TRANSCRIPTION

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[START OF TRANSCRIPT]

Operator: Thank you for standing by, and welcome to the G8 Education 2026 Half Year Results Call. All participants are in a listen-only mode. There will be a presentation, followed by a question-and-answer session. If you wish 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. Please go ahead.

Pejman Okhovat: Good morning, and welcome to 2026 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 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'd like to begin by acknowledging the Gadigal people of Eora Nation, who are the Traditional Custodians of the lands on which we are conducting this presentation today. We respect their spiritual leadership and 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 peoples 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 6 months ended June 30, 2026, providing an update on our progress, outlining operating and financial performance for this period, and we will conclude with a brief current trading update and near-term outlook.

Beginning on Slide 6. Everything we do starts with children. Our purpose to nurture the greatness in every child to grow, thrive and learn remains the center of every decision we make. That purpose guides us on our focus on safety, quality, education and care and the important role we play in supporting children, families and communities across Australia.

Despite the challenges facing our sector, we remain committed to investing in the areas that matter most, our people, our families, our quality outcomes and our children's safety practices, ensuring we continue to deliver positive outcomes for children every day.

Slide 7 now. The first half of 2026 continued to be impacted by challenging sector conditions with affordability pressures, lower birth rates, supply growth affecting demand across the sector. Group occupancy for the half was 57%, that is 7.5% lower than pcp. Spot occupancy of 61.9% as of week ending Friday, August 21, 2026, is 5.1% lower than pcp.

During this period, we have remained focused on improving the areas within our control. We have continued to improve performance across key operational measures, including team retention, family experience, quality outcomes and child safety initiatives. Team retention increases to 80%, the highest level it has been in 6 years.

Family Net Promoter Score improved by 7 points to 58, and we've continued to invest in safety, quality and compliance of our network. Our efforts have ensured we remain high level of compliance whilst improving quality outcomes with more than 97% of our centers now meeting or exceeding the national standards.

At the same time, we took decisive actions to strengthen the business. This included the suspension of operations of around 40 centers, the restructure of our support office in June and ongoing procurement efficiencies and continued network optimisation activities.

These initiatives are expected to deliver at least $10 million in annual cost savings. Furthermore, we remain -- we maintained a conservative balance sheet, stable liquidity and compliance with all our financial covenants throughout the period.

Turning to Slide 8. The financial results reflected both the challenging operating environment and actions we have taken to strengthen the long-term sustainability of our business. Lower occupancy continued to impact earnings, resulting in operating revenue of $409.1 million, operating EBIT of $14.7 million and operating NPAT of $6.7 million for the half.

Reported earnings were impacted by nontrading items, particularly impairment expenses associated with the suspension of operations at 40 centers and other portfolio optimisation activities. This resulted in a reported net loss after tax of $38.8 million. We have maintained discipline in managing costs, preserving liquidity and moderate gearing.

Now turning to Slide 9. We continue to make meaningful progress across our environmental, social and governance priorities. We strengthened governance through the establishment of a dedicated Board Safety Committee, refreshed our enterprise risk framework and delivered on our inaugural climate disclosure. From a people perspective, 73% of our center managers appointed were filled through internal promotions, hiring efficiencies improved and average childhood vacancies reduced by 57%.

As mentioned before, family engagement continues to strengthen with our NPS reaching 58, while network quality improved, as mentioned previously. Progress was made in reduction of the Scope 1 and 2 emissions by 18% and waste reduction by 18%. We also continued our partnership with Act for Kids, progressing with our CCTV program trial, reduced emissions and improved waste reduction, as mentioned earlier.

Slide 10. Our balanced scorecard highlights the progress we continue to make in the areas that we are directly within our control. Compared with our prior corresponding period, team retention improved by 2 percentage points, family sentiment improved by 7 points and quality ratings improved across both key measures and operating disciplines remained strong.

