

# ASX Announcement

G8 Education Limited  
(ASX:GEM)



26 October 2023

The Manager  
Market Announcements Office  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

Dear Sir / Madam

I enclose an Investor Day Presentation that is being presented to investors and analysts at G8 Education's 2023 Investor Day, which includes a trading update.

Yours sincerely



Tracey Wood  
Chief Legal, Quality & Risk Officer  
G8 Education Limited

*Authorised for release by G8 Education Limited's Board of Directors.*

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# 2023 STRATEGY SESSION

## Investor Presentation

26 October 2023  
ASX:GEM



# *Acknowledgement* **OF COUNTRY**

G8 Education acknowledges the Traditional Owners of the Lands on which we are meeting on today – the Gadigal People of the Eora Nation. G8 Education would like to acknowledge Aboriginal and Torres Strait Islander peoples who join us today whether in the room or online and pay our respects to Elders past, present and emerging.

We recognise that Aboriginal and Torres Strait Islander peoples have been nurturing and teaching children on these lands for thousands of years.

We are grateful for the opportunity to work, learn and grow connections together as a united community.



## **WELCOME & ACKNOWLEDGEMENT OF COUNTRY**

Debra Singh

## **INTRODUCTION & ASSESSMENT**

Pejman Okhovat

## **G8 STRATEGY**

Pejman Okhovat

## **NEAR TERM EXECUTION**

Pejman Okhovat, Shane Dann, Calvin Goulding, Ali Evans & Sharyn Williams

## **WRAP-UP**

Pejman Okhovat

## **BUSINESS UPDATE**

Pejman Okhovat

## **Q&A**

G8 Team

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# INTRODUCTION & ASSESSMENT



# KEY MESSAGES

With encouraging sector fundamentals, G8 has the potential to grow sustainably through better execution and disciplines



## Sector fundamentals remain attractive

- Strong bi-partisan support
- Rational supply/demand
- Sector challenges relating to workforce and current regulatory inquiries expected to moderate



## G8 has strong foundations - focus on 'Core' of the business to enable future growth

- Multi-horizon transformation strategy to drive stability and growth
- Delivering a "fit core" underway with some positive trends



## Execution is crucial - focus on family satisfaction and better outcomes for children

- 'Always on' Net Promoter Score (**NPS**) improving
- Operational consistency and delivering quality everyday
- Improved team vacancy position, supported by internal talent pipe
- Focus on driving occupancy



## Scale - will be a key enabler

- "Scaled Locally" principles underway
- Scale operators should benefit from higher compliance standards
- Education and inclusion as differentiators at scale
- Support office costs expected to be relatively "fixed" as occupancy and network builds



## Financial discipline - active network optimisation and capital allocation to drive sustainable returns

- Cost management disciplines in place
- Clear capital allocation framework
- Lower capex
- Network optimisation underway



Creating the foundations for learning for life while placing the child at the heart of everything we do

# ASSESSMENT OF SECTOR FUNDAMENTALS

Sector continues to be supported for wider access by families whilst dealing with some structural dynamics such as workforce in medium term

1

## Continued strong Government support

- Government wanting to progressively build a universal early education system
- Increased funding at Federal and State Government levels to support greater child participation, maintain family affordability and address current workforce challenges

2

## Growing Sector demand extending over medium term

- Increased participation of 3 to 4 year-olds in early learning driven by Government universal free early education initiatives
- Continued increase in workforce participation levels by the child's primary carer

3

## Supply growth expected to be rational

- Supply growth approaching pre-pandemic levels - signalling expectation of increasing sector demand
- Market dynamics expected to moderate supply growth to not exceed growth in demand, on average, over the medium to longer term

4

## Workforce shortage to ease over medium to long-term

- Significant effort to address by all key stakeholders such government led task forces
- The Multi-Employer Bargaining process to support a potential government funded wage increase for educators
- More state funding for professional development

5

## Outcomes from sector inquiries expected to enhance accessibility

- Being conducted to determine best way to provide universal access for children to high quality learning and care
- Current mixed-market set of providers is critical to the delivery of quality education and care services and review outcomes need to support the sustainability of all groups

# SOLID DEMAND FUNDAMENTALS

Demand outlook positive through scope to increase workforce participation and increasing Australian 3 and 4 year-old participation in early education

## Strong bi-partisan government support...

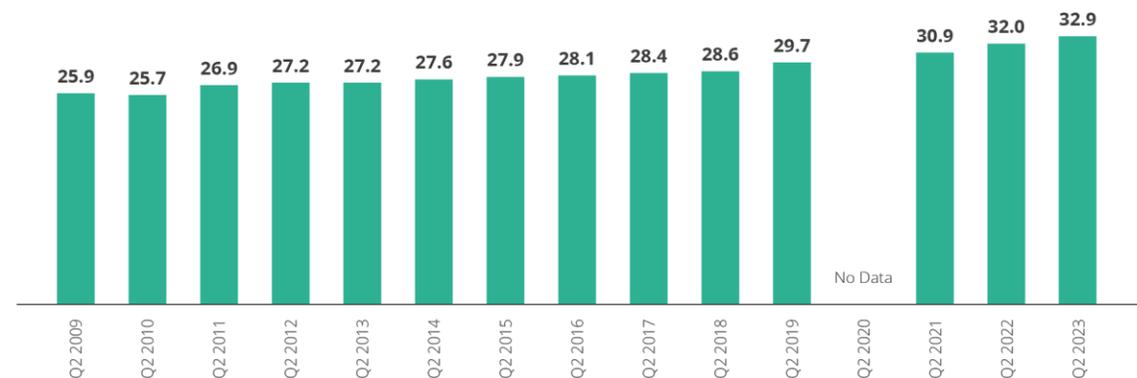
Australian, State and Territory government real recurrent and capital expenditure on ECEC services (2021-22 dollars) (A\$bn)



Source: Productivity Commission Report on Government Services - Early childhood education and care

## ...and children are spending more time in care...

Average weekly hours in LDC



Source: DoE Child Care in Australia Reports

## ...which is driving female participation...

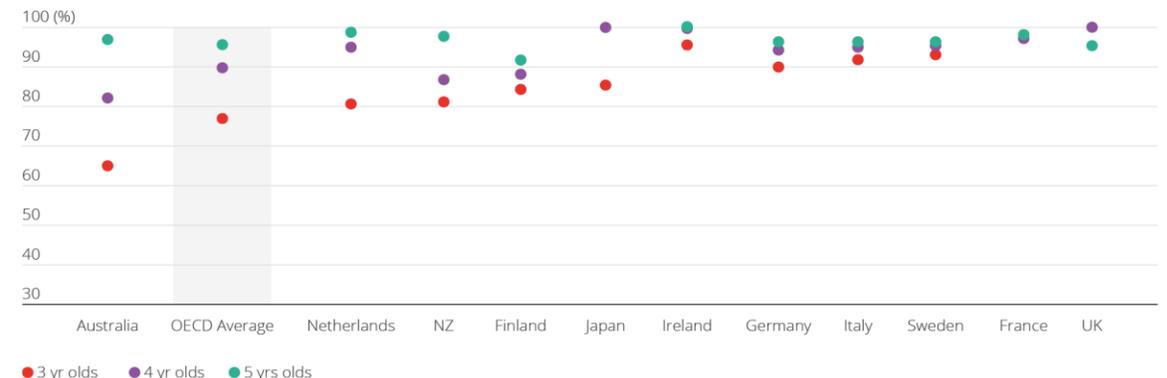
Female employment-to-population ratio



Source: ABS

## ...and there is upside to child participation as Australia closes gap to OECD.

Enrolment rate<sup>1</sup> in early childhood education — 3-5 year olds (%)



1. CY20 or latest available

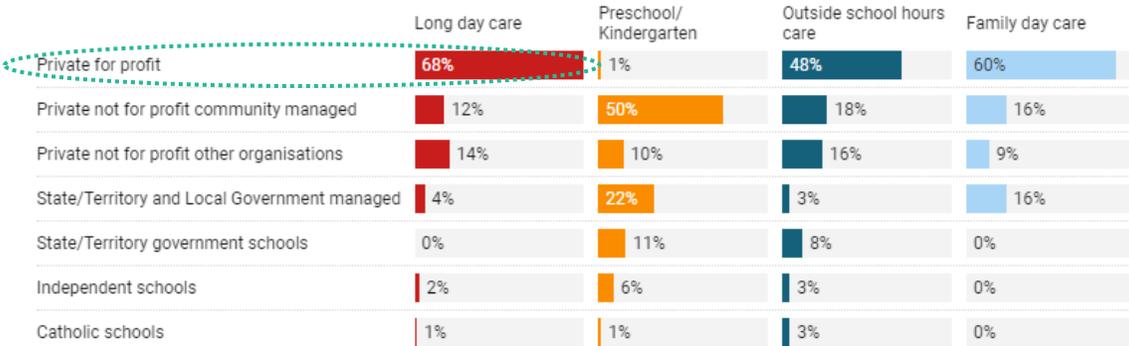
Source: OECD (2023), Enrolment rate in early childhood education

