TRANSCRIPTION

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Gary Carroll: Thanks Travis. And good morning, everyone. And welcome to the 2021 Full Year Results Presentation for G8 Education Limited. As Travis said, my name's Gary Carroll, and I'm the CEO and managing director of G8 Education. And I'm joined on today's call by the group CFO, Sharyn Williams. We'll walk through the investor presentation that was posted on the ASX early this morning, and then provide time for any questions.

Gary Carroll: I'd like to begin by acknowledging both the Jagera and the Turrbul people who are the traditional custodians of the land in which we're conducting this meeting today. We respect their spiritual relationship with their country and we pay our respects to elders past, present, and emerging. And I'd also like to extend that respect to any Aboriginal and Torres Strait Islander people joining us today. I'd also like to acknowledge the entire G8 Education team for their outstanding efforts during the year. The dedication, skill, and commitment of all our team members to respond to what was a highly challenging and rapidly changing operating environment, while continuing to deliver high quality learning and care to our children and families has been extraordinary. They deliver on our purpose every day, which is creating the foundations to learning for life.

Gary Carroll: Moving now to the formal presentation. In today's presentation, we'll be covering the following; firstly, a summary of financial performance for the 2021 year, followed by an overview of how our strategy is flowing through to operating results and building momentum for sustained future growth. Secondly, we'll provide a detailed review of operating and financial performance for the 2021 year. Finally, we'll focus on 2022 and beyond, including our view of the medium term outlook, as well as our outlook for the current year based on trading today.

Gary Carroll: Turning to the summary of financial performance for 2021, which is set out on slide six, the numbers tell the story over the year that like 2020 was significantly disrupted by COVID-19. After growing occupancy strongly in the first half of the year, the onset of the Delta variant in the middle of 2021 and the Omicron variant in late 2021, the resulting movement restrictions and isolation requirements had a significant impact on occupancy and revenues in the second half of the year. Government support and effective cost management to help mitigate the impact on profitability with statutory NPAT of $45.7 million being ahead of

market consensus. The group continued to demonstrate strong cash flow generation. We maintain a strong balance sheet with net debt of $25.9 million at the end of the year.

Gary Carroll: Slide seven sets out the key drivers of financial performance, both for the 2021 year and future years. I'm very pleased to say that the execution of our strategic programme, particularly the improvement programme, delivered excellent results during the year and provide strong momentum for such results to translate into occupancy and earnings growth once more normal market conditions resume.

Gary Carroll: Secondly, our strong balance sheet provides resilience to weather volatile operating environments. We are also conscious of maintaining an appropriate balance between navigating uncertain operating conditions and providing returns for our shareholders. As flagged in our half year results release in August, we will be resuming the payment of dividends with a final dividend of three cents per share being declared, representing a 56% payout ratio of CY21 EPS.

Gary Carroll: We will also be implementing an on market share buyback as part of the group's capital management strategy, and we'll share more details on that later in the presentation. Our network optimization programme is progressing with the primary activities to date being the divestment of our impaired centres. When combined with network growth via our refreshed Greenfield Growth Strategy, this measured strategy will drive improved portfolio quality and increased returns in future years. Finally, while short-term COVID headwinds remain strong, long-term fundamentals will underpin sector growth over the medium term.

Gary Carroll: Slide eight contains a summary of the group's operating scorecard, which shows the CY21 performance of our key leading indicators that drive occupancy compared to both prior years, as well as our medium term targets. The simple rule of thumb is that stable engaged teams providing high quality learning and care drive high levels of family engagement that in turn leads to sustainably high levels of occupancy. If we approach the scorecard in that order, the group has continued to improve its quality performance in 2021. 92% of the 65 centres that were assessed during the year achieved a meeting or exceeding rating enabling the overall network quality to increase the 86%. As further centres are assessed in a post COVID-19 environment, we are confident of achieving our 2024 portfolio target of 95%.

Gary Carroll: Turning to team metrics. Against an environment in 2021 that saw vacancies across the sector at double pre-pandemic levels, G8 performance was very pleasing. Team engagement at 77% was broadly in line with prior years and remained the head of national and global benchmarks. Importantly, the centre and operational leadership cohorts that have been the primary focus of our strategy to date, have shown strong increases in engagement highlighted by 90% engagement of our centre managers five percentage points higher than 2019.

