



G8 Education^{ltd}

Market Briefing

G8 Education Limited (ASX:GEM)

November 2010

Investing in the
future of childcare



Overview

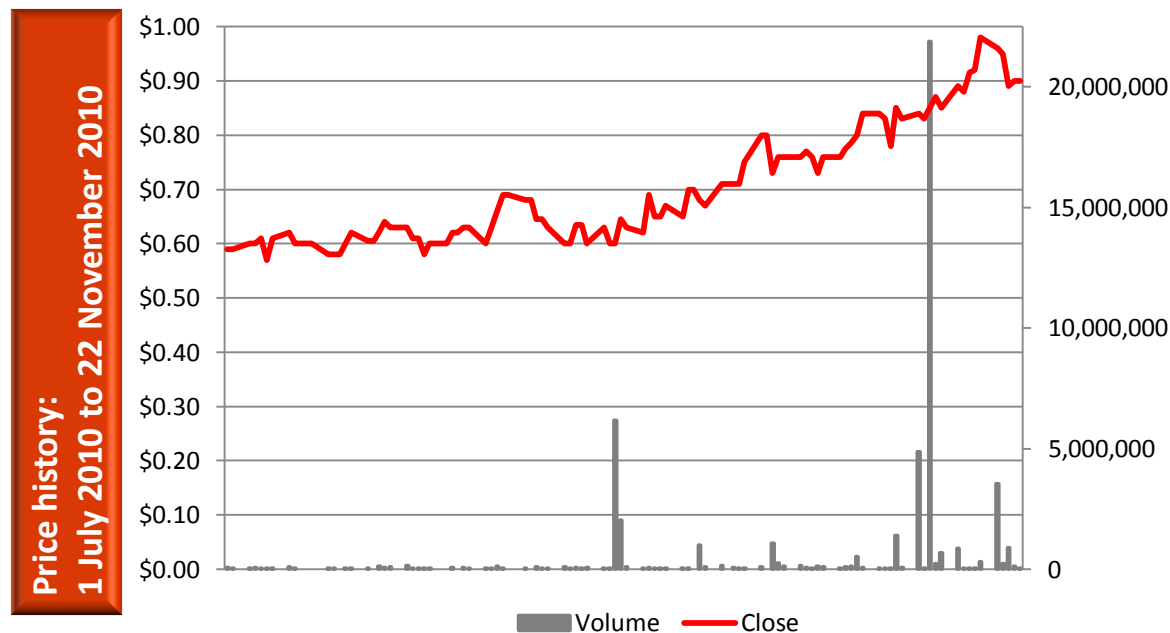
Following the acquisition of Cherie Hearts and the completions of the Kindy Patch transaction, G8 Education's child care portfolio will comprise:

- **Australia**
 - 119 owned child care centres
 - 21 managed child care centres
 - FY11 Revenue: A\$115M
 - FY11 EBIT: A\$17M
- **Singapore**
 - 18 owned child care centres
 - 48 managed child care centres
 - Majority stake in training and enrichment school
 - FY11 Revenue: A\$17M
 - FY11 EBIT: A\$4M



Key Statistics

Current share price (at close of trade on 22 November 2010)	\$0.90
Market capitalisation based on 150.3 million shares on issue (at close of trade on 22 November 2010)	\$135.3 million
Shares on issue during 2010 (following issue of announced acquisitions)	162.3 million
Market capitalisation at finalisation of announced acquisitions, and assuming share price of \$0.90 at close on 22 November 2010	\$146.1 million



The vision of G8 Education

- A portfolio of outstanding child care brands:
 - Cherie Hearts
 - Early Learning Services
 - World of Learning
 - Bourne Learning
 - Community Kids
 - Holiday Club
 - Kindy Patch
- Focus on the importance of child care
- Make good centres great through focusing on outstanding child care management



Early Learning Services Limited
Committed to Child Care



BOURNE LEARNING



G8's mission

Our mission is to be Australasia's leading provider of high quality, developmental and educational child care services, and to achieve this through growth and sustainability:



Quality Education & Care

- To nurture and develop children's minds, social skills and confidence in a safe and stimulating environment.

