



TRANSCRIPTION

Company: G8 Education
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[START OF TRANSCRIPT]

Operator: Thank you for standing by, and welcome to the G8 Education Limited Half Year '25 Results. All participants are in a listen-only mode. There will be a presentation, followed by a question-and-answer session. If you would like to ask a question, you will need to press the star key followed by the number one on your telephone keypad.

I would now like to hand the conference over to Mr. Pejman Okhovat, CEO and Managing Director. Please go ahead, sir.

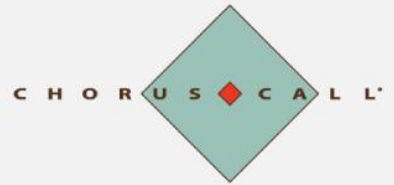
Pejman Okhovat: Good morning, and welcome to the 2025 Half Year Results Call for G8 Education Limited. My name is Pejman Okhovat, and I'm the Managing Director and CEO of G8 Education. I'm joined today on the line by Group's Chief Financial Officer, Steven Becker.

Steven Becker: Good morning.

Pejman Okhovat: Steven and I will take you through the investor presentation that was released to the ASX earlier this morning. Following the presentation, we will open the line for Q&A.

I would like to begin by acknowledging the Gadigal people of Eora Nation who are the traditional custodians of the land on which we are conducting this presentation today. We respect their spiritual relationship with the country, and we pay respects to their Elders, past and present. I extend that respect to any Aboriginal and Torres Strait Islander people joining us today.

I would also like to acknowledge the G8 Education team who consistently and tirelessly nurture outcomes for children and support our local communities with the important role they play.



This morning, we will cover a summary of the six months ended 30th of June 2025, provide an update on our progress, outlining operational and financial performance for this period, and we will conclude with -- sorry, we will conclude with a brief current trading and update on outlook.

Beginning on Slide 6. As always, everything we do starts with children. We are proud to provide quality early childhood education and care to around 36,000 children across our network of 399 centres, guided by our purpose to nurture the greatness in every child to grow, thrive and learn.

Our newly strengthened values shape a strong positive culture, enabling our team to improve quality and safety practices, drive operational excellence and deliver robust financial performance.

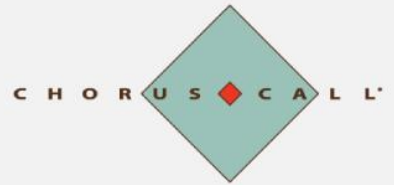
Before we begin the results discussion, I would like to acknowledge the profound impact the situation in Victoria has had on our community. The allegations are deeply upsetting, and our hearts go out to the children and families affected.

Please note that safety and well-being of every child in our care is, and always will be, our highest priority. We recognise that safeguarding children is not just a regulatory obligation, it is an ethical and social license imperative. I shall provide more update regarding child safety and our actions later in the presentation.

Turning to Slide 8. Throughout the first half, we focused on enhancing our core. And for the second consecutive year, we have seen momentum in the controllable areas of the balanced scorecard, reflecting strong operational execution.

Occupancy remains a challenge, influenced by macroeconomic factors beyond our control, cost of living pressures for our families and expected changes to the operating regulations has caused some uncertainty. In response, we are actively implementing targeted initiatives to drive occupancy and support sustainable performance.

Our focus on quality continues to deliver results with our NQF ratings remaining above sector average. This is a clear reflection of the high standards our team uphold on our centres every day.



Family engagement has continued to strengthen during the half, underpinned by improved data insights that are facilitating more targeted support and contributing to enhanced outcomes for our families.

The embedding of our new values and strengthening our cultural foundation is driving positive change, particularly in terms of improvement in our team retention and engagement.

The group's financial results delivered moderate earnings improvement on the first half despite tough and persistent market conditions. Despite this, our core business remains effectively managed with a strong discipline in operations and cost control in non-safety and regulatory requirements and related areas.

