

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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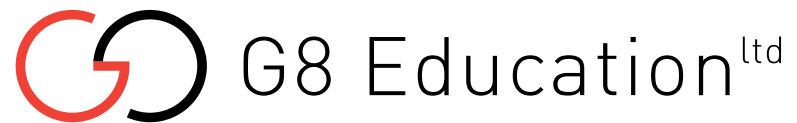
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2023 STRATEGY SESSION

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.

PRESENTATION AGENDA



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

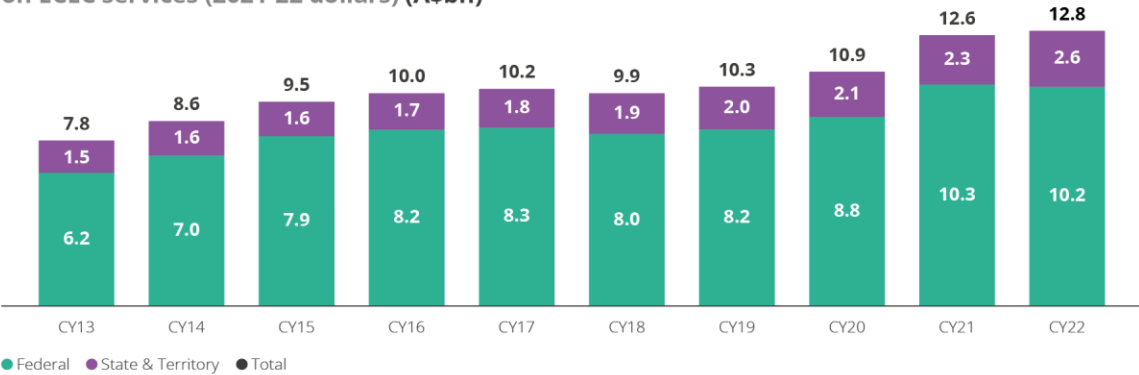
- Being conducted to determine best way to provide universal access for children to high quality learning and care
- Current mixed-market set of providers is critical to the delivery of quality education and care services and review outcomes need to support the sustainability of all groups

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...

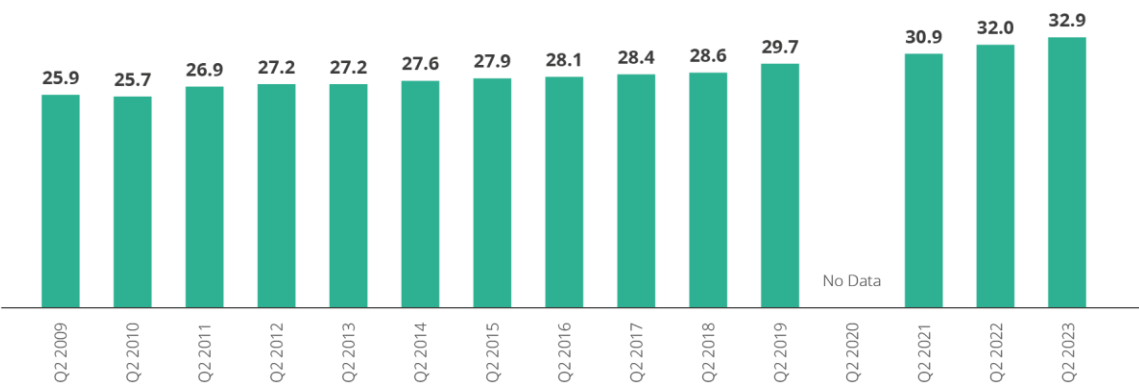
Australian, State and Territory government real recurrent and capital expenditure on ECEC services (2021-22 dollars) (A\$bn)



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

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

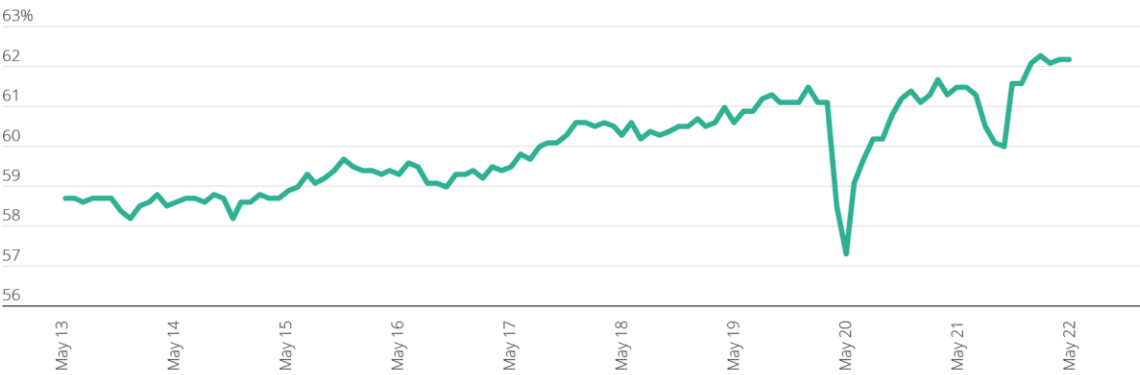
Average weekly hours in LDC



Source: DoE Child Care in Australia Reports

...which is driving female participation...

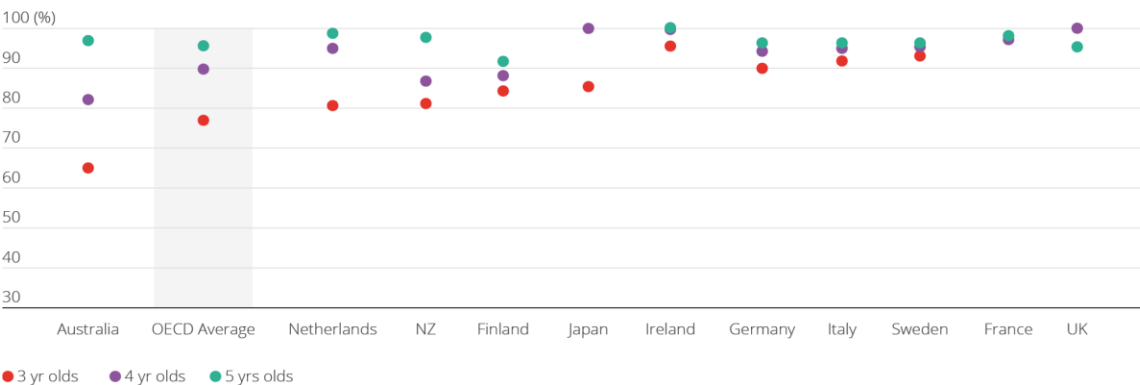
Female employment-to-population ratio



Source: ABS

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

Enrolment rate¹ in early childhood education — 3-5 year olds (%)