While occupancy and earnings continue to be impacted by the broader market dynamics, the continued improvement across our operational measures demonstrates the strength of our strategy and the quality of our underlying business.

Slide 11, our Team. Our people remain one of the most -- the greatest strength and are fundamental to delivering quality outcomes for children and families. During the half, we continued to strengthen workforce stability with retention improving to 80% and vacancy levels remaining low across the network.

Permanent vacancies reduced by 57% and our hiring efficiencies improved, helping us build a more stable workforce. Leadership development continues to be a key focus with 73% of our managers appointed internally. And importantly, psychological safety improved by 75% and engagement around our Safety, First and Always value continued to strengthen, reflecting a resilient culture despite significant sector challenges that we are all facing.

Slide 12, family experience. We continue to see a strong momentum in family sentiment during the first half. As mentioned, our Net Promoter Score increasing to 58, that's 7 points above same time last year. The continued embedment of our family value proposition is a strengthened family engagement across all key measures, particularly in culture and safety, quality learning outcomes and center environment.

While affordability remains a significant challenge for families, booking frequencies increased slightly, inquiries remain lower than last year across the sector, our marketing activities have ensured we compete well.

Slide 13. Quality remains one of G8's core strengths. Today, 97% of our centers are meeting or exceeding the National Quality Standards, which is 6 percentage points above broader sector. Quality Area 1 results are also continuing to improve, reflecting on our focus on educational outcomes and continuous improvement.

Teacher retention continues to improve and support the delivery of funded preschool programs and a strong educational outcomes for children. Safeguarding remains a core priority. During the half, we continued to roll out of the Learn to Be Safe with Emmy & Friends program in partnership with Act for

Kids, supporting our commitment to Child Safe Organisation and Protective Behaviour Education.

Slide 14. Demand continues to be impacted by affordability pressures, lower birth rates and ongoing supply growth and broader economic conditions. As a result, group occupancy for the half was 57%, 7.5% below the prior corresponding period. We are encouraged by the improvement of 2% in our conversion given the backdrop of lower demand.

Net supply into the sector was increased by 2.5% in the latest quarter, quarter 2 of 2026, noting this was the lowest quarter over 10 reported quarters by the authorities. Portfolio optimisation activities undertaken during the period have also improved overall occupancy trends since June.

Turning to Slide 15, improving our occupancy. Our approach is focused on 3 areas: driving demand, improving execution and competing effectively in local markets. We have refreshed our marketing approach, increased local marketing activities and community engagement, strengthened our educational proposition and enhance the family journey from inquiries through to enrollment.

We have also invested in additional area manager support, center-specific growth plans, improved tour quality and digital booking capability to improve conversion and operational execution. We are constantly monitoring the sector and being diligent in our competitiveness through pricing and flexibility of days and hours, improving our local presence where families are. We are trialing local social media capability for our centers with rollout planned over the next 2 months across our network.

Turning to Slide 16. Over the first half, we continue to evolve our operating model to strengthen execution, improve efficiency and support center performance. We deliberately redirected resources closer to our centers through the redesign of our support office structure, reducing support office headcount by 21%, while increasing area manager capacity to enhance center support, accountability and performance.

Alongside these changes, we've continued investing in the systems and processes that improve productivity and execution. This includes implementing new facilities and maintenance systems, introducing a more efficient payroll platform, simplifying end-to-end processes and leveraging AI across marketing, operational performance and administrative activities.

Safety and compliance remain our highest priorities. During the half, we delivered more than 118,000 hours of training, expanded our safety leader program, continued center management workshop and progressed with our CCTV initiative with a pilot commencing in this quarter.

Importantly, these initiatives are delivering results. While sector statutory compliance actions doubled compared to the prior corresponding period, G8 reduced the statutory compliance action by 5%. Reportable compliance incidents reduced by approximately 25%, while high-risk compliance incidents reduced by 56%.