Gary Carroll: Team retention across the sector has been significantly impacted by two years of COVID-19, during which all providers, including G8 were on the frontline every day. Improving team retention is a key focus for the group with a number of initiatives that were rolled out in half

two 2021, such as ECT remuneration and benefits showing promising early science. Turning to Net Promoter Score, or NPS, which is a key measure of family engagement. We've seen strong improvement over the last two years and our 2021 score of 52 highlights, we are on track to achieve our 2024 goal of 65.

Gary Carroll: We've seen strong growth in inquiries as we've continued to evolve and improve our website, our marketing, and lead pipeline activities, as well as benefiting from the word of mouth that flows from improved quality and family engagement. Conversion of inquiries to enrollments has been impacted by extended COVID lockdowns during the year, particularly in our largest market of New South Wales. This disruption is also evident in the centre closures that occurred during the year. Closure activity ramped up significantly during the latter part of 2021, increasing from around 20 closures in September to nearly 50 in October driven by the Delta variant.

Gary Carroll: The impact of the Omicron variant was even more significant. The group closed more than 190 centres, nearly 40% of our network in a five week period between December and January, placing enormous strain on our team and our families. The closures certainly had a direct impact on occupancy, meaning that the positive momentum from lead indicator performance did not fully flow through to occupancy in the 2021 year.

Gary Carroll: As Sharyn will highlight later in the presentation, occupancy growth for states not as heavily impacted by COVID-19 was very promising in 2021. This result plus the momentum obtained from improvements in quality and engagement across the broader network, provide confidence around the achievement of the group's medium term occupancy goal.

Gary Carroll: Slides nine and 10 outlines the impact of the improvement programme on the group's results, as well as the other key drivers of momentum. We have completed 224 centres as part of the improvement programme, with 137 centres targeted for completion in the first half of 2022. The group's investment in the programme in 2021 was three and a half million dollars in OPEX, primarily driven by centre field support roles, and $4.7 million in CAPEX driven by in-centre resources. As a reminder, the programme scope covers three areas; the training of pedagogy and practise and resetting of learning environments, centre manager leadership development, and lastly, the embedment of standard work routines for centres.

Gary Carroll: The results of the programme have been very pleasing. Starting with quality, 100% of the CY19 and CY20 improvement programme, centres achieved a meeting or exceeding rating. Team engagement and family engagement results are also ahead of the rest of the group, with team engagement increasing by six percentage points and family engagement growing by 8 percentage points. This enabled the improvement programme centres to achieve occupancy results that were in line with our target despite the significant impact of COVID-19 in the second half of the year.

Gary Carroll: EBIT performance was very strong in the first half, with EBIT growth compared to 2019 levels being eight percentage points above the rest of the group. Although, EBIT growth was significantly impacted by COVID in half two as movement restrictions in particular hit New

South Wales and Victorian centres hard. The first half EBIT run rate was consistent with the run rate required to achieve our medium term earnings target. And together with the results in the lead indicator categories of quality team and family engagement, provide solid momentum for occupancy and earnings growth as operating conditions returned to normal.

Gary Carroll: In addition to the improvement programme during 2021, the group undertook activities aligned with our strategic imperatives of improving quality team engagement and NPS. These were in relation to property investment and continued execution of our training and professional development programmes. Both of these initiatives delivered good results for the year. Our property investment ensure that we achieve meeting ratings for our physical environments for all centres that were assessed in 2021, while also driving significant uplift in MPS.

Gary Carroll: The group's CM, First Steps Programme, which provides induction and onboarding for new centre managers has delivered material improvements in retention in performance, with the run rate in the first six months of this programme being circle five percentage points better than prior periods. Finally, we've encouraging improvement in ECT retention in quarter four, following the roll out of increased wages and other benefits for ECTs.

Gary Carroll: At G8, we have the responsibility and the opportunity to instil the foundations for learning for life in the children we care for, and to recognise the longer term, social and sustainable impacts that we can help deliver to the broader community. We have a plan in place to deliver against this opportunity as summarised in slide 11. The plan covers areas of governance, our people, service quality, and our environmental impact. From a performance perspective, we are on track with our medium term targets with good progress

Gary Carroll: Being made across all areas and special call-outs in relation to our educational programmes concerning environmental sustainability. Our Sustainability Linked Loan, which is the first of its kind for an Australian ECEC provider, and the linking of executive remuneration to key sustainability focus areas. I'll now hand over to Sharyn, to provide a detailed overview of the Group's operating and financial performance for 2021.