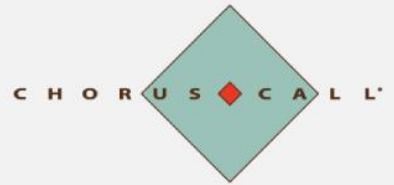
Our procurement initiatives are also playing an important role, delivering real value enhancing savings that support our financial performance. As part of our ongoing portfolio quality, we continue our network optimisation program with four centres divested and three leases surrendered -- three lease surrenders completed during the half.

Our balance sheet remains conservative with a strong liquidity and low leverage, providing us with a continued optionality. We've maintained a disciplined capital management approach, carefully balancing operational priorities and a strategic investment to continue improving our organisation and drive long-term value for our shareholders. Thus, our ability to provide dividends consistent with last year and a proposed on-market share buyback.

Turning to Slide 9, which outlines our financial results. Despite trading being challenging conditions, the revenue below pcg, we have delivered margin expansion and operating EBIT and NPAT improvement of 2.8% and 6.6%, respectively.

This is the result of good cost base management, the benefits from a strategic procurement, well-managed support office costs and further reduction in agency usage, contributing to an efficiently managed cost base.

From a statutory perspective, net profit after tax and earnings per share both increased by 12.4% and 16.2%, respectively. Pleasingly, this resulted in a fully franked interim dividend of \$0.02 per share being declared, representing 69% of reported CY '25 H1 NPAT.



Reported occupancy for the half was 64.5%, 3.7% lower than pcp, with affordability continuing to be a challenge for our families. Our spot occupancy as of 24th of August is 67%, which is 5.9% lower than pcp, and year-to-date occupancy of 65% is 4.1% lower than pcp. However, the gap is maintaining to the same levels.

Slide 10 reflects our commitment to shaping a resilient, inclusive and sustainable future for all our stakeholders across the four pillars of our governance, service quality, our people and environment. We will cover the first three pillars in the next slides as part of our balance of scorecard results.

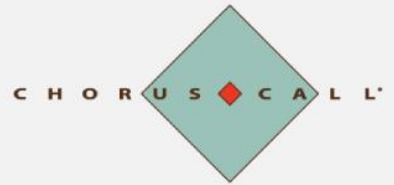
In our environment pillar, from an emission perspective, we achieved a 5% reduction in Scope 1 and 2 emissions, transitioned 95% of our vehicle fleet to hybrid vehicles, and our renewable solar generation has resulted in avoidance of 260 tons of CO2 emissions. We have scheduled scenario planning workshop to access and respond to climate-related risk across our network.

Moving to Slide 11. Our balanced scorecard illustrates our sustained focus on key strategic areas that has led to consistent improvements in controllable aspect of our organisations over the past two years.

Our commitment to delivering a fit and enhanced school has delivered operational improvements reflected in a solid cultural foundation, driving improved team metrics, positive family sentiment contributing to a stronger Net Promoter Score and increased number of centres meeting or exceeding the national quality standards and well-managed financial performance resulting in margin improvements.

Occupancy was lower than prior comparative period with key reasons outlined earlier. Team retention outcomes was positive results, up 3 percentage points on prior comparative period to 79%. Quality assessment ratings of meeting and exceeding have increased to 94%, 3 points ahead of long-dated sector average. Our targeted focus on family journey is resulting in improved NPS results by 4 points ahead of the prior comparative period.

Turning to Slide 12. We continue to see benefits of our effective recruitment strategies. We have contributed to a more stable workforce. This is reflected in reduced vacancy rates and further decline in agency dependency in our centres. Employee engagement has continued to strengthen, increasing from



75% to 77% and continuing to outperform sector benchmark, highlighting our strong cultural foundation.

In addition, we have achieved improved retention rates across our educators and key roles, including centre managers and early education teachers. To further support workers' quality, we have enhanced our recruitment processes to ensure a more rigorous and targeted approach to candidate screening. During the half, we successfully launched our updated organisational purpose and values, further strengthening our cultural foundation and promoting alignment.

