

ASX Announcement

G8 Education Limited
(ASX:GEM)



26 October 2023

AGREEMENT TO DIVEST CENTRES AND TRADING UPDATE

Portfolio Optimisation

G8 Education Limited (the “Group” or “G8”, ASX: GEM) today announces the signing of a conditional agreement to sell 31 of its centres to TAK Operations Pty Ltd, which is part of the experienced private national childcare provider Genius Education Group Pty Ltd (“Genius Education Group”).

The 31 centres located in various states collectively produce a full year¹ Statutory EBIT² loss of circa \$3 million (pre-AASB16 losses before income tax of circa \$9 million).

Under the terms of the agreement, G8 will make a payment to Genius Education Group, to be allocated across the 31 centres, which combined with transaction costs and adjustments, totals \$26.5 million.

The transaction remains subject to conditions, including landlord consent, transfer of the service approval (i.e. licence to operate) and the concurrent completion of certain bundles of centres. Obtaining landlord consent to the assignment of each lease from the multiple landlords is not guaranteed and there remains uncertainty regarding completion of all 31 centres proposed to be divested.

Completion of the divestment of the centres is targeted to occur in mid to late December 2023 or early 2024, and may occur in multiple tranches depending on when conditions are met.

The sale of these centres is consistent with G8’s commitment to proactively review the Group’s portfolio. The Group will continue to maintain a rigorous approach to portfolio analysis in line with that commitment.

G8 Chief Executive Officer and Managing Director, Pejman Okhovat said:

“As part of G8’s commitment to optimising our network we continuously review our centres to determine which are meeting our high quality and performance standards, which can be improved and which centres would be better under different ownership. This agreement represents a significant milestone in our portfolio optimisation program and will leave us with a stronger network overall.”

“A key consideration for G8 was a commitment from Genius Education Group to provide opportunities to our people who will transfer to the new owners. While there is some way to go in the process, we have every confidence that Genius Education Group will provide the ongoing high level of service that the children, families and our team at these centres expect and deserve.”

¹ Rolling 12 months to 30 September 2023

² EBIT after lease interest

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Trading Update

Spot occupancy³ for the week ending 22 October 2023 was 75.4%, 1.4%pts below the same week in 2022 and 2.2%pts below the same week in 2019.

Cost management continues to be solid and managed to mitigate occupancy performance.

The divestment will have no impact on trading in CY23 given settlement is no earlier than mid-December.

ENDS

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

For further information, contact:

Investors Pejman Okhovat, CEO +61 7 5581 5300 pejman.okhovat@g8education.edu.au Sharyn Williams, Chief Financial Officer +61 7 5581 5300 sharyn.williams@g8education.edu.au	Media Clive Mathieson Cato & Clive 0411 888 425 / clive@catoandclive.com
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³ Spot occupancy includes Core + Divested + Greenfield