MAYFIELD
Childcare Limited

Mayfield Childcare Ltd (ASX:MFD)

Investor Roadshow

30 May 2018

Important Information and Disclaimer

This Presentation contains summary information about the current activities of Mayfield Childcare Limited (Mayfield). It should be read in conjunction with Mayfield's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (ASX), which are available at www.asx.com.au.

No employee or member of Mayfield gives any warranties in relation to the statements or information contained in this Presentation. The information contained in this Presentation is of a general nature and has been prepared by Mayfield in good faith and with due care but no representation or warranty, express or implied, is provided in relation to the accuracy or completeness of the information.

This Presentation is for information purposes only and is not a prospectus, product disclosure statement or other disclosure or offering document under Australian or any other law. This Presentation does not constitute an offer, invitation or recommendation to subscribe for or purchase any security and neither this Presentation nor anything contained in it shall form the basis of any contract or commitment.

This Presentation is not a recommendation to acquire Mayfield shares. The information provided in this Presentation is not financial product advice and has been prepared without taking into account any recipient's investment objectives, financial circumstances or particular needs, and should not be considered to be comprehensive or to comprise all the information which recipients may require in order to make an investment decision regarding Mayfield shares.

All dollar values are in Australian dollars (A$) unless otherwise stated.

Neither Mayfield nor any other person warrants or guarantees the future performance of Mayfield shares or any return on any investment made in Mayfield shares. This Presentation may contain certain 'forward-looking statements'. The words 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, financial position and performance are also forward-looking statements. Any forecasts or other forward looking statements contained in this Presentation are subject to known and unknown risks and uncertainties and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Mayfield that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. You are cautioned not to place undue reliance on forward looking statements. Except as required by law or regulation (including the ASX Listing Rules), Mayfield undertakes no obligation to update these forward-looking statements.

Past performance information given in this Presentation is given for illustrative purposes only and should not be relied upon as it is not an indication of future performance.

Mayfield - Background

- **Mayfield Childcare Limited (ASX:MFD) -** listed on the Australian Securities Exchange (ASX) 30 Nov 2016 @ $1/share
- **Industry & Location -** Mayfield operates long day care child care centres in the greater Melbourne region
- **Expertise -** Mayfield personnel have been in the child care industry for approx. 15 plus years
- **Track Record -** Mayfield personnel have a reputation for taking on & improving underperforming child care centres
- **Business Model -** Mayfield manages and operates the child care centres – they lease the properties
- **Growth -** Since listing, Mayfield has acquired 4 additional centres and disposed of 1 centre
- **Size -** Mayfield had 16 centres at listing – currently 19 centres
- **Current Market Capitalisation -** $31 million (30,964,116 shares @ $1/share as at 28 May 2018)
- **Profitability -** Mayfield is a profitable business – approx. 20% growth in FY18
  - FY17 NPAT (Actual) $3.4M
  - FY18 NPAT (Forecast as at 22 May 2018) $4.1M
- **Balance Sheet –** Mayfield Balance Sheet is sound and has capacity to fund growth

Mayfield is a profitable, cash generative, growing business

Mayfield - Overview

Operations	CY2016*	CY2017*
Centres	**16**	**19**
Licensed places	1,360	1,588
Average centre size	85	84
Centres with funded kindergarten program	15	19
Average daily fee per day	$100	$106
Average daily fee Increase (1 July 2017)		5.9%
Number of educators	370	481
Wages to revenue ratio (%)	58.8%	55.6%
Average award wage increase	2.4% - 1 July 2016	3.3% - 1 July 2017
Average lease term (incl options)	23.9 years	22.2 years
Average rent increase		2.7%

*** NOTE: Financial Year is 1 January to 31 December**

Mayfield is steadily growing and improving its operations

Financial Overview

Operations	CY2016 Actual	Prospectus CY2017 Forecast	CY2017 Actual
NPAT	($1.25) M	$3.48 M	$3.42 M
Earnings per Share (Cents Per Share – CPS)	(4.2c)	11.6 cps	11.4 cps
Dividend per Share (100% Franked)	n/a	7.65 cps	7.65 cps
EBIT Margin	(61.3%)	18.3%	18.7%
Net Profit Margin	(54.5%)	12.0%	12.6%
Cash & Cash Equivalents	$1.41 M	$0.83 M*	$1.54 M
Debt to Equity	29.2%	33.9%	25.0%
Gearing	22.6%	25.3%	20.0%
Interest Coverage	n/a	16.4x	15.4x
Debt to Asset	19.5%	23.9%	16.6%