1. CY20 or latest available

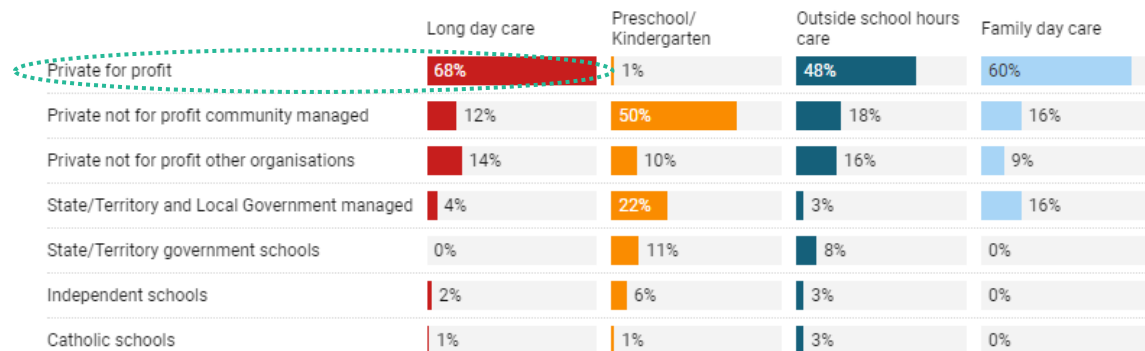
Source: OECD (2023), Enrolment rate in early childhood education

SECTOR SNAPSHOT – COMPOSITION AND QUALITY

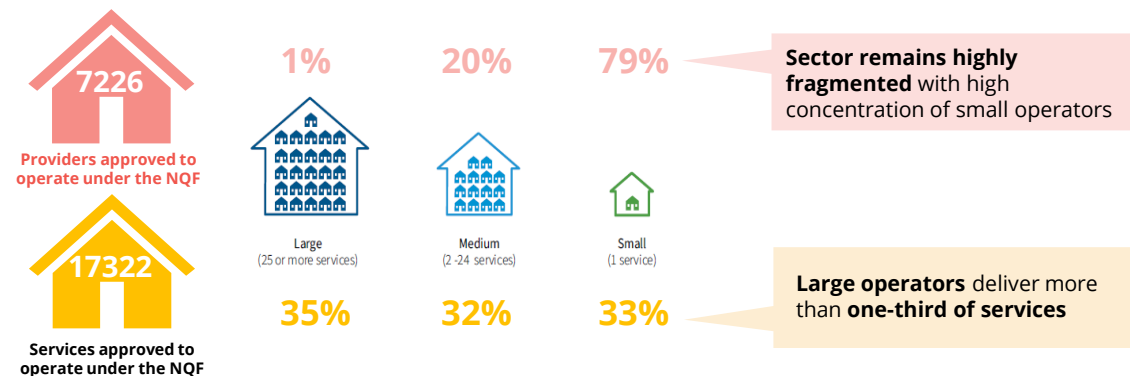
The ECEC sector remains highly fragmented with 'private for profit' playing a significant role

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

Proportion of services (centres) by service sub-type

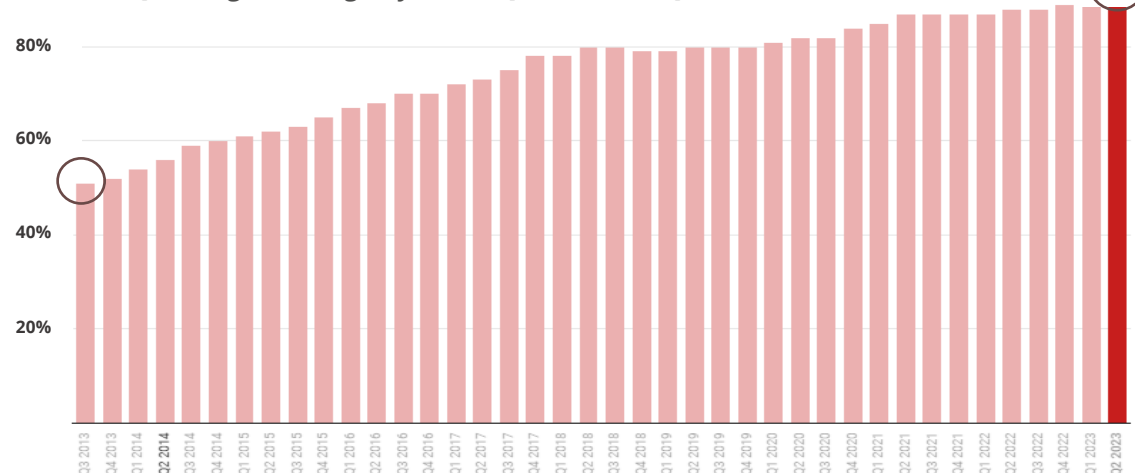


Approved providers (operators) and services under NQF

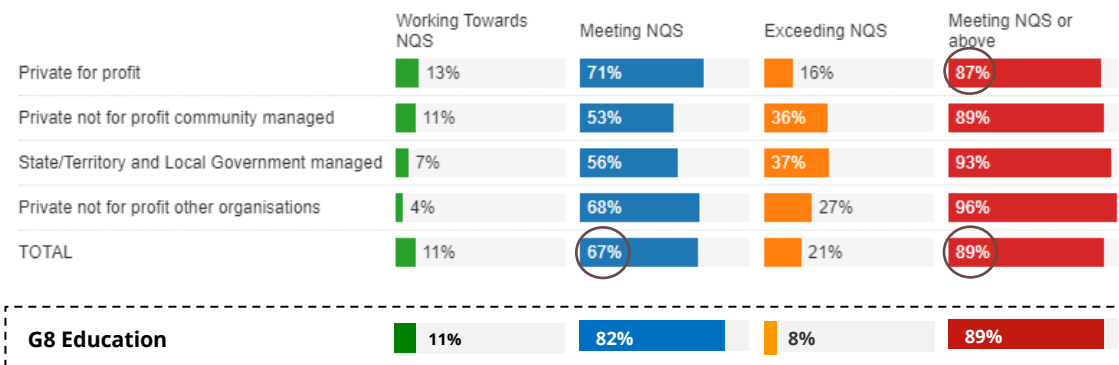


Quality for Long Day Care has increased significantly adding to the activity and cost base of the sector