Sharyn Williams: Thank you, Gary. I will now walk through the key elements of the Group's operating and financial performance for the year, as outlined on slide 13. The financial summary, the 2021 calendar year, is set out on slide 14.

Sharyn Williams: In terms of overall earnings' quantum and margin, second half earnings were slightly ahead of, and EBIT after lease interest margin was in line with, the first half. This disruption to the usually stronger seasonal second half reflects the operating environment at the time, with the resurgence of COVID 19 in our largest States, impacting the second half results from both an occupancy and an average fee perspective. For the purposes of this summary, I will focus on the comparison of the 2021 year with the corresponding pre COVID 19 period of 2019.

Sharyn Williams: Firstly, the core performance. Revenues from the core portfolio reduced by circa 7%, and were 62 million lower. There were two key drivers of the reduction. Occupancy being 2.1 percentage points lower than 2019, equating to 50 million, and the absence of 48 million in revenues from the centres divested since 2019. Offsetting these reductions were higher average net fees of 16 million, and 20 million of temporary Government support relating to COVID 19.

Sharyn Williams: Despite this significant reduction in revenues, core centre margins were flat on the 2019 year, driven by cost being effectively managed in response to attendance levels. Roster and compliance activities that mitigated the potential impact of wage remediation compliance items, a lower rent proxy due to the impaired centres, and removing negative or low margin centres through lease surrender or divestment.

Sharyn Williams: This result is a solid outcome, considering the cost base compared to 2019 has two years of inflation within it, funded by only one fee increase over that time. Taking each cost area one at a time. Firstly, the largest component of the cost base being wages. A flag at that the half year results, for those areas not as impacted by lockdowns, wages as a percentage of revenue was expected to be flat, as the wage leverage created by seasonally higher occupancy was absorbed by the 1 July wage rate increase. This was achieved, not only in centres not impacted by COVID 19, but more broadly across the Group. Through the rostering and wage optimization programme, as well as divestment of loss making centres. This rostering and wage programme delivered wage outcomes that enabled the Group to absorb any potential ongoing costs from the Group's Wage Remediation and Compliance Programme.

Sharyn Williams: The rent proxy is a combination of lease depreciation and interest and outgoings. The absolute quantum is reduced versus calendar year 19 due to a reduction in centre numbers, and the lower depreciation resulting from the impairment of 52 centres in the prior year. Rent for calendar year 21 as a percentage of revenue was 13.2%. However, when adjusted for the impact of the impairment expense, increases to 14.2%. This is 0.4 percentage points below CY19. A good result, considering the two years of rental rate increases during that time. This also reflects the divestment of centres, that were not economically contributing to the Group.

Sharyn Williams: The increase in other costs was driven by customer engagement team, where we had a higher volume of inquiries, insurance cost escalation due to a hardening of the insurance market and increased IT investment. The savings from lower attendances during the second half were reinvested into property repairs and maintenance, to deliver improved results across quality, NPS and team engagement. The Greenfield portfolio earnings continued to mature in line with occupancy. Overall, investments made in network support have contributed to the improved scorecard metrics, outlined by Gary, and supported core centre margins and growth in the Greenfield centres.

Sharyn Williams: The resulting outcome is operating EBIT after lease interest of 80.1 million and a margin of 9.2%, in line with the first half. The Group's occupancy performance during the year is

contained in slide 15. Occupancy in the first half narrowed the gap on CY19 to be one percentage point closer. However, due to the resurgence of COVID 19 in the second half, the seasonal growth from families joining through the year and existing families increasing days in care did not occur in the affected States.

Sharyn Williams: The drivers of these occupancy impacts change through the second half. The initial widespread movement restrictions turned to centre closures, as isolation requirements for families and teams caused centres to close or bookings to be lower. This resulted in those States most affected by COVID 19, not having the same seasonal occupancy build as centres in Western Australia, South Australia and Queensland. What was highlighted during this time was that geographic diversification of the network provided some insulation against the impacts of lockdowns in isolation requirements, with the less impacted States reinstating a seasonal trend over and above what was achieved in 2019. This occupancy growth was also supported by our strategic change programmes focused on improved quality, NPS and team engagement.

Sharyn Williams: Critical to this overall occupancy result, was maintaining family enrollments by waving Parent Gap Fees, where children could not attend due to COVID 19. Consequently, this reduced the average fee. For the second year in a row, the G8 Team has done a great job in supporting families during lockdown disruptions and positioning centres to rebuild attendances post lockdown.

