

31 January 2020

## Mayfield Childcare Limited - Financial Results for the Full Year ended 31 December 2019

Mayfield Childcare Limited (ASX:MFD) is pleased to announce its results for its third full year of trading for the 2019 Calendar Year.

Revenue from continuing operations was \$35.9m (up 13.9%), resulting in Underlying<sup>1</sup> Net Profit After Tax (NPAT) of \$3.8m (up 11.8%). Statutory NPAT was \$3.3m. As previously advised, Mayfield's 2019 Statutory results reflect the application of new Australian Accounting Standard for Leases (AASB 16 *Leases*) from 1 January 2019.

After reversing the impact of AASB 16 *Leases*, Underlying Results are as follows:

### CY 2019 Full Year Underlying Results:

	CY 2019 Full Year	PCP Variance %
<i>Revenue from continuing operations</i>	<b>\$35.9m</b>	<b>+13.9%</b>
<i>Centre EBITDA</i>	<b>\$8.2m</b>	<b>+17.1%</b>
<i>Group EBITDA</i>	<b>\$6.1m</b>	<b>+15.8%</b>
<i>Group EBIT</i>	<b>\$5.7m</b>	<b>+12.6%</b>
<i>NPAT</i>	<b>\$3.8m</b>	<b>+11.8%</b>

While Mayfield's portfolio of 21 childcare centres increased by 1 during 2019, the strength of the business has delivered pleasing NPAT results, on the back of another strong second half, and in line with market expectations.

Revenue growth of 13.9% is on the back of 2018 and 1H 2019 acquisitions, slightly improved pricing and modest occupancy growth of 0.5%. Tight financial management has continued to deliver excellent results, with centre based EBITDA margins growing by 2.8% to 23.0%, allowing for increased investment in our Operational Management teams, and most importantly in the presentation of centres, holding EBIT margins at 16.0%

The business has invested circa \$1.0m in capital improvements across our centres, predominately in upgrades to the external play environments, while maintaining a continued focus on the professional development of our Educators and Education Programs. Collectively this has bolstered our National Quality Standards rating, with 86% of centres rated Meeting or Exceeding under the National Quality Framework

While Victoria has many small centres (< 50 places) on the market, the current lack of suitable acquisition targets in the context of our acquisition criteria, has resulted in only 1 centre being added to the portfolio during the year. The Company has pursued a number of significant acquisition opportunities, though at this stage has been unable to agree acceptable terms.

As previously advised, the Company restructured its debt facility, extending the terms of its individual loans by 5 years through to May 2024, while adding additional redraw flexibility, which has contributed to reduced interest costs in the second half.

The Board is pleased to announce a fully franked dividend of 7.71 cents per share (cps) payable in March 2020. The Board recommends your consideration of the Dividend Reinvestment Plan (DRP). Shareholders who elect to take shares instead of cash under the DRP will receive shares at a discount of 5% to the VWAP share price over the pricing period.

Mayfield's CEO Dean Clarke said "From Mayfield's perspective the sector challenges of the past few years are moderating. Supply in Victoria for the most part eased throughout 2019, with reduced supply growth evident in the geographical areas in which Mayfield operates. As the new CCS system records its first anniversary, parent feedback indicates they now have a more complete understanding of the system itself, and the financial benefits derived in addressing their costs of childcare. From both an industry and business perspective, Mayfield is well positioned to grow the business"

Notes

1. Underlying NPAT, Underlying Results, Centre EBITDA, Group EBITDA, Group EBIT and EBIT are non-statutory financial measures which are not prescribed by Australian Accounting Standards (AAS). The Directors consider that these measures are useful in gaining an understanding of the performance of the entity, consistent with internal reporting.

