Evolve update and rights offer

8 May 2019

evolve
education group

Why is Evolve undertaking a capital raising?

Australian Initial Phase	Evolve intends to acquire up to 12 centres in Australia. This will diversify Evolve's business across two jurisdictions with minimal incremental risk anticipated and is expected to meaningfully contribute to the Evolve Group's profitability. NZ$25m of the capital raising proceeds will be used for the Australian Initial Phase
Turnaround Plan	Evolve has a comprehensive three year Turnaround Plan in place for its New Zealand business which the Board and Management are confident in achieving. The first stage of the plan involves investing in the capability of the organisation Mature centre occupancy over the last two months is tracking approximately 2% lower than the same period last year. Operational performance improvements are expected to convert into earnings performance improvement from FY21 onwards NZ$5.5m of the capital raising proceeds will be used for working capital purposes in New Zealand, including increased costs associated with the Turnaround Plan
Requirement to repay bank debt	Evolve has an obligation to repay NZ$30m of bank debt by 30 June 2019. The bank has approved a capital management strategy as required by Evolve's current facilities, of which the Australian strategy is a key component. NZ$30m of the capital raising proceeds will be applied to the repayment of bank debt

Overview

FY19 unaudited results

- Evolve's unaudited FY19 Underlying EBITDA[1] is NZ$13.3m (FY18: NZ$21.6m)
- FY19 Underlying EBITDA excludes non-recurring items including goodwill impairment of NZ$107.1m (FY18: NZ$13.9m) and other net non-recurring items of NZ$0.1m (FY18: NZ$3.0m)
- Goodwill impairment largely relates to goodwill that arose upon the purchase of ECE centres. The additional impairment over and above that recognised at 1H19 is due to occupancy improvements from the Turnaround Plan taking longer to arise than originally expected, combined with an increase in centre support costs. Management is confident in the Turnaround Plan and expects to see financial benefits from FY21 onwards

FY20 outlook

- Evolve Group's FY20 Underlying EBITDA is expected to comprise earnings from both the existing New Zealand business and the Australian Initial Phase. Diversification of revenue streams from the Australian Initial Phase will provide additional earnings to reduce risk and broaden strategic options
- The Board's current expectation, assuming that the capital raising is successful, is that FY20 Underlying EBITDA for the New Zealand business will be in the range of NZ$8.5–11.0m. FY20 Underlying EBITDA will be adversely impacted by:
  - Divestment of the home-based division and other assets (FY19 Underlying EBITDA contribution: NZ$0.5m)
  - Additional NZ$2.3m investment in ongoing operating expenditure, in addition to that incurred in FY19. This additional expenditure is required to build the quality platform for growth and is critical for meeting obligations to the Ministry of Education and delivering quality early childhood education to the children in our care
- The FY20 Underlying EBITDA range is based on a number of key assumptions, outlined on page 15
- Evolve is confident that recovery in NZ earnings will be achieved from FY21 onwards
- The Australian Initial Phase is expected to involve the acquisition of NZ$5–6m of additional Underlying EBITDA on an annual basis. The impact on FY20 results will be dependent upon timing of centre acquisitions

Note: Evolve has a financial year end of 31 March
(1) Underlying EBITDA is a non-NZ GAAP measure. Refer to Glossary for definition

Overview (cont.)

New Zealand operations update

- New CEO and Management team appointed during 2018 / 2019 to develop and lead the Turnaround Plan
- The plan is targeting eight strategic priorities, focusing on staffing, marketing and facilities management
- Good progress to date on operational improvements – centre operations, marketing, property and human resources teams have been restructured, marketing activity refocused, and targeted operating assistance provided to the lower occupancy centres
- Evolve is investing now to support improved revenue performance. Progress on operational improvements is yet to be reflected in financial performance, expected to improve from FY21 onwards

Australian expansion initial phase

- Evolve proposes to trial an Australian expansion. The Australian Initial Phase will involve the acquisition of up to 12 centres
- Evolve will establish and prove up the Australian expansion via the Australian Initial Phase over the course of FY20. The acquisition of additional centres is anticipated, subject to the Australian Initial Phase confirming the strategy
- The Australian Initial Phase will be led by Chris Sacre and Chris Scott, who will be supported by a team of professionals, all of whom have extensive Australian childcare sector experience

