G8 Education ltd

ASX ANNOUNCEMENT

4 December 2017

Update on Trading Performance and Leadership Team Changes

G8 Education Limited ("**G8**" or the "**Group**") (ASX:GEM) today provides an update on its trading performance for the FY2017 year and changes to its executive leadership team.

Trading update

G8 is forecasting an underlying EBIT of around $160 million for FY2017, a 5% improvement on the prior corresponding period after adjusting for movements in Long Day Care Professional Development Program Funding (LDCPDP).

The reduction from the forecast provided to the market in August 2017 has been driven by the following key factors:

1. A recent slowing of occupancy growth, with average like-for-like occupancy for FY2017 forecast to be circa 77%, compared to 79.7% for FY2016. Whilst the group has seen improvement in team turnover and initial small signs of recovery in Western Australia, these positives have been offset by market wide factors including:
    a. Supply issues in areas such as Western Sydney, Gold Coast, East Brisbane and Inner Melbourne; and
    b. Continuing sluggish wage growth and employment conditions in regions such as North Queensland.
2. A change in regulatory requirements in relation to staffing ratios during breaks in NSW, SA and Victoria, which took effect from 1 October. While G8 had been aware that current arrangements were due for review by regulators in a number of states, we expected other states to mirror Queensland by extending the current structures until the end of 2019. While the impact of such changes will be neutralised over the coming months as internal casual labour pools are increased and efficiencies are generated, the FY2017 impost of utilising temporary agency labour to meet immediate requirements is forecast to be approximately $3 million.
3. In line with our strategic plan to build a high-performance culture and invest in the professional development of our employees, we have accelerated training for G8 team members in various areas. This has resulted in a $1 million increase in the net outflows related to LDCPDP Funding when compared to the previous forecast. Whilst G8 will reap the benefits of the training and skills upgrading over the next years, the adverse impact of the LDCPDP Funding is expected to be around $9m when compared to the prior corresponding period.

G8's acquisition and development pipeline is performing broadly in line with expectations, with the EBIT contribution relating to FY2016 and FY2017 acquisitions of $13 million and $3 million respectively. The

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recent Oxanda acquisition has been successfully integrated in to the Group and is expected to deliver its targeted incremental earnings in FY2018.

Managing Director, Gary Carroll, said "While supply has been moderating over the course of 2017, the impact of new supply over the last 18-24 months has resulted in a challenging occupancy environment in FY2017. After adjusting for LDCPDP, we are forecasting an EBIT margin improvement of circa 1% on prior comparison period in FY2017. This is a credible result in the current challenging environment. We expect market conditions to continue to be challenging for the next 6-9 months. Looking forward, we are on track to implement the changes required for the new child care funding package that comes into effect on 2 July 2018. The new childcare package is expected to be positive for a significant portion of G8's existing family base. We are also on track with implementation of our 3 year strategic plan and are confident that this investment has us well placed to take advantage of the expected improved market conditions."

Update on Executive Leadership Team

G8 is also pleased to announce that it has completed the recruitment of its Executive Leadership Team, with the following changes being made:

1. Greg Bowell joined the Group in early November as GM – Marketing. Greg has significant experience in senior marketing and executive leadership roles in multi-brand and multi-channel environments in retail and FMCG sectors. Greg will be responsible for G8's marketing activities, including the development of new revenue streams for the Group;
2. Rod Anderson will be joining G8 in mid-January as GM – Property. Rod's background includes 20+ years in GM Property roles for retailers with large-scale national networks, as well as senior leadership roles within the child care sector. Rod will be responsible for all property-related activities for the Group, including network strategy, site selection, design and construction (in conjunction with the Group's developer partners), facilities management (repairs &maintenance etc), leasing and the centre upgrade program.
3. The Group's current GM – Business Development, Jason Roberts, will be leaving G8 in mid-January to pursue other interests.

In announcing the changes, Gary Carroll noted "Firstly, I would like to thank Jason Roberts for the valuable contribution he has made to G8 over the last 3+ years, and wish him the best in his future endeavours. I am excited to welcome Greg and Rod to the Group to augment the leadership team at G8. We have now assembled a team with great levels of experience from both a functional and leadership perspective. The recruitment of the leadership team, coupled with the strengthening of the balance sheet (both equity and debt) and good progress made in delivering our strategic plan has us very well placed to deliver against our goals for families, team members and shareholders in coming years."

ENDS

Gary Carroll
Managing Director

Sharyn Williams
CFO

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