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# ***ASX Preliminary Final Report***

***Year ended 31 December 2019***

Lodged with the ASX under Listing Rule 4.3A

## **Contents**

	Page
Results for announcement to the market	2
Net tangible assets	3
Control over other entities	3
Associates and joint venture entities	3
Compliance statement	3
Preliminary financial statements	
Preliminary statement of profit or loss and other comprehensive income	5
Preliminary statement of financial position	6
Preliminary statement of changes in equity	7
Preliminary statement of cash flows	8
Notes to and forming part of the preliminary financial statements	9

## Company details

Name of reporting entity:	Mayfield Childcare Limited (“Mayfield”, “Company”)
ABN:	53 604 970 390
Reporting period:	Year ended 31 December 2019
Previous corresponding reporting period (pcp):	Year ended 31 December 2018

## Results for announcement to the market

	<i>Movement</i>	<i>%</i>	<i>\$</i>
<b>Revenue</b> from ordinary activities	Up	13.9	35,865,867
<b>Profit</b> after tax attributable to members	Down	21.7	3,346,511
<b>Net Profit</b> for the period attributable to members	Down	21.7	3,346,511

<i>Dividend type</i>	<i>Amount per security (cents)</i>	<i>Franked amount per security (cents)</i>
Final dividend	7.71	7.71
Interim dividend	None	Not applicable

### **Dividend reinvestment plan**

The Company has a Dividend Reinvestment Plan (‘DRP’), shareholder participation in which is optional. The Board has determined that the DRP will apply to the final dividend declared today. Shares issued under the DRP in relation to this final dividend will be issued at a 5% discount to the volume weighted average market price for the 10 trading days commencing 17 February 2020.

## Brief explanation of results

Please refer to the accompanying announcement.

Underlying, non-IFRS Net Profit After Tax (NPAT) from continuing operations of \$3.8m is up 11.8% on pcp.

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## **Net tangible assets**

	<b>31 Dec 2019 (cents)</b>	<b>31 Dec 2018 (cents)</b>
Net tangible asset backing per ordinary share *	<b>(116.38)</b>	(39.08)

\* Comparatives have not been restated for the introduction of AASB 16 Leases.

## **Control over other entities**

No control was gained or lost over any entity during the reporting period. Refer to Note 7 of the notes to and forming part of the preliminary financial statements for details of childcare centres purchased during the reporting period.

## **Associates and joint venture entities**

The Company has no associates, nor has it formed any joint ventures with any other entity/s during the reporting period.

## **Compliance statement**

This report is based on accounts which are in the process of being audited.

**Mayfield Childcare Limited**

**ABN: 53 604 970 390**

# ***Preliminary Financial Report***

***Year ended 31 December 2019***

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**PRELIMINARY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**For the year ended 31 December 2019**

	<i>Note</i>	<b>2019</b> <i>(unaudited)</i> \$	2018 \$
Revenue from continuing operations		<b>35,865,867</b>	31,488,841
Net profit on disposal of centres		-	896,708
Employees		<b>(21,991,880)</b>	(19,198,468)
Facilities		<b>(1,160,844)</b>	(4,466,429)
Centre operations		<b>(1,918,746)</b>	(1,814,331)
Administration		<b>(799,615)</b>	(704,603)
Acquisition costs		<b>(15,047)</b>	(35,498)
Depreciation and amortisation of plant and equipment	2	<b>(352,104)</b>	(179,035)
Depreciation charge on right-of-use assets	5	<b>(3,721,096)</b>	-
Finance costs		<b>(1,428,255)</b>	(561,575)
Profit before income tax		<b>4,478,280</b>	5,425,610
Income tax expense		<b>(1,131,769)</b>	(1,150,868)
Profit after income tax for the year entirely attributable to the owners of Mayfield Childcare Limited		<b>3,346,511</b>	4,274,742
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year entirely attributable to the owners of Mayfield Childcare Limited		<b>3,346,511</b>	4,274,742

	<i>Note</i>	<b>Cents</b>	<i>Cents</i>
Basic earnings per share	8	<b>10.58</b>	13.91
Diluted earnings per share	8	<b>10.58</b>	13.91

*The above preliminary statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes. Comparatives have not been restated for the introduction of AASB 16 Leases.*