Compelling strategic rationale

- Acquisitions in Australia provide exposure to the large Australian market with robust sector demand and favourable timing for acquisitions
- Diversification across two operating jurisdictions is expected to lower the overall risk associated with government, regulation, economic and other market factors
- Australian Initial Phase expected to meaningfully contribute to Evolve Group’s profitability
- Execution of strategy will benefit from shared experience and expertise in childcare across both Australia and New Zealand
- The capital raising will reduce exposure to bank debt and enable earnings to be acquired in Australia which together will strengthen the balance sheet. A minimum repayment of NZ$30m is required under Evolve’s existing facilities

Overview (cont.)

Funding

- Evolve is seeking to raise up to NZ$63.5m via an underwritten 4.4 for 1 pro rata accelerated rights entitlement offer
- Application Price of NZ$0.08 per share, being a 25.8% discount to TERP of NZ$0.108 per share
- Funds to be applied as follows:
  - — Reduction of debt: ~NZ$30.0m
  - — Implementation of the Australian Initial Phase: ~NZ$25.0m
  - — Working capital: ~NZ$5.5m
  - — Costs of the Offer: ~NZ$3.0m
- Chris Scott, Evolve's 19.0% shareholder (via J47 Pty Ltd) and Director, has committed to take up all entitlements under the Offer, as have the other shareholding Directors (Alistair Ryan and Norah Barlow)
- An entity associated with Chris Sacre has participated in sub-underwriting the Offer, and will subscribe for New Shares if there is a shortfall and either Bookbuild does not clear

Expected financial impact

- Immediately following completion of the Offer, Evolve will have a FY19 pro forma Net Cash position of NZ$17.0m
- Following the Australian Initial Phase acquisitions, Evolve is expected to have FY19 pro forma Net Debt of NZ$7.5m
- The existing business (excluding the funds raised for the Australian Initial Phase) will have a FY19 pro forma Net Debt / FY19 Underlying EBITDA ratio of 0.6x immediately following completion of the Offer[1]
- Evolve intends to maintain a conservative long term capital structure, targeting a group Net Debt / Underlying EBITDA ratio of less than 2.0x

Governance

- Rosanne Graham will continue as CEO with a focus on Evolve's New Zealand operations. Chris Sacre and Chris Scott will be Executive Directors with responsibility for the Australian operations during the Australian Initial Phase
- Evolve's Chair Alistair Ryan will retire as Chair and as a Non-Executive Director of Evolve on 15 June 2019, following completion of the capital raise
- The Board is well advanced in a search for a New Zealand-based Independent Director to fill the vacancy that will be created with Alistair's retirement. The focus is on recruiting a new Director to assume the Board Chair position
- Norah Barlow intends to retire and not seek re-election at the Company's 2019 Annual Meeting, subject to Alistair's replacement having been appointed to the Board at that time

(1) Based on unaudited FY19 Underlying EBITDA of NZ$13.3m


New Zealand
Turnaround Plan

New Zealand Turnaround Plan

Recently appointed CEO and Management Team are implementing a 3 year business plan

The plan is being actioned to address current performance issues

- The plan focuses on rebuilding capability in the executive leadership of the business
- It outlines 8 strategic goals, each with a defined plan to achieve success
- The Turnaround Plan targets returning occupancy and pricing to that achieved by Evolve in prior years (or better), in addition to capitalising on the established corporate cost base to leverage the inherent business' growth potential
- Remedial actions require significant investment in quality and capability
- The Company is investing now to support improved centre revenue performance, which is expected to result in financial performance improvement from FY21 onwards

Turnaround Plan update (further detail is provided in the following pages and in the Appendix)

- Executive management team restructure completed, bringing new capability into the business
- New management group has identified a range of issues to be addressed to ensure the plan starts to gain traction
- Management retains full confidence in the Turnaround Plan but notes that the necessary business restructuring and other initiatives are taking longer to implement than first envisaged, and that the turnaround in occupancy (and therefore revenue and earnings) is more likely to become evident in the later part of FY20 and thereafter