Employees

- To commit to employee development and a rewarding culture which will ensure an engaged and driven workforce.

Community

- To be responsive to local families and deliver upon community expectations.

Profitability

- To grow and derive value for shareholders through innovative services, systems and management.



Singapore Update



Acquisition Update: Cherie Hearts

- On 28 October 2010, G8 Education announced the acquisition of Cherie Hearts, Singapore's largest private provider of child care services.
- Chris Scott, Managing Director of G8 Education will oversee the Singapore operations, as well as existing operations in Australia. Chris is a permanent resident of Singapore and has over 30 years business experience in Singapore.
- There are 849 child care centres in Singapore, with an average size of 88 places.



Acquisition consideration

- The purchase price of Cherie Hearts is A\$19.2M* (including the assumption of debt).
- The forecast EBIT for Cherie Hearts for the 2011 calendar year is A\$4.3M*. This represents:
 - an EBIT purchase price multiple of 4.47 times; and,
 - a tax affected multiple of 3.75 times EBIT once the Singapore corporate tax rate of 17% is taken into consideration.
- The guidance for the 2011 calendar year for Cherie Hearts is as follows:

	Calendar Year 2011 Guidance for Cherie Hearts
Revenue	A\$16.7M
Expenses	A\$12.4M
Earnings before Interest and Tax	A\$4.3M
Interest	A\$0.3M
Net Profit before Tax	A\$4.0M
Net Profit after Tax	A\$3.4M

The guidance assumes no synergies and no revenue from the 23 franchisee businesses signed and awaiting completion.

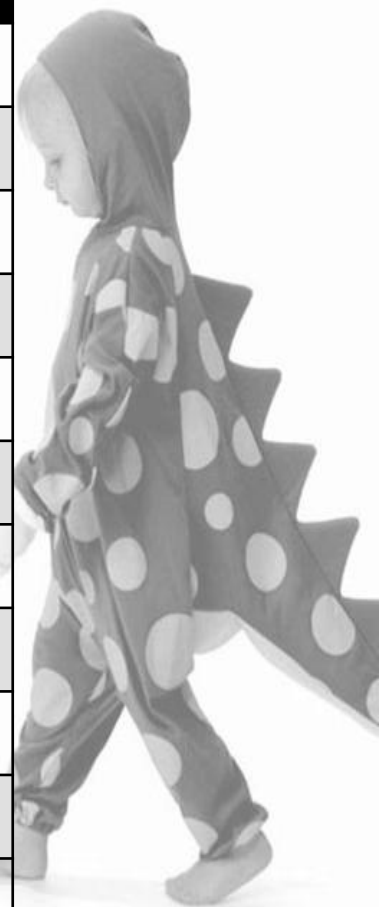
* Assuming an exchange rate of S\$1.28 for each Australian dollar

Singapore Centres

Location	Total centres
Owned centres – 100% ownership by Cherie Hearts	18
Franchised centres in operation	48
Franchised centres pending confirmation of licence	23
Enrichment Program & Teacher training company	
Total centres	89
Total licence capacity	5,208

The anatomy of a child care centre in Australia and Singapore

	Australia	% of revenue	Singapore	% of revenue
Licensed places	75		88	
Occupancy	80%		90%	
Fee for service	A\$65 per day		S\$720 per month	
Days	250 days		12 months	
Revenue per centre	A\$975,000		S\$685,000	
Employee costs	A\$585,000	60%	S\$240,000	35%
Rent and property costs	A\$117,000	12%	S\$116,000	17%
Other operating costs	A\$78,000	8%	S\$82,000	12%
EBITDA	A\$195,000	20%	S\$247,000	36%
D & A	A\$15,000	2%	S\$7,000	1%
EBIT	A\$180,000	18%	S\$240,000	35%



Supportive environment

- The Singaporean Government introduced a Baby Bonus scheme in 2001
- In 2008, the Government announced the enhanced Marriage and Parenthood Package which enhanced the one off baby bonus and the Government matching contribution to bank accounts opened for children to fund education and medical needs.
- The budget for the package in 2009 is estimated at S\$1.6B, compared to S\$800M previously.