**PRELIMINARY STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2019**

	Note	2019 (unaudited) \$	2018 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		648,960	1,776,803
Trade and other receivables		1,019,902	933,544
Prepayments		547,378	322,066
Other		5,153	-
<b>Total current assets</b>		<b>2,221,393</b>	<b>3,032,413</b>
<b>Non-current assets</b>			
Plant and equipment	2	2,151,207	1,324,485
Intangibles	3	39,740,835	38,855,655
Right-of-use assets	5	25,231,685	-
Deferred tax		652,022	396,063
<b>Total non-current assets</b>		<b>67,775,749</b>	<b>40,576,203</b>
<b>Total assets</b>		<b>69,997,142</b>	<b>43,608,616</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		1,543,735	1,317,483
Borrowings	4	1,295,208	-
Leases	5	3,359,988	-
Current tax liabilities		52,801	764,576
Provisions		1,136,667	916,479
Contract liabilities		-	17,218
<b>Total current liabilities</b>		<b>7,388,399</b>	<b>3,015,756</b>
<b>Non-current liabilities</b>			
Borrowings	4	11,492,800	13,300,000
Leases	5	22,478,309	-
Provisions		79,443	75,528
Contract liabilities		-	66,586
<b>Total non-current liabilities</b>		<b>34,050,552</b>	<b>13,442,114</b>
<b>Total liabilities</b>		<b>41,438,951</b>	<b>16,457,870</b>
<b>Net assets</b>		<b>28,558,191</b>	<b>27,150,746</b>
<b>EQUITY</b>			
Contributed equity	6	23,839,313	23,000,856
Retained earnings		4,718,878	4,149,890
<b>Total equity</b>		<b>28,558,191</b>	<b>27,150,746</b>

*The above preliminary statement of financial position should be read in conjunction with the accompanying notes. Comparatives have not been restated for the introduction of AASB 16 Leases.*



**PRELIMINARY STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2019**

	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
	\$	\$	\$
<b>2018</b>			
Balance as at 1 January 2018	21,989,690	2,170,566	24,160,256
Profit after income tax expense for the year	-	4,274,742	4,274,742
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	4,274,742	4,274,742
<i>Transactions with owners in their capacity as owners</i>			
Contributions of equity (via DRP), net of transaction costs	1,011,166	-	1,011,166
Dividend paid		(2,295,418)	(2,295,418)
Balance as at 31 December 2018	23,000,856	4,149,890	27,150,746
<b>2019 (unaudited)</b>			
Profit after income tax expense for the year	-	3,346,511	3,346,511
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	3,346,511	3,346,511
<i>Transactions with owners in their capacity as owners</i>			
Contributions of equity (via DRP), net of transaction costs	838,457	-	838,457
Dividend paid		(2,777,523)	(2,777,523)
<b>Balance as at 31 December 2019</b>	<b>23,839,313</b>	<b>4,718,878</b>	<b>28,558,191</b>

The above preliminary statement of changes in equity should be read in conjunction with the accompanying notes.

**PRELIMINARY STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2019**

	2019 (unaudited) \$	2018 \$
<b>Cash flows from operating activities</b>		
Receipts from customers, including government funding	35,595,535	31,464,598
Payments to suppliers and employees	<u>(25,252,296)</u>	<u>(26,261,593)</u>
	10,343,239	5,203,005
Other receipts	17,836	50,932
Net interest paid on borrowings	(659,737)	(523,252)
Income tax paid	<u>(2,098,951)</u>	<u>(1,782,886)</u>
<b>Net cash inflow from operating activities</b>	<u>7,602,387</u>	<u>2,947,799</u>
<b>Cash flows from investing activities</b>		
Proceeds from the disposal of centres, net of costs	-	1,034,462
Payments for purchases of businesses plus associated costs	(901,592)	(7,178,837)
Payments for plant and equipment	(1,247,804)	(1,086,875)
Proceeds on return of security deposit	5,844	-
Proceeds from the disposal of plant and equipment	-	8,849
<b>Net cash outflow from investing activities</b>	<u>(2,143,552)</u>	<u>(7,222,401)</u>
<b>Cash flows from financing activities</b>		
Share issue costs	(5,100)	(5,497)
Proceeds from borrowings	-	5,900,000
Repayment of borrowings	(750,000)	(48,214)
Payment of borrowing costs	-	(40,000)
Repayment of lease liabilities	(3,126,768)	-
Repayment of contract liabilities	-	(15,295)
Interest paid on lease liabilities	(770,846)	-
Dividend paid	<u>(1,933,964)</u>	<u>(1,278,755)</u>
<b>Net cash (outflow)/inflow from financing activities</b>	<u>(6,586,678)</u>	<u>4,512,239</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,127,843)</b>	<b>237,637</b>
Cash and cash equivalents at the beginning of the year	<u>1,776,803</u>	<u>1,539,166</u>
<b>Cash and cash equivalents at the end of the year</b>	<u>648,960</u>	<u>1,776,803</u>

*The above preliminary statement of cash flows should be read in conjunction with the accompanying notes. Comparatives have not been restated for the introduction of AASB 16 Leases.*

## NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS For the year ended 31 December 2019

### Note 1. Summary of Significant Accounting Policies

With the exception of the changes made upon the implementation of AASB 16 *Leases* (the details of which are explained in Note 1 *Summary of significant accounting policies* in the Company's financial statements for the half-year ended 30 June 2019):

- there have been no material changes to the Company's application of its significant accounting policies as presented in the Company's financial statements for the year ended 31 December 2018; and
- the preparation of current financial information, and the presentation of any prior reporting period comparatives, is consistent from one reporting period to the next.

Readers of this report should refer to Note 1 *Summary of significant accounting policies* in the Company's financial statements for the year ended 31 December 2018 for details of those accounting policies.

	<b>2019</b> <b>(unaudited)</b> \$	2018 \$
<b>Note 2. Non-current assets – Plant and equipment</b>		
Plant and equipment – at cost	<b>2,715,665</b>	1,567,651
Less: Accumulated depreciation	<b>(564,458)</b>	(243,166)
Net book amount	<b><u>2,151,207</u></b>	<u>1,324,485</u>
<i>Reconciliation</i>		
Opening net book amount at beginning of year	<b>1,324,485</b>	451,680
Net additions through business combinations	<b>5,000</b>	14,348
Adjustments from prior period business combinations	<b>(2,178)</b>	(11,637)
Additions	<b>1,247,803</b>	1,086,875
Disposals	<b>(278)</b>	(37,746)
Reclassification as right-of-use assets (refer Note 5)	<b>(71,521)</b>	-
Depreciation expense	<b>(352,104)</b>	(179,035)
Balance at end of year	<b><u>2,151,207</u></b>	<u>1,324,485</u>

### Note 3. Non-current assets – Intangibles

Goodwill – at cost	<b><u>39,740,835</u></b>	<u>38,855,655</u>
<i>Reconciliation</i>		
Balance at beginning of year	<b>38,855,655</b>	32,943,065
Additions through business combinations	<b>883,002</b>	6,001,249
Adjustments from prior period business combinations	<b>2,178</b>	11,637
Disposal of centres	<b>-</b>	(100,926)
Balance at end of year	<b><u>39,740,835</u></b>	<u>38,855,655</u>

**NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS**  
**For the year ended 31 December 2019**

	<b>2019</b> <b>(unaudited)</b> \$	2018 \$
<b>Note 4. Current &amp; Non-current liabilities – Borrowings</b>		
Current	<b>1,295,208</b>	-
Non-current	<b>11,492,800</b>	13,300,000
	<b><u>12,788,008</u></b>	<b><u>13,300,000</u></b>

**Bank Loans**

Balance at beginning of year	<b>13,300,000</b>	7,448,214
Net (repayments)/borrowings	<b>(750,000)</b>	5,851,786
Balance at end of year	<b><u>12,550,000</u></b>	<b><u>13,300,000</u></b>

**WorkCover Premium Funding**

Balance at beginning of year	-	-
Net borrowings	<b>238,008</b>	-
Balance at end of year	<b><u>238,008</u></b>	<b><u>-</u></b>

**Financing arrangements**

**Bank loans**

The bank loans are secured on the assets and undertakings of the Company.

*Facility at end of year*

Total bank loan facility	<b>19,100,000</b>	19,100,000
Less amount used	<b>(12,550,000)</b>	(13,300,000)
Unused facility	<b><u>6,550,000</u></b>	<b><u>5,800,000</u></b>

Of the \$6.55 million unused, \$3.5 million is only available for future acquisitions and there are specific criteria which need to be met prior to any draw-down. There have been no events of default on the financing arrangements of the Company during the year.

**Note 5. Leases**

**A. Expenses**

Expenses from transactions not recognised as leases:

Rental expense relating to leases of low-value assets	<b>50,015</b>	-
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**B. Cash flows**

Total cash outflow for leases	<b>3,897,614</b>	-
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**NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS**  
**For the year ended 31 December 2019**

**Note 5. Leases (continued)**

**C. Right-of-use assets**

	Property \$	Motor Vehicles \$	Total \$
Right-of-use assets	28,881,260	101,006	28,982,266
Less: Accumulated depreciation	(3,704,261)	(46,320)	(3,750,581)
Net book amount at 31 December 2019	<u>25,176,999</u>	<u>54,686</u>	<u>25,231,685</u>
<i>Reconciliation</i>			
Opening balance at 1 January 2019 (upon adoption of AASB 16 Leases)	22,276,353	71,521	22,347,874
Additions	2,750,609	-	2,750,609
Increase due to remeasurement of lease liabilities upon increase of variable lease payments	205,554	-	205,554
Increase due to further terms reasonably certain to exercise	3,648,744	-	3,648,744
Depreciation charge	(3,704,261)	(16,835)	(3,721,096)
Balance at 31 December 2019	<u>25,176,999</u>	<u>54,686</u>	<u>25,231,685</u>

**D. Lease Liabilities**

Current	3,359,988
Non-current	22,478,309
Total at 31 December 2019	<u>25,838,297</u>

*Reconciliation of Opening Balance*

Non-cancellable lease commitments at 31 December 2018 (undiscounted)	22,265,947
Reduction from discounting future, undiscounted lease payments to their net present value at the Company's incremental borrowing rate	(2,486,053)
Add:	
Finance lease liabilities	83,804
Further terms reasonably certain to exercise	2,907,273
Less:	
Removal of estimated CPI increases from undiscounted future lease payments	(410,814)
Lease liabilities at 1 January 2019	<u>22,360,157</u>

**Additional information**

*Unavoidable future payments*

For the purpose of calculating unavoidable future lease payments, only the current term of each property lease has been considered, unless the option to exercise the next further term falls within 3 years of reporting date, in which case both the current and subsequent further term are considered to be non-cancellable.

*Weighted average property lease term*

The average unavoidable property lease term, weighted for the number of licensed places, is 7.2 years. Including all further terms, the weighted average term increases to 21.7 years (Dec 2018: 22.4 years).

*Motor vehicle leases*

Motor vehicles are leased over 4 years and the liability includes contracted, end-of-lease residual payments.

**NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS**  
**For the year ended 31 December 2019**

**Note 6. Contributed equity**

**(a) Share capital**

The share capital account of Mayfield Childcare Limited (the Company) consists of 31,833,763 fully paid up, ordinary shares as at 31 December 2019.

**(b) Movements in ordinary share capital**

Movements in the ordinary share capital of the Company during the past two years were as follows:

<b>Date</b>	<b>Details</b>	<b>Number of shares</b>	<b>Amount \$</b>
1 Jan 2018	Opening balance	30,005,000	21,989,690
29 March 2018	Issued under Dividend Reinvestment Plan	959,116	1,016,663
	Less: Share issue transaction costs, net of tax		(5,497)
31 Dec 2018	Balance	30,964,116	23,000,856
28 March 2019	Issued under Dividend Reinvestment Plan	869,647	843,557
	Less: Share issue transaction costs, net of tax		(5,100)
<b>31 Dec 2019</b>	<b>Balance</b>	<b>31,833,763</b>	<b>23,839,313</b>

**Note 7. Business combinations**

During the year the Company acquired one childcare centre in Tecoma in May 2019 for total cash consideration of \$886,545. The fair values ascribed to the assets acquired and liabilities assumed are as follows:

	<b>Fair value (unaudited) \$</b>
Goodwill	883,002
Right-of-use asset (property lease)	2,750,609
Property lease liability	(2,750,609)
Plant and equipment	5,000
Provisions for employee benefits	(2,009)
Deferred tax asset	552
Acquisition-date fair value of the total consideration transferred	886,545
<i>Representing</i>	
Cash paid to vendors (before settlement adjustments)	886,545

**NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS**  
**For the year ended 31 December 2019**

**Note 8. Earnings per share**

	<b>2019</b> <b>(unaudited)</b> <b>Cents</b>	<b>2018</b>  <b>Cents</b>
Basic and diluted earnings per share	<b>10.58</b>	13.91
	<b>Number</b>	<b>Number</b>
<b>Weighted average number of shares</b>		
Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share	<b>31,628,860</b>	30,735,505
	<b>\$</b>	<b>\$</b>
<b>Earnings used in calculating basic and diluted earnings per share<sup>1</sup></b>		
Profit after tax attributable to the ordinary equity holders of the Company	<b>3,346,511</b>	4,274,742

1. Earnings have been reduced by the implementation of AASB 16 Leases.

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