Sharyn Williams: Turning to slide 16, which provides a further breakdown of occupancy by the regions of Metro, Regional and CBD, as well as State by State occupancy.

Sharyn Williams: The Group's full year occupancy grew by 3.1 percentage points relative to calendar year 20. However, ended 2.1 percentage points behind 2019, losing some of the ground made in the first half. The benefit of the Group's geographic diversification is evidenced here, with limited CBD exposure of seven centres providing some insulation. G8 regional centres continued to be the standout performance in the second half, materially outperforming Metro and CBD centres with average occupancy, 2.5 percentage points higher than 2019 and over 10 percentage points higher than Metro centres. This reflects the strong net migration trend to the Regions during the pandemic.

Sharyn Williams: The State by State view highlights a cumulative effect of movement restrictions in Victoria. With occupancy growth and the absolute occupancy number being lower than other States, and almost 10 percentage points lower than Queensland, which was largely unaffected by COVID 19 in 2021. While occupancy in New South Wales was impacted by the pandemic, the impacts may have been muted by lower supply growth, and also having a large number of centres in the improvement programme. The improvement plan implemented for our nine centres in the ACT is yielding positive results in NPS scores, with occupancy expected to recover over time.

Sharyn Williams: Finally, the divestment programme has delivered good occupancy benefits, supporting positive improvements compared to 2019 in Western Australia, Queensland and New South Wales in particular.

Sharyn Williams: Wage performance for 2021 is illustrated on slide 17. Historically in the second half of the year, as seasonal occupancy increases, wage efficiency improves due to regulated ratios, thereby creating operating leverage. This can be seen in the downward trend of 2019, and the first half of 2021. However, the second half of 2021 was materially impacted by COVID 19 and associated reduced attendances.

Sharyn Williams: The impacts of COVID 19 lockdowns and isolations are clearly evident in fortnights 14 through 22 on the graph. Fortnights 23 to 26 returned to similar efficiency levels to the same period on 2020, but were higher than 2019, driven by lower occupancy levels. It should also be noted, these fortnights were impacted by a number of centre closures in November and December. The continued investment in wage systems, training and processes, enabled the Group to effectively respond to attendance levels, as well as to effectively mitigate the impact of any potential wage remediation and compliance costs in the year. From a wage rate perspective, the award increase of 2.5% was implemented across the G8 workforce in July. A remuneration increased was also implemented for centre managers in March 2021 and early childhood teachers in November 2021.

Sharyn Williams: Slide 18 sets out what has been a positive performance to the Group Greenfield portfolio. The portfolio covering 16 centres had an average occupancy of 74%, three percentage points higher than half one, despite the challenging external environment. The continued occupancy growth enabled the portfolio to grow net profit before tax by 5.4 million, from a 3.9 million loss in CY20 to a 1.5 million profit in CY21. These results were achieved after funding employment and set-up costs of centres yet to open, which absorb some of the growth in earnings. You may recall from the Greenfield presentation in August 2019, that as the Greenfield reaches maturity, they are moving to the core and provide an additional element of measure growth for the Group. Upon reaching targeted occupancy level, they're expected to generate strong profitability under the refreshed capital light approach. The assessment of maturity is undertaken on centres that have reached an occupancy range of at least 80% at the end of year three.

Sharyn Williams: Under this approach, six of the current Greenfield centres will be matured into the core portfolio from the beginning of 2022. The focus will remain on those centres that are still in the maturation phase, including the new centre added during the second half. In terms of the portfolio earnings, the Greenfield portfolio approach is intended to realise on average, a broadly neutral earnings outcome as a portfolio, where the growing earning stream from maturing centres fund startup losses of nearly open centres. COVID 19 disrupted this funding approach, with only one new centre open during 2021 and a number of new centres being deferred. As a result, nine new centres are expected to be handed over during 2022, in what is effectively the first full year of the revised Greenfield programme. Due to the six Greenfield center's earnings of 1.7 million moving to the core, the portfolio is expected to create negative 22 EBIT of 3 million.

Sharyn Williams: Impaired Centre Divestment Programme continues to progress as set out on slide 19. 21 of the 52 impaired centres have been divested, representing 3 million of the impaired portfolios, pre-AASB 16, 2019 EBIT losses. The Group incurred cash outflows of 7 million related to divestments and surrenders during the year. And we will continue to employ a commercial approach, guided by return on capital when assessing our exit alternatives, taking into account, lease tail and trading performance.