Operating margins for CY2017 have exceeded Prospectus forecast, while our gearing position provides adequate capacity to debt fund future acquisitions

* Prospectus balance sheet reflected pre-trading position

Income Statement – CY2017

A$ 000's	Actual CY2017	Prospectus Forecast	Variance $ 000's	Variance %
Revenue (1)	**27,117**	**28,962**	**(1,845)**	**(6.4%)**
Centre Employee Expense (2)	(15,070)	(15,479)	409	2.6%
Centre Rent (3)	(2,691)	(2,585)	(106)	(4.1%)
Centre Operations (4)	(2,702)	(3,519)	817	23.2%
Admin and Integration (5)	(1,521)	(1,866)	345	18.5%
EBITDA	**5,133**	**5,513**	**(380)**	**(6.9%)**
Depreciation (6)	(57)	(202)	145	71.8%
EBIT	**5,076**	**5311**	**(235)**	**(4.4%)**
Interest Expense	(330)	(324)	(6)	(1.9%)
Tax Benefit (Expense)	(1326)	(1505)	179	11.9%
NPAT (7)	**3,420**	**3,482**	**(62)**	**(1.8%)**

(1) Occupancy below forecast, particularly in the small and trade-up centres

(2) Effective rostering across all centres, allowing wage costs from acquisitions to be absorbed

(3) Additional lease costs associated with acquisitions

(4) Significant and ongoing operational efficiencies gained across the group

(5) Savings across financial system fees and corporate regulatory & compliance

(6) Revaluation of assets acquired at initial listing

(7) Overall NPAT, $62K below prospectus forecast

CY2017 Dividend 7.65 cents per share (cps)
Record Date: 7 March 2018. Paid: 29 March 2018
Dividend Reinvestment Plan (DRP) Price: $1.06cps
(5% discount to 15 day VWAP – 15 Feb to 7 Mar 2018)

CY2017 NPAT of $3.4M

Balance Sheet as at December 31, 2017

A$ 000's	CY 2016	CY 2017
Cash & Cash Equivalents (1)	1,410	1,539
Trade & Other Receivables (2)	1115	715
Other Current Assets	287	289
Current Assets - Total	**2,812**	**2,543**
Intangibles (3)	27,018	33,062
Plant & Equipment (4)	1161	452
Deferred Tax	234	208
Non-Current Assets - Total	**28,413**	**33,722**
Assets - Total	**31,225**	**36,265**
Payables & Tax Liabilities (1)	2,074	3,835
Provisions (2)	278	747
Current Liabilities - Total	**2,352**	**4,582**
Provisions (3)	613	88
Borrowings (4)	7,480	7,532
Non-Current Liabilities - Total	**8,093**	**7,620**
Liabilities - Total	**10,445**	**12,202**
Net Assets	**20,780**	**24,063**

Assets

(1) Solid cash position with all 2017 acquisitions funded from cash reserves

(2) CY 2017, reflects normal operating levels of receivables associated with parent and government payments of childcare fees

(3) Reflects the tree centre acquisitions during 2017

(4) Revaluation of the original prospectus estimate of centre based assets that were acquired on listing, offset to goodwill

Liabilities

(1) Reflects increased tax obligations and consideration owed to acquisition vendor

(2) Full year effect of employee entitlements provisions

(3) Performance based earn-out associated with purchase of the Diamond Creek centre at listing, reversed

(4) The current loan facility limit with Westpac ($8.5M) was **increased to $18.5M on 28 March 2018**

Balance Sheet is Strong – Net Debt to Equity 25%

Cash Flow – CY 2017

A$ 000's	Actual CY2016	Actual CY2017
Receipts from Customers, inc Govt Funding	1,661	26,193
Payments to Suppliers & Employees	1,405	21,063
Net Cash Inflow from Operating Activities	**227**	**4,766**
Net Cash Outflows from Investing	(25,066)	(4,571)
Net Cash (Outflow) / Inflow from Financing	26,250	(66)
Net increase in Cash & Cash Equivalents	1,410	129
Cash & cash Equivalents at end of Year	1,140	1,539

Strong Operating Cashflow – supported acquisitive growth and maintained debt at low levels

Industry Governance & Business Parameters

- **Industry Governance**
  - Overseen by the Department of Education and Training (“DET”)
  - Australian Children’s Education and Care Quality Authority (“ACECQA”)
  - Manage all Regulatory, Compliance, Licencing and Assessment & Rating of childcare services

- **Industry Funding**
  - Childcare Benefit (CCB) & Childcare Rebate (CCR) changing to Child Care Subsidy CCS – Federal Government
  - Kindergarten Funding – State Government