Refreshed Management team

Evolve's executive team has been refreshed with a number of new key appointments made

Chief Executive Officer
Rosanne Graham
(Commenced 2 July 2018)

Chief Financial Officer and Head of Property
Stephen Davies
(Commenced 21 September 2016)

Chief Information Officer
Paul Matthews
(Commenced 2 May 2016)

GM People & Talent
Bev Davies
(Commenced 6 August 2018)

GM Marketing
Ru Wilkie
(Commenced 1 September 2018)

GM Centre Operations
Kirsten Long
(Commenced 12 November 2018)

GM Quality Assurance & Professional Learning
Karen Shields
(Commenced 11 February 2019)

8 strategic priorities

The Turnaround Plan focuses on eight strategic goals, each with a defined plan to achieve success

Priority	Key Actions
1. Deliver the highest quality outcomes for children	• New GM Quality Assurance reviewing priority areas for quality assurance and professional learning • Centre blueprint being implemented to gain consistency of high-performance • Increase centre support from corporate functions
2. Retain children and families	• Centres experiencing high customer turnover identified and strategies implemented to reduce turnover • Real time customer survey tool introduced (Ask Nicely) • Training underway nationally on engagement and retention • Optimise customer service at each point of engagement
3. Retain staff – reduce turnover levels	• People strategy, employee value proposition completed • Engaged external provider to deliver professional training and education to staff • Review of attraction, recruitment/appointment and induction processes underway • Remuneration strategy and review of staff benefits underway
4. Grow revenue from the existing base	• Competitor analysis and pricing/discount review completed and roll out of new fee schedule and system controls underway • Work underway on optimising funding models with Area/Centre Managers

8 strategic priorities (cont.)

Priority	Key Actions
5. Attract new families	• All centre websites redesigned and updated with ongoing content updates • Advertising optimised to deliver stronger leads • Strengthened sales training with centres • Driving better conversion at every point of sales pipeline • Trial-to-launch new customer relationship management system in Q2’20 • 50% increase in enquiries to our contact centre in Q4’19
6. Invest in the support office operations	• Organisational restructure completed with 4 new GMs • Regional and Area Manager roles reviewed and recruited • Participation in management and leadership development programmes • System and vendor selection for human resources information system
7. Lift the presentation and appeal of Evolve’s centres	• Over 30 centres have been given internal re-paints • Centralised repairs and maintenance function established • Integrated lease management system implemented
8. Improve the portfolio of centres	• Sale of Porse, Au Pair Link and ECE Management completed • 5 centres identified for sale - 1 sold, active marketing for remaining 4 centres ongoing • 1 centre closed


Unaudited FY19 results
and FY20 outlook

FY19 unaudited financial performance[1]

NZ$m	FY19	FY18
Total Income (including discontinued operations)	**150.2**	**159.0**
EBITDA (underlying)[2]	13.3	21.6
Net Profit Before Tax and Non-Recurring Items	**7.4**	**16.7**
Less: Porse GST provision[3]	-	(3.0)
Less: Impairment[4]	(107.1)	(13.9)
Add: Other[5]	0.1	-
Net Profit/(Loss) Before Tax	**(99.7)**	**(0.2)**
Less Tax	(2.1)	(4.0)
Net Profit/(Loss) After Tax	**(101.8)**	**(4.2)**
Net Profit After Tax and Before Non-Recurring Items[6]	**5.3**	**12.0**

Commentary

Underlying EBITDA of NZ$13.3m is within current guidance of NZ$13.2 – 13.6m

Profit after tax excluding non-recurring items was NZ$5.3m, with non-recurring items reducing this to a reported loss after tax of NZ$101.8m

Declining occupancy combined with increased support office costs were key factors in booking a further goodwill impairment of NZ$75.0m, taking the total FY19 impairment expense to NZ$107.1m

(1) FY19 unaudited financial information is taken from management accounts and, accordingly, is not audited and has not been reviewed by Evolve's external auditor. Following the audit process, the FY19 unaudited financial information in this presentation may change