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



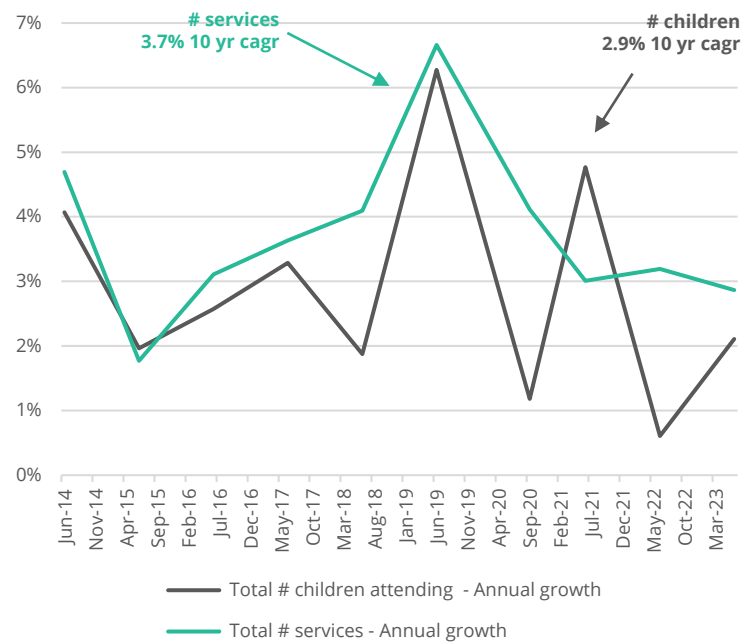
G8 is in line with the sector but ahead of "for profit" peers with higher skew to "meeting" vs "exceeding"



SUPPLY/DEMAND DYNAMICS AND AFFORDABILITY

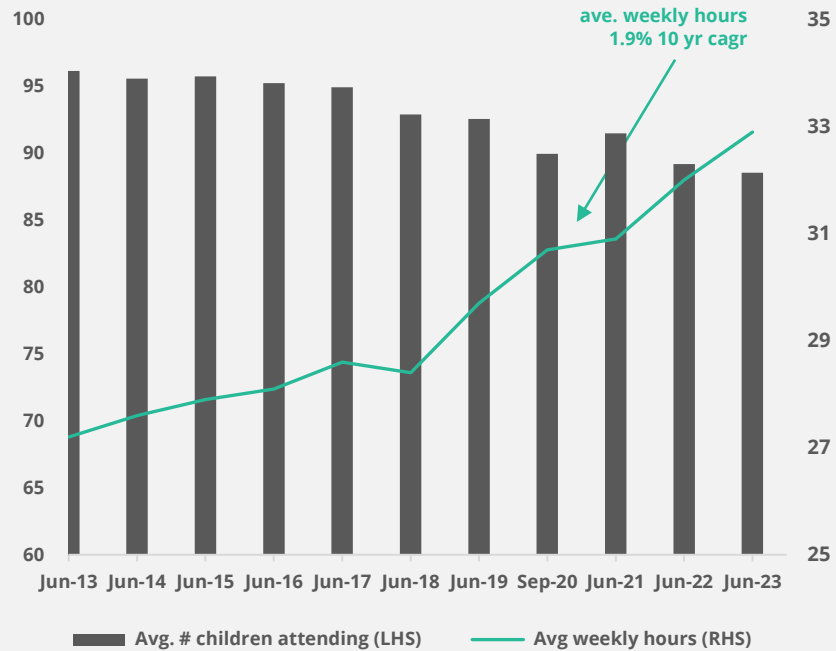
Supply/demand dynamics appear reasonably balanced, while the Government continues to support family affordability

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



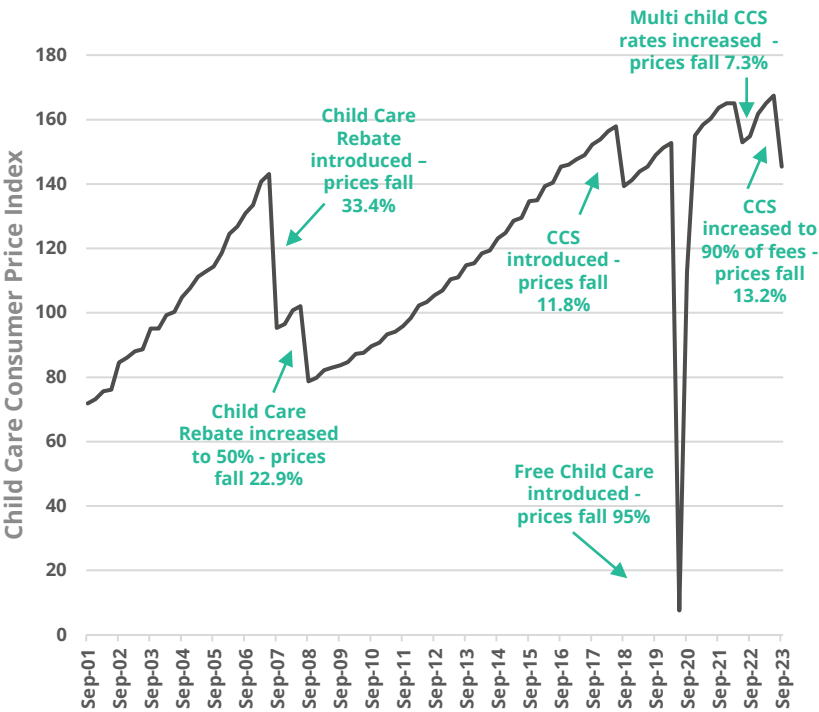
Sector average – Growth in total number of children attending vs. growth in number of services (Jun 13 to Jun 23)¹

...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 2023¹

Government measures have been aimed at driving participation and supporting affordability