We continue to strengthen our internal capabilities through our sector-leading professional development programs and enhanced learning offer through our new learning management system and our people capability framework. A targeted focus on regional professional development is underway, focused on supervision, program quality, inclusion and enriching learning environment.

We have also strong momentum in our First Steps program for early childhood teachers and educational leaders, supporting continued improvement in quality of teaching and learning. Finally, our bachelor program has been refined to better align with ECT requirements and is now strategically positioned to support the development of high-performing team members.

To Slide 13. We have continued to see improvement in our NPS, driven by a focused approach to the key factors that influence family experience. Retention initiatives for families in the three to five year old age cohort have delivered a notable uplift in NPS.

In the second half of the year, we will be launching an enhanced family value proposition. This initiative is designed to deliver greater value by addressing the specific needs and expectations of families with emphasis on value-add drivers.

Frequency has remained stable compared to pcpc though affordability continues to impact families taking additional days of care. Unfortunately, the recent uplift in CCS hourly cap was modest and did not provide meaningful relief to families facing cost of living pressures. While inquiry volumes have remained similar to pcpc, conversion rates has also been impacted by affordability.

Our website unification project has delivered strong outcomes, including improved organic conversion and enhanced search visibility. We are

implementing targeted marketing campaigns in regions identified as having high conversion potential, ensuring we maximise our occupancy in the second half.

Slide 14. Our unwavering focus in quality, education and inclusion has resulted in improved results in our overall network quality. Pleasingly, 96% of G8 centres assessed in the first half of CY '25 were rated as meeting or exceeding the national quality standards. In Area 1, 98% of assessed centres achieved a meeting or exceeding ratings, reflecting the dedication of our around centre support teams and centre leadership.

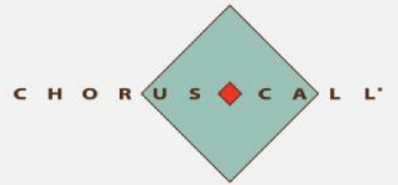
We continue to maintain a focus on converting working toward centres with several currently awaiting government reassessment. This remains a key priority in our commitment to continuously lift quality. To further strengthen our team and drive continuous improvement in providing quality education and care, we implemented educational leader First Step program and facilitated 49 professional learning sessions across our regional centres. These initiatives are strategically designed to uplift pedagogy and practice and enhance quality outcomes across our network.

To support our families, we launched the initial phase of our family value proposition, which includes the integration of individual learning plans tailored to each child's unique learning journey, development and well-being.

Turning to inclusion. We have updated our inclusion and behavioural guidance policies accompanied by training and resources to support our team in delivering inclusive and responsive care.

Further to this, we implemented pathway to resilience sessions with a particular focus on trauma-informed training in New South Wales and Victoria and have introduced safety book packs and training as part of commitment to being a child-safe organisation. Our reconciliation action plan continues to strengthen across the network, aligning closely with both policy and curriculum.

Slide 15. Occupancy for CY '25 H1 was 64.5%, which is 3.7% below the pcg. Macroeconomic factors, while slowly improving, continue to impact family affordability. We are seeing this particularly in frequency and conversion where families delayed starting at the beginning of the H1 was also noticeable. The cost of living pressures remaining a challenge to our families have with no meaningful increase to CCS changes in July, we have seen limited uplift.



Looking at performance across the states, New South Wales and Queensland have been our strongest performers, supported, in part, by divestment strategy. A high number of centres in New South Wales are now operating at 75% occupancy or above, which is encouraging.

Western Australia and Victoria have faced the most challenges. This is largely due to competitive nature of the government-funded kindergarten program in those states and higher supply growth in these regions compared to other states. While inquiry levels have remained consistent with PCB, conversion rates have been impacted across the board, driven primarily by ongoing cost of living pressures for families.

While there are pockets of a strong performance, particularly in New South Wales and Queensland, broader economic conditions and regional dynamics continue to shape our occupancy outcomes.

Slide 16, our operating model. I will talk you through several key initiatives that are aimed to strengthen our performance and drive occupancy. We have embedded new property and safety system to strengthen data-driven decision-making, improve operational efficiency and enhance support across our centre network.

