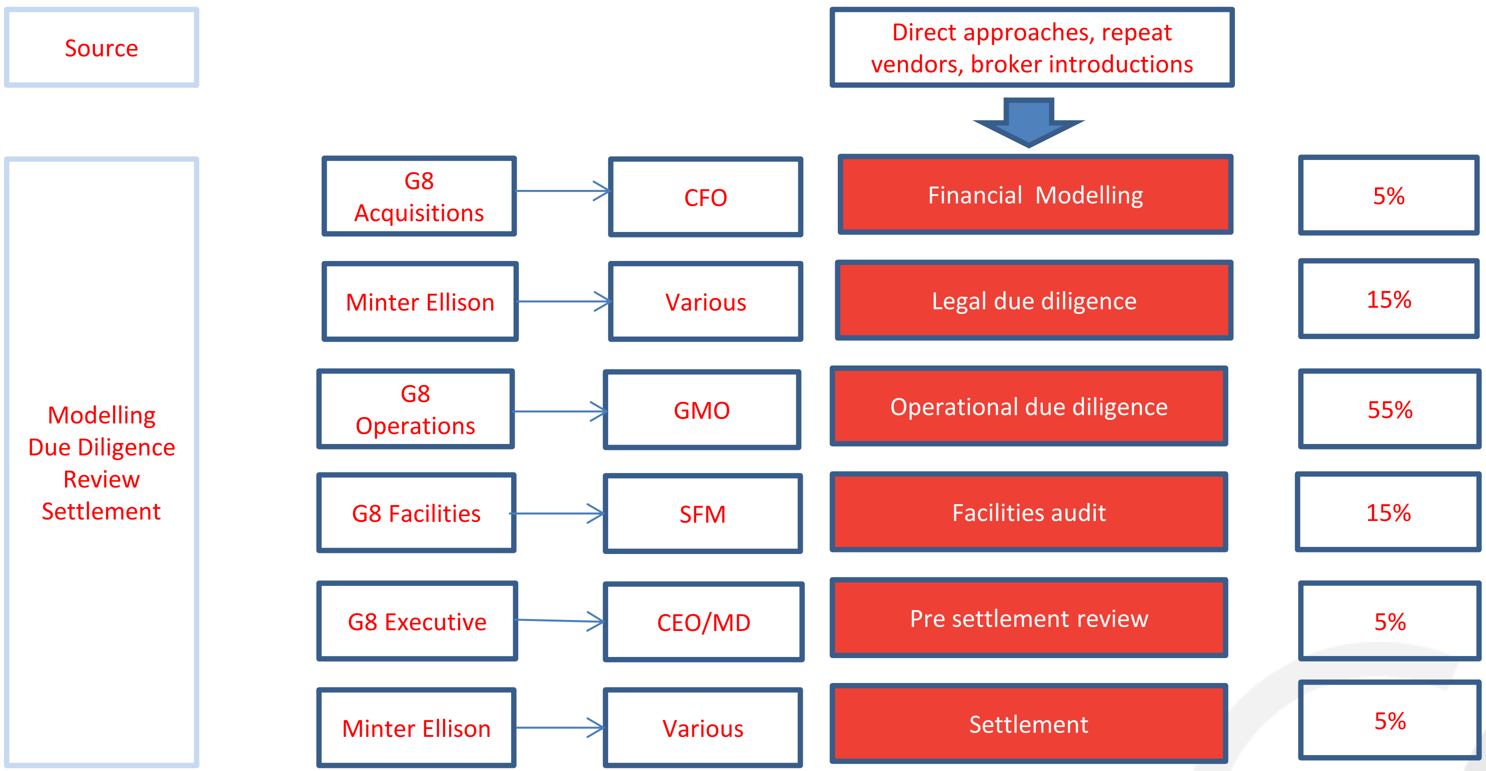


Acquisitions Responsibility Flow Chart



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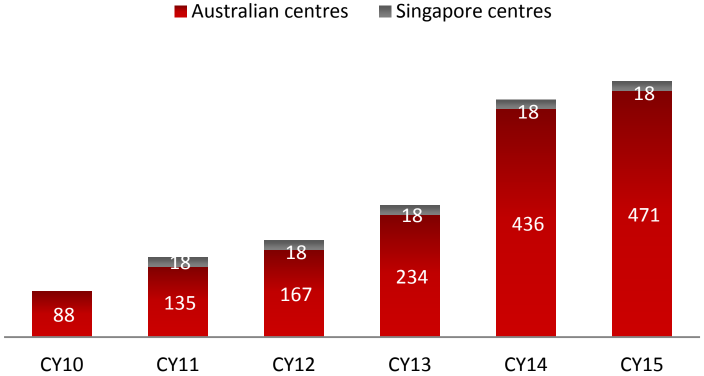
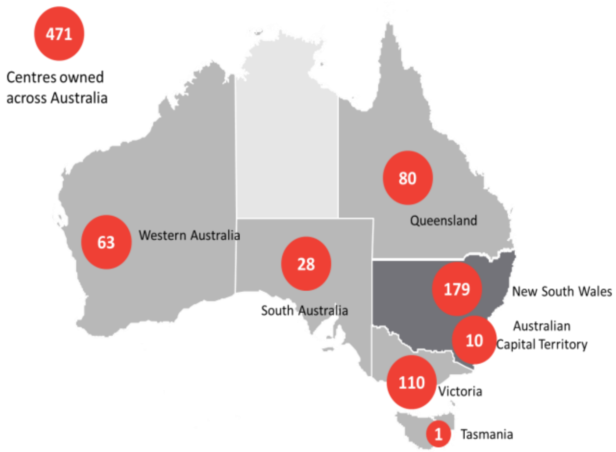
Portfolio Update

Group Centre Portfolio



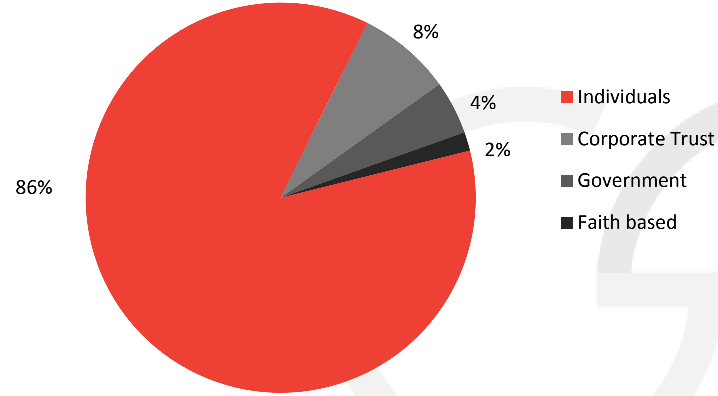
- The Group added **44** new centres and **13,697** licensed places in 2015
- Disciplined consolidation in high demand areas continues to be our focus
- As at 31 Dec 2015 the Group owned 471 centres in Australia and 18 centres in Singapore with a total of **35,221** licensed places
- Average lease tenure for the portfolio is 18 years, 86% of leases owned by individuals, 43% of leases have inflation clauses linked to CPI

Australia Childcare Centres



Source: Company Information

Distribution of landlords by type



Mission Statement

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G8's key strategic objective is to be the leading provider of high quality, developmental and education childcare services in both Australia and Singapore.

By building and operating a portfolio of outstanding early childhood education brands, focusing on the importance of early childhood education and by making good centres great centres by delivering outstanding early childhood education management the Group's objectives are achieved.

Quality Education & Care

- G8 believes that continually investing in its facilities provides the tools for its educators to continue to deliver exceptional care and education for the thousands of children that attend G8's childcare and education centres

Employees

- G8 is committed to maintaining a positive workplace culture and is focused on becoming an employer of choice through offering a number of workplace benefits for over 10,000 employees

Community

- G8 now operates under 24 brands in Australia and Singapore. Community engagement on every level is an essential component of our strategy and a key point of difference for the group

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THANK YOU

Questions?