Child Care Out of Pocket Expenses - Sep 2001 to Sep 2023³

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	 Team	<ul style="list-style-type: none"> Team retention 70.2%	<ul style="list-style-type: none"> Team attraction, retention and engagement whilst improving requires a clear EVP We need to develop a pipeline of qualifying educators and teachers – “growing our own” Center Managers crucial to our success, we need to think differently about their REM 	
	 Customer & Branding	<ul style="list-style-type: none"> NPS 32	<ul style="list-style-type: none"> In-housing family support team, real-time family sentiment supporting improvement in retention Current Customer Value Proposition (CVP) is similar to many other providers A centre portfolio comprising 21 different brands limits effectiveness of marketing efforts 	
	 Quality	<ul style="list-style-type: none"> % centres meeting or exceeding National Quality Standard (NQS) 89%	<ul style="list-style-type: none"> Solid momentum continues to lift working towards centres to meeting NQS 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 	
	 Education & Inclusion	<ul style="list-style-type: none"> High quality education - % centres meeting or exceeding QA1² 92%	<ul style="list-style-type: none"> G8 already delivering high quality education to children attending centres Ongoing focus is towards maintaining high quality standards Supports seeking to enhance the education and inclusion offering to create differentiation 	
	 Operating Model	<ul style="list-style-type: none"> Occupancy (average)¹ 67.4%	<ul style="list-style-type: none"> Variability in our network performance being addressed progressively Cost management improvements through systems and insights delivering benefits Significant opportunity to drive scale enabled efficiencies, including systems integration 	
	 Financial Sustainability	<ul style="list-style-type: none"> EBIT margin adjusted for leases 7.2%	<ul style="list-style-type: none"> Margin is an outcome of results across leading performance areas Margin is expected to lift towards the target sustainable range as core operational improvements continue to be made 	

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.





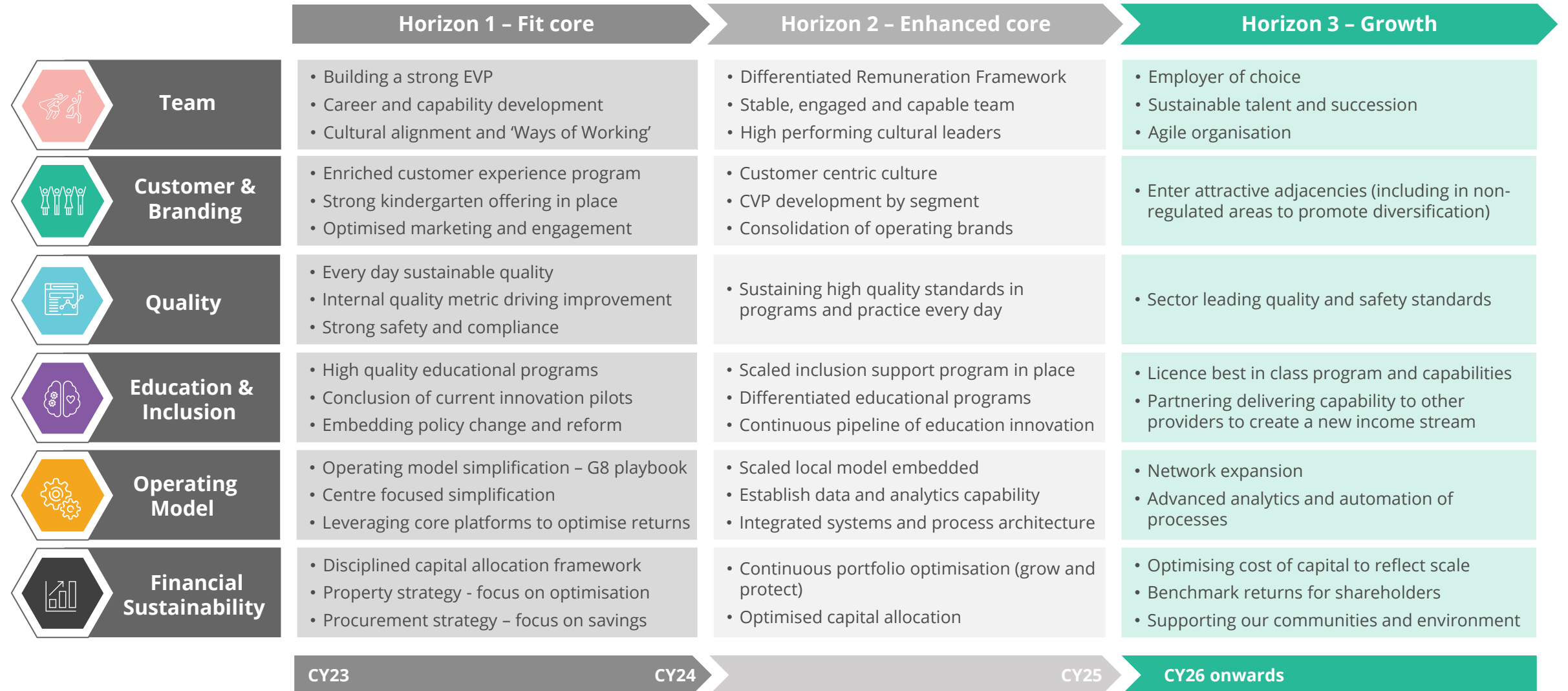
STRATEGIC FOCUS AREAS

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

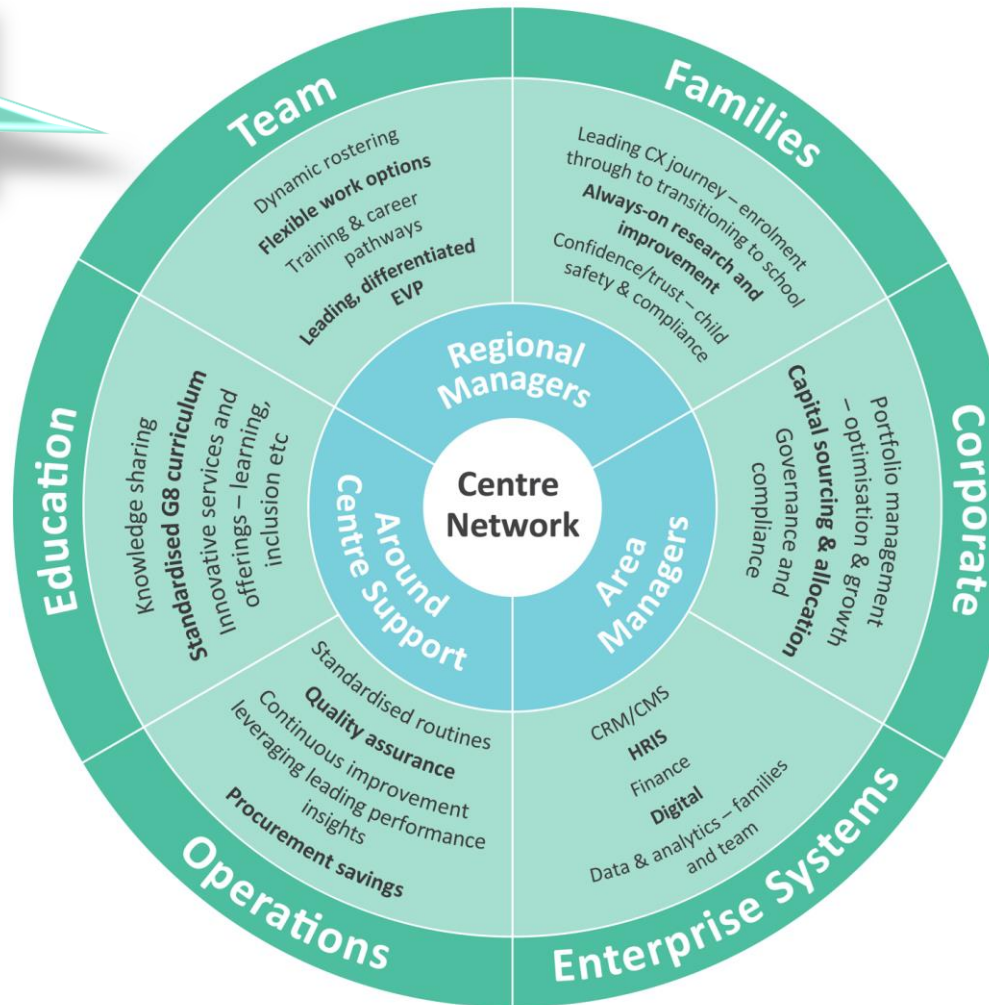
Developing enterprise Intellectual Property (IP) and capabilities should drive higher quality outcomes and leverage cost benefits of scale

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

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

Pejman Okhovat
CEO and Managing Director

Ali Evans
General Manager Early Learning and Education

Andrea Christie-David
Managing Director – Leor

Calvin Goulding
Chief Information Officer

John O'Meara
General Manager Strategy and Transformation

Shane Dann
Chief Operating Officer

Sharyn Williams
Chief Financial Officer

Tabitha Pearson
Chief People Officer

Tracey Wood
Chief Legal Quality and Risk Officer

New to role

Existing role

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

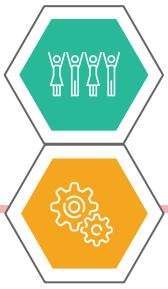
- Reconciliation Action Plan
- Inclusion support and Allied Health (Leor)

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

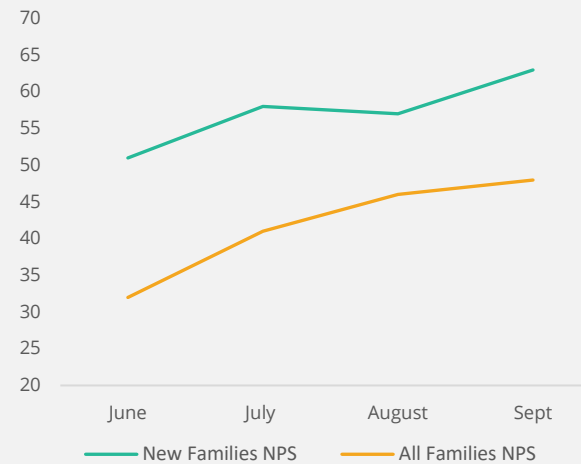
2 Develop a strong kindergarten/preschool offering

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

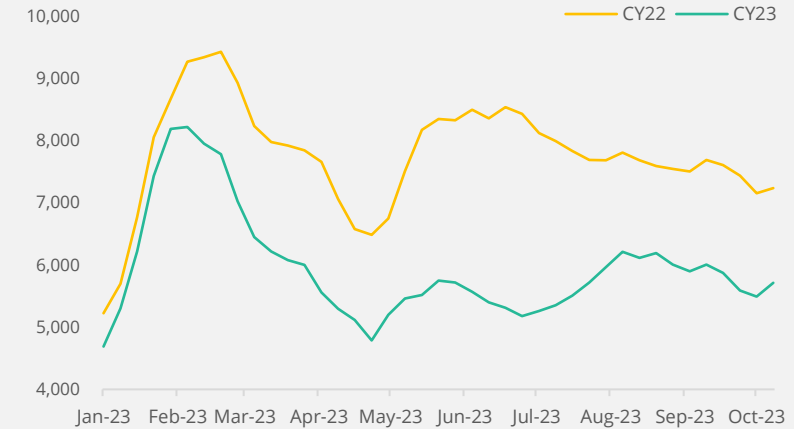
3 Pursue operating model efficiency and simplification

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

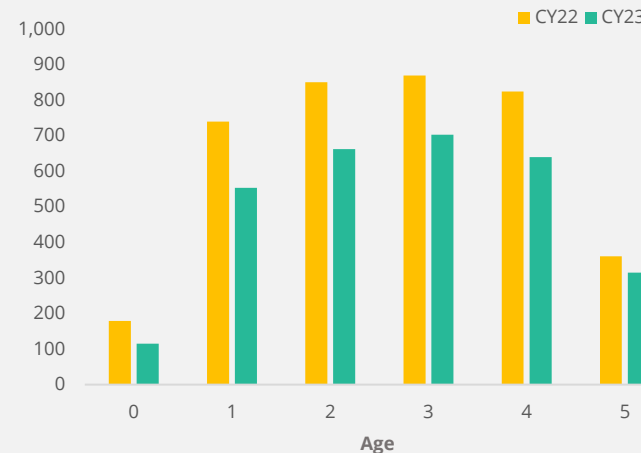
"Always on" NPS – since inception (June CY23)



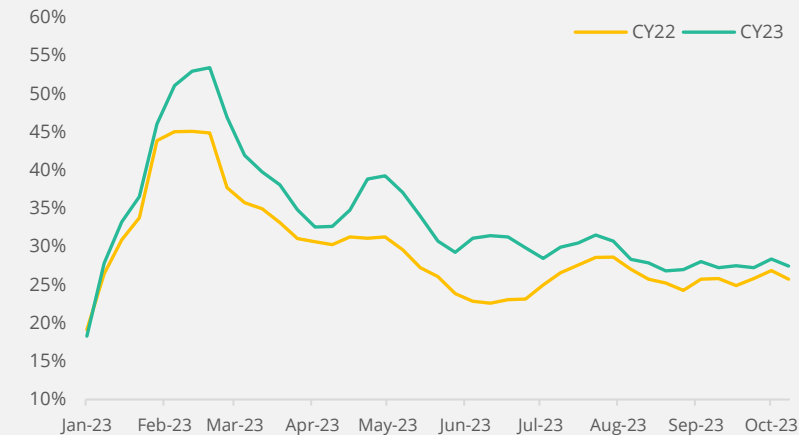
Enquiries – CY23 vs. CY22



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

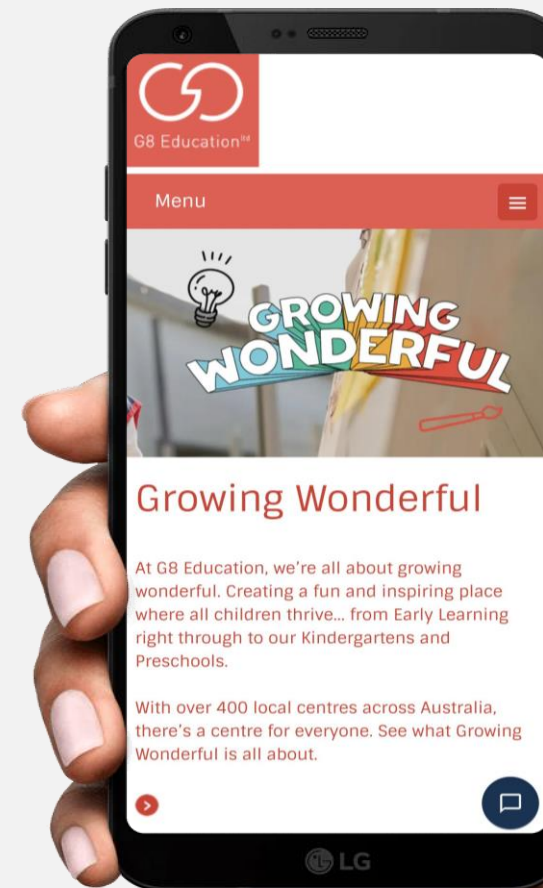
Cyber Security: protecting children, family, employees and investments

- 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

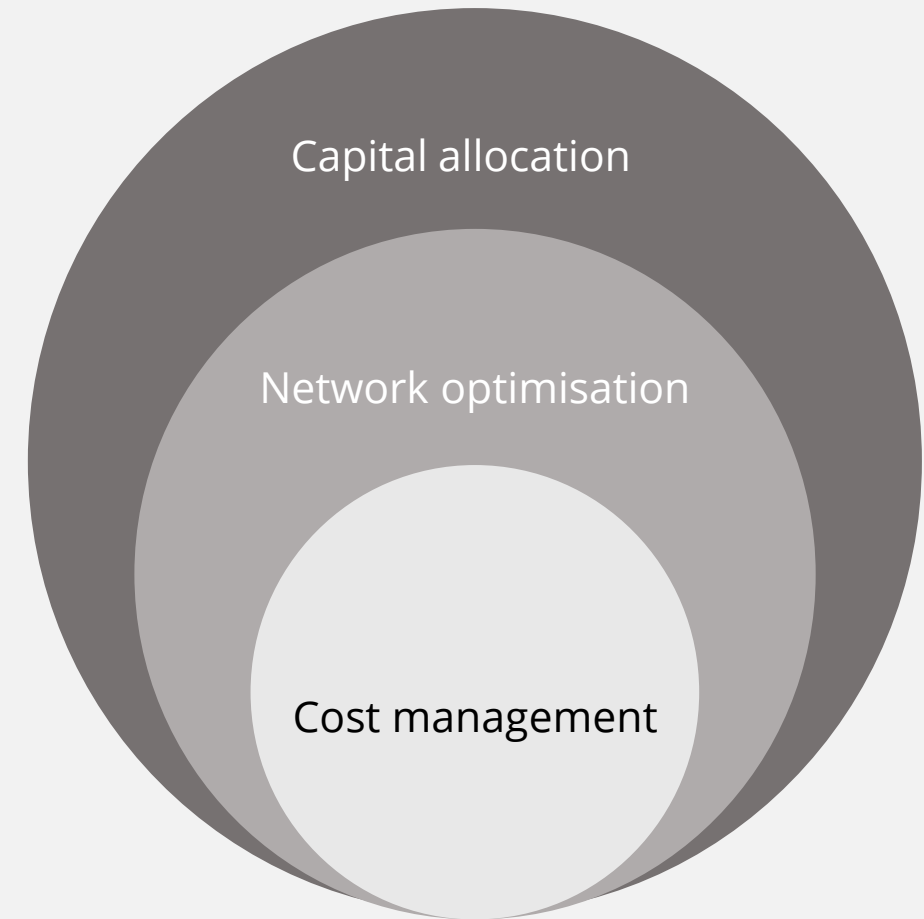
- Strong cash conversion to sustain the business and fund growth and shareholder returns
- Improve EPS whilst maintaining conservative leverage levels
- Optimise cost of capital

2 Network optimisation model

- Continuous portfolio optimisation
- Disciplined exit of underperforming centres

3 Cost management principles

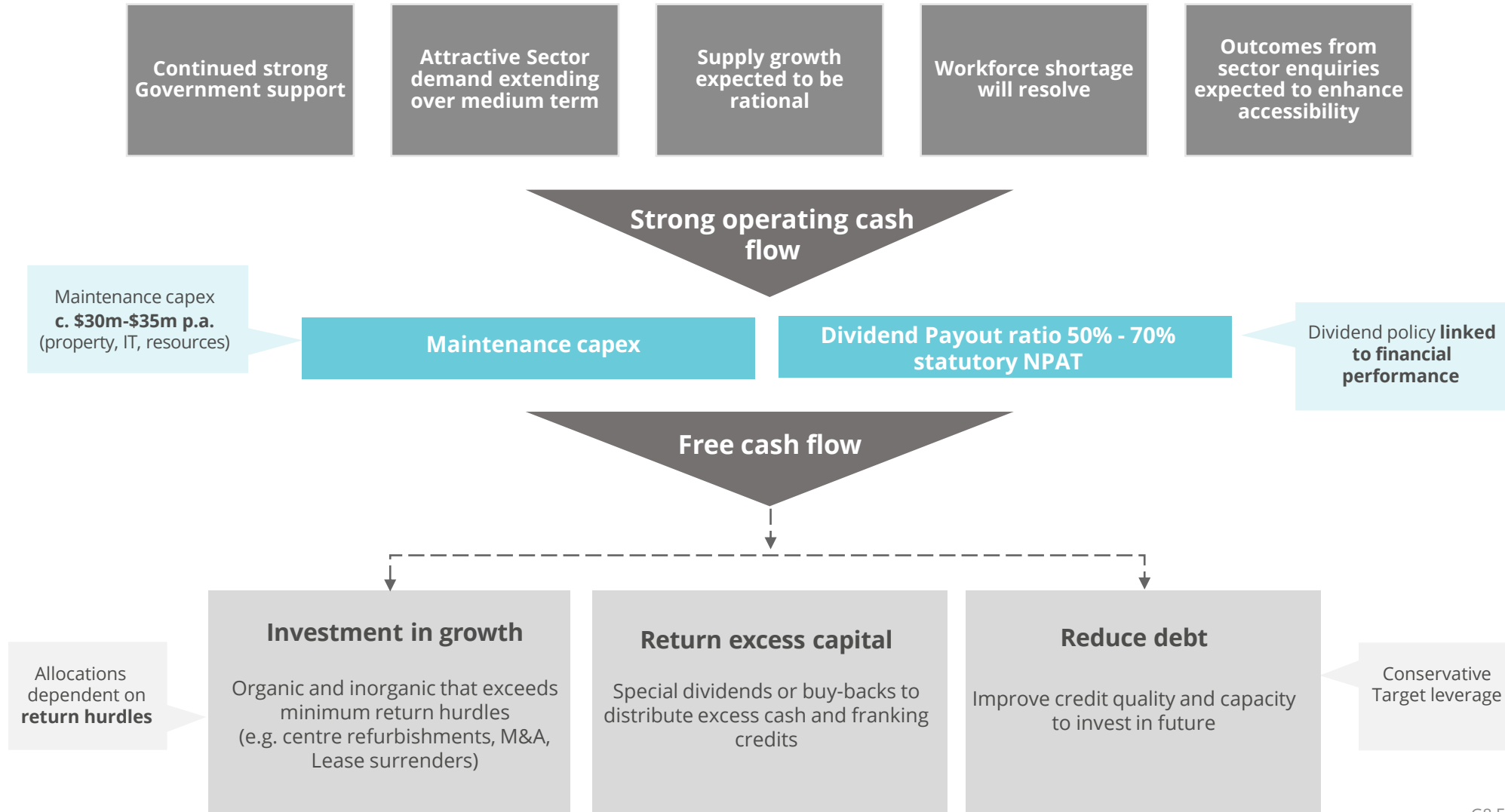
- Balancing centralisation with autonomy
- Centralised costs to add value through either scale cost efficiencies, access to funding and subsidies or occupancy growth levers (quality, team and family retention)
- Maintain cost base relative to capture margin and earnings growth as occupancy and network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





CAPITAL ALLOCATION FRAMEWORK

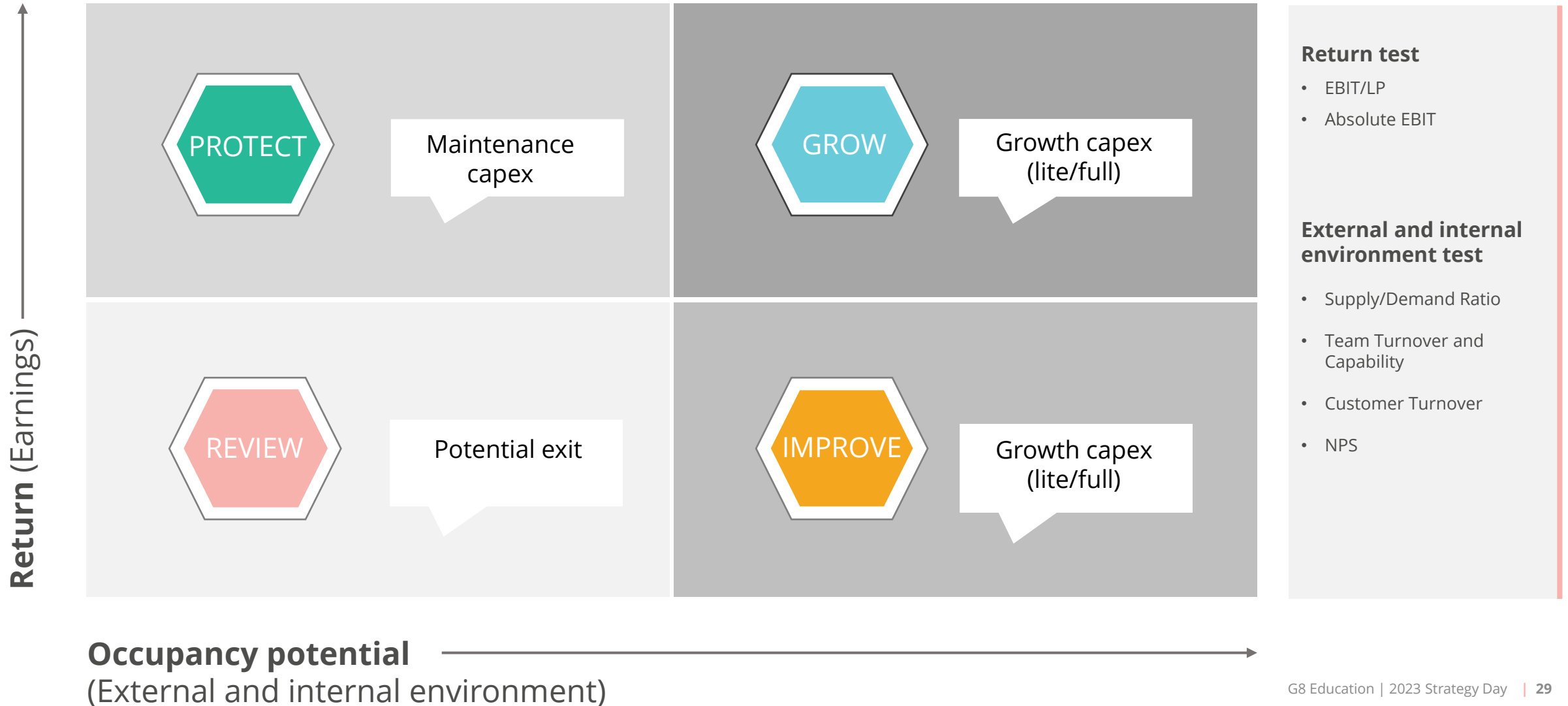
Strong cash generation allocated via disciplined capital allocation





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



Balance centralisation and autonomy

- Balance centralised compliance and scale-benefits with nimble responses to the local environment
- Leveraging the operating model to drive efficiency and simplicity



Cost base relativity

- Maintain total cost base relativity to capture margin as occupancy builds or network expands
- Comparable to 'for-profit' peers



Centralised costs to add value

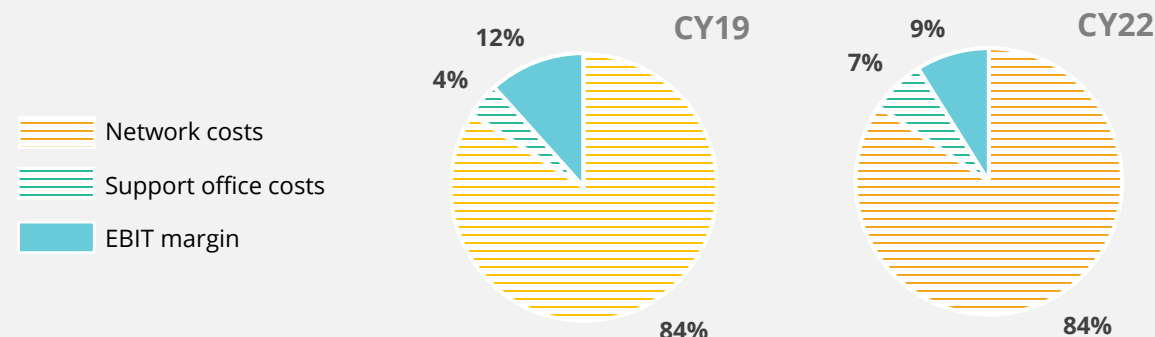
- Manage costs with a group lens
- Invest centrally where scale-benefits achieved and value is added
- Centralised access to funding and subsidies



Examples of traction gained

- In-housed call centre - cost saving and improved customer metrics
- Workforce planning team - optimised rostering
- Procurement team - improved unit costs, product quality and supplier performance management

Cost Base - CY19 to CY22



Centralised costs













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

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



BALANCED SCORECARD

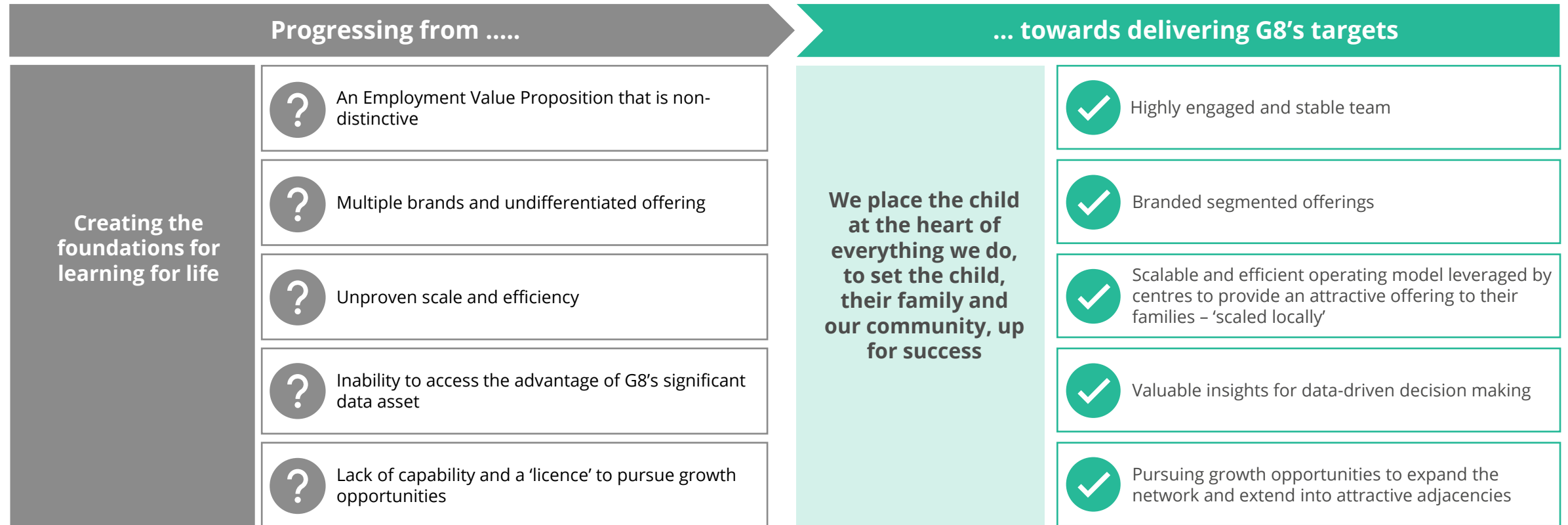
Committed to consistently tracking and reporting progress to deliver the strategy

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



Trading Update

- Spot occupancy¹ 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 year¹ Statutory EBIT² 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