- **Business Parameters**
  - Revenue
    - Biggest single performance driver is occupancy
    - Price increases greater than CPI and labour costs – annually at July 1
  - Variable Costs
    - Vary according to the number of children attending centre – wages, food, operating supplies etc
    - Wages account for between 55-65% of revenue at normal occupancy levels
    - Effective management of staff rosters is crucial, work force is predominately part-time or casual
  - Fixed Costs
    - Largest fixed cost is Rent – discussed in terms of rate/child/year
    - Mayfield approx. $2,100/child - below market due age and nature of Leases

Industry - Conditions

- **2017 Childcare Sector**
  - Sector impacted by market over-supply and delays to Funding increases
  - Record new centre openings in Victoria took place in the first quarter CY17
  - Diminishing value of stagnant Government funding against rising cost of living

- **Market over-supply**
  - For many years public opinion was that there was not enough childcare
  - Supply fuelled by record developer margins as over enthusiastic new operators pushed rents to record levels exceeding $4,000/place
  - New centres also obtaining fixed rental increases of up to 4% per annum across 10yr plus Lease terms. These metrics are unsustainable in the medium term and for many inexperienced operators unsustainable in the short term.
  - The number of new developments are now slowing as the mature operators reject these terms, knowledge which is now filtering down to inexperienced operators. An increasing number of DA's are not progressing.
  - New greenfield developments will also be curtailed by stricter lending criteria as imposed by the major banks

Industry conditions competitive and tough - Mayfield steadily growing and improving its operations

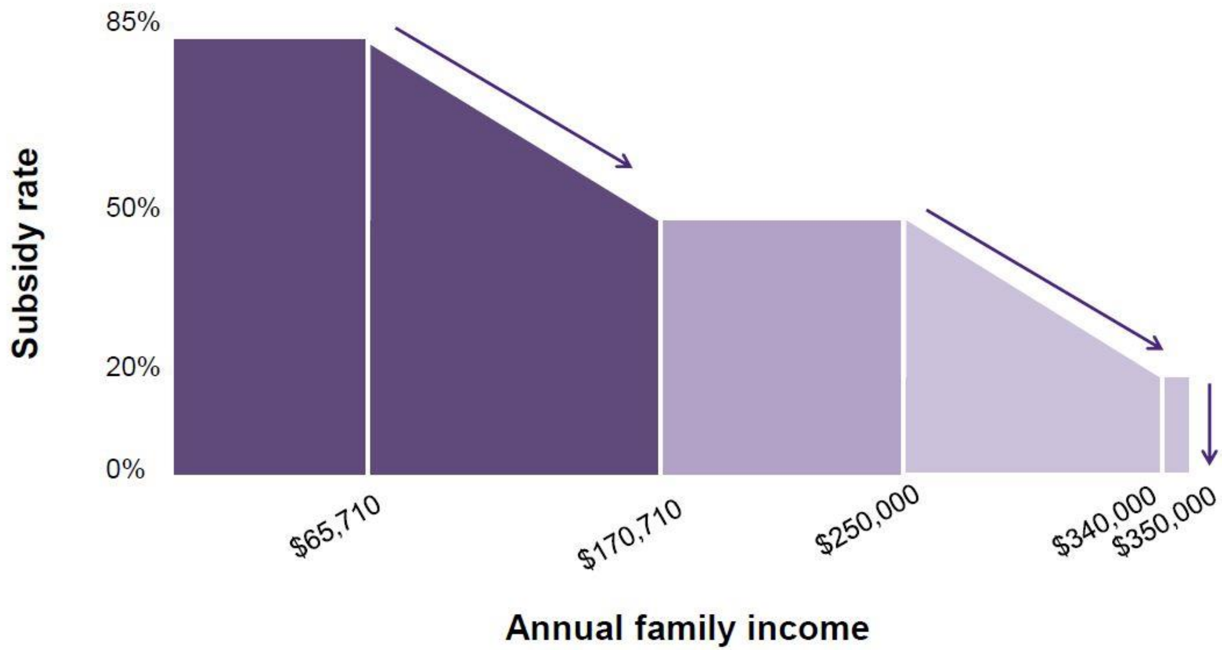
Industry – Conditions

- **Government Subsidies**
  - Stagnant Childcare Rebate – Regardless of geographical location or socio-economic background, the diminishing value of the Rebate has seen families defer and/or reduce their childcare requirements
  - The planned increases to the Rebate in July 1, 2018 will bring welcomed relief to families, effectively resetting the affordability of childcare and stimulating the sector

- **Other issues**
  - Slow wage growth
  - Rising cost of Living
  - Drop in birth rates following the “Baby Bonus”

Industry - New Child Care Subsidy (1 July 2018)

- Childcare Benefit (CCB) and Childcare Rebate (CCR) will cease
- All funds combined into single scheme called the Child Care Subsidy (CCS)
- Family assessment will be based on Combined Family Income and Activity Levels for Work, Study, Training and Volunteering



For families earning less than $185,710 – no annual cap
For families earning between $185,710 and $350,000 an annual subsidy cap of $10,000^ per child will apply

From 1 July 2018, Childcare Benefit and Childcare Rebate will cease – and be combined into a single scheme – Child Care Subsidy

CCS – Activity Test Entitlements

Step	Hours of activity (per fortnight)	Maximum number of hours of subsidy (per fortnight)
	Less than 8 hours (for a family earning less than $65,710)	24 hours
1	8 hours to 16 hours	36 hours
2	More than 16 hours to 48 hours	72 hours
3	More than 48 hours	100 hours

- Can be made up of a combination of working, training, studying, volunteering, and other activities such as carer, looking for work, working in a family business etc with some families being exempt for this activity test.

Industry - National Quality Standard (NQS)

- Quality is not a business "value" in childcare it's a measured and rated framework of performance which is governed by ACECQA
- In 2012, ACECQA implemented its National Quality Framework, the Standards within, and its process of Assessment and public Rating. The National Quality Framework governs the areas of
  - 1. Education Program and Practice
  - 2. Children's Health and safety
  - 3. Physical Environment
  - 4. Staff Arrangement
  - 5. Relationships with Children
  - 6. Collaborative relationships with Families and Community
  - 7. Leadership and Service Management
- Assessment & Rating - each centre in Australia is assessed and rated
  - Exceeding
  - Meeting
  - Working Towards
  - Significant Improvement required
- Publicised – myGov Website, myChild website, ACECQA public registry and in the foyer of every centre

Parents are now well educated and know what to look for

Industry Analysis – Victoria - ASX Listed Companies

	Total Victoria		Mayfield Childcare Ltd (MFD)		Think (TNK)		G8 Education Ltd (GEM)	
	Amount	%	Amount	%	Amount	%	Amount	%
No of Childcare Centres - Long Day Care only	3,919		19		25		120	
No of Licenced Places	252,689		1,588		2,220		11,321	
Average centre size	64		84		89		94	
Victorian Market Share - based on number of centres			0.5%		0.6%		3.1%	
Victorian Market Share - based on number of places			0.6%		0.9%		4.5%	
No of Centres Not Yet Rated under the NQS	308	8%	0	0%	4	16%	6	5%
No of Centres Rated Working Towards under the NQS	459	12%	4	21%	5	20%	16	13%
No of Centres Rated Meeting under the NQS	1845	47%	13	68%	14	56%	73	61%
No of Centres Rated Exceeding under the NQS	1307	33%	2	11%	2	8%	25	21%

*** SOURCE: ACECQA Register as at April 1, 2018**

Only 6% of Victorian Licensed Childcare Places are held by MFD, TNK & GEM – there is a large untapped opportunity

The Mayfield Journey

- **Post ASX-Listing -** The first full year for Mayfield has been a demanding, fast paced, though ultimately rewarding year as the board and management have worked tirelessly to deliver against expectation.
- **Integration -** The initial integration proceeded without fault, and the messaging of our strategic focus to deliver high standards of care and education resonated very well with our families and educators alike.
- **Improve & Invest -** In context of a limited first year capital budget, we moved quickly to implement physical improvements in the centres, along with investments in educational resources and equipment, to not only enhance the centre experience for families, but nurture trust and appreciation for Mayfield as the new owner.
- **Engaging Educators -** Significant attention and effort was placed on the engagement of our educators and empowerment of our centre managers. As the primary touch point with families, success depended on them taking ownership of the centres, while advocating the values and standards of Mayfield
- **Focus -** We focused our Quality Improvement Plan on the Educational Programming and Leadership aspects of the National Quality Standards, facilitating various professional development programs and training courses across all levels of the centres.
- **Support & Enhance -** Supplementing our Quality platform we implemented our ePortfolio and Learning system supporting our children's development, while enhancing the parent experience and engagement with the centre.

We improved, integrated and educated during the year

The Mayfield Journey

- **Administrative Improvements -** At an administrative level, we implemented our payroll system, supported via our online rostering and time & attendance systems, allowing for effective control of labour costs relative to occupancy, Additionally a third party payment system was deployed across all centres

- **Industry Impacts -** As has been widely publicised, the sector has been adversely affected by a number of factors,
  - **Rebate Increase Delays -** Of most significance has been the delay in increases to the childcare rebate, forcing parents to reduce days and/or seek short term placement for their children, rather than continuous placement throughout the year.
  - **Industry Oversupply -** Over supply of childcare services driven by new centre developments

- **Inherited Low Carry-in Enrolments -** Mayfield challenged by low forward enrolments from 2016 into the 2017 year

- **Slow 1H 2017 Occupancy growth -** in the first half was slow, particularly in our small and trade-up centres
  - **Development centres** - mixed results with one exceeding expectations at 90%, one inline at 65% and one below at 55%
  - **Smaller and trade-up centres -** struggled throughout the year, and only began to lift in the August / September period, with a high of 63%
  - **Medium centres –** approx. 30% of Mayfield's business - slower in 1H, recovered well in 2H to 75-80%
  - **Larger centres –** approx. 45% of Mayfield's business - have performed well with steady occupancy growth over the year, with a high of 83% and a number achieving above 90%

Momentum gathered during the year as initiatives introduced post-listing took hold

2017 Acquisitions and Managed Services

- **Acquisitions - 3 centres were acquired in 2017**:
  - **Glen Waverley -** Purpose built, 58 place centre
    - Includes owner-funded, new 120 place centre on adjacent site, offering Mayfield first right of refusal and non-compete protections
  - **Tullamarine -** Purpose built, 95 place centre
  - **Cranbourne -** Purpose built, 75 place centre
- **Managed Services and Consultancy Services**
  - Secured Managed Service agreements and currently negotiating further opportunities for 2018
  - Adhoc Consultancy assignments focused on establishment services for new operators with a view to managing centres longer term

Mayfield have a history of successful growth through acquisition

2018 Acquisition

- 22 May 2018 – Mayfield announced acquisition of a child care centre (long day care) in Victoria

Details	**Centre Metrics**
Registered Places	58
Purchase Price	$1,487K
CY19 EBITDA Forecast	$372K
Purchase multiple on CY19 EBITDA forecast	4.0x
Rent Cost per child	$2,069
Funding	Debt
Source	3rd Party Vendor

- Mayfield will continue to seek considered acquisition opportunities consistent with strategic objectives

The Mayfield Journey

- Successful delivery of our operational plans have ensured we fulfilled our commitment to shareholders
  - **Extensive marketing and community engagement programs -** aimed at attracting new families
  - **Targeted pricing initiatives -** to increase participation by existing families
  - **Strong cost control -** in the areas of centre operations and head office administration, along with stringent management of labour costs relative to occupancy
  - **Recruitment -** of talented educators and centre managers where required
  - **Expansion -** of our Area Management team
  - **Invested -** in social media and website platforms
  - **New acquisitions and the development of new revenue streams**

The result, strong performance in the second half, shaping what is a sound, scalable and robust business, set for strong future growth

Outlook – CY 2018 Growth

- **Growth will come from:**
  - **2018 forward enrolment strategy** - already delivered strong results - 25% growth in funded kindergarten enrolments.
  - **Improved operating market** - increases in government rebates will provide a strong stimulus to further occupancy growth
  - **Acquisitions** - Realisation of our 2017 acquisitions, which are trading inline with expectation plus 2018 acquisition
  - **Efficiencies & Technology** - Continuation of our cost efficiency programs and investment in technology
  - **Quality** - Continued focus on our Quality Improvement program
  - **Funding** - Interest rates on our existing loan facilities has been fixed at 4.65%
  - **Business Initiatives** - Childcare fee increases greater than CPI and labour costs
  - **Investment** - Centre improvement works for 2018 are well underway, gaining traction with existing and new parents
  - **Marketing & Community Programs** - Continuing and extending our marketing initiatives and community programs
  - **Acquisitions** - Continue to seek Victorian based acquisitions - a number of potential opportunities currently under review

- **Mayfield are forecasting FY18 NPAT of $4.1M**

CY18 NPAT of $4.1M – 20% growth on FY17

Mayfield Childcare Limited

Thankyou

Please direct any further enquiries to:

Dean Clarke	**Glenn Raines**	**Andrew Angus**
CEO	**CFO**	**Investor Relations**
dclarke@mayfieldchildcare.com.au	graines@mayfieldchildcare.com.au	andrewangus@overlandadvisers.com.au
+61 3 9576 3156	+61 3 9576 3156	+61 402 823 757

www.mayfieldchildcare.com.au