(2) EBITDA (underlying) for FY19 is unaudited EBITDA before the after-tax impairment expense of NZ$107.1m, being an impairment of goodwill relating to the acquisition of early childhood education centres in prior periods; for FY18 this is EBITDA before the Porse GST provision, the after-tax impairment expense of NZ$13.2m relating to the Home-Based Division and the closure of one early childhood education centre, acquisition and integration costs. Refer to the Appendix for further detail. EBITDA is a non-GAAP measure and is not prepared in accordance with NZ IFRS. This measure is intended to supplement NZ GAAP measures presented in Evolve Group financial statements, should not be considered in isolation and is not a substitute for those measures

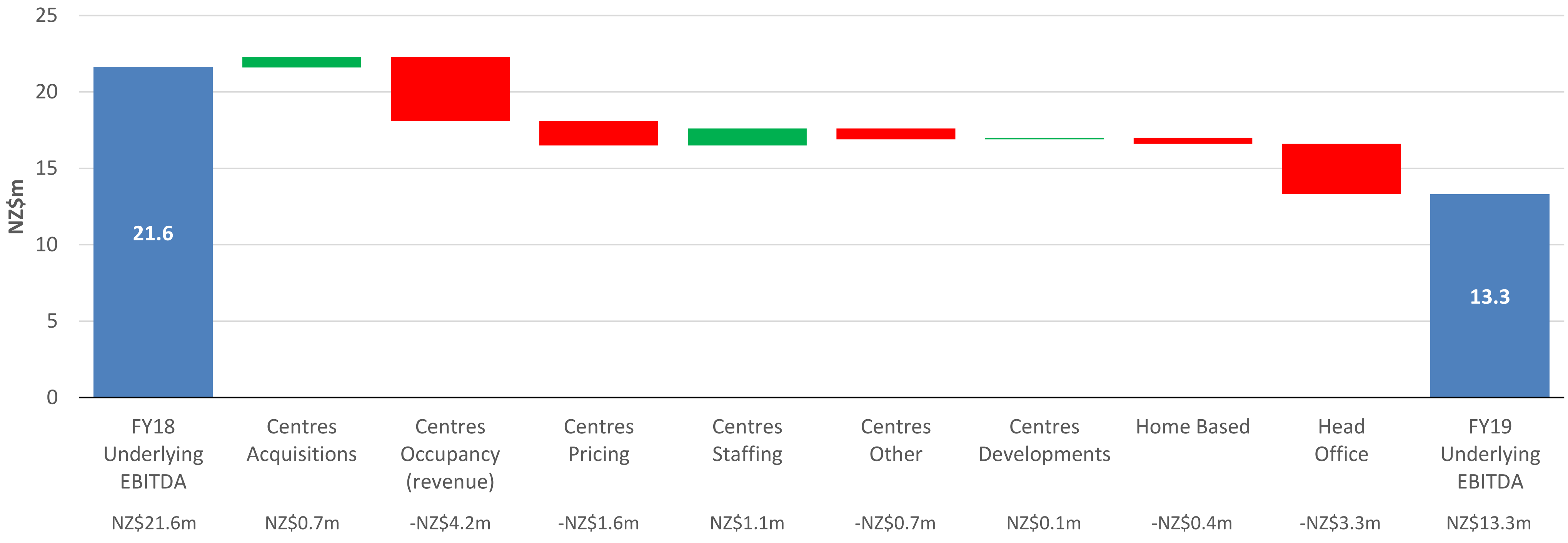
(3) Expense to settle the historic PORSE GST matter, a non-recurring expense

(4) Impairment of NZ$107.1m in respect of centres in FY19 and NZ$13.9m less tax benefit of NZ$0.7m, in respect of Home-Based Division and one ECE Centre in FY18. Refer to Appendix for further detail on the impairment

(5) Net gain on sale of assets sold, including sale of home based division and one ECE centre, and onerous lease expense

(6) Refer to Appendix for reconciliation

Underlying EBITDA movement: FY18 to FY19



- Occupancy declined relative to the prior year during the course of FY19, leading to a loss in revenue of approximately NZ$4.2m. As at the end of FY19, occupancy levels in Mature Centres were approximately 2% lower than the same time last year
- Whilst cost savings were made in response to the lower enrolment levels, the financial benefits of these were offset by other operating cost increases
- Further, as previously advised, investment in improved centre support added NZ$3.3m to head office costs