Slide 17, maintaining financial resilience remains a key priority. Operating cash flow remained positive and supported continued investment in center improvements, equipment, technology and safety initiatives. Our cost base remained well controlled, supported by procurement initiatives and support office restructure completed in June.

We also continue to optimise the network through divestments, lease exits and suspension of operation at 40 centers, ensuring capital is directed to the strongest long-term opportunities. Importantly, we maintain a conservative balance sheet, extended one of our debt facilities through to 2029.

I will now hand over to Steven to discuss the financial performance in more detail.

Steven Becker: Good morning, and thanks, Pejman. On Slide 19, we discuss in more details our group financial performance. Group operating revenue was 12% lower than the first half last year, while operating net PAT was down 74% to $6.7 million, largely as a result of the occupancy shortfall to last year. Effective cost management, procurement savings helped to mitigate the shortfall in revenue.

Underlying network support costs were effectively managed, resulting in decrease versus last year. Finance costs were slightly higher due to higher interest rates and slightly higher debt levels. In terms of our non-operating items, these primarily relate to impairment expenses due to the suspension of operation of 40 centers and our SaaS expenses as a result of the implementation of new systems. Overall, the group reported net loss after tax was $38.8 million.

Turning to Slide 20, and our center performance. This was down on last year, again, largely as a result of lower bookings and occupancy. Center revenue was 11.5% lower than the first half last year. Employment costs were appropriately managed and have decreased versus H1 '25. This was driven by lower booking volumes. However, wage as a percent of revenue was slightly higher year- on-year. Other expenses were largely in line with lower occupancy levels.

Now turning to our balance sheet and capital allocation. The group continues to have moderate leverage and stable liquidity. Operating cash flow, as noted on Slide 21, continued to be positive despite difficult operating conditions. This was supported by prudent cost and capital management. During the half, we invested $24.4 million in capex and a share buyback of $600,000. Net debt for the group ended at $123.6 million, marginally higher than December '25. The group continues to maintain a conservative gearing ratio of circa 25% and has moderate leverage levels.

In addition, the group has access to a further $40 million of undrawn committed bank debt facilities as and when required. And during the half, the group also extended the maturity of one of its $100 million revolving debt facilities from December '27 to January '29. Prudent capital and cost management disciplines will continue to be a focus for the group going forward.

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

Pejman Okhovat: Thank you, Steven. Turning now to current trading on Slide 23. Trading conditions remain broadly consistent with those experienced during the first half. Group spot occupancy is currently 61.9%, which is 5.1% lower than PCP. Year-to-date occupancy as at end of July was 58%, 7% lower than PCP, showing a small trend improvement since June.

Seasonal patterns remain similar to previous years, albeit at the lower levels as experienced across the sector. While inquiries remain below the prior corresponding period, our marketing strategies are yielding better performance on main aggregator platforms compared to the sector average.

As mentioned previously, we continue to improve our family engagement through our NPS and our conversion reaching 32%, which is 2% improvement on the prior corresponding period, frequency also increasing modestly.

Capital allocation remains disciplined. We expect full year capital expenditure of approximately $50 million as previously reported. No interim dividends will be paid and the share buyback program has now concluded.

And finally, turning to Slide 24, our near-term outlook. Sector dynamics to be -- continue to evolve. Government support for the sector continues with the extension of the Worker Retention Payment until 2028, increase in CCS and considerable collaboration to restore confidence in early childhood education and care.

Anticipated improvements in birth rates over medium term will assist with demand. Supply is expected to moderate through lower net new and contraction within the sector as operators exit due to wide-ranging number of factors.

As an organisation, we are focused on the areas we can control. We have decisively taken actions to adjust to current conditions through key initiatives to reduce non-center-based costs, improve efficiency, optimising our network and extending our banking facilities.

Our near-term focus areas are very clear. Continue to improve quality, safety and compliance, which includes focusing on driving exceeding themes, driving positive engagement with our families, focusing on conversion and increasing satisfaction, maintaining above sector team engagement and retention, developing longer-term succession and capability growth for sustainability for future growth.

