Early Learning Services Limited

Committed to Child Care

# Results Summary Period End 31 December 2007













# Corporate Overview

- Early Learning Services aims to be the second largest listed child care operator in Australia this year.
- Formed to be a key consolidator in an Australian market with favourable industry dynamics that remains highly fragmented.
- Currently owns 31 centres and are on target to have 46 centres by end of 2008.
- Licensed to care for 2,224 children per day
- Early Learning Services owns the leasehold rather than freehold properties.
- Executive team has considerable experience in child care.
- Head office team of 36 in place providing administrative support to centres, developing local marketing programs and assessing acquisition opportunities.







# Capital structure

| | |
|---|---|
| ASX code | ELY |
| First listed | 5 December 2007 |
| Shares on issue | 44.45 million |
| Share price (as at 12 March 2008) | 39 cents |
| Market capitalisation | $17.3 million |

| Major shareholders | No. of Shares | % |
|---|---|---|
| John Hutchison (Chief Executive Officer) | 8.5 million | 19.3% |
| Greg Kern (Co-founder and Non-Executive Director) | 8.5 million | 19.3% |







# 2007 Operational Highlights

- 31 centres acquired and two centres divested since incorporation, bringing total centres to 29 at December 31 2007. A further two centres have been acquired since this date.
- Expanded into Sydney and regional NSW, South Australia and the Australian Capital Territory.
- Successfully integrated 417 centre staff into Early Learning Services.
- Achieved average weighted occupancy of 85.66% which equates to 1.04% above forecast targets.
- Chris Sacre appointed as Financial Controller – Special Projects to oversee integration of acquisitions and financial management
- Implemented leading child care industry software system PC Pro in the Company’s centres to improve reporting and payroll functions.

# 2007 Financial Highlights

- Total revenue from operations for the period $4,004,000
- Earnings before interest, tax, depreciation and amortisation (EBITDA) was $36,000.
- Net loss for the period (NPAT) was $275,000 for the period

These results reflect the impact of the delayed settlement of 12 centres during December and two centres which settled post period end due to factors outside the Company’s control. This excludes the two Mt Isa centres whose contracts have been terminated due to these centres no longer satisfying our investment criteria.







# Acquisition Progress

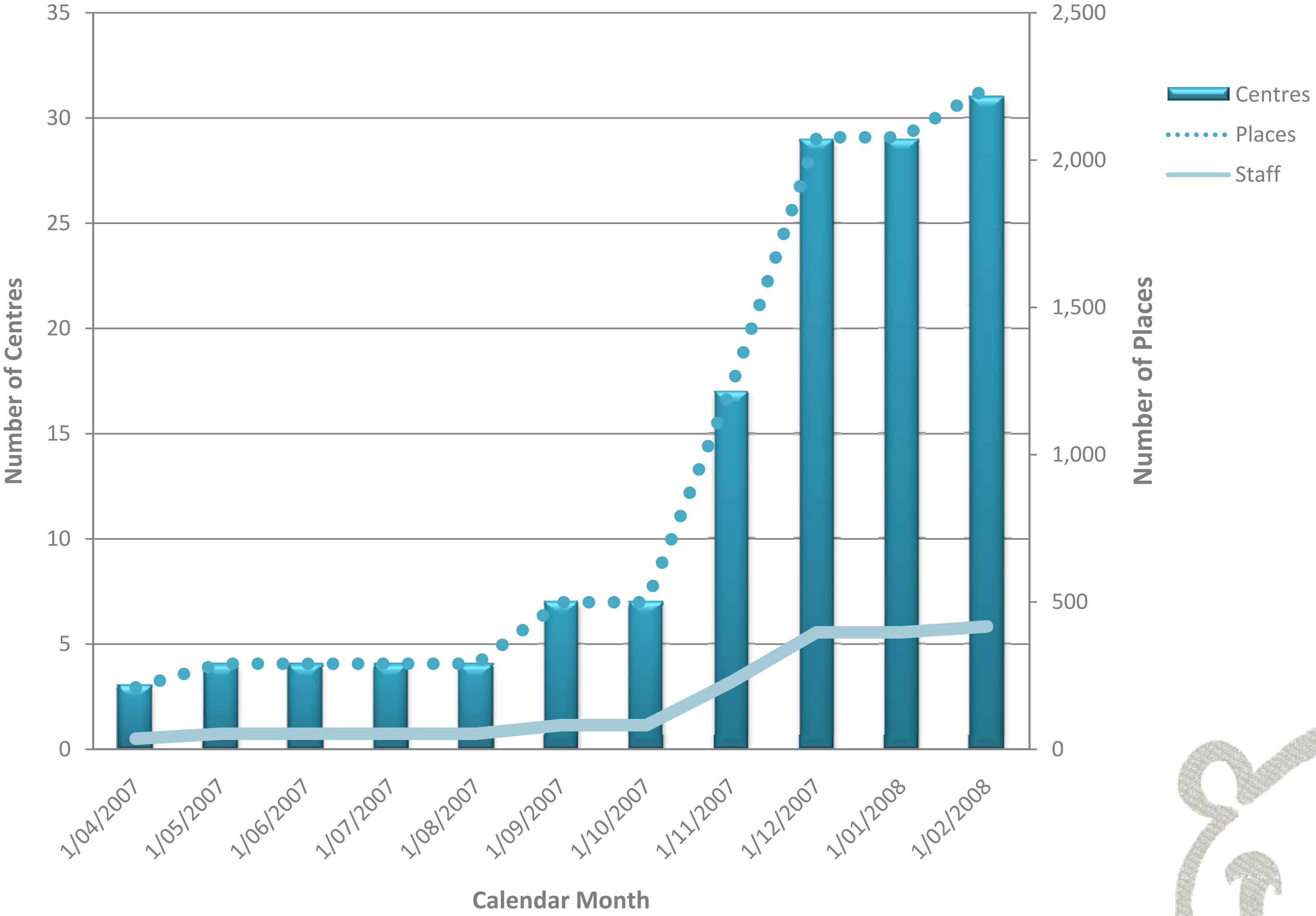
- 31 Centres acquired since incorporation to period end. Two of these were divested. An additional two centre have settled post period-end.
- Current license capacity is 2,244/day or 11,220/week across the 31 centres.
- Target to own 46 centres by 31 December 2008. Currently reviewing existing contracts in line with new opportunities that have arisen in the market in recent weeks.
- Acquisition criteria:
  - Favourable local demographics / needs analysis
  - Analysis of competing centres
  - Established strong occupancy levels
  - Minimum number of licensed places
  - Strong local brand
  - Minimal capital improvements required