Mature Centre metrics

	FY19	FY18
Mature Centres – period end	123	126
ECE licensed places – period end	8,825	8,929
Occupancy – average	76.5%	78.6%
Employee expenses/revenue	56.1%	54.6%
Rent expenses/revenue	15.4%	14.4%
Mature Centre revenue	NZ$133.8m	NZ$136.9m
Mature Centre Underlying EBITDA[1]	NZ$22.8m	NZ$28.1m
Mature Centre Underlying EBITDA[1] margin %	17.3%	20.6%

(1) Underlying EBITDA for Mature Centres only, and excludes Head Office costs and Home-based earnings

FY20 outlook

- Evolve Group's FY20 Underlying EBITDA is expected to comprise earnings from both the existing New Zealand business and the Australian Initial Phase. Diversification of revenue streams from the Australian Initial Phase will provide additional earnings to reduce risk and broaden strategic options
- The Board's current expectation, assuming that the capital raising is successful, is that FY20 Underlying EBITDA for the New Zealand business will be in the range of NZ$8.5–11.0m. FY20 Underlying EBITDA will be adversely impacted by:
  - Divestment of the home-based division and other assets (FY19 Underlying EBITDA contribution: NZ$0.5m)
  - Additional NZ$2.3m investment in ongoing operating expenditure, in addition to that incurred in FY19. This additional expenditure is required to build the quality platform for growth and is critical for meeting obligations to the Ministry of Education and delivering quality early childhood education to the children in our care
- The FY20 Underlying EBITDA range is based on the following key assumptions:
  - Successful completion of the capital raising and deployment of the proceeds in the manner outlined in this presentation
  - The lower end of the range assumes there is no improvement from current occupancy levels and that FY20 occupancy remains 2% below FY19. The top end of the range reflects an improvement during the course of FY20 as a result of the Turnaround Plan
  - That staff costs remain in line with forecast
  - That the planned pricing increase is successfully implemented across the portfolio
  - Capex of approximately NZ$3.8m, approximately NZ$1m more than in FY19
- Evolve is confident that recovery in NZ earnings will be achieved from FY21 onwards
- The Australian Initial Phase is expected to involve the acquisition of NZ$5–6m of additional Underlying EBITDA on an annual basis. The impact on FY20 results will be dependent upon timing of centre acquisitions

Evolve gives no assurance that the assumptions upon which it has based its FY20 outlook statement will be correct, or that its business and operations will not be affected in any substantial manner by other factors not currently foreseeable by Evolve or beyond its control. Evolve notes the challenges associated with forming forecasts in the first quarter of the financial year. Accordingly, Evolve can make no assurance that the forward looking statements will be realised and actual results for FY20 may materially differ from those outlined above.