Sharyn Williams: Turning now to slide 20, which outlines network support costs. These costs capture compliance costs and the designated support team and programmes designed to support centres across pedagogy, operations, compliance & safety and quality. These team members include practise partners, operations and people coaches in the improvement programme, quality assurance partners, wage optimization and compliance teams, centralised recruitment, and HR business partners, all of whom

Sharyn Williams: Directly with our centres. The headline increase includes a number of items from the 2020 year that related to COVID-19, such as job keeper, cash com conservation activities, including reduced wages for support office roles, incentive programmes, and COVID-19 subsidies in Singapore, which increased earnings. And these items are taken into account. The increase on the prior year is 14.1 million. 70% of which is related to programmes such as the study pathways and team service recognition programmes, the centre manager induction programme, centralised recruitment team, and the specific support roles referenced to earlier. Pleasingly, the benefits of these programmes and teams are flowing through in centre margin performance. In addition to a range of positive outcomes, including cost management, improved wage compliance and efficiency levels, despite lower occupancy, a growing trainee base to grow our own and maximise trainee subsidies. A 92% exceeding and meeting ratings for centres assessed in the year, and improved turnover outcomes for our CM roles and uplift in family NPS.

Sharyn Williams: The remaining 30% of increased costs relate to corporate costs such as the hardening insurance market, investment in IT systems and cyber descents and centralised COVID-19 support team. As outlined on slide 21, the group's cash conversion was 107% despite a decrease in overall operating cash flows, driven by lower EBITDA, the unwind of rent relief from 2020, the timing of government support payments and prepayments of insurances. The benefits of the refinance and lower net debt levels are evident in the reduced interest outflows, reducing from 24 million in 2019 to 11 million in 2021. Overall cash for the calendar year 21 was neutral before wage remediation programme payments. This remediation programme progressed with 38 million of payments made relating to current and former employees. There remained 7,400 former employees to be located and paid. During the year, an outlined of slide 22, Cap Ex was 47 million excluding software-as-a-service cost of 7 million, which following a recent accounting into reputation are now treated as OPEX.

Sharyn Williams: If the Cap Ex is performed to include software-as-a-service, the overall spend was 54 million. This is lower than expected due to the COVID-19 driven delays, particularly in the property improvement area. Equipment and resources includes the investment in educational

resources improvement programme. And technology includes the elements of the HRIS and finance systems that can be capitalised along with IT equipment in centres and support office. The increase in property Cap Ex year on year has driven positive momentum in our occupancy lead indicators of quality with 100% of centres achieving meeting for quality area three property and increased NPS and higher team engagement scores in those centres where material property works were undertaken. Due to COVID-19 driven delays property investment of 10 million will be carried into 2022 contributing to a total Cap Ex, including software-as-a-service of Circa 65 million. This Cap Ex will focus on continued investment in centre quality in both the physical environment and resources the centres, both contributing to team engagement and family retention.

Sharyn Williams: Turning to slide 23, the group is well positioned from a balance sheet perspective with the debt refinance during the year, providing the group with stronger liquidity, greater flexibility and lower funding costs. Net debt at the end of 2021 was 26 million, an increase since the trading update due to three payroll payments in December offset by predator payments carried into January, following the implementation of the new finance management system over the new year period. Current net debt is Circa 45 million, reflecting the wash up of a number of timing difference that existed at year end. And with 2021 being a neutral cashflow result, this 45 million predominantly reflects the wage remediation programme of 38 million and divestment outflows of 7 million.

Sharyn Williams: Fully franked dividend of 3 cents per share has been declared and is payable in April, 2022. This is a 56% payout ratio based on the proportional target payout ratio range of between 50 and 70% of net profit after tax. The dividend reinvestment plan has been suspended and an on market share buyback will be implemented as part of a balanced capital management strategy with the volume of buyback to be determined by appropriately balancing between shareholder returns and leverage levels, the uncertain earnings recovery outlook driven by COVID-19, the funding of strategic priorities, including the improvement programme and the property investment programme and other funding needs included for wage remediation and network optimization. I will now hand back to Gary for the strategy update.

Gary Carroll: Thanks Sharon. And now that we've reviewed the 2021 year in detail, we'll turn our focus to 2022 and beyond starting with a review of long term sector fundamentals as set out on slide 25. Demand growth for the sector is projected to be positive over the medium to long term, driven by an increasing awareness of the benefits of early learning, boosting female workforce participation, increasing birth rates, net migration, and strong overall employment levels. The sector continues to enjoy solid bipartisan support while government support during the pandemic reinforce the essential role the sector plays in the overall economic. Recent changes to the childcare subsidy to improve affordability are also expected to be positive from an enrollment perspective. Short term challenges still exist, particularly in relation to supply, growth and workforce shortages. Although forecast increases in net migration are expected to improve the workforce picture in the coming months.

Gary Carroll: It's also pleasing to see increase seeing student intake numbers, the certificate three, diploma and degree qualifications in late 2021 and early 2022. G8 strategy continues to evolve to take account of the changes in the market and operating environment. As depicted in slide 26, while creating great teams and providing high quality early learning and care remains a key strategic priority, changes to the workforce and childcare patterns, which were accelerated during COVID-19 are influencing the delivery of early learning services. In particular, providing more mobile and flexible early learning and care options for children and families is a key opportunity for the group that we are well positioned for. In late 2021 G8 made small targeted investments in two separate businesses that are intended to drive the group's capabilities in relation to mobilisation of early learning and broadening of care. LEO is a leading provider of in-home learning and care and a registered NDIS service provider covering those families who cannot access centre-based learning, including ship workers, those with specific health challenges and children with complex needs.

Gary Carroll: The second business, Kiddo is an on-demand booking app connecting parents with carers instantly. G8 is a strategic investor in Kiddo with a 20% shareholder. Kiddo enables parents to access care outside the hours that are provided by centre-based services. Importantly, while LEO and Kiddo enable us to provide more diverse learning and care options for children and families, they also support a differentiated offer for G6's educators, as they can build further skills and income from various models within the G8 group. Slide 27 outlines the group's key strategic focus areas for 2022. Apart from the support to drive growth at the focus areas are unchanged from 2021. These programmes provide a good balance between driving quality, optimising network performance, and implementing scalable systems to enable sustained strong performance. Finally, our focus turns to the current 2022 operating environment and outlook for the year. Slide 29 outlines a criminal of how COVID has impacted the group since July, 2021.

Gary Carroll: Our doors have remained open during the entire period with the priority of maintaining a safe and trusted environment for our children and team being paramount. I'm proud to say that we have provided employment surety and wellbeing support to our team throughout 2021 while also supporting parents with gap fee waivers or discounted fees totaling 28 million in the year. Finally, we've implemented additional cleaners to centres at an incremental cost of 1.3 million compared to 2021. Turning to the current trading and outlook, which is set out on slide 30, strong sector fundamentals remain with ongoing government support, increasing female workforce participation and a growing awareness of the benefits of early learning and education on life outcomes for children. Across the sector however, there are near term COVID headwinds, including unprecedented increases in closures during January, 2022 without corresponding business continuity payment support, isolation requirements causing lower attendances or centre closures, both resulting in gap fee waivers by as G8 continues to support its families. Delayed enrollments resulting in softer occupancy levels.

Gary Carroll: And lastly, team member shortages resulting in attraction and retention challenges. The resulting impact on current core occupancy for the group is 3.6% points lower than 2019, and 1.9% points lower than CY21. This subdued occupancy level is expected to be temporary

however, as the impacts of COVID moderate and businesses normalise. The inquiry pipeline is strong in line with January, 2021, positioning the group well to translate this into occupancy, as demonstrated in half one, CY21. Strong underlying momentum in the portfolio, particularly in occupancy lead indicators despite the challenging environment positions the group well for a COVID-19 normal environment. Our focus in the near term is on driving occupancy by converting inquiries and deferrals and continued investment in attracting and retaining talent.

Gary Carroll: The group's balance sheet is strong, providing support for short term challenges. And on market buyback is to be implemented as part of the group's capital management strategy. As we conclude the formal part of the presentation, let me express once again, our gratitude for the whole G8 team and all G8 families for their work and support during the challenging 2021 year. I'll now hand back to our host, Travis to start the Q&A session.

Travis: Thank you. If you wish to ask a question, please press *1 on your telephone and wait for your name to be announced. If you wish to cancel your question, please press *2. If you are using a speakerphone, please pick up the handset to ask you a question. The first question today comes from Tim Plumb from UBS. Please go ahead.

Tim Plumbe: Hi guys. A couple of questions from me, and then I'll jump back into the queue, but firstly, Gary just wanted to talk about the improvement programme, 224 centres that you've been rolled out, another 137 centres in the first half, 22. How do we think about the programme

Tim Plumbe: After we largely done in terms of the centres needing that specific improvement focus. That's the first part of the question. And then just the second part of the question around the improvement programme, team engagement and NPS tracking. Well ahead of the rest of the portfolio. Can you maybe talk about the occupancy levels that you are seeing relative to the rest of portfolio? And I don't know if it's easier to break it down if we just look at Metro improvement within the portfolio versus Metro improvement outside of that improvement portfolio or something like that.

Gary Carroll: Yeah. Yeah. Thanks Tim. So our improvement programme, we intend to get through our entire centre portfolio. Our targeted timing is by the end of first quarter, 2023, because the reinvestment and resetting of learning environments, even in a high quality centre still adds value. We think from a team engagement and there's certainly, we are keen to keep investing in our centre manager capability across all of our cohorts. So we are targeting to be through the programme by first quarter 2023.

Gary Carroll: In terms of your question on occupancy, the occupancy performance for the year was in line with our target. Our targets took account of the fact that nearly all of our improvement programme centres, we're in New South Wales in Victoria in 2021, Tim, and as you can imagine, the swings and roundabouts given COVID make it very hard to do a benchmark marking exercise between those centres and other states where there was no COVID impact. So for us, our focus is more on look forward into a COVID normal environment, setting up

those centres well based off quality team and family engagement, so they can start accelerating once all the COVID restrictions are removed.

Tim Plumbe: Got it. And then just the second question around labour cost inflation, lots of industries talking about pressures that they're seeing there. And it's a bit over two thirds of your OPEX. Last year, you guys were impacted with cost inflation without being able to lift prices as a condition of the government funding. Can you talk to those labour headwinds that you face at the moment? And to what extent those should be able to be off set by pricing increases across the industry, please.

Gary Carroll: Yeah, so we actually made changes to remunerations for centre managers in March the last year and Easters in November and pulled that out in hers. We had our award wage increase. So for this year, the only current committed increase relates to our award increase for our educators, which will occur the middle of the year that said will continue to monitor the market. And we do want to remain competitive in terms of wages. So it's something we track very closely. There are no planned activities apart from award increase at this point in time that would occur across the entire network. We have already implemented our fee increase at the start of the year. I think it's already made the media and certain sensors and the number was 6% that would enable us to absorb the impact of those recent changes to wages and the forecast award increase and have a slight margin accretion subject to the operating environment that we face ourselves with from a cost profile around COVID impact on occupancy moving forward, et cetera.

Tim Plumbe: Great. Thanks. I'll jump back into the queue.

Travis: Thank you. The next question comes from Aaron Muller from Cannacord Genuity. Please go ahead.

Aaron Muller: Hi Gary. Hi Sharyn, just coming on from Tim Plumbe's question, just on price increases, so you said that the increase has gone through and the average is 6%, is it?

Gary Carroll: That's it.

Aaron Muller: Okay. And then just interested, Gary, you've got 81% target for occupancy. I presume that's 2024. I'm just interested if you comment on how we should think about the sensitivity to an increase occupancy to EBIT.

Gary Carroll: Well, as you know, Aaron, as you start getting into the high seventies and low eighties, it leads to quite an acceleration from an EBIT growth perspective, because all incremental occupancy above that level does not automatically translate into increase in roster requirements in our centres. So, and we said those numbers are consistent with what we outlined to the market in our 2019 strategic investor update and the EBIT that flow from that.

Aaron Muller: Yeah. Okay. Could you maybe comment on how long term margins look for the business in sort of if you get up to that occupancy in the eighties.

Gary Carroll: Yeah. And we haven't released a target EBIT percentage at this point, Aaron, as you know, particularly given the last two years and a bit of an uncertain outlook at this point as we complete our improvement programme that will enable us to finalise our ongoing operating structure moving forward or then provide greater clarity on what an ongoing cost base will be at that point in time. That's really when we start updating the market on what our medium term margin profiles going to look like.

Aaron Muller: Sure. Okay. Thanks Gary. And then just finally on the support office costs is it the calendar year '22? Should we think be thinking about the second half of '21 being the run rate? So, looking at about 65 million for the full year.

Gary Carroll: Yes.

Aaron Muller: Great. Thanks Gary. Thanks Sharyn.

Gary Carroll: Thanks.

Travis: Thank you once again to ask a question, please press star one on your phone. The next question comes from Chami Ratnapala from RBC. Please go ahead.

Chami Ratnapala: Hi, Gary and Sharyn. Thanks for taking my question. Wants to ask a question on the occupancy, probably looking at it more on a regional basis, can see a slight improvement, I guess, in the CBD portfolio or rather around that level that we had, but just keen to our understand why Metro seems to be lagging. If you could just talk to or expand on this in terms of the usual seasonality that we've seen through the end of the last year as well. Thank you.

Gary Carroll: Yeah. Thanks Chami. So I think the main driver around Metro is because of the predominancy of New South Wales and Victoria in that cohort, both of which were hammered by lockdowns and isolations and closures in the second half of the year.

Chami Ratnapala: And if you were to think about because given that the largest exposure is to Metro and CBD, just keeping aside CBD, just focusing on Metro, I suppose, can see from the supply report as well that many of the closures have been in that segment, just keen to understand any thoughts heading into the first half or even to the second half where will see the occupants acceleration, just how you are thinking about that net report for you. Thank you.

Gary Carroll: Yeah. So I think if we come back to the first half to 2021 where the market was as normal as it's been for the last couple of years, we saw a good growth in or good improvement in Metro and regional in that half. So as conditions, these closures reduce, we are certainly anticipating good occupancy growth performance for both Metro and regional cohorts. We still think that the change in working patterns will be a dampener on CBD centres moving

forward. So it's not an asset class. We're looking to grow our portfolio in and we're somewhat thankful. We've got a reasonably small exposure at this time.

Chami Ratnapala: Thanks Plumbe.

Travis: Thank you once again, to ask a question, please press star one on your phone. The next question is a follow-up from Tim Plumbe from UBS. Please go ahead.

Tim Plumbe: Hi guys. Just two further questions for me just in terms of the centres for sale. Can you talk about buyer appetite that you're seeing out there and how you're progressing or around some of those larger Greenfield centres that sit within that portfolio for sale, please?

Gary Carroll: Yeah. Thanks Tim. So we'd expected. It would be a bit slower for the second half of the portfolio. I think it's adding the COVID impact in particularly in quarter three and quarter fours probably slowed that down a bit more. You can imagine people of trying to draw a line on what go forward occupancy is going to be. And that was very difficult in quarter four that said we've started to see some recent pickup in activity and interest from purchases in that portfolio. And we've been progressing on a number of fronts there, including the larger Greenfield that you are calling out. So we still think that we will hit our target of getting through that portfolio by the end of the first half 2022.

Tim Plumbe: Great. And then just the second question, obviously, first five weeks of the year have been extremely challenging and probably not reflective of the rest of the year going forward. Is there a way for us to think about the EBIT that was generated in those first five weeks relative to the comparable EBIT in the first five weeks of '19, just so that we can split that out from the rest of the operations for the year.

Gary Carroll: Yeah. I mean, I won't give you the exact number, but clearly are we bits down on prior year, consistent with occupancy being down and absence of BCP payments. Yeah. But as you can appreciate pretty reluctant to give you an exact number, that said the cost performance has mitigated to the extent possible the reduction in occupancy. So still happy with how we perform during that period. We're just going to be starting off a lower base at the start of the year.

Tim Plumbe: Okay, great. And maybe just the last one in terms of those network support costs, obviously multiple buckets within there, from memory, there was a time when you were talking about the strategic and improvement programme and the incremental costs associated with that. But at some point when that was completed, those costs were to come out of the network support costs. Should we still be thinking, once I think you said the first quarter '23, once that programme is completed, we'd see a decent dropdown in the network support costs, or just main that current level.

Gary Carroll: So to give you a roadmap on getting clarity on that, we will get through a fair chunk of our improvement programme, as you can see in the first half of the year that provides us with greater clarity on what the go forward around centre support structure needs to be to

maintain performance. This phase is all about improving. We then need to work out our investment on maintaining. We expect to have that work completed so that by the August update, we can provide a more full-some update to the market on what that go forward, operating structure and cost envelopes going to look like.

Tim Plumbe: Great. Thanks guys.

Travis: Thank you. At this time, we're showing no further questions. I'll hand the conference back to Mr. Carrol.

Gary Carroll: Thanks Travis. And thanks so everyone for their time today. No doubt. We'll be catching up with a large number of you over the coming days. Thanks for attending. And I hope everyone has a great week. Thank you.

Chami Ratnapala: Thanks everyone.

[END OF TRANSCRIPT]