Increased occupancy through improved enrollment and transition plans, optimising our network, managing costs diligently, ensuring no compromise on safety and compliance and ensuring financial sustainability and performance resilience.

Importantly, the progress we have made across our core operations and controllable measures over the recent years has created a stronger and more resilient organisation, putting G8 in a good position as sector continues to evolve and improve.

I'll now hand back to the moderator for Q&As. And following Q&As, I will close with some closing remarks.

Operator: Thank you. If you wish to ask a question, you 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. In the interest of time we do ask that participants limit themselves to asking one question and to ask further questions to please rejoin the queue.

Your first question comes from Tom Tweedie from MA Moelis Australia. Please go ahead.

Tom Tweedie: Good morning team. Thanks for taking my question. I just had a question around the sort of suspension divestment strategy. If we have a scenario if this operating conditions and environment goes on for, say, another 12 months, what are your thoughts on potentially flagging or looking at further suspensions? And then within this, how difficult is it at the moment to sort of surrender a lease or actually divest the center itself just given the operating environment?

Steven Becker: Thanks, Tom. Look, I think in terms of the future, I mean, obviously, we'll just have to assess that as we go. But potentially, we may do that in the future. We can never rule that out. In terms of how we -- what we've done with the portfolio, we've obviously suspended them, and we're looking to -- obviously, we're trying to look to divest those or either surrender those back to the landlord.

In terms of buyers, we have had some success. I think we won't give an exact number before the end of the year, but we certainly are very confident that we will divest a number of those centers before December, certainly not all of them. And certainly, also in that package of things that we'll do, we will have some lease surrenders as well where we give those back either the lease ends or we come to some arrangement with the landlord on those.

But obviously, each of those is a case-by-case proposition depending where the property is and depending on the lease and those sorts of things.

Tom Tweedie: Thank you. And then, sorry, can I just also clarify, you mentioned that on the inquiry levels remain below PCP. Just want to suggest, is that on a like-for-like basis as in excluding the 40 suspended centers or not?

Pejman Okhovat: The inquiry levels, Tom, that's been reported, that's for the like-for-like, yes.

Tom Tweedie: Great. Thank you.

Operator: Thank you. Your next question comes from Cameron Bell from Canaccord Genuity. Please go ahead.

Cameron Bell: Thanks. Good morning, guys. I may as well ask 2 questions. I know you said 1, but given the long queue I should go straight to it. So firstly, could you talk to that occupancy move in July is pretty material and kind of amplified its importance for you and the industry. Can you maybe talk to us why you think there's been this jump in like-for-like occupancy in the last, say, 6 to 8 weeks?

Pejman Okhovat: Well, I think it's -- well, it's kind of -- as we said in the presentation, the -- if you look at the occupancy curve that we've shown on the slide -- on Slide 14, the impact of suspending the operation of those 40 centers in June kind of improved the June period.

But since then, we've experienced kind of very similar seasonal pattern from that kind of end of June to last week. And that pattern, as you've seen at the end of June, we were minus 7.5%. End of July, we are minus 7%, which kind of indicates a trend pattern improvement of 0.5%.

That's a combination of those center closures and some of our centers and some weeks actually our pattern has been slightly better than the previous years.

Cameron Bell: Okay. Do you know how much of the contribution in occupancy narrowing is due to the closing of centers?

Pejman Okhovat: We've kind of -- we're estimating at this point is somewhere between that 2% to 3% is the impact of those centers.

Cameron Bell: Yes, yes, yes, that's roughly it. Yes. Like it's something that I've been kind of hoping to see across the industry, but it's -- which is organic from...

Pejman Okhovat: Well -- yes, but just -- overall industry -- as you know, Cam, there isn't a lot of industry-wide available information on occupancy. The data points that probably you've come across and we've come across there are wide-ranging impact across the sector. We're hearing anything from kind of minus 5%, minus 6% to about minus 15% on previous years. And unfortunately, as you've noticed, there are -- we've seen an increasing number of operators that are actually just closing down as well. So it's wide ranging.