Our enrolment transition and growth period has commenced with improved initiatives and operational efforts targeting occupancy in second half of '25 and to lay a strong foundation for CY '26. Further to that, we have embedded more effective network planning across team, enabling us to respond with greater agility in what continues to be a challenging operating environment.

We have commenced a turnaround program, piloting tailored support with selected centres with high potential for improvement. These centres have been identified through a defined set of criteria, targeting those that are operationally sound and ready for growth. The program is focused on enhancing service quality, delivering improved occupancy and outcomes where it's needed most.

Together, these initiatives reflect our commitment to continuous improvement and our focus on delivering better outcomes for families, team and driving operational improvement.

Now moving to Slide 17, financial sustainability. Operating cash flow remains robust, supported by a strong cash conversion and conservative leverage.



Capital expenditure for the half was slightly below the pcg, primarily due to timing of major property works. We remain on track to deliver approximately \$40 million to \$45 million in total capex for the full year.

As expected, net debt increased during the first half, driven by seasonal revenue distribution and execution of our share buyback. We are pleased to announce we declared an interim fully franked dividend of 2% per share, consistent with pcg, representing 69% of reported NPAT.

Our cost base has been strategically and effectively managed, demonstrating a strong financial discipline and a continued focus on operational efficiency. Agency usage continues to decline. And wages as a percentage of revenue remains in line with prior year. Support Office costs have reduced year-on-year, mainly due to value-add procurement activities. Support Office headcount has remained broadly the same as pcg.

In terms of network optimisation, four centres were divested and three leases were surrendered during the half. We have now completed our divestment strategy in the ACT, fully exiting the region. We are actively reviewing the strategic opportunities for further divestment and acquisition guided by clearly defined operational metrics.

I will now hand over to Steven Becker to take us through the financial performance.

Steven Becker:

Good morning, and thanks, Pej. On Slide 19, we discuss in more detail the group financial performance. Despite lower revenue, continued cost management and procurement savings in non-safety and regulatory areas resulted in modest operating NPAT improvements and margin expansion for H125 compared to H124.

Group operating revenue was 3.5% lower than H1 '24, while statutory NPAT grew at 12.4% to \$22.5 million for the half. Underlying network Support Office costs were effectively managed, resulting in a decrease versus H1 '24. Finance costs decreased as a result of improved borrowing rates from a debt refinance conducted last year.

In terms of our non-trading items, these primarily relate to insurance recoveries, portfolio optimisation, impairment and SaaS expense as a result of implementing a new payroll system. From a centre perspective, we delivered a



slight improvement in centre margin, improving it by 0.3% versus H1 '24. Centre revenue was 3.7% lower than H124, as discussed, mainly driven due to lower occupancy.

Employment costs were appropriately managed and have decreased versus H1 '24, driven by lower booking volumes. However, wages as a percentage of revenue remained consistent year-on-year. Other expenses were largely in line with lower occupancy levels and the continued benefits from our strategic procurement activities.

In terms of our balance sheet and capital allocation. The group maintains a strong balance sheet with low leverage and ample liquidity. Cash flow generation was strong with cash conversion above 100% and operating cash flow after tax and interest at \$54 million. During the half, we invested \$16 million in capex, paid out dividends of 28 million and conducted a share buyback of up to 32 million, resulting in free cash flow for the half of \$10 million.

Net debt for the group ended at 102.2 million, representing a conservative gearing ratio of approximately 13% and low leverage of circa 0.9x. In addition, the Group has access to further 60 million of committed debt facilities as and if required. Prudent capital and cost management disciplines will continue to be a key focus for the group going forward.

I'll now hand back to Pejman, who will talk through the rest of the presentation. Thank you.

Pejman Okhovat:

Thanks, Steven. And now turning to Slide 22, our child safety focus. At G8 Education, we are committed to upholding the highest standard of governance and social responsibility. Child Safety is embedded into every aspect of our leadership, values and operations. We are continuously reviewing and strengthening our practices to ensure transparency, accountability and trust.

With our ESG commitment firmly in place, we continue to review our child protection policies to ensure they reflect best practice. All our policies align with national and state laws and regulations, and we do not tolerate any behaviours that compromise the safety or well-being of children, and we fully support government decisions and the strength and protection for children across the sector.

We have continued to improve our child safe policies and procedures over the last three years, which are implemented across all G8 Education centres, including prohibiting personal devices in rooms in centres; mandatory training in respect of child safety and child safeguarding; ensuring that physical and online environments promote child safety and well-being, including investment in cybersecurity measures.

Ensuring that all required team members' references and background checks are performed, including ensuring that valid working children checks are in place during employment and that all childhood teachers hold state-specific teacher registrations.

Introduction of parents and carers having greater choice over the child's personal care routines, all centres have a dedicated safety leaders, implementation of new compliance system over the last 12 months, providing visibility of safety and compliance methods across our network.

Our training and policies ensure all team members are designated mandatory reporters and are legally required to report any disclosures, concerns or reasonable suspicion that a child is experiencing harm or if they're at risk of harm. And we actively encourage the confidential and anonymous reporting of any concerns related to reportable conduct in accordance with our Whistleblower Policy.

Turning to Slide 23, I will now talk more to the Victoria matter specifically. Our impacted families and our team remain our top priority. We continue to provide additional on-ground support for our families and team in the impacted centres, including confidential counselling services, senior leadership support, practice partner support and trouble management support for families and team. We continue to assist with the Victoria Police and authorities with their investigations.

G8 Education is committed to continuous improvement in its policies and processes. And as previously announced, we'll be taking the following actions. We'll accelerate the rollout of CCTV to all our centres. Following the conclusion of the police investigation, G8 Education will commission an independent review of the incident to inform further changes and improvement to our child safety procedures within the organisation.

And continue our commitment to working with all levels of government across Australia to urgently consider with more can be done better to protect children, including advocating for National Registry of working with children and vulnerable people, National Teacher Registration and National Educators Registration, National Registry of Early Childhood Workers' Employment History, alignment of all state regulations prioritising those regarding child safety and protection, and delivering on productivity commission recommendations, in particular initiatives related to improving quality, workforce, child safety and protection.

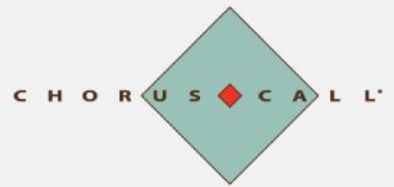
I will now speak to the current trading and outlook, Slide 24. Group Spot Occupancy was 67%, 5.9 points below the pcg and 65% year-to-date, which is 4.1% lower than pcg as a result of market softness persisting during the first half. The seasonal care for occupancy remains, however, at a lower than pcg levels. The impact of Victoria incident on occupancy has been localised to the impacted centres only, and we are not seeing wider trends across the state nor our network.

We will continue our focus -- our efforts on initiatives to maximise our occupancy growth in H2 and into CY '26, including our enrolment transition and growth program, targeted marketing activity to drive share of inquiries and our turnaround centre initiatives.

Our capital allocation framework will continue to achieve a balance between operational priorities, strategic investment and delivering shareholder value. capex for CY '25 remains around previously noted \$40 million to \$45 million for the full year. We will initiate an on-market share buyback in September.

Now to outlook. The sector is currently operating within a challenging environment characterised by affordability continuing to impact families with cost of living relief materialising very slowly. Recent events and expected changes to operating regulations has also created a degree of uncertainty. At the same time, macro indicators remain encouraging over the medium-term horizon with a further interest rate cuts and CPI reducing expected.

Unemployment and family and female participation remain steady, and data indicates increased birth rates in the future. And the introduction of the activity test changes in CY '26 is expected to boost demand. We remain very confident



in our core operations, and we continue to control the controllables and expect to deliver full year earnings results similar to CY '24.