# SECTOR SNAPSHOT – COMPOSITION AND QUALITY

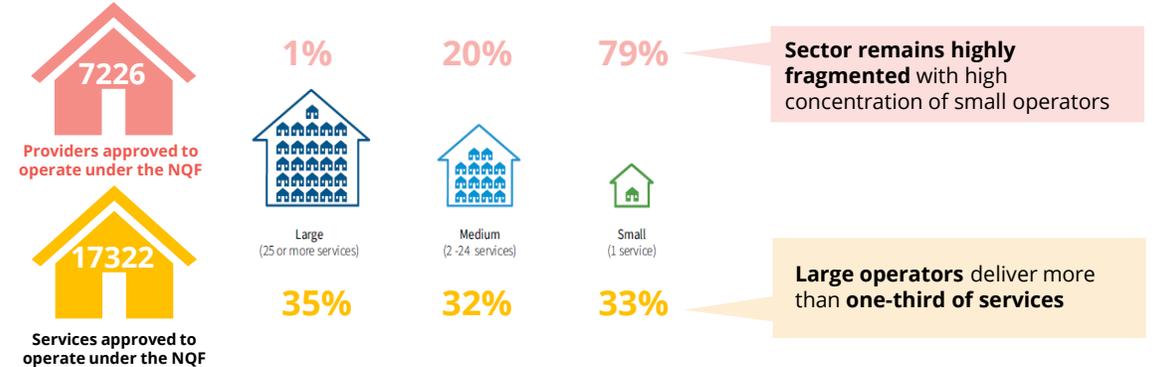
The ECEC sector remains highly fragmented with 'private for profit' playing a significant role

## 'For profit' and large providers represent the largest portion of the sector – crucial to sector structure

### Proportion of services (centres) by service sub-type

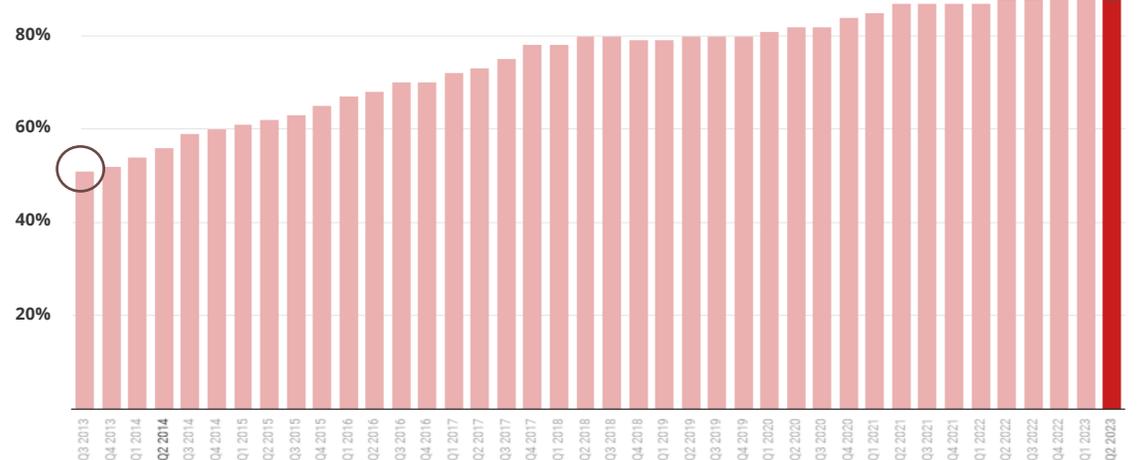


### Approved providers (operators) and services under NQF

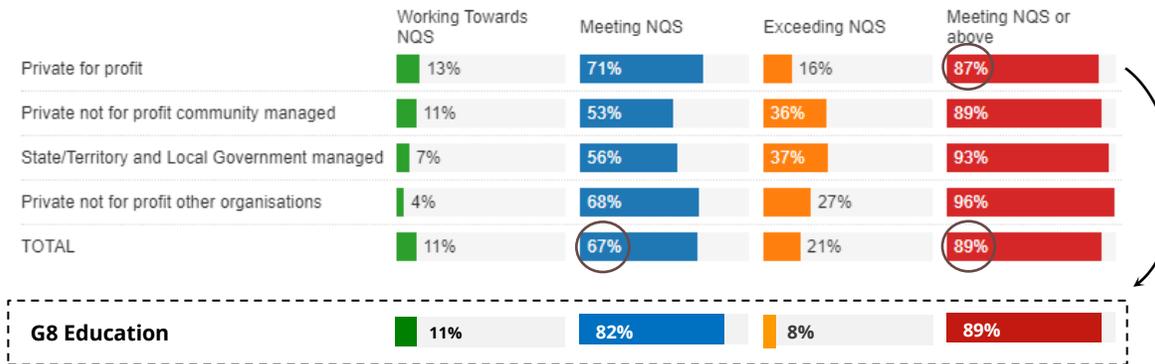


## Quality for Long Day Care has increased significantly adding to the activity and cost base of the sector

### Overall NQF ratings for Long Day Care – Q3 CY13 until Q2 CY23



### G8 is in line with the sector but ahead of "for profit" peers with higher skew to "meeting" vs "exceeding"

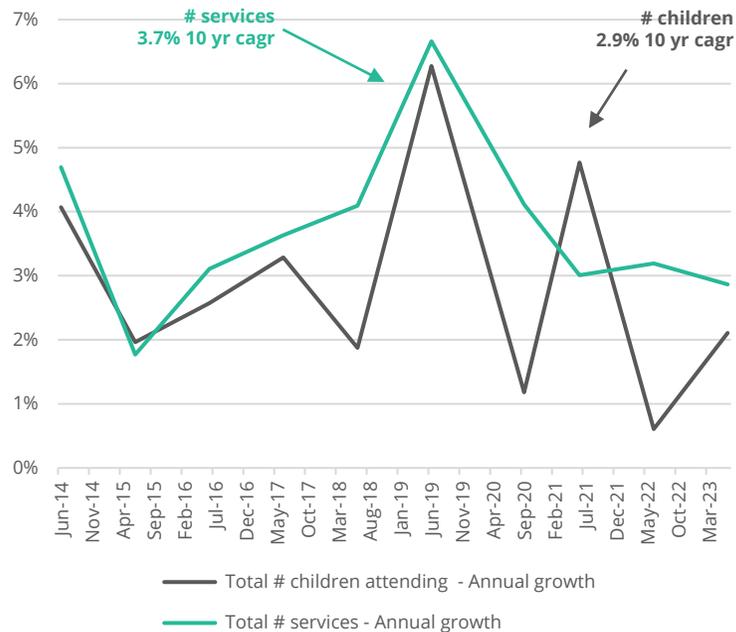


Sources: ACECQA NQF Snapshot Q2 2023

# SUPPLY/DEMAND DYNAMICS AND AFFORDABILITY

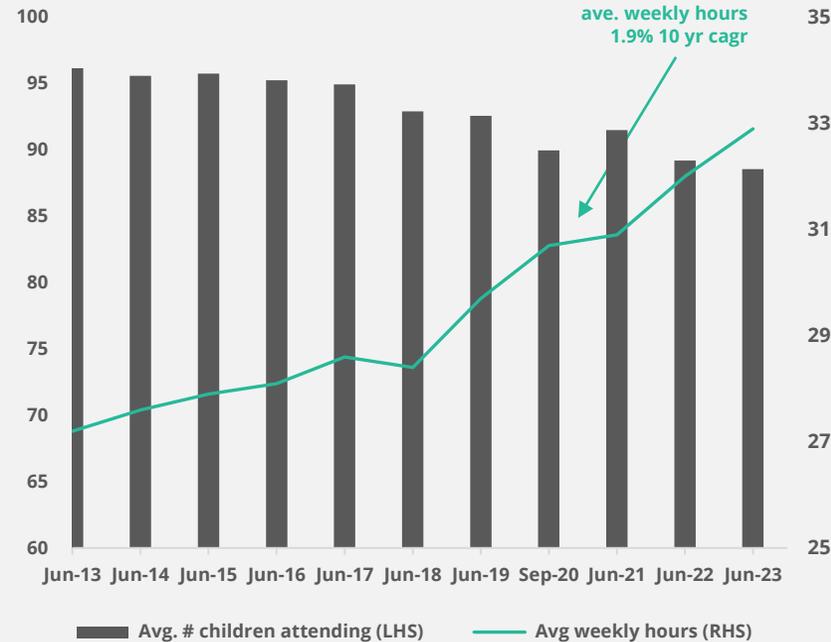
Supply/demand dynamics appear reasonably balanced, while the Government continues to support family affordability

The sector has seen growth in total number of services modestly higher than total number of children attending...