Australian Initial Phase

Outline and acquisition criteria

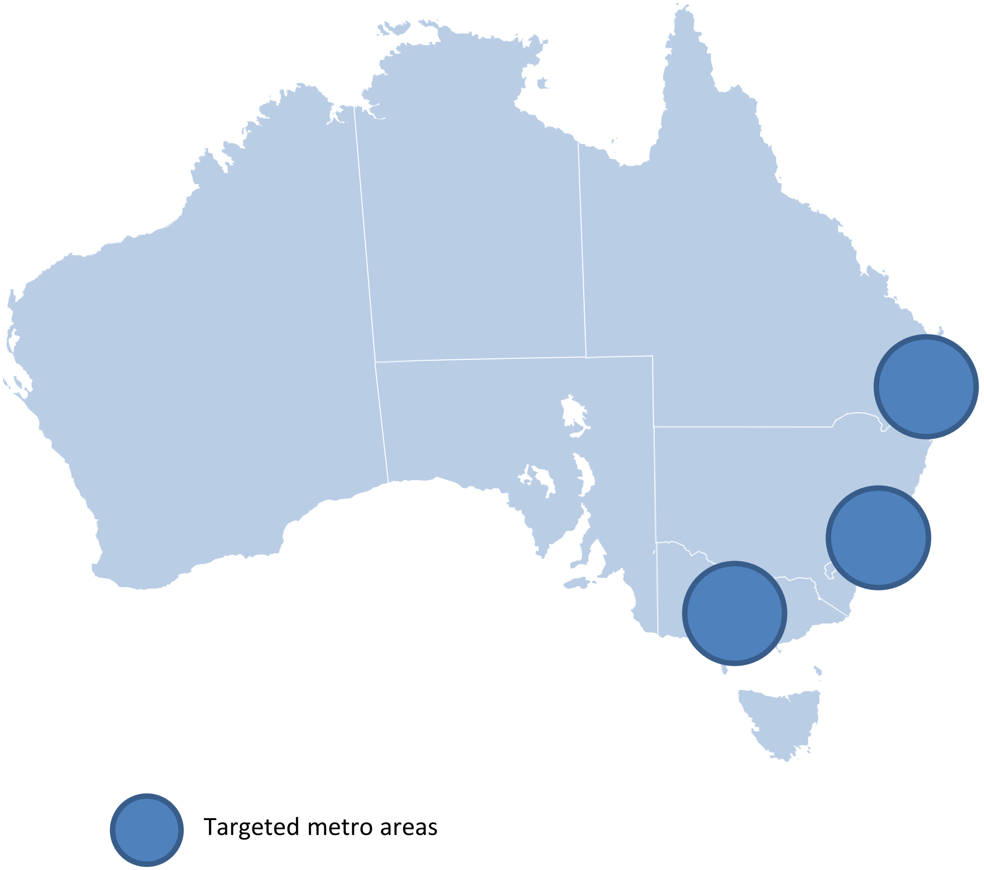
Acquisition of up to 12 centres will diversify Evolve's operations across New Zealand and Australia

Evolve proposes to acquire up to 12 centres in Australia for a total cost of up to ~A$24m[1] (NZ$25m), funded via equity

The intention is to establish and prove up the Australian Initial Phase over the course of FY20. Subsequent expansion through the acquisition of additional centres is anticipated, subject to the Australian Initial Phase confirming the strategy

Status and acquisition criteria:

- Evolve will assess acquisition target centres across Victoria, New South Wales and Queensland
- Focus on centres in inner city (40km radius of CBD)
- Targeting centres in areas with higher relative socio-economic advantage (Top 30% SEIFA[2] ranked) with low supply risk
- Target annual occupancy of at least 80%[3]
- Anticipated annual earnings of approximately A$500k per centre
- High-end positioning (high standard fit-out)
- Objective to establish a cluster of centres in key metro areas (Melbourne, Sydney, Brisbane)



(1) Assuming a NZD/AUD exchange rate of 0.94 as at 7 May 2019
(2) Socio-Economic Indexes for Areas (SEIFA) is an ABS product that ranks areas in Australia according to relative socio-economic advantage and disadvantage. The indexes are based on information from the five-yearly Census of Population and Housing
(3) Based on Australian occupancy calculation standards (children attending per day as a percentage of the number of licensed places)

Execution team

Proven track record of acquiring and integrating childcare centres

- The Australian Initial Phase will be led by Chris Sacre and Chris Scott, who will be supported by a team of professionals, all of whom have extensive Australian childcare sector experience
- Proven track record of commercial performance and ability to drive efficiencies in acquired centres
  - Successfully overseen and negotiated greenfield developments and acquisitions of 500+ childcare centres from 2008 to today
  - Raised over A$1bn in equity and debt
- Execution team to operate the Australian Initial Phase, leaving Evolve’s New Zealand operations team fully focused on the New Zealand Turnaround Plan
- Execution team will be directly contracted to Evolve on standard market terms, with the time commitment of the team to increase only if the size of the Australian centre portfolio increases

Chris Sacre

- 12 years CFO and M&A experience
- 8 years experience in ASX-listed G8 Education, where Chris held CFO and COO roles