Our near-term focuses are: On safety and compliance, continue to enhance and uplift child safety practices and processes; on quality and education, we will continue to drive above sector performance, including uplifting our small number of working to our centres.

From a team member perspective, embedding our strengthened purpose and values and improving capability; family experience, focusing on key drivers, education, relationships and practice; and from an operations point of view, continued focus on occupancy through enrolment and transition period.

I will now hand over to the moderator for Q&A.

Operator:

Thank you. If you would like to ask a question, will need to press the star key followed by the number one on your telephone keypad. If you wish to cancel your request, please press star two. If you're on a speakerphone, please pick up the handset to ask your question. We ask that analysts limit themselves to one question so that others have the opportunity to do so. You may re-join the queue. One moment please while we poll for questions.

Our first question comes from Wei-Weng Chen with RBC Capital Markets. Please proceed with your question.

Wei-Weng Chen:

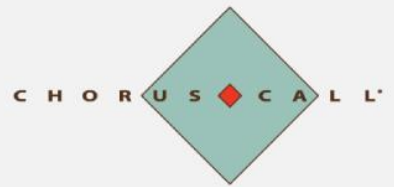
Hi guys. So apologies if this was addressed in your presentation. But just wanted to know with your occupancy performance, how confident are you that this isn't kind of a spill over of the incident in Victoria into your business and that it's just cost of living?

Pejman Okhovat:

Good morning Wei-Weng, as noted in the presentation, we are monitoring the Victoria occupancy situation on a very, very regular basis. And I can tell you, as noted in the presentation that, yes, those impacted centres had some occupancy reduced, but we have not seen any change in trend or shape across Victoria as a state nor across the rest of the network.

Wei-Weng Chen:

Yes. Okay. Cool. And then I guess the other question I have is, you guys are kind of expecting year-on-year to be flat from an earnings perspective. Is -- I guess, how much more, I guess, can you pull on that cost lever? Obviously,



occupancy is what it is. But how much more on that cost lever do you have if we kind of think about this year and future years, if occupancy remains muted?

Pejman Okhovat: I'll make a comment on the -- where we noted our expected kind of trajectory to be, but then I'll -- Steven can talk to the cost base. What we have said is, look, as you know, H2 is a very important half as the seasonal patterns of occupancy kind of grows between now and November. So there's a lot to play.

And -- but we do know that we've still got a lot of work to do and the market remains tough. So we -- what we've noted here is looking forward with where we are today, we believe that we expect our year-end to be similar to last year. But in terms of costs, Steven, your comments around how do we manage the cost in the second half?

Steven Becker: Yes. Look, as we've pointed out in the presentation, we've done a good job of managing our costs. We've still had some procurement savings rolling into first half '25, largely around things such as consumable foods and things such as that where we've consolidated that procurement, but some of that will start to be fully embedded.

So the reality is that we'll continue to maintain good cost control, but our ability to squeeze more out of that will diminish over time. So largely, the second half will be driven largely by our occupancy and where that ends up.

Wei-Weng Chen: Okay, cool. Thanks. Thanks for taking my questions.

Steven Becker: Cheers.

Operator: As a reminder, if you would like to ask a question, please press star one on your telephone keypad. Our next question comes from Cameron Bell with Canaccord Genuity. Please proceed with your question.

Cameron Bell: Yes. I will just ask a couple of questions. Firstly, a very straightforward one. Your guidance for earnings being flat, are you referring to your NPAT or EBIT post, lease?

Steven Becker: To the 115 number, the EBIT lease adjusted number.

Cameron Bell: Yes. Okay. And then just on -- there's been a lot of headlines and I suppose, news around class actions and sort of legal stuff, and it might be hard to talk

about. But could you maybe just give us a sense of, I suppose, how you see your liability on that front and any potential developments?

Pejman Okhovat: To be honest with you, not at this stage, Cam. Yes. Whatever you've read in the media, we've read the same things. But as you know, there's insurance provisions for situations like this, and we do have those in place.

Cameron Bell: Okay. All right. Sure. That's understandable. And then the actions you've taken and also the actions that are being sort of directed by the regulators, but what do you think the -- your implementation costs will be? And also, do you have any ongoing new compliance costs for those measures?

Pejman Okhovat: Again, great question, Cam. A lot of those are very, very new. We -- and they're about to be assessed by the regulators, by the state-based governments. And we will have to assess that situation. We haven't got full visibility of how much extra cost some of those will be.

But certainly, with the increased regulatory focus and increased funding into regulators actually being out there visiting, we do anticipate some costs coming through, but the timing of that, we also have to work with the state governments to see.

Some of the regulations or changes to it, to be honest, like the federal government announcing ban on mobile phone, that's already been in place for five-plus years in G8. So there's no additional cost to some of them. But some of the other ones, there may well be some cost.

And the only other one that we will have to work through, which will be a capital issue is the CCTV rollout that we've committed to. Again, we are doing a very diligent job of scoping that up, working with very reputable organisations to ensure everything from privacy matters, cybersecurity issues, storage of the data, who get to see the data, all of those factors remain a high priority for us to work through before we actually roll it out.

So there will be a few months on the way before we physically roll that out. But again, as we get towards end of the year, we'll update the impact of that on our capital expenditure in the future years.

Cameron Bell: Okay. Sure. And then just the last one for me on your occupancy. Do you mind giving us a sense of like that negative 5%, 5.9% at spot? Like Can you give us

a sense of if the younger cohorts are seeing similar occupancy drags versus the older cohorts?

Pejman Okhovat: I think what -- I think you did some numbers as well early on in the year. I think going back to the younger cohorts are the years that have been a bit lighter this year because of the birth rates coming out of COVID in that '22, '23 years. So this year, there's been a lower rate of earlier years.

But that's anticipated to change as the children get older and a new wave of children kind of start to grow up, that waves will continue to change. So I think we've seen year-on-year, probably a slight improvement in the older years and a slight decline in the younger years, but there are indicators that with potentially higher rate of pregnancies being noted, through scan rates that, that would be this positivity coming in the next year or two.

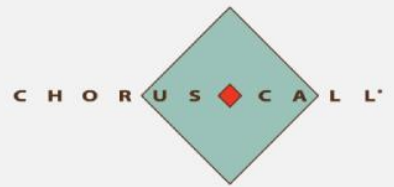
Cameron Bell: Yes. I might be cheeky and ask one more question then. So I'm extremely early. Sorry, mate?

Pejman Okhovat: Go on, mate.

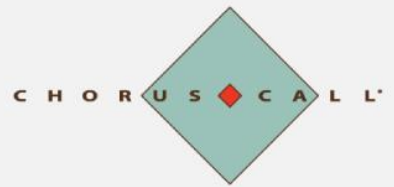
Cameron Bell: The calendar year '26, you're going to have your older kids move on, which has stronger occupancy. So that's a potential drag on occupancy. But then offsetting that, you're going to have the activity test be scrapped. Are you of the view this early in the period that calendar year '26 is an occupancy up year?

Pejman Okhovat: I think, look, there's a number of factors that go into '26. You've mentioned a couple of them. We also remain optimistic around continuation of inflation coming down. If there's one or two more rate cuts, that will also help affordability. And you also got to remember, with the worker retention payment, there is, again, restriction on fees to a maximum of 4.2%, which actually gives families another confidence in terms of how much the out-of-pockets will be.

And when you overlay the three day -- sorry, the abolition of the three day activity test, which again government indicated over 100,000 families will benefit from that, there's a lot of that kind of go together. It isn't just one thing. But you are right, every year, a number of kids are ready to go to school, but it's not all the three to five year old that go to school. It's only a portion of the older kids that go to school.



- Operator: Our next question comes from Peter Drew with Carter Bar Securities. Please proceed with your question.
- Peter Drew: Morning, guys. Thanks for the presentation. I just got one question on the guidance. Does that full year guidance assume a sort of similar decline in occupancy in the second half with some sort of cost savings coming through at those similar lines as the first half and other centre costs and support costs?
- Pejman Okhovat: Good morning, Peter. I think what we're seeing is, as I mentioned earlier in the call, second half is a pretty important half. There's a combination of all of those factors. The seasonal pattern and curve to occupancy, what we anticipated to be lower than last year.
- We continue to manage our controllables as well as we can and there will be continuation of procurement savings that will spill over into H2 for us too. So combination of all those three elements in August, looking forward, we say that the yearend earnings will be similar to last year.
- Now if that changes as we progress through the next five months, six months, and rest assured we take our responsibilities of informing the market very, very seriously and if at any point we do, we will ensure that we do that appropriate sitting here today, that's where we are. It's a combination of all those elements you mentioned, Peter.
- Peter Drew: Thanks, Pej.
- Operator: Our next question comes from Tim Plumbe with UBS. Please proceed with your question.
- Tim Plumbe: Hi, guys. I'm sorry, I missed the first part of the call. And mine is a bit of a follow-on from Peter, if possible. But just with that minus 5.9% that you're run rating at the moment, presumably, you're expecting an improvement throughout the course of the second half, which you just kind of spoke about, but can you maybe elaborate a little bit in terms of what are the controllable cost buckets available to you?
- I mean the vast majority of your cost is labour. You guys did an incredibly good job in the second half of last year in terms of keeping agency costs incredibly low. So one might say that you're kind of cycling tougher comps in the second half from a cost perspective.



Just interested to understand a little bit more in terms of how -- like what the levers available are to pull and then just when you're saying similar, when is similar no longer similar? Are you kind of saying like it could be down a couple of percent versus last year?

Pejman Okhovat: Well, I'll let Steven talk to the cost base, and I'll close off your second part of the question, mate.

Steven Becker: In terms of costs, Tim, I don't know if you caught the answer before that we talked about is that obviously, you're right, we are controlling all our costs we can. Some of them flex naturally with occupancy.

But we're also obviously really being tight on all costs that we can control and making them as tight as possible. Obviously, that doesn't relate to sort of safety and regulatory costs, which obviously we don't skip on those. So certainly driving those. Procurement savings are still flowing through.

So they are the real controllable lines that we are controlling. But I did mention before, there's -- obviously, there's a limit to where you can push those lines to. And we will push those as hard as we can as we always do in the second half.

Pejman Okhovat: And Tim, to the second part of your question, it can't be -- at this stage of the game, I can't give you a specific number for where the year-end will be. What we are noting is it will be similar to last year.

Now as I said earlier to Peter as well, if at any point during the next 5 months of trading, if there's any deviation to what we've said today, we absolutely take our responsibility very seriously and inform the market in due course when that's due. But as of today, that's our position that will be similar to last year.

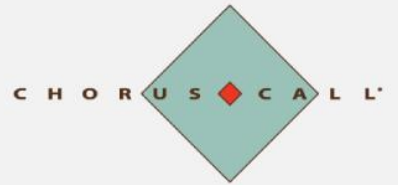
Tim Plumbe: Apologies if I missed it, but what sort of improvement do you need from an occupancy perspective in order to achieve that?

Pejman Okhovat: We haven't said exactly what occupancy number will get us to there.

Tim Plumbe: Okay. Thanks, guys.

Pejman Okhovat: Thanks, Tim.

Operator: There are no further questions at this time. I'll now hand the call back over to Mr. Okhovat for closing remarks.



Pejman Okhovat:

Thanks very much, and I appreciate everyone attending the call. In closing, I would like to once again thank the G8 Education team for their outstanding work that has delivered these results and outcomes.

Our team's passionate and dedicated work result in supporting thousands of families and their children with high-quality education and care. Their hard work allows us to live our purpose to nurture the greatness in every child to grow, thrive and learn. I now end the call.

Operator:

This does conclude our conference for today. Thank you for participating. You may now disconnect.

[END OF TRANSCRIPT]