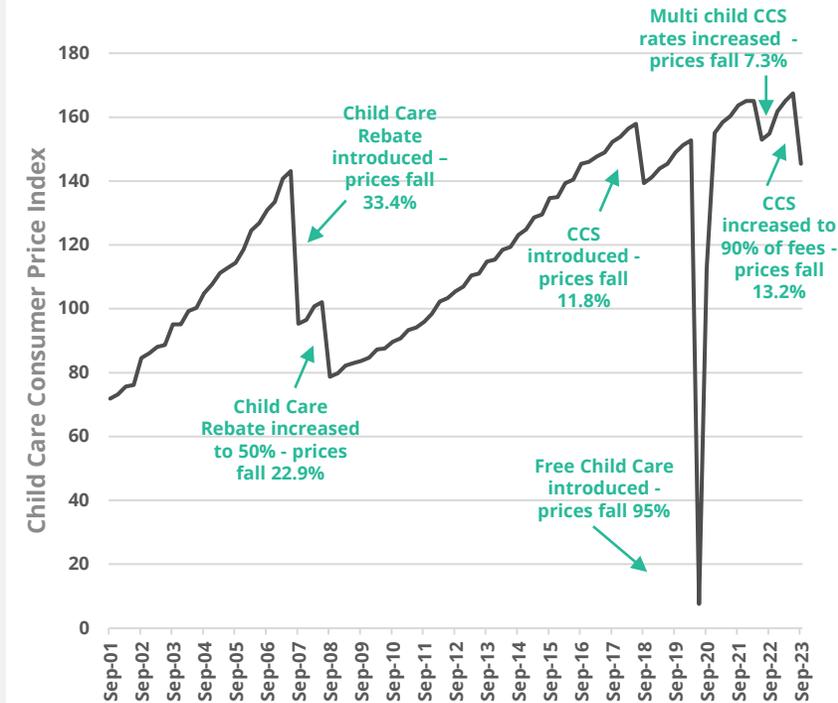
Sector average – Growth in total number of children attending vs. growth in number of services (Jun 13 to Jun 23)<sup>1</sup>

...this has driven a gradual decline in the average number of children attending per centre, but this has been mitigated by growth in average weekly hours



Sector average – Average number of children attending per centre vs. average weekly hours - Jun 2013 to Jun 2023<sup>1</sup>

Government measures have been aimed at driving participation and supporting affordability



Child Care Out of Pocket Expenses - Sep 2001 to Sep 2023<sup>3</sup>

1. Department of Education - Early childhood data and reports. 2. CBDC = centre-based day care. 3. ABS CPI Child Care Australia series

# UPDATE ON KEY ONGOING INQUIRIES/MULTI-EMPLOYER BARGAINING

Government maintains a highly engaged position in trying to provide the best outcome for all stakeholders in the childcare sector

## ACCC Child Care Inquiry

- First Interim Report - July 2023 - Sector observations
- Second Interim Report - September 2023
- 18 findings and 7 recommendations spanning
  - Refinements to existing regulatory arrangements
  - Broader design changes to the system
  - Further consideration of alternative mechanisms by the Productivity Commission
- Final report due December 2023

## Productivity Commission ECEC Inquiry

- Inquiry considers cost, availability, access to ECEC services and ways to support better outcomes for children and families
- Terms of reference - February 2023
- Initial submissions - May 2023
- Expected interim report - November 2023
- Public hearings and draft report submissions due in early 2024
- Final inquiry report to be handed to the Australian Government by 30 June 2024

### Observations?

- Majority of findings are known such as quality, fees, cost structures and complexity of the system
- Workforce issues critical to sector success
- Current mixed-market critical to the delivery of quality education and care services

### Next steps?

- G8 will respond to ACCC interim report in October 2023

## Multi-Employer Bargaining

- Application made to the Fair Work Commission (FWC) for Multi- June 2023
- Facilitates tripartite negotiations between unions, employers and government
- G8 voluntarily consented to be involved
- FWC approved authorisation - September 2023
- Negotiation meeting agreed in November and December 2023

### Observations?

- All parties remain united in requirement for Government funding
- Procedural matters established
- All involved parties have the ambition to keep this simple at this stage
- Government support remains strong publicly

### Next steps?

- FWC has established weekly meetings for negotiations to begin

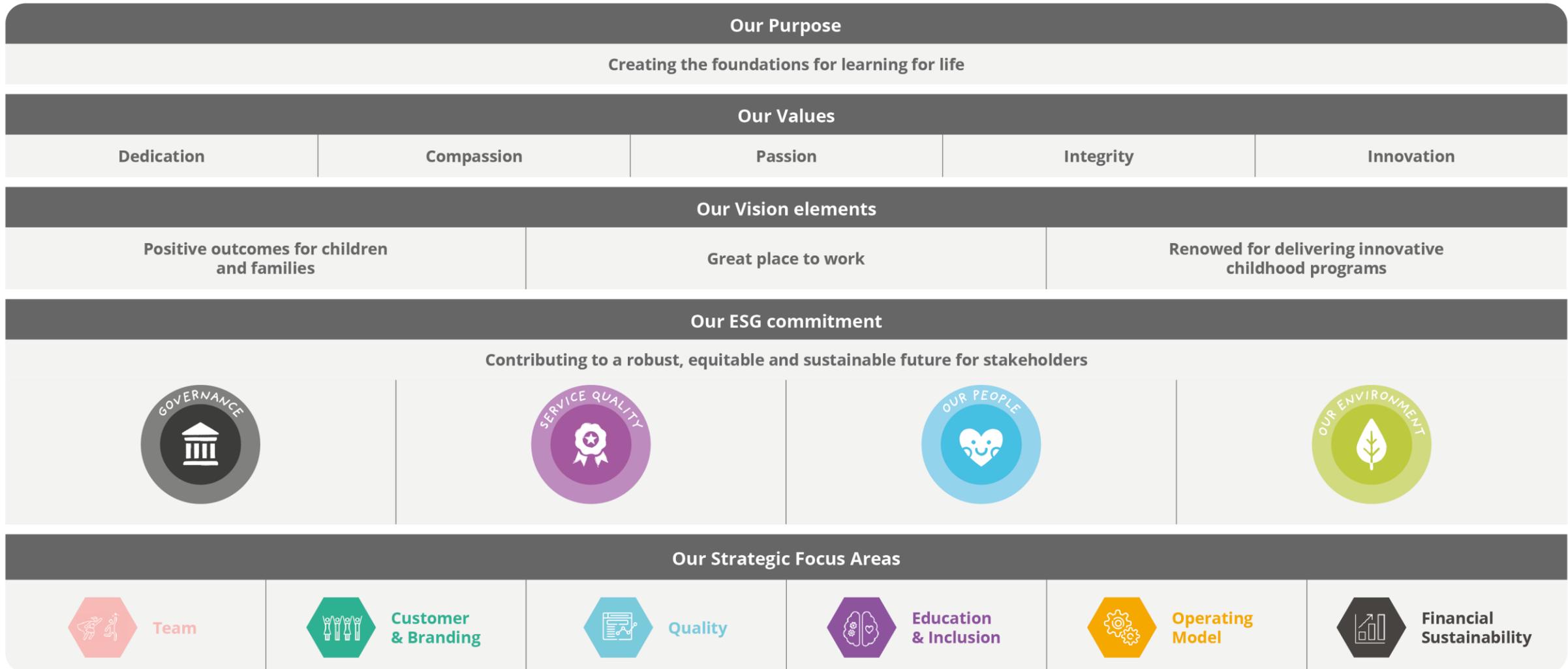
# CURRENT ASSESSMENT SNAPSHOT ON SIX STRATEGIC FOCUS AREAS

Improvement being made with focus required across the core business operations

		Current performance (1H23)	Assessment	
Strategic Focus Areas	 <b>Team</b>	<ul style="list-style-type: none"> <li>Team retention <span>70.2%</span></li> </ul>	<ul style="list-style-type: none"> <li>Team attraction, retention and engagement whilst improving requires a clear EVP</li> <li>We need to develop a pipeline of qualifying educators and teachers - "growing our own"</li> <li>Center Managers crucial to our success, we need to think differently about their REM</li> </ul>	<span style="color: orange;">●</span>
	 <b>Customer &amp; Branding</b>	<ul style="list-style-type: none"> <li>NPS <span>32</span></li> </ul>	<ul style="list-style-type: none"> <li>In-housing family support team, real-time family sentiment supporting improvement in retention</li> <li>Current Customer Value Proposition (<b>CVP</b>) is similar to many other providers</li> <li>A centre portfolio comprising 21 different brands limits effectiveness of marketing efforts</li> </ul>	<span style="color: orange;">●</span>
	 <b>Quality</b>	<ul style="list-style-type: none"> <li>% centres meeting or exceeding National Quality Standard (NQS) <span>89%</span></li> </ul>	<ul style="list-style-type: none"> <li>Solid momentum continues to lift working towards centres to meeting NQS</li> <li>Expectation that greater than 90% of all centres will either meet or exceed NQS over the near term. This high-quality outcome is comparable to the sector</li> </ul>	<span style="color: teal;">●</span>
	 <b>Education &amp; Inclusion</b>	<ul style="list-style-type: none"> <li>High quality education - % centres meeting or exceeding QA1<sup>2</sup> <span>92%</span></li> </ul>	<ul style="list-style-type: none"> <li>G8 already delivering high quality education to children attending centres</li> <li>Ongoing focus is towards maintaining high quality standards</li> <li>Supports seeking to enhance the education and inclusion offering to create differentiation</li> </ul>	<span style="color: teal;">●</span>
	 <b>Operating Model</b>	<ul style="list-style-type: none"> <li>Occupancy (average)<sup>1</sup> <span>67.4%</span></li> </ul>	<ul style="list-style-type: none"> <li>Variability in our network performance being addressed progressively</li> <li>Cost management improvements through systems and insights delivering benefits</li> <li>Significant opportunity to drive scale enabled efficiencies, including systems integration</li> </ul>	<span style="color: red;">●</span>
	 <b>Financial Sustainability</b>	<ul style="list-style-type: none"> <li>EBIT margin adjusted for leases <span>7.2%</span></li> </ul>	<ul style="list-style-type: none"> <li>Margin is an outcome of results across leading performance areas</li> <li>Margin is expected to lift towards the target sustainable range as core operational improvements continue to be made</li> </ul>	<span style="color: red;">●</span>

1. Average occupancy for 1H23. Spot occupancy for week ending 20 August 2023 was 73.0%. 2. Quality Area 1 – Educational program and practice of NQS. The aim of Quality Area 1 is to ensure that the educational program and practice is stimulating and engaging and enhances children's learning and development.





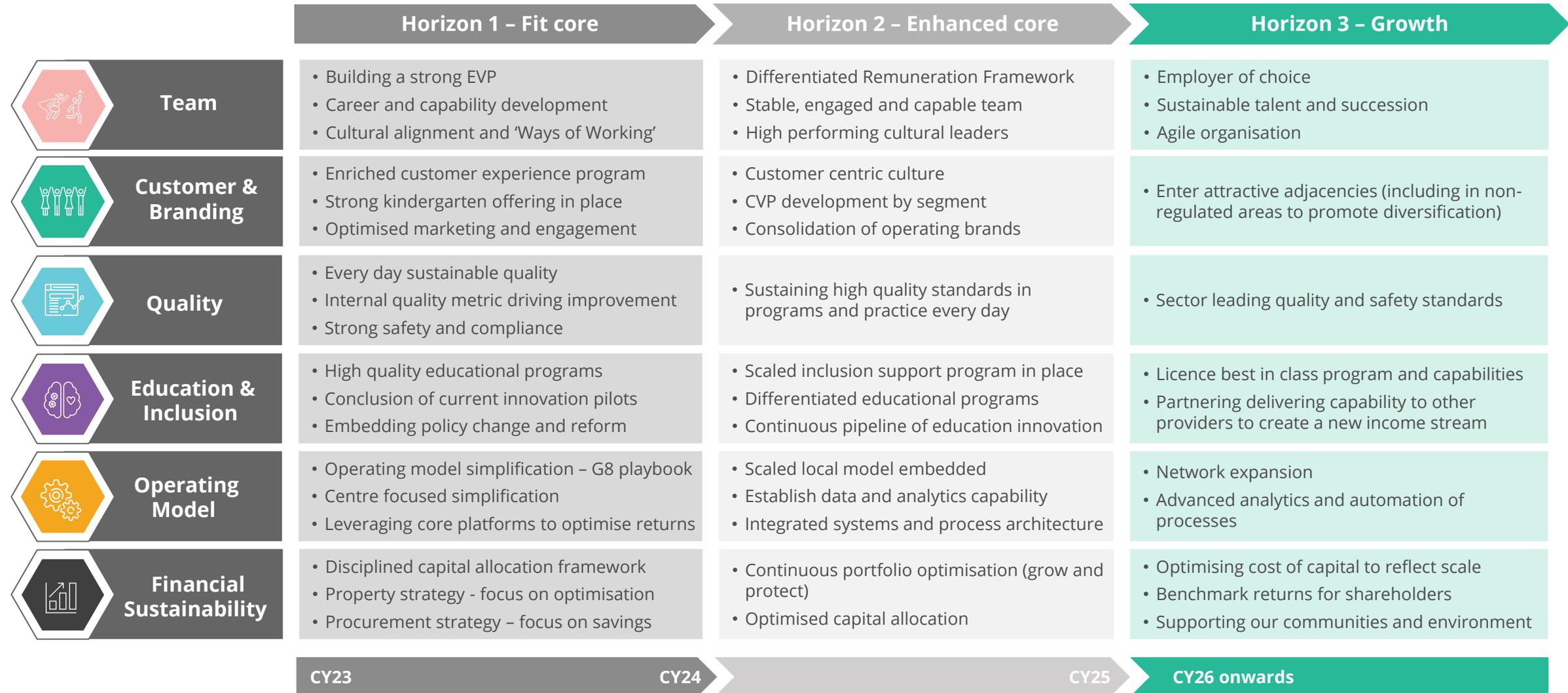
# STRATEGIC FOCUS AREAS

Six areas have been selected to monitor and measure performance and to focus organisational activity



# STRATEGIC HORIZONS

Phased approach focused on creating a fit core over the near term before enhancing the core and then pursuing attractive growth opportunities

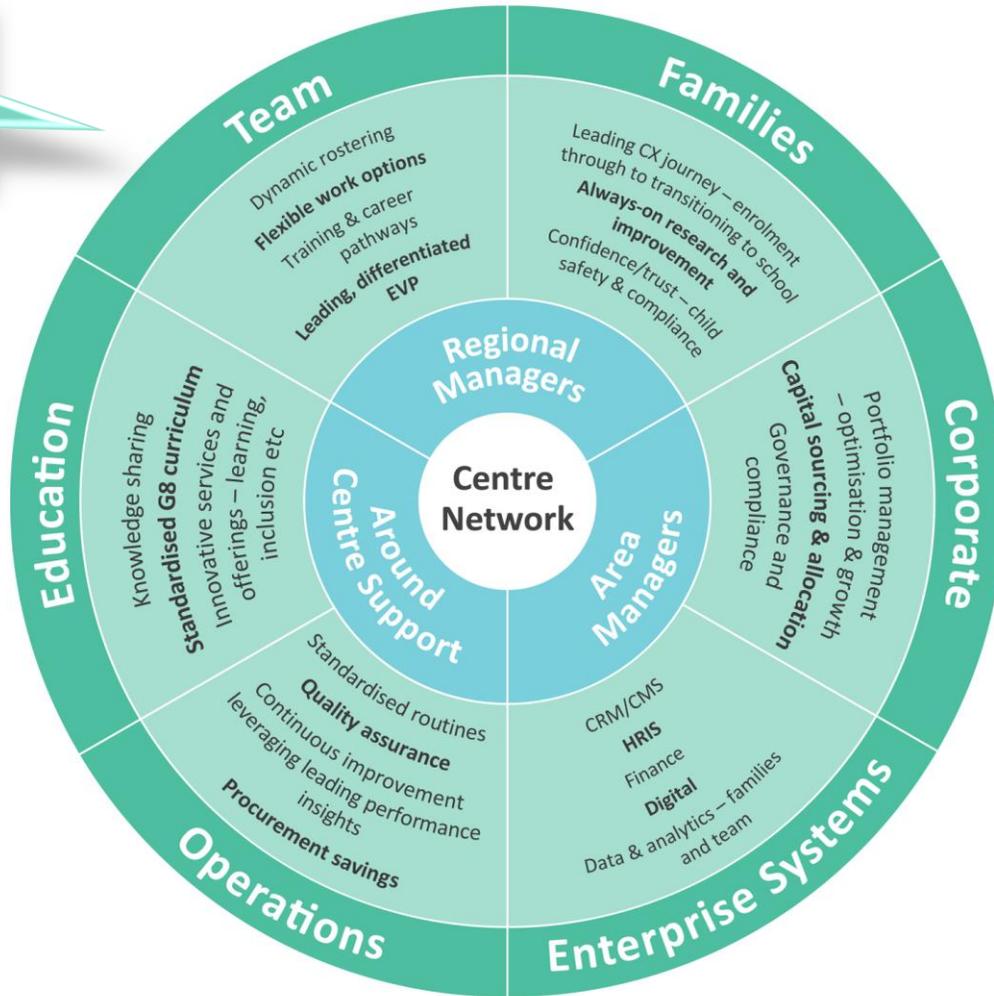


# SCALE WILL BE A KEY ENABLER OF EFFICIENCY AND DIFFERENTIATION

Developing enterprise Intellectual Property (IP) and capabilities should drive higher quality outcomes and leverage cost benefits of scale

**“Scaled locally”**  
 Giving centres autonomy to tailor attractive offerings for their families and team by leveraging G8 platform of capabilities

- Technical, leadership and business support to drive consistency and performance**
- ✓ Education and inclusion
    - ✓ Quality and safety
  - ✓ Leadership, team engagement
    - ✓ Customer centricity
    - ✓ Business performance



- G8 can efficiently develop a platform of capabilities that can be utilised throughout our distributed network**
- ✓ Systems and technology platforms
  - ✓ Large data assets to drive insights /actions
  - ✓ Fully compliant regulatory and compliance
  - ✓ Professional development programs
  - ✓ Educational and inclusivity programs
  - ✓ Procurement roadmap
  - ✓ People policies, processes and systems
  - ✓ Cost of capital

# ENVIRONMENTAL, SOCIAL & GOVERNANCE STRATEGY

Key activities underway and progress being made to achieve sustainability targets

## Contributing to a robust, equitable and sustainable future for stakeholders

### Sustainability Pillars

### Key activities and progress towards targets



- Mandatory climate reporting from 1 July 2024
- Multi-Employer Bargaining in Early Childhood Education and Care Sector



- Improved quality ratings against National Quality Standard
- Continued investment in Education Strategy
- Reconciliation Action Plan
- Enhanced compliance management framework and systems



- Continued strong leadership gender diversity
- Improved team retention
- Flexible work options
- Training and career pathways



- Phase 1 solar rollout targeting at least 10% network in CY23
- On track to achieve emissions targets
- Delivering education programs on climate change

# FUTURE ASPIRATION

Successful execution of the strategy has the potential to drive significant improvement for all stakeholders

	Measure	Current performance (1H23)	Future Aspiration
 <b>Team</b>	Team retention	70.2%	>80%
 <b>Customer &amp; Branding</b>	NPS	32	55
 <b>Quality</b>	% of centres meeting or exceeding National Quality Standard (NQS)	89%	95%
 <b>Education &amp; Inclusion</b>	High quality education - % of centres meeting or exceeding Quality Area 1 of NQS	92%	95%
 <b>Operating Model</b>	Occupancy	67.4%	>80%
 <b>Financial Sustainability</b>	EBIT margin adjusted for leases	7.2%	12% to 15%

1. Quality Area 1 – Educational program and practice. The aim of Quality Area 1 is to ensure that the educational program and practice is stimulating and engaging and enhances children’s learning and development.

# NEAR TERM EXECUTION



# ORGANISING FOR SUCCESS

Experienced team leading the development of organisational capabilities

1

## Capabilities

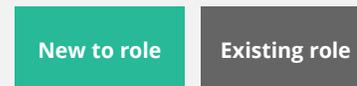
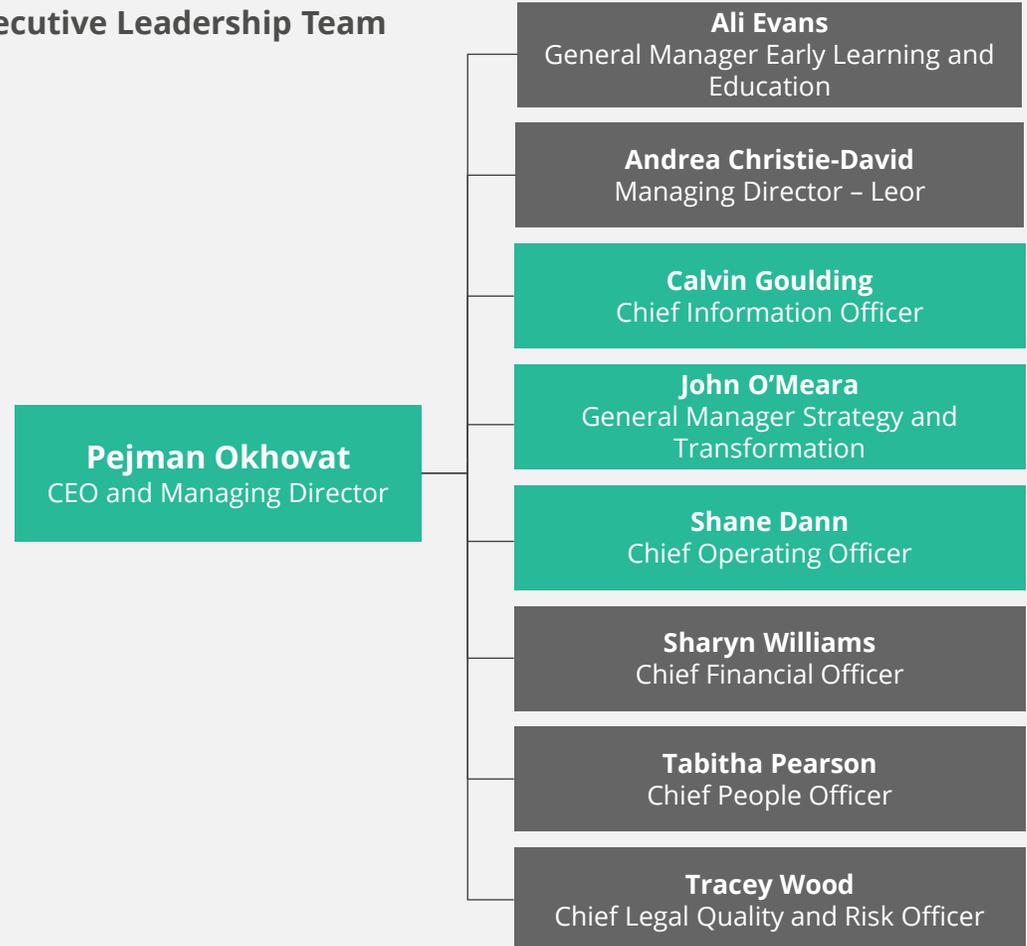
- Refreshed Executive Leadership Team
- Key enterprise capabilities prioritised for further development
  - Consistent & efficient operating model aligned to strategic delivery
  - Digitisation for simplicity/ ease/ convenience at centres
  - Digital XP for families and progression of data foundations
  - Optimised organisational structure
  - Cultivation of a strong culture
  - Extension of pricing abilities (benchmarking, location specific etc)
- Partnering to secure specialist capabilities
  - Government and industrial relations
  - Investor relations

2

## Optimising organisational structure

- Clear leadership, responsibility and accountability

### Executive Leadership Team



# CULTIVATING A PERFORMANCE CULTURE

Agile planning and rigorous performance monitoring to focus on delivery of outcomes



# NEAR TERM FOCUS AREAS

Near term focus upon creating a “fit core” through delivering improvement across each of the strategic focus areas

## Financial Sustainability

- Disciplined capital allocation framework
- Property strategy - focus on optimisation
- Procurement strategy – focus on savings

## Operating model

- Operating model simplification – G8 playbook
- Centre focused simplification
- Leveraging core platforms to optimise returns

## Education & Inclusion

- High quality educational programs
- Conclusion of current innovation pilots
- Embedding policy change and reform



## Team

- Building a strong EVP
- Career and capability development
- Cultural alignment and ‘Ways of Working’

## Customer & Branding

- Enriched customer experience program
- Strong kindergarten offering in place
- Optimised marketing and engagement

## Quality

- Every day sustainable quality
- Internal quality metric driving improvement
- Strong safety and compliance



# EDUCATION & INCLUSION

G8 is delivering high quality and innovative education programs, building capability and promoting inclusion

## 1 Support our highly valued Teachers and Educators with professional learning and career progression

- Launch of Teach@G8
- Building bench strength, over 1300 team members on Study Pathways and Bachelor Scholarships

## 2 Delivering quality everyday

- Educational Leader program launch
- Internal quality assessment for 2024

## 3 Promoting inclusion, equity & diversity

- Reconciliation Action Plan
- Inclusion support and Allied Health (Leor)

## 4 Delivering differentiated Educational Programs

- Digital Literacies@Play with Apple
- Rhythm and Movement for self-regulation





# CUSTOMER AND OPERATING MODEL

Right activity and focus in place to deliver strong outcomes for families and drive occupancy

## 1 Maintain rigorous focus on enrolment and transition

- Better quality enquiries through our inhouse FST
- 'Always on NPS' helping to improve retention and conversion
- Reduced capped centres - currently 3 vs. 7 at H1 CY23
- Weekly occupancy focus on priority areas

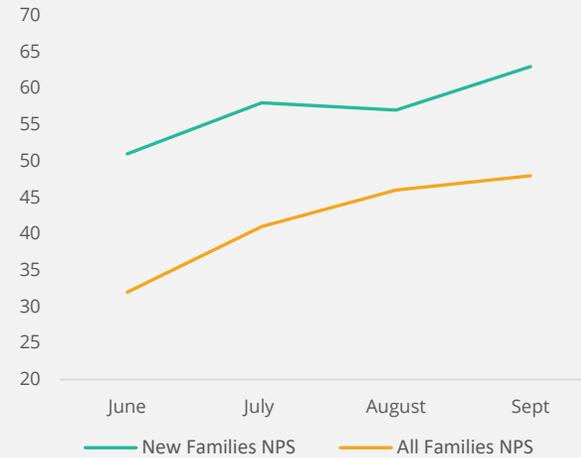
## 2 Develop a strong kindergarten/preschool offering

- Proactively engaging with Government on development of their kindergarten programs
- Developing an attractive education proposition for G8 - nursery through to school

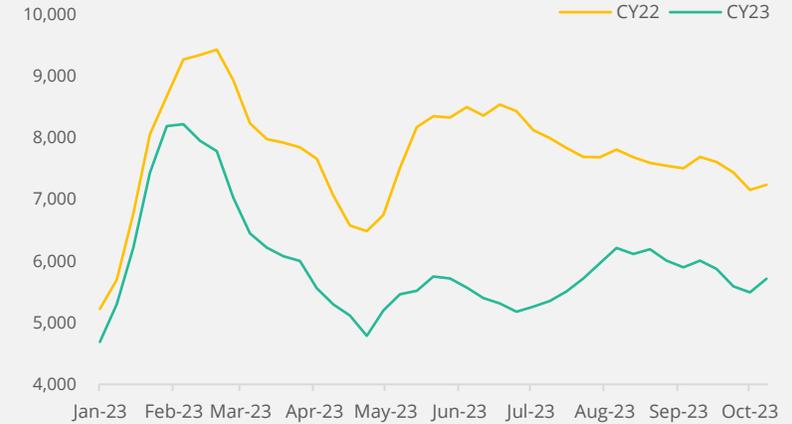
## 3 Pursue operating model efficiency and simplification

- Leverage size of network and G8's commercial focus
- Improve operational "rhythm" through the G8 Playbook

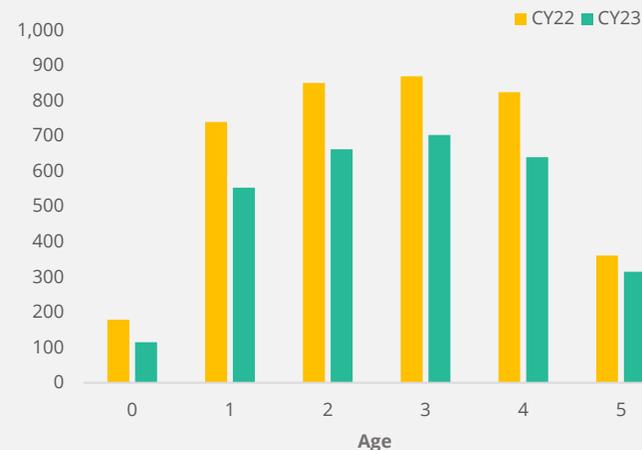
"Always on" NPS – since inception (June CY23)



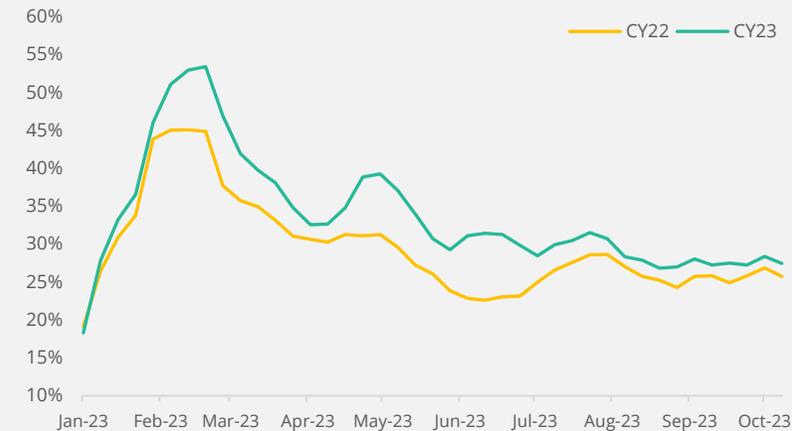
Enquiries – CY23 vs. CY22



Lost Customers – CY23 vs. CY22



Conversions – CY23 vs. CY22





# OPERATING MODEL - DIGITAL

Making it simpler and better for centres through digitisation and automation

## 1 Leverage technology to drive efficiencies and simplicity for our centres

- Focus on the centres and working backwards

## 2 Leverage our scale to unlock economies of scale for our centres

- Strategic sourcing, better, simpler, more affordable

## 3 Maximise further return on previous investments

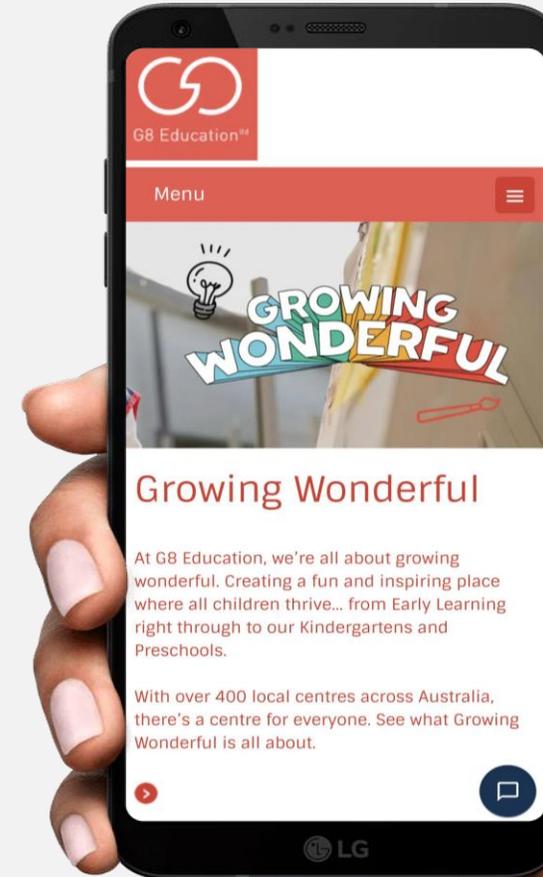
- Extract further value from core platforms

## 4 Cyber Security: protecting children, family, employees and investments

- Accelerated cyber security maturity uplift program

## 5 Becoming data-driven to supercharge business success

- Data foundations > deeper insights and predictive analytics





# FINANCIAL SUSTAINABILITY

Continue to strengthen financial performance based on disciplined capital allocation and cost management

## 1 Capital allocation framework

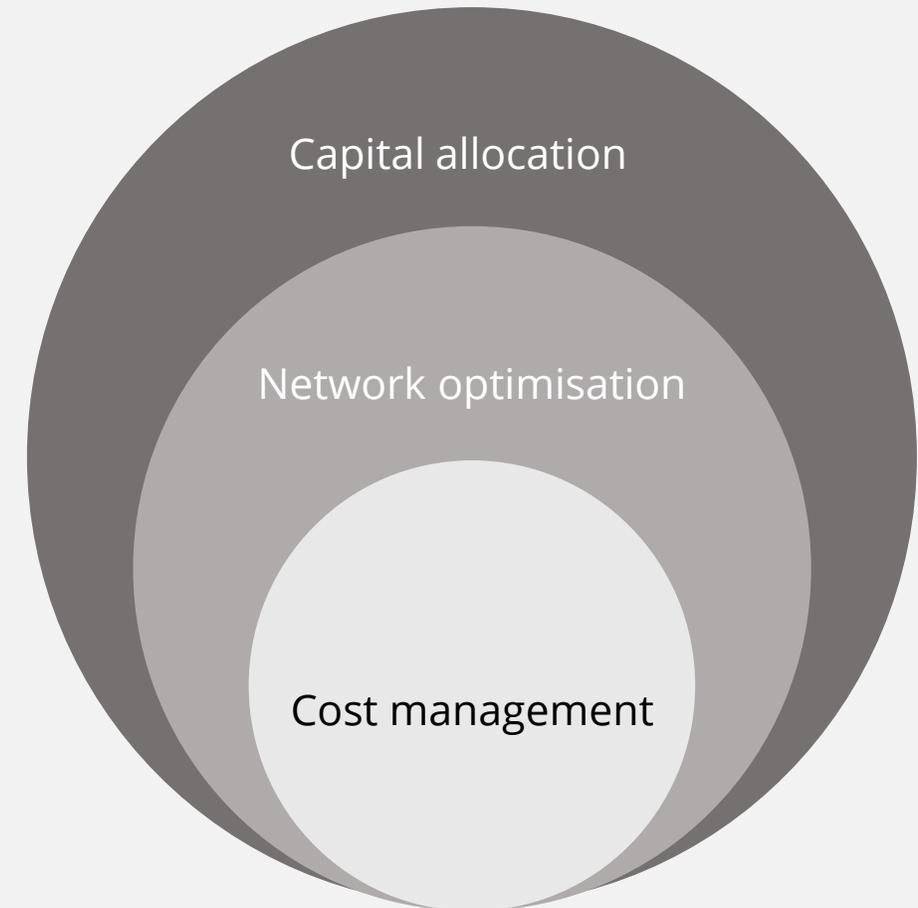
- Strong cash conversion to sustain the business and fund growth and shareholder returns
- Improve EPS whilst maintaining conservative leverage levels
- Optimise cost of capital

## 2 Network optimisation model

- Continuous portfolio optimisation
- Disciplined exit of underperforming centres

## 3 Cost management principles

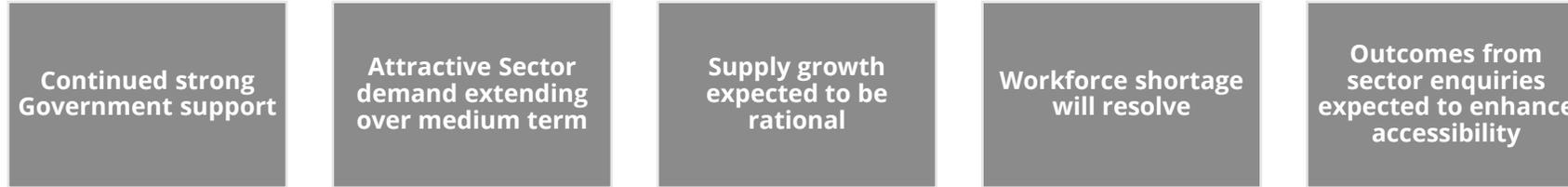
- Balancing centralisation with autonomy
- Centralised costs to add value through either scale cost efficiencies, access to funding and subsidies or occupancy growth levers (quality, team and family retention)
- Maintain cost base relativity to capture margin and earnings growth as occupancy and network build





# CAPITAL ALLOCATION FRAMEWORK

Strong cash generation allocated via disciplined capital allocation



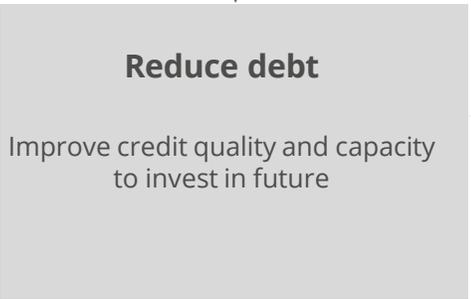
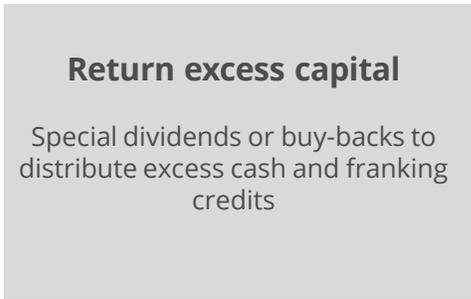
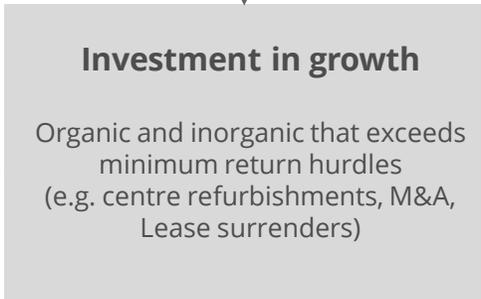
Maintenance capex  
**c. \$30m-\$35m p.a.**  
(property, IT, resources)



Dividend policy **linked to financial performance**



Allocations dependent on **return hurdles**

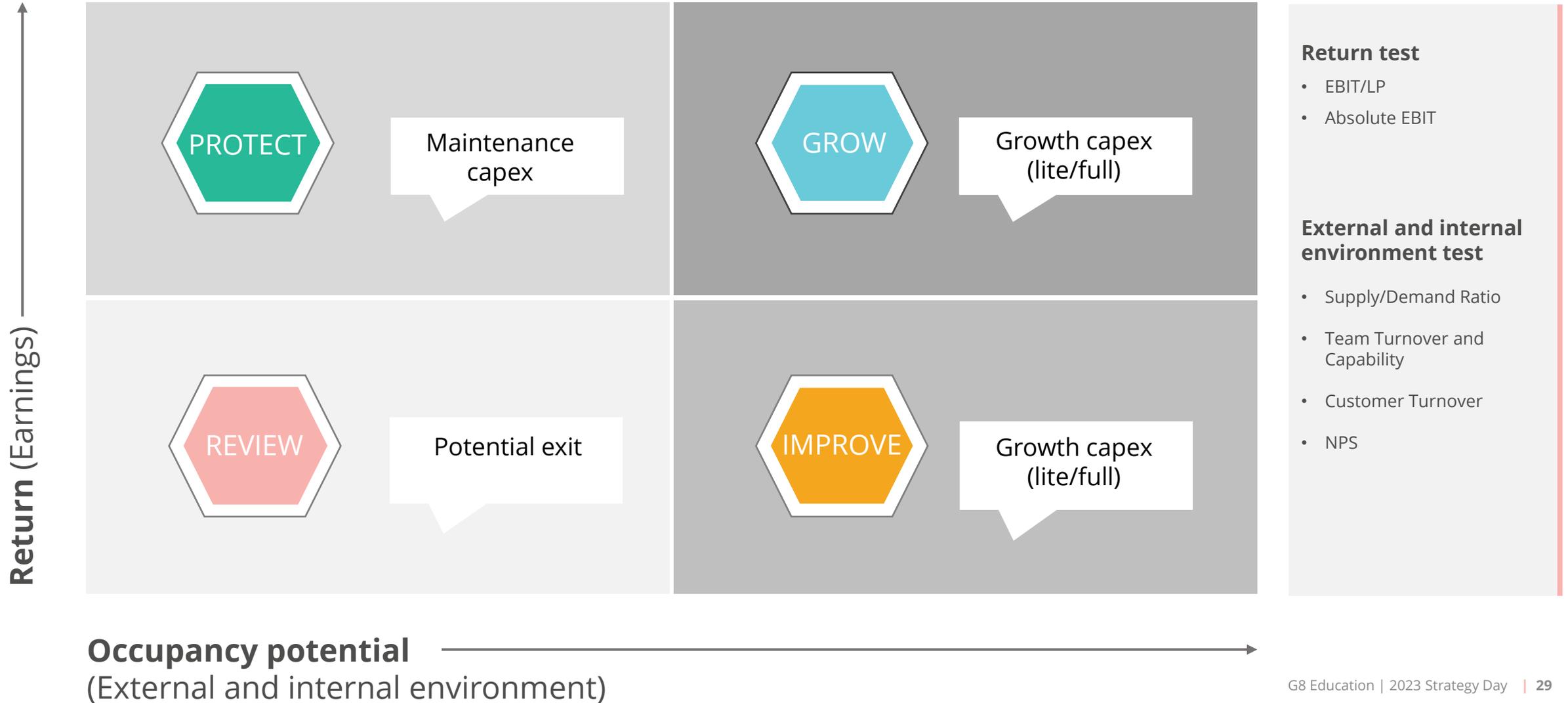


Conservative Target leverage



# NETWORK OPTIMISATION FRAMEWORK

Clear framework to optimise network composition and allocate capital investment on an on-going basis





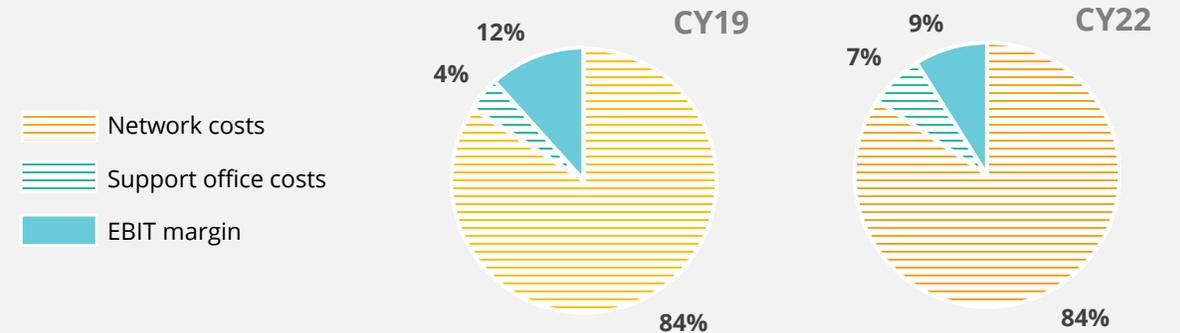
# COST MANAGEMENT PRINCIPLES

Continued focus on total cost base to support operating model flexibility and to sustain margins

## Near term focus areas

<p><b>Balance centralisation and autonomy</b></p>	<ul style="list-style-type: none"> <li>Balance centralised compliance and scale-benefits with nimble responses to the local environment</li> <li>Leveraging the operating model to drive efficiency and simplicity</li> </ul>
<p><b>Cost base relativity</b></p>	<ul style="list-style-type: none"> <li>Maintain total cost base relativity to capture margin as occupancy builds or network expands</li> <li>Comparable to 'for-profit' peers</li> </ul>
<p><b>Centralised costs to add value</b></p>	<ul style="list-style-type: none"> <li>Manage costs with a group lens</li> <li>Invest centrally where scale-benefits achieved and value is added</li> <li>Centralised access to funding and subsidies</li> </ul>
<p><b>Examples of traction gained</b></p>	<ul style="list-style-type: none"> <li>In-housed call centre - cost saving and improved customer metrics</li> <li>Workforce planning team - optimised rostering</li> <li>Procurement team - improved unit costs, product quality and supplier performance management</li> </ul>

## Cost Base - CY19 to CY22



## Centralised costs

\$m	CY19	CY20	CY21	CY22	3yr CAGR
<b>Total revenue</b>	<b>919</b>	<b>777</b>	<b>866</b>	<b>904</b>	<b>(1%)</b>
Inc. funding and subsidies <sup>2</sup>	19	19	26	29	15%
Team wages	27	33	44	47	20%
Other costs	11	10	20	20	16%
<b>Support office costs - gross</b>	<b>38</b>	<b>43</b>	<b>64</b>	<b>67</b>	<b>21%</b>
Subsidies (temporary)	-	(3)	(5)	(7)	-
<b>Support office costs</b>	<b>38</b>	<b>40</b>	<b>59</b>	<b>60</b>	<b>16%</b>
<b>Support office costs % of revenue</b>	<b>4.2%</b>	<b>5.1%</b>	<b>6.8%</b>	<b>6.6%</b>	
<b>Network costs % of revenue</b>	<b>84%</b>	<b>82%</b>	<b>84%</b>	<b>84%</b>	

1. Funding and subsidies include Kindergarten funding, training subsidies and supplier rebates but excludes JobKeeper



# BALANCED SCORECARD

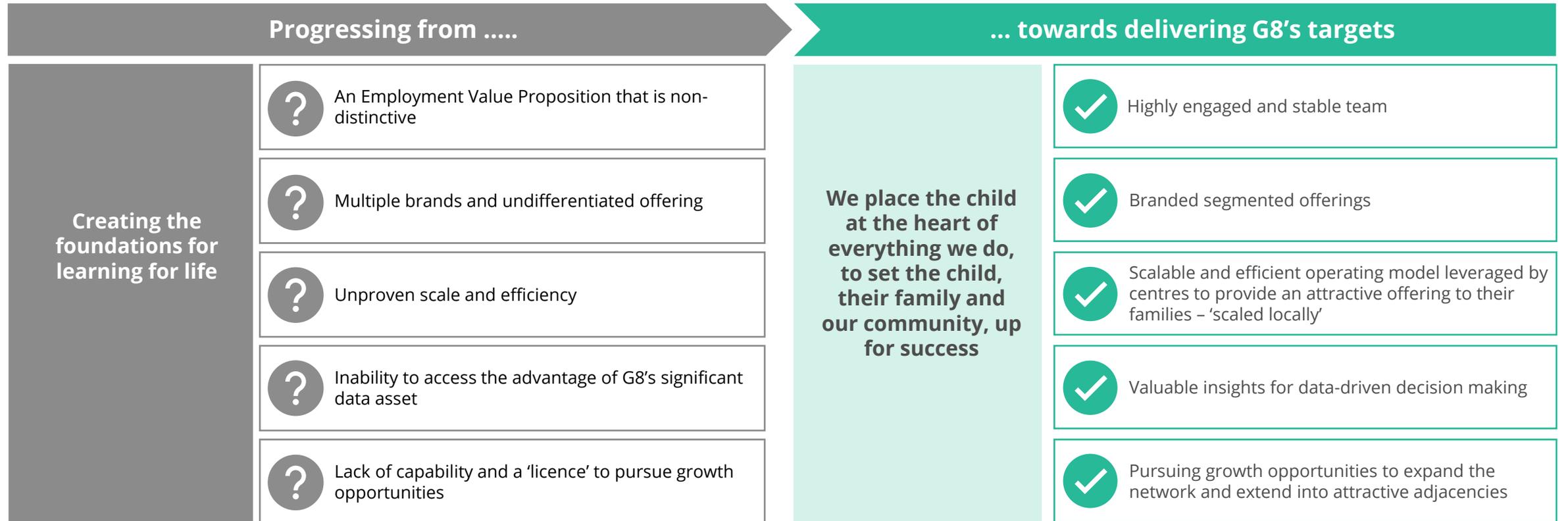
Committed to consistently tracking and reporting progress to deliver the strategy

Strategic focus area	Key measure & result		Focus areas	Progress to target
 <b>Team</b>	Team retention	70.2%	<ul style="list-style-type: none"> <li>• Completion of high priority recruitments</li> <li>• Remuneration and rewards framework</li> <li>• Performance culture</li> </ul>	• [Narrative progress summary] 
 <b>Customer &amp; Branding</b>	NPS	32	<ul style="list-style-type: none"> <li>• Enrolments &amp; transition</li> <li>• Enrichment of customer experience</li> <li>• CVP development</li> </ul>	• [Narrative progress summary] 
 <b>Quality</b>	% of centres meeting or exceeding National Quality Standard (NQS)	89%	<ul style="list-style-type: none"> <li>• Establish internal quality metric</li> <li>• NQS Assessment &amp; Ratings</li> </ul>	• [Narrative progress summary] 
 <b>Education &amp; Inclusion</b>	High quality education - % centres meeting or exceeding QA1 of NQS	92%	<ul style="list-style-type: none"> <li>• High quality education</li> <li>• Digital literacies@play</li> <li>• Leor</li> </ul>	• [Narrative progress summary] 
 <b>Operating Model</b>	Occupancy (spot)	73.0%	<ul style="list-style-type: none"> <li>• Operating model refinement and simplification</li> <li>• Digitisation</li> <li>• Data foundations and insights</li> </ul>	• [Narrative progress summary] 
 <b>Financial Sustainability</b>	EBIT margin adjusted for leases	7.2%	<ul style="list-style-type: none"> <li>• Realise quick win exits – near-term lease expiries</li> <li>• Continued and disciplined optimisation of portfolio</li> <li>• Optimal capital allocation</li> </ul>	• [Narrative progress summary] 

**Illustrative example of future reporting**

# TRANSFORMATIONAL JOURNEY

Refreshed strategy embodies a transformational change to be executed by a renewed team with a clear focus on delivering medium term targets



# KEY MESSAGES

With encouraging sector fundamentals, G8 has the potential to grow sustainably through better execution and disciplines



## Sector fundamentals remain attractive

- Strong bi-partisan support
- Rational supply/demand
- Sector challenges relating to workforce and current regulatory inquiries expected moderate



## G8 has strong foundations - focus on 'Core' of the business to enable future growth

- Multi-horizon transformation strategy to drive stability and growth
- Delivering a "fit core" underway with some positive trends



## Execution is crucial - focus on family satisfaction and better outcomes for children

- 'Always on' Net Promoter Score (**NPS**) improving
- Operational consistency and delivering quality everyday
- Improved team vacancy position, supported by internal talent pipe
- Focus on driving occupancy



## Scale - will be a key enabler

- "Scaled Locally" principles underway
- Scale operators should benefit from higher compliance standards
- Education and inclusion as differentiators at scale
- Support office costs expected to be relatively "fixed" as occupancy and network builds



## Financial discipline - active network optimisation and capital allocation to drive sustainable returns

- Cost management disciplines in place
- Clear capital allocation framework
- Lower capex
- Network optimisation underway



Creating the foundations for learning for life while placing the child at the heart of everything we do

# BUSINESS UPDATE



## Trading Update

- Spot occupancy<sup>1</sup> for the week ending 22 October 2023 was 75.4%, 1.4% below the same week in 2022 and 2.2% 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.

1. Spot occupancy includes Core + Divested + Greenfield

# CONDITIONAL SALE AGREEMENT

Divestment of centers

## Conditional Sale Agreement

- G8's strategic imperative to improve the quality and performance of the network through disciplined exit of underperforming centres has resulted in the Group signing a conditional agreement to sell 31 centres.
- The 31 centres located in various states collectively produce a full year<sup>1</sup> Statutory EBIT<sup>2</sup> loss of circa \$3m and pre-AASB16 losses before income tax of circa \$9m.
- 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.

1. Rolling 12 months to 30 September 2023

2. EBIT after lease interest