Cameron Bell: Yes, that makes sense. And maybe just on your balance sheet. You mentioned your covenants there. Could you maybe just talk to -- well, like any greater deal you can -- detail, sorry, you can provide us there, whether or not you're talking to banks about covenant holiday as you refinance these loans or how close you think you're going to go come February? Could you step us through that?

Steven Becker: Look, what we said there, Cam, is obviously, we disclosed we've got 3 broad covenants, and we're compliant with those in June, and we expect to be compliant with those going forward. We obviously refinanced our debt with -- or sort of rolled the debt, I suppose, is a better way to say it with Westpac, and we sort of have their full support at the moment. So we don't give the actual number, but we're comfortable in terms of our headroom at this point.

Pejman Okhovat: Cam, kind of covenant holidays or -- there were no waivers or anything involved.

Cameron Bell: Yes, sure. And the other part of your debt, you're going to try and extend that in the next few months?

Steven Becker: No, they both -- there were two tranches and they both expire at roughly the same time in '29.

Pejman Okhovat: Cam, let someone else…

Cameron Bell: Yes.

Operator: Thank you. Your next question comes from Peter Drew from Carter Bar Securities. Please go ahead.

Peter Drew: Morning guys. A question on the 35 centers that are remaining that have been shuttered. Just wondering what's the sort of approximate WALE on that portfolio? And also, can you give us a guide on the sort of annualised cash costs of holding those centers?

Steven Becker: Look, we haven't given a disclosure of that, Peter, I suppose. It's probably the WALE on those is probably consistent with most of our portfolio. It's -- some of them have shorter term, some of them are longer. They will vary. But -- and in terms of the cash cost, we haven't given a breakout of that.

Probably just to expand on that, as you'll see in our P&L, what we have done is for those remaining things, you'll still have the cash cost of those leases there. But in terms of the maintenance cost of those, we've taken an onerous lease contract, which basically will absorb any costs of those going forward, putting aside the lease interest, which will still be amortised, but that will go into non-trading going forward. But we will have the cash cost of those leases to the extent that we don't divest them or come to some other arrangement.

Peter Drew: Thanks, Steven. That's helpful. And then just in terms of the cost savings from restructuring, is it fair to assume that we'll start -- you're starting to see those benefits come through in the first half and you'll sort of see sort of maybe half of what you've called out in the first half?

Pejman Okhovat: You are correct in that assumption. So as we noted, those kind of three big activities that we highlighted, one being the suspension of operation of the 40 centers, the support office restructure and some of the targeted procurement initiatives that we run, we anticipate that combination of those initiatives will have at least a $10 million annualised impact. And we concluded those initiatives fundamentally towards end of June.

So therefore, you're right, if you wanted to kind of go, will I see the impact of those in half 1 of '27, you are correct. But you also got to kind of balance that a little bit of -- there's always cost increases that happening around us, particularly around the operating environment of comp price and those kind of things. But your assumption there will be -- it will roll into half 1.

Peter Drew: Right. Thanks, Pejman. Thanks, Steven. Well done.

Pejman Okhovat: Thanks, Peter.

Operator: Thank you. There are no further questions at this time. I'll now hand back to Pejman Okhovat for any closing remarks.

Pejman Okhovat: Thank you. Thank you all for attending this result announcement call. I also want to thank all our shareholders and wider stakeholders within the sector. We appreciate your continued support.

I'd like to thank our team again across the country for their professionalism, commitment and dedication during what has been a period of significant change across the sector.

The progress we continue to make in safety, quality, family experience and operational performance is only possible because of their passion and professionalism. Every day, they make a meaningful difference in the lives of children and families, and I thank them for the important role they play in delivering our purpose.

Thank you again for attending this call. So we appreciate your support. The meeting is now closed.

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