

ASX Announcement

G8 Education Limited
(ASX:GEM)



19 May 2021

Market Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

2021 AGM – CHAIR’S AND MANAGING DIRECTOR’S ADDRESSES & PRESENTATION

Attached are the following documents to be presented at G8 Education Limited’s 2021 Annual General meeting (**AGM**) being held today:

1. Chair’s Address;
2. Managing Director’s Address; and
3. AGM Presentation Slides.

Shareholders will be able to view the 2021 AGM virtually through <https://agmlive.link/GEM21>.

The results of the AGM will be communicated to the ASX shortly after conclusion of the AGM.

Yours sincerely

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

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

For further information, contact:

Investors

Tracey Wood
Chief Legal, Quality & Risk Officer
0402 209 109
tracey.wood@g8education.edu.au

Media

Chloe Rees
Cato & Clive
0417 665 416
chloe@catoandclive.com

ASX Announcement

G8 Education Limited
(ASX:GEM)



2021 AGM – CHAIR’S ADDRESS

Mark Johnson

Fellow shareholders, I would like to formally welcome you to the 2021 Annual General Meeting for G8 Education Limited and thank you for attending.

I will take this opportunity to provide an overview of the Group’s 2020 performance from both an operational and strategic perspective. I will also provide an update on the Board.

Our Managing Director and Chief Executive Officer Gary Carroll will then provide an update on our trading performance for the year to date, as well as our progress in relation to execution of the Group’s strategic focus areas. Following Gary’s presentation, we will then move back to the formal items of business for this meeting.

First, to an overview of our 2020 performance, set against the backdrop of the COVID-19 pandemic.

The impact of COVID-19 on the sector was profound. In late March 2020, attendances across the sector were approximately half the level of those experienced in prior years, placing the viability of the sector at risk.

Recognising this risk, the Federal Government announced a series of sector-specific relief packages, commencing in early April 2020 and continuing through to January 2021. These relief packages reinforced the essential role our sector plays in the economy, in addition to the important role we play in the cognitive, social and emotional development of Australian children. I would like to acknowledge the support provided by the Government during the period, both in terms of financial support as well as day-to-day support in managing through various operational challenges posed by the pandemic. It was also pleasing to see the Government’s commitment to the sector being reinforced by additional funding measures that were announced as part of last week’s 2021-22 Federal Budget. Gary will provide more detail on the Budget support measures in his update.

Following the announcement of the Government’s initial sector relief package in April 2020, we raised \$301 million via an underwritten institutional and retail entitlement offer. This capital raising provides the Group with the liquidity and financial flexibility to withstand a prolonged period of economic downturn as well as allowing G8 to pursue any sensible opportunities that may emerge from this challenging period. The Board also made the difficult but prudent decision to delay the payment of the Group’s CY19 final dividend to October 2020. This measure, along with reducing Director fees and the salaries of the Executive Leadership Team by 20% for a 6-month period, were part of a broader set of initiatives aimed at preserving cash and providing increased flexibility to deal with the unfolding pandemic.

It was pleasing to see sector occupancy levels recover a large portion of their shortfall in the second half of 2020 and the economy recovering from the lockdown measures that were undertaken earlier in the year. More importantly, the incidence of COVID-19 infections was very low throughout the G8 Education network, which is a testament to the skill, discipline and care of the team.

ASX Announcement

G8 Education Limited
(ASX:GEM)



On behalf of the Board, I would like to sincerely thank every member of the G8 Education team for their tireless efforts in supporting our children, families and communities through this period.

The financial performance of the Group in 2020 was significantly impacted by the COVID-19 operating environment, with Government relief subsidies providing an offset to the impacts of lockdown measures on occupancy. During the year, the Group reviewed its forecast future cash flows to take account of the expected prolonged economic recovery from the pandemic. This review resulted in a non-cash impairment charge of \$237 million post-tax being taken against a number of the Group's assets. The impairment was non-cash in nature and had no impact on the Company's debt facilities or compliance with its banking covenants. It also provides the Group with more flexibility with respect to how it manages those underperforming assets by limiting future profit impacts as we exit these assets.

Our statutory loss after tax of \$187 million was impacted by the \$237 million impairment charge. Excluding the non-operating items, underlying net profit after tax was \$60 million, 11% lower than 2019. Cash flow generation continued to be strong, with \$189.6 million in operating cash flow generated in the calendar year.

Further improvements to the Group's capital base were made during the 2020 year. In February 2021, the expiry date of debt facilities was extended to 2023 and beyond through a sustainability-linked loan that recognises the Group's performance in centre quality and team safety. This increased tenor, coupled with the proceeds of the capital raising, ensures the Group has the capital that is required to deliver its current strategy.

The Board has reviewed G8's dividend policy, which has been revised to adopt a payout target range of 50% to 70% of net profit after tax, providing an appropriate balance between the funding requirements of the business and returns to shareholders. G8 will resume paying dividends for CY2021. It is the Board's intention that a full year CY2021 dividend will be paid in March 2022. There will be no interim dividend.

Disappointingly, in late 2020 as part of the implementation of our new rostering platform we identified that certain team members had been underpaid. We have apologised unreservedly to our team and are focused on ensuring that updated compliance systems and processes are implemented so this does not occur again. We are well progressed on our remediation program, with payments to affected current team members, including interest and superannuation, to be substantially completed by 31 July 2021. The impact of the employee underpayments has been fully provided for in the Group's 2020 full year results and via prior period restatements.

I also wanted to note the shareholder class action that was filed against the Group in December last year. As with most matters before the Courts there is not a lot that I can say publicly other than we will be vigorously defending the matter.

ASX Announcement

G8 Education Limited
(ASX:GEM)



Finally, I wanted to provide an update on G8's Board. Having been a Director of G8 for almost 10 years, Susan Forrester will be retiring from the Board at the conclusion of this AGM, in accordance with G8's Board succession plan. On behalf of the Board, I want to thank Susan for her long-term valuable contributions during a period of significant transformation and wish her the greatest success for the future. The Board will shortly commence a non-executive director search to fill the vacancy.

In closing, I would like to thank all G8 team members for their fantastic contributions throughout 2020, in what was an extremely challenging environment. Their passion, dedication and skill make all of us very proud. I would also like to thank you, our shareholders, for your continued commitment and support.

I will now hand over to our Managing Director and Chief Executive Officer, Gary Carroll, who will provide an update on our trading performance for the 2021 year to date, as well as an update on the progress of our Group strategy so far in 2021.

Thank you.

Mark Johnson
Chair

2021 AGM – MANAGING DIRECTOR'S ADDRESS

Gary Carroll

Thank you Mark, and welcome everyone.

As Mark outlined, I will spend the next few minutes providing you with an update in three areas:

1. Current trading performance;
2. Progress regarding implementation of the Group's key strategic initiatives; and
3. The market operating environment.

Starting with current trading performance, as at 14 May 2021, the Group's booked LFL occupancy is currently circa 70.8%. This is 3.3% below 2019 pre-COVID levels, meaning that the Group has closed the gap to 2019 by 0.7%pts since February.

The two stand outs in this improved result are:

- the 191 regional centres, including 40 Improvement Program centres, which are tracking 1.9%pts above the 2019 level; and
- the 2020 Improvement Program cohorts in NSW metro and Victoria metro, totaling 55 centres, with growth in this cohort being circa 6%pts above the balance of the network in these regions, in line with expectations.

ASX Announcement

G8 Education Limited
(ASX:GEM)



The 255 metro centres are c. 7%pts below 2019-year levels driven by recovery from prolonged lock down activity in Victoria and increased supply in WA. These centres will be the focus of the 2021 and 2022 improvement program.

The Group has limited exposure to CBD with 8 centres. These have been materially impacted by COVID-19 movement restrictions and working from home arrangements, with occupancy circa 39% lower than 2019.

Wages are currently performing in line with expectations, with wage hours per booking initially impacted by the implementation of remediation and strengthened compliance measures. However, these activities have now been absorbed into rosters and wage hours per booking levels are currently tracking in line with 2019, despite the lower occupancy levels. This increased efficiency is a direct result of the implementation of the Group's enhanced wage management processes and the savings achieved are in line with the Group's targets.

The Group's employee payment remediation program announced in December 2020 is on track, with payments to current team members to be substantially completed by the end of July 2021, and the communication and registration process for former employees to commence within that same period. The remediation program costs remain within the previously estimated range of \$50m to \$80m, with those costs fully provided for in CY20.

A number of activities have been undertaken in the program, including additional training and system enhancements to automate compliance adherence. The roll-out of the Group's new HR and roster platform has been adjusted to ensure all required compliance actions are built into the system configuration and process, with roll-out expected to commence in Q3.

As we execute on our strategy, centre quality continues to improve, with 85% of our centres meeting or exceeding national quality standards at the end of 2020, above our target and ahead of national averages. Our commitment to invest in increased support to build on this momentum in 2021 has already resulted in benefits in the assessment and rating results in the year to date. Of the 32 centres assessed year to date, 31 have met or exceeded national quality standards¹.

A further key focus area in the Group's strategy is centre manager retention. Despite very encouraging trends throughout the year, voluntary turnover was 19% at December 2020 following higher-than-average centre manager movements in Q4. These movements have settled in 2021, bringing the current centre manager turnover to circa 17%.

From a strategic perspective, I would like to provide an update on two of our key strategic focus areas, namely:

- Driving operational excellence via our Improvement program, which involves the re-engineering of learning environments and centre operating routines and the development of centre manager leadership capability across a cohort of centres; and
- Network growth and optimisation, covering the measured roll-out of new greenfield centres and the divestment of previously impaired centres.

¹ Based on draft and final reports received.

ASX Announcement

G8 Education Limited
(ASX:GEM)



Firstly, to our Improvement Program. The constraints on capital and operating expenditures that were in place for much of 2020 delayed some of the planned strategic initiatives, such as the refurbishments of our centre network. Pleasingly, excellent progress was made in the implementation of high-quality learning environments and team member and child safety. Starting with safety, as a result of a number of initiatives such as a national injury hotline and enhanced training and communications frameworks, the Group reduced its Lost Time Injury Frequency Rate for team members by 47%. From a child safety viewpoint, we leveraged our partnership with Bravehearts to jointly develop an enhanced child safety program, with the initial modules being completed in 2020 and the first part of 2021.

The Group successfully delivered enhanced learning environments in 94 centres in 2020, building on the success of the initial pilot group of 12 that were completed in 2019. The initiative included both training the team on educational practices as well as the re-design and implementation of in-centre learning environments. The results were encouraging, with the centres showing positive uplift in terms of quality, family feedback and occupancy.

The 2021 improvement program is progressing, with 118 centres being covered in the program in the first half of 2021. As shown above, the results from the 2020 cohort are in line with expectations for the year to date, both in terms of occupancy and earnings growth.

The Group has signed Agreements for lease for 8 new greenfield centres with expected delivery timing and outflows to be updated at the half year as council and building approvals are progressed further. Given the revised greenfield approach and the transition to statutory only reporting, an update will be delivered in June to give investors and analysts further visibility on how performance of the greenfield portfolio will be reported.

We continue to make good progress on our portfolio optimisation activities. The divestment process for previously impaired centres is on track, with 13 sales or lease surrenders being completed, a further 2 agreements signed awaiting completion and in-principle agreements reached for another 7 centres. The 13 completed divestments account for approximately \$1.9 million in CY19 annualised EBIT losses. Excluding the remaining 39 impaired centres G8's network occupancy would be 2.5%pts higher, reinforcing the material benefit of exiting these centres.

Turning to an overview of the market operating environment, there have been two recent announcements – one relating to subsidy arrangements and the second relating to remuneration for Bachelor qualified early childhood teachers.

In the recent 2021-22 Budget announcement, the Federal Government announced an increase in the child care subsidy from 1 July 2022 to provide improved affordability for families with multiple children in care and removal of the subsidy cap for those families exceeding the income threshold. We welcome these measures and the overwhelming support for the early education sector, as well as the recognition that investing in the sector is not only an investment in the Australian economy and workforce, but an investment in the learning and development of our future generations. We are very supportive of measures designed to remove structural barriers and facilitate improved accessibility and affordability for all families.

ASX Announcement

G8 Education Limited
(ASX:GEM)



The second announcement relates to early childhood teachers (ECTs) employed under the Educational Services (Teachers) Modern Award and a decision handed down by the Fair Work Commission. As a result of the review, a new pay structure will deliver pay rises of between five and 10 per cent for ECTs, in addition to current pay rates, depending on the current pay step of the teacher. Some ECTs will be eligible for higher increases if they have more responsibility as the Educational Leader. The Commission will be engaging with the relevant parties on items such as the operative date of the proposed increases and potential phasing-in. With respect to G8, this decision applies only to the circa 900 ECTs that are employed by G8, all of whom are currently being paid above award wages.

We look forward to providing a further trading update in the Group's Half Year results announcement in August.

In closing, I would like to thank all of the G8 Education team members for their expertise, compassion and commitment during an incredibly challenging period. Our team have been front line workers during the pandemic and the support they provided to the broader population was an inspiration. I would also like to thank our shareholders for their continued commitment and support.

Thank you

Gary Carroll
CEO & Managing Director

ANNUAL GENERAL MEETING

G8 Education Limited (ASX:GEM) | 19 May 2021



DISCLAIMER



The material in this presentation has been prepared by G8 Education Limited (**G8**) and is general background information about G8's activities current as at the date of this presentation. The presentation does not purport to be complete and should be read in conjunction with G8's other periodic and continuous disclosure announcements which are available via www.asx.com.au

This presentation is for information purposes only and is not financial product or investment advice or a recommendation to acquire G8 securities and has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek legal and taxation advice appropriate to their jurisdiction.

This presentation may contain certain "forward-looking statements". The words "expect", "should", "could", "may", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

Forward-looking statements, opinions and estimates provided in this presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may vary materially for many projections because events and actual circumstances frequently do not occur as forecast and these differences can be material. This presentation contains such statements that are subject to risk factors associated with the industry in which G8 operates which may materially impact on future performance. Investors should form their own views as to these matters and the assumptions on which any forward-looking statements are based. G8 assumes no obligation to update or revise such information to reflect any change in expectations or assumptions. The inclusion of forward-looking statements in this presentation should not be regarded as a representation, warranty or guarantee with respect to its accuracy or the accuracy of the underlying assumptions or that G8 will achieve, or is likely to achieve, any particular results.

Neither G8, not its related bodies corporate, directors, officers, employees, agents, contractors, consultants or advisers makes or gives any representation, warranty or guarantee, whether express or implied, that the information contained in this presentation is complete, reliable or accurate or that it has been or will be independently verified, or that reasonable care has been or will be taken by them in compiling, preparing or furnishing this presentation and its context.

G8 EDUCATION

BOARD OF DIRECTORS



Mark Johnson
Chair & Non-Executive Director



Gary Carroll
CEO & Managing Director



Julie Cogan
Non-Executive Director



Susan Forrester
Non-Executive Director



David Foster
Non-Executive Director



Peter Trimble
Non-Executive Director



Margaret Zabel
Non-Executive Director



CHAIR'S ADDRESS



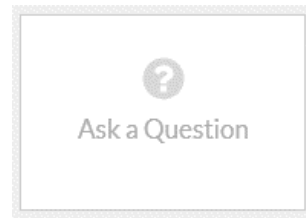
MANAGING DIRECTOR'S ADDRESS



PROCEDURAL MATTERS

HOW TO ASK QUESTIONS

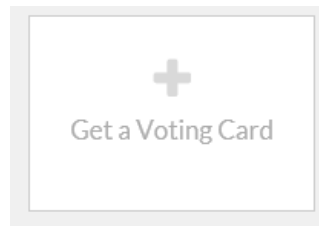
1. Click “**Ask a Question**”



2. Select the **item of business** from the drop-down menu and type your question in the space provided
3. Once you have typed your question, click “**Submit Question**”

HOW TO VOTE

1. Click **“Get a Voting Card”**



2. Enter your Shareholder Number (SRN/HIN) or Proxy Number and click **“Submit Details and Vote”**
3. Fill out your voting card for each item of business
4. Click **“Submit Vote”** or **“Submit Partial Vote”**



BUSINESS OF MEETING

ITEM 1 – ANNUAL REPORTS

To receive and consider the Company's Annual Financial Report, Directors' Report and Auditors' Report for the financial year ended 31 December 2020.

There is no vote on this item.



RESOLUTION 1 – REMUNERATION REPORT

To consider and, if thought fit, pass the following resolution as a non-binding ordinary resolution in accordance with section 250R(2) of the *Corporations Act 2001* (Cth) (**Corporations Act**):

‘That the Remuneration Report for the year ended 31 December 2020 be adopted.’

Please note that the vote on this Resolution is advisory only and does not bind the Directors or the Company.

An explanatory note and voting exclusions appear in the Notice of Annual General Meeting.



RESOLUTION 1 – REMUNERATION REPORT

Votes For	493,007,464 87.60%
Votes Against	68,528,377 12.18%
Open Proxies held by the Chair (to be voted at Chair's Discretion)	708,768 0.13%
Open Proxies held by other Proxy-holders (to be voted at that Proxy-holder's discretion)	576,406 0.10%
Votes Abstain	2,893,131

RESOLUTION 2 – RE-ELECTION OF A DIRECTOR MARGARET ZABEL

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

‘That Ms Margaret Zabel who, having been re-elected on 20 April 2018 as a Director in accordance with the Company’s constitution, retires as a Director of the Company and being eligible offers herself for re-election as a Director of the Company, be elected as a Director of the Company.’

Ms Zabel’s background, qualifications and experience appear in the explanatory note to the Notice of Annual General Meeting.



RESOLUTION 2 – RE-ELECTION OF A DIRECTOR MARGARET ZABEL

Votes For	557,849,236 99.08%
Votes Against	3,758,271 0.67%
Open Proxies held by the Chair (to be voted at Chair's Discretion)	854,448 0.15%
Open Proxies held by other Proxy-holders (to be voted at that Proxy-holder's discretion)	580,636 0.10%
Votes Abstain	3,058,439

RESOLUTION 3 – ISSUE OF PERFORMANCE RIGHTS TO CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That approval be given:

- for the purposes of Listing Rule 10.14 and for all other purposes, to the grant of 583,406 Performance Rights to the Company's Chief Executive Officer and Managing Director, Mr Gary Carroll; and***
- for the purpose of section 200E of the Corporations Act, to the giving of a benefit to the Company's Chief Executive Officer and Managing Director, Mr Gary Carroll, in connection with any vesting of those Performance Rights on the cessation of Mr Carroll's employment with the Company or a related body corporate of the Company,***

in each case under the G8 Executive Incentive Plan and on the basis described in section 3.1 of the Explanatory Statement.”

An explanatory note and voting exclusions appear in the Notice of Annual General Meeting.

RESOLUTION 3 – ISSUE OF PERFORMANCE RIGHTS TO CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

Votes For	557,639,161 98.96%
Votes Against	4,567,932 0.81%
Open Proxies held by the Chair (to be voted at Chair's Discretion)	719,210 0.13%
Open Proxies held by other Proxy-holders (to be voted at that Proxy-holder's discretion)	580,636 0.10%
Votes Abstain	2,419,544

RESOLUTION 4 – AMENDMENT OF THE COMPANY'S CONSTITUTION

To consider and, if thought fit, to pass the following resolution as a special resolution:

“That, with effect from the conclusion of the Company’s 2021 Annual General Meeting, the constitution of the Company is amended in the manner described in section 3.2 of the Explanatory Statement and as shown in mark-up in the attachment to the Explanatory Statement.”

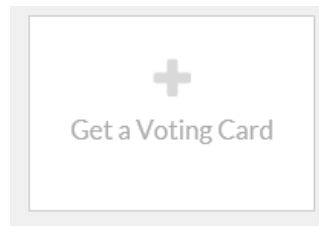
An explanatory note and voting exclusions appear in the Notice of Annual General Meeting.

RESOLUTION 4 – AMENDMENT OF THE COMPANY'S CONSTITUTION

Votes For	506,114,590 89.95%
Votes Against	55,138,362 9.80%
Open Proxies held by the Chair (to be voted at Chair's Discretion)	843,785 0.15%
Open Proxies held by other Proxy-holders (to be voted at that Proxy-holder's discretion)	580,636 0.10%
Votes Abstain	3,423,657

HOW TO VOTE

1. Click **“Get a Voting Card”**



2. Enter your Shareholder Number (SRN/HIN) or Proxy Number and click **“Submit Details and Vote”**
3. Fill out your voting card for each item of business
4. Click **“Submit Vote”** or **“Submit Partial Vote”**

ANNUAL GENERAL MEETING

G8 Education Limited (ASX:GEM) | 19 May 2021

