

Evolve Education Group Limited

Annual Shareholders' Meeting 23 September 2020

Chair Address

Good morning and welcome to Evolve Education Group's sixth annual shareholder meeting.

My name is Hamish Stevens and I am the chairman of Evolve and it is my pleasure to chair this virtual annual meeting. It was our intention to allow shareholders to attend in person but due to the extension of Covid-19 restrictions in Auckland last week it was felt prudent to change to a fully online meeting. This change was advised to the NZX on Tuesday 15 September.

I welcome all those online, I can confirm we have a quorum and I declare the meeting open.

Voting on the resolutions of this meeting will be conducted by way of poll. Shareholders attending the meeting online, will be able to cast their vote using the electronic voting card received when online registration is validated. Please refer to the virtual annual meeting online portal guide or use the help line specified. Shareholders participating online through the virtual meeting website will be able to ask questions.

I encourage online shareholders who have questions relating to the business of the meeting, to send their questions through as soon as possible. Please note that only shareholders, proxy holders or shareholder company representatives may vote.

I am delighted to introduce my fellow Directors and senior management:

- Managing director Chris Scott is joining us online from Queensland as is non-executive director Chis Sacre.
- Independent director Adrian Fonseca is joining us online from Sydney.

And I am pleased also to have in the room with me here at Link Services in Auckland today:

- Auckland based Independent director Kim Campbell
- NZ CEO Tim Wong
- CFO Edmund Mah.

Kim and Adrian are both up for election at this meeting and you will have the opportunity to hear from them shortly.

Of course, all directors and senior management are available to answer any questions from the meeting.

Also joining us are:

- Indy Sena, Audit partner from our current and retiring auditors PwC
- Ryan Campbell, Audit Partner from Grant Thornton – the auditors recommended by the directors to be appointed for the calendar 2020 year.
- Rachel Dunne and Philip Ascroft from our lawyers Chapman Tripp

The financial year ended 31 March 2020

The year to March 2020 was a year of change for Evolve. And the final weeks of the year of course saw the impact of Covid-19.

I will outline the key changes undertaken during the year and then speak a little about Covid-19.

As you will be aware, the financial performance of the Company had declined over recent years, largely because of falling occupancy within our New Zealand centres and increased head office costs. The previous board and management responded to this in 2018 through the preparation of a 3-year turn-around plan.

In 2019 the Company sought a significant equity raise to place the company on a firmer financial footing as well as give itself time to implement the improvement plan. The company also sought this additional equity to undertake an acquisition strategy in Australia in order to diversify and broaden earnings. The \$63m equity raise was completed in June 2019 involving the issue of 793m new shares at a price of 8c per share. The equity issue was fully subscribed by existing and new shareholders.

However, by late August 2019 the board believed further action was required to stem the decline in occupancy and reduce costs.

From September 2019, Evolve had a new board and a new senior management team. The board now comprised three directors with a deep knowledge and understanding of the ECE sector and we appointed as Managing Director, Chris Scott who has had a particularly successful track record within this sector.

We also appointed Tim Wong as New Zealand CEO. Tim has a strong operational background of many years in this sector. Chris Scott and Tim Wong immediately commenced a comprehensive review of the New Zealand operations.

In December 2019, Edmund Mah was appointed Group CFO. Edmund brings considerable finance experience gained in New Zealand and overseas organisations.

The first major change was to streamline the Company's operations and to restructure the support office. This took some \$3m out of our cost base on an annualised basis. While the cost reduction was an important outcome of this initiative, a key reason for doing this was to focus resources on our centres. We believe that decision making needs to be closer to our centres and our teachers - it is after all our teachers who interact with our families on a day by day basis – and they are always best placed to represent the needs of our families.

And we reduced director fees well before Covid-19 was even heard of. This was not a substantial cost saving in itself, but it was important to show support to our employees and families that directors too will make the sacrifices when required.

Within our centres changes were implemented to improve occupancy together with more flexible and responsive centre rostering. We believe the measures to increase occupancy and reduce centre labour costs will be effective although we need to come out of the Covid-19 environment for this to be seen as a firm trend.

Evolve commenced the acquisition of centres in Australia to diversify earnings and enhance the financial stability of the financial performance of Evolve. We now have 10 Australian centres, and the board is happy with the overall performance of these centres. While some

centres have been more impacted by Covid-19 restrictions, others are exceeding our expectations.

In December 2019 the company raised a further \$19m by way of an institutional equity placement. This was used to retire bank debt and provide funds for further Australian acquisitions.

While we are absolutely determined to continue our Australian acquisition strategy, this will not recommence until we are comfortable that the risk of further Covid-19 restrictions has sufficiently reduced.

The result of these initiatives has seen Group underlying EBITDA increase in the most recent half year period from a year ago, after several half year periods of decline.

Covid-19

In the final weeks of FY20 our centres in New Zealand and Australia were impacted by Covid-19 and the consequent government restrictions. This was first felt through withdrawals in early March 2020 as parents were concerned about transmission or had changed their working and childcare arrangements.

In the last week of the financial year, the New Zealand government instituted alert level 4 restrictions that required the closure of all 125 NZ centres for a period of effectively seven weeks. Similar but varying restrictions also impacted our Australian centres. Evolve was eligible for the government wage subsidy in New Zealand and the Jobkeeper allowance in Australia. As a result, we were able to keep all our New Zealand employees on full pay through this period - and since. Many employees in Australia were also retained on full pay during their lock down periods. It is important to note that all of the government wage subsidies received by Evolve have been paid to our employees.

During the recent level 3 lockdown in Auckland Evolve decided again to keep all employees on full pay even though in this case we did not receive any further government wage subsidy.

I want to acknowledge the huge support we have received from our 2,000 employees through this period. These are difficult and anxious times and our employees ensured at every step

that our children and families' safety and well-being was paramount. The additional operational protocols, communication and understanding was critical to Evolve's ability to make it through this period.

I am particularly pleased that we have had no reported cases of Covid-19 infection in New Zealand of either employees or children. While the terrible Covid outbreak in Victoria in July and August did unfortunately affect some teachers and children at one centre I am very pleased to learn that all have recovered.

With government support in both New Zealand and Australia we have weathered the initial covid restrictions. But I think we all know there is still considerable uncertainty in the coming months. The board's focus right now is ensuring our centres are the best they can be, and we rebuild occupancy post Covid-19.

We are not in a position to make financial predictions at this stage but I can tell you that the Company is currently cash positive, has its lowest level of borrowings for some time, and is currently operating at a positive EBITDA level. We have the resources to respond to Covid-19 uncertainty over the coming months.

I can also assure you that you have a hard-working board and senior management team. I particularly wish to acknowledge the efforts and experience of our Managing Director Chris Scott who has brought a strong focus on operational excellence, and our NZ CEO Tim Wong who brings a wealth of experience and insight within the sector.

The directors are confident that the improving trend in centre profitability ratios seen up to March 2019 will resume once we are free of further Covid-19 restrictions, and that the continued support of our dedicated employees and of our many families will ensure Evolve has a bright future.

I would now like to open the meeting to questions relating to the management and operations of the business. As I mentioned previously questions can be submitted via the online portal. If I can answer your question, I will do so but may also redirect your question to one of our directors or senior managers as appropriate.

Thank you.

Ends