Birth Order	Baby Bonus	Maximum Account Matching Contribution	Total
First	S\$4,000	S\$6,000	S\$10,000
Second	S\$4,000	S\$6,000	S\$10,000
Third	S\$6,000	S\$12,000	S\$18,000
Fourth	S\$6,000	S\$12,000	S\$18,000
Fifth and beyond	-	S\$18,000	S\$18,000

- In addition, from August 2008, the subsidy for working mothers sending their Singaporean children to centre-based childcare will increase from S\$150 to a maximum of S\$300 per month per child and the subsidy for centre-based infant care will increase from S\$400 to a maximum of S\$600 per month per child.

- Source: SINGAPORE'S 2ND AND 3RD PERIODIC REPORT TO THE UNITED NATIONS COMMITTEE ON THE RIGHTS OF THE CHILD

Cherie Hearts: Awards

- Cherie Hearts Group has received more than 30 national awards over the past 5 years:



Australia Update



Australian operations

- The trading environment continues to be buoyant with the Australian centres' occupancy for the year expected to average 76-80%.
- The Kindy Patch transaction will contribute to G8 Education from 1 January 2011, as per our earlier guidance.
- The roll-out of the Quickids IT platform has been completed for all the acquired operations and is yielding operational efficiencies through improved data collection.
- We continue to be active in seeking acquisitions and have held preliminary discussions with a number of potential corporate owners.



Capital structure

Shares on issue

150,304,537

Shares to be issued as consideration for announced Kindy Patch transaction
(no shares to be issued for Cherie Hearts transaction)

12,000,000

Options over unissued shares

250,000

(250,000 vest in 2012) held by Chris Sacre

Debt

Current debt – National Australia Bank

\$15,543,000

Debt to be assumed on acquisition of acquisitions 1, 2 and 3, the subject of the
18 August 2010 announcement

\$7,900,000

Debt to be drawn during 2011 to fund the deferred component of Acquisitions 1, 2 and 3
of the 18 August 2010 announcement

\$6,303,000

Debt to be assumed on acquisition of the Cherie Hearts business

\$5,650,000

Dividend Policy

Quarterly dividends at 50% - 60 % payout ratio

Australian Centres

State	Total Australian centres (assuming completion of all announced acquisitions as at 22 November 2010)
Queensland	70
New South Wales	38
Victoria	9
Australian Capital Territory	5
South Australia	15
Western Australia	2
Tasmania	1
Total centres (including managed centres)	140
Total licence capacity	9,854

2011 Guidance

	2010 Guidance for Australian centres AUD\$ million	2011 Guidance for Australian centres AUD\$ million	2011 Guidance for Cherie Hearts AUD\$ million	2011 Guidance for the Group AUD\$ million
Revenue	64.78	115.47	16.70	132.17
Expenses	57.17	98.19	12.40	110.59
Earnings Before Interest and Tax	7.61	17.28	4.30	21.58
Interest	1.20	2.11	0.30	2.41
Net Profit Before Tax	6.41	15.17	4.00	19.17
Net Profit After Tax	4.49	10.62	3.35	13.97



Board and Management Team

Jenny Hutson,
Chairperson
B.Com, LLB, FAIMM, MAICD



Chris Scott,
Managing Director
B.Econ (Hons)



Craig Chapman,
Chief Executive Officer
B. Com., A.S.C.P.A., C.S.A.



Sam Yap,
Non-Executive Director
B. Sc (Hons)



Brian Bailison,
Non-Executive Director
B.Com., B.Acc (Cum L\$Ae), ACA



Gurchran Singh
Non-Executive Director (Alternate)
Masters Early Childhood Education



Chris Sacre, Chief Financial Officer/
Joint Company Secretary
B.Bus, CA, SA Fin, G Dip AppFin



Garry Edwards,
Financial Controller/
Joint Company Secretary
MBA, FAICD



Substantial shareholders

Shareholder	Number of Shares	Percentage holding
Wallace Infrastructure Pty Ltd	28.9 million	19.2%
Perpetual Nominees Limited and subsidiaries	21.1 million	14.1%
Paradice Investment Management Pty Ltd	9.8 million	6.5%

*As notified to ASX in Substantial Shareholder Notices

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