Chris Scott

- 30+ years experience in senior management positions including as a founder and Managing Director of ASX-listed S8 Limited and founder and Managing Director of ASX-listed G8 Education
- 20+ years experience in acquisition roll-up businesses in Australia and Singapore

Australian Initial Phase execution strategy

Streamlined acquisition process and efficient operational approach

Drive operating efficiencies

- Centre-level operations to be run with the support of specialised staffing management software solutions to minimise centre-level cost base
- Specific focus on customer experience via diligent staff recruitment process and utilisation of customer-facing software

Deliver high quality curriculum

- High quality curriculum in compliance with the Australian National Quality Framework
- Curriculum to be delivered through experienced centre-level staff while maintaining low ratio of operations managers to centres
- Value-added activities (e.g. music, arts, sports and language) to be implemented to supplement the learning environment

Implement targeted marketing strategy

- Marketing strategy to be driven at group level and implemented at local level by centre directors
- Centre-based social media digital strategies expected to attract relevant audience
- Use of third party digital platforms to drive enrolments, leads and casual bookings
- Objective to provide market leading and differentiated family experience

Apply streamlined acquisition process

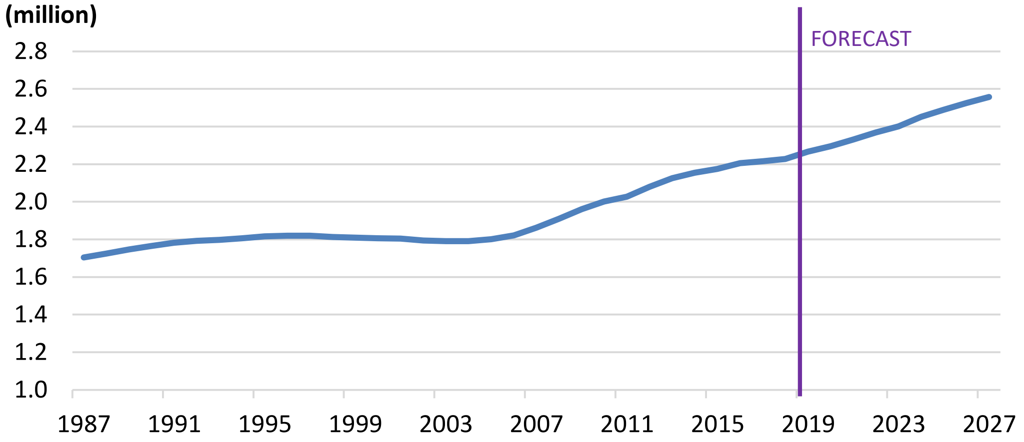
- Extensive experience in identifying pockets of demand supported by software and data analytics tools
- Proven, streamlined acquisition due diligence process:
  - Commercial and financial due diligence to be completed in-house and from a ground-up approach
  - Outsourced legal due diligence for increased efficiency

Australian long day care (LDC) sector dynamics

- Australian Initial Phase strategy targets LDC centres, with a large addressable market of 2.2m children aged birth to 6 years[1]
- LDC is the most popular type of care, with 695k children using LDC services at JunQ 2018 (1.9% growth YoY)[2]
- LDC sector benefits from continued Australian Government support via the CCS (A$8bn in childcare fee assistance in 2018-19, expected to grow to A$9.5bn by 2021-22)[3]
- High sector fragmentation due to a large portion of centres being operated by single-centre operators[4]

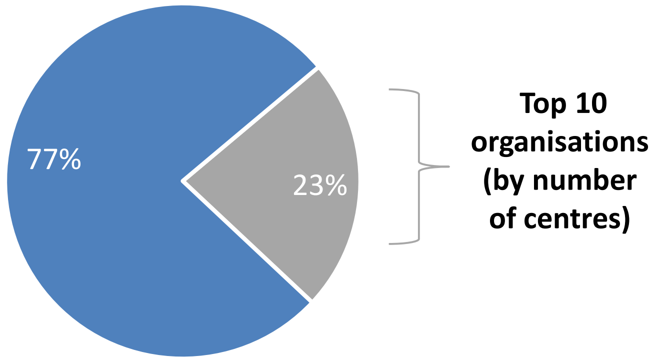
Source: 1. ABