G8 Education Limited (ASX:GEM)
August 2011

Investing in the future of childcare
Overview

Following the acquisition of five separate child care groups over the past 20 months G8 Education’s child care portfolio now comprises:

- **Australia**
  - 132 owned child care centres
  - 6 centre acquisitions under contract
  - Acquisition pipeline of centres being negotiated - covered by debt funding capacity

- **Singapore**
  - 17 owned child care centres
  - 1 centre under contract
  - 57 franchised child care centres
  - 16 franchisees seeking premises

* Refer 19 April 2011 announcement in relation to Cherie Hearts. G8 Education receives the profit from 13 of these centres while legal proceedings are resolved.
Acquisition Update

- **Early Learning Centres (38 centres)**
  Occupancy now at 80% and labour cost 56% of revenue.

- **Payce Childcare (30 centres)**
  Occupancy now at 77% and labour cost 56% of revenue.

- **Local Kids (20 centres)**
  Occupancy now at 77% and labour cost 59% of revenue. Further improvements likely.

- **Kindy Patch (30 centres)**
  Disposal of 4 under performing centres likely to be settled shortly with a further 2 being negotiated. Occupancy now at 78% and labour cost 59%. Further improvements guaranteed after settlement of underperforming centres.

- **Cherie Hearts (18 centres + 57 franchisees)**
  Centres underperforming initial expectations due to disruptions during settlement period. Expect to improve performance back to initial estimates in FY12. Court hearing due 5 to 15 September 2011.

- **Headstart (8 centres)**
  Occupancy now at 84% and labour cost 63%. Further improvements are currently being implemented.

- **Kids Korner (6 centres)**
  Occupancy now at 93% and labour cost 53%. 
## Acquisition Improvements

<table>
<thead>
<tr>
<th></th>
<th>Revenue ($'000)</th>
<th>EBIT ($'000)</th>
<th>EBIT margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ELS (settled Dec 2007)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1H10</td>
<td>16,013</td>
<td>2,261</td>
<td>14.1%</td>
</tr>
<tr>
<td>1H11</td>
<td>16,545</td>
<td>2,561</td>
<td>15.5%</td>
</tr>
<tr>
<td><strong>Variance (%)</strong></td>
<td><strong>3.3%</strong></td>
<td><strong>13.3%</strong></td>
<td><strong>10.0%</strong></td>
</tr>
<tr>
<td><strong>Payce (settled 25 March 2010)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1H10</td>
<td>11,752</td>
<td>1,230</td>
<td>10.5%</td>
</tr>
<tr>
<td>1H11</td>
<td>12,941</td>
<td>2,180</td>
<td>16.8%</td>
</tr>
<tr>
<td><strong>Variance (%)</strong></td>
<td><strong>10.1%</strong></td>
<td><strong>77.2%</strong></td>
<td><strong>60.0%</strong></td>
</tr>
<tr>
<td><strong>Kindy Patch (settled 14 March 2011)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1H10</td>
<td>11,356</td>
<td>1,056</td>
<td>9.3%</td>
</tr>
<tr>
<td>1H11</td>
<td>12,996</td>
<td>1,473</td>
<td>11.3%</td>
</tr>
<tr>
<td><strong>Variance (%)</strong></td>
<td><strong>14.4%</strong></td>
<td><strong>39.5%</strong></td>
<td><strong>21.5%</strong></td>
</tr>
<tr>
<td><strong>Local Kids (settled 28 June and 10 September 2010)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1H10</td>
<td>Not Available – Private Companies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1H11</td>
<td>10,150</td>
<td>1,477</td>
<td>14.5%</td>
</tr>
<tr>
<td><strong>Variance (%)</strong></td>
<td><strong>N/A</strong></td>
<td><strong>N/A</strong></td>
<td><strong>N/A</strong></td>
</tr>
</tbody>
</table>

Note: Due to the seasonality of the Australian Child care industry the EBIT margin is stronger in the second half of the calendar year as centre occupancy grows.
Financial Improvements

Since 30 June 2011 the following key drivers of the business have changed:

- Increase in Long Day Care fees effective from July 2011 of 4.3% against a forecast of 3.5%

- Increase in Award wages effective from July 2011 of 3.5% against a forecast of 4.0%

- Reduction in Lending Margin from 2.25% to 1.85% as a result of all covenants met for the half year ended 30 June 2011.

- Contracts for sale secured for 5 underperforming centre and 1 settled pre 30 June 2011.
## 2011 Guidance

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>125.50</td>
<td>6.85</td>
<td>132.35</td>
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<tr>
<td>Expenses</td>
<td>106.74</td>
<td>5.35</td>
<td>112.09</td>
</tr>
<tr>
<td>Earnings Before Interest and Tax</td>
<td>18.76</td>
<td>1.50</td>
<td>20.26</td>
</tr>
<tr>
<td>Interest</td>
<td>1.90</td>
<td>-</td>
<td>1.90</td>
</tr>
<tr>
<td>Net Profit Before Tax #</td>
<td>16.86</td>
<td>1.50</td>
<td>18.36</td>
</tr>
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</table>

# Excludes legal fees of $420k forecast to be incurred in relation to the litigation between CHGI and G8 Education Limited as these are considered non recurring expenses.

** Assumes an exchange rate of 1.28 times as used in the group’s previous guidance announcement for Singapore

Source: GEM ASX Announcement: 20 July 2011
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
• Headstart
• Kids Korner

Focus on the importance of child care

Make good centres great through focusing on outstanding child care management
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.
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