# Centre Acquisition Progress



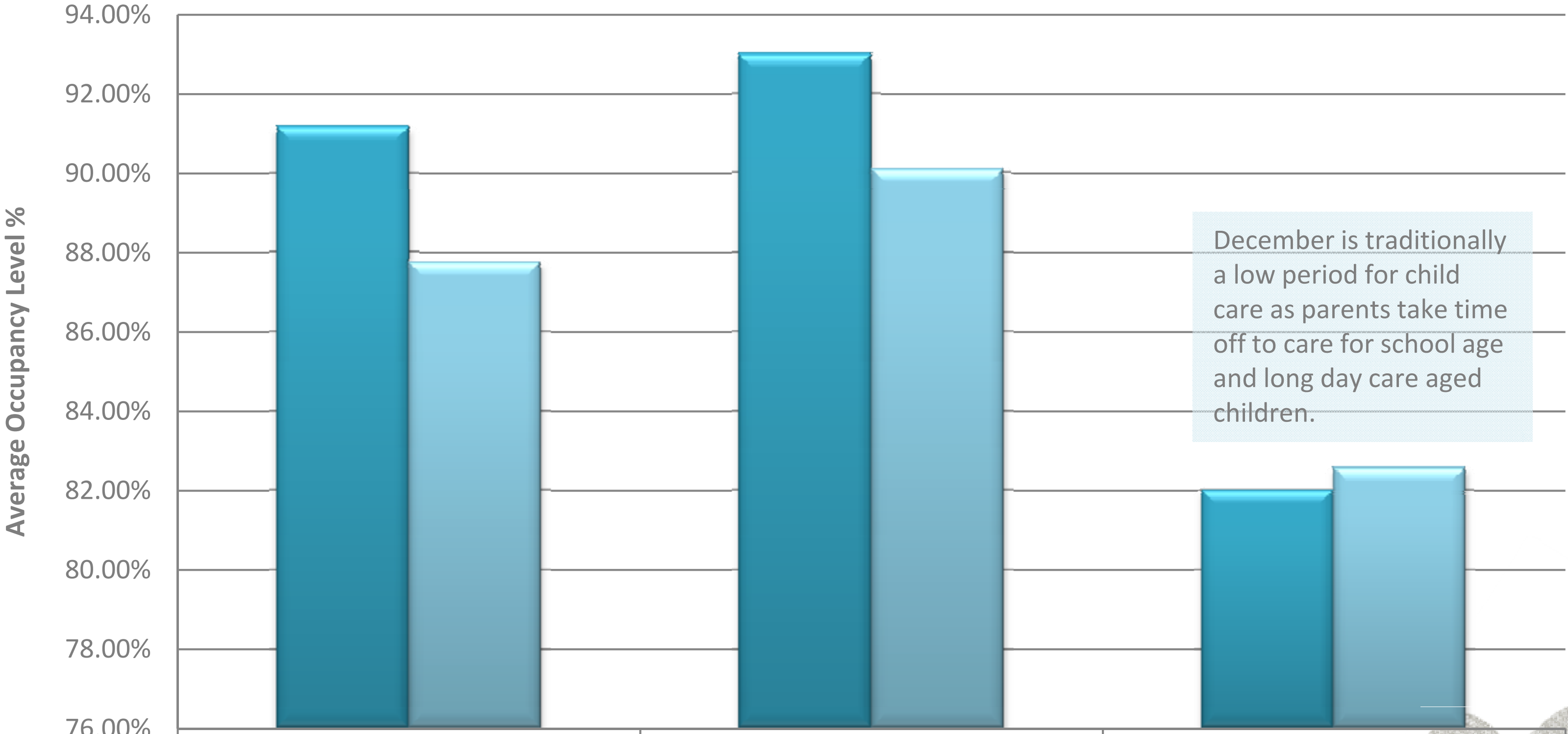






# Performance of Centres

## Average weighted occupancy December quarter 1.04% above target for period




| | 2007-10 | 2007-11 | 2007-12 |
|---|---|---|---|
| Occupancy | 91.16% | 92.99% | 81.99% |
| Forecast | 87.75% | 90.08% | 82.57% |

Please note figures for December Quarter 2007 shown. Prior to this period there were only five centres under our ownership.






# 2008 – Operational Strategy

## Occupancy and Revenue

- We will continue to maximise revenue opportunities through:
  - Twice yearly fee reviews
  - Regular competitor service review

- We will continue to maximise occupancy at centres through:
  - Building on specific seasonal programs to generate demand
  - Relationship marketing through existing customer base







# 2008 – Cost Management

**Wages are the major variable expense for our business**

- We will continue to closely manage centre costs through:
  - Wage controls with active (weekly) roster management
  - Internal staff development and succession planning

- **Economies of scale**
  - Increased buying and contracting power in areas where we have mass (ACT, Cairns, East Brisbane)







# Summary

- Current acquisitions well integrated into Early Learning Services
- Implementing programs to generate additional revenue from existing centres (such as before and after school care and Holiday Club programs)
- Average weighted occupancy levels above forecast targets.
- Continued growth through acquisition and favourable industry dynamics.
- Target to own 46 centres by 31 December 2008. Currently reviewing existing contracts in line with new opportunities that have arisen in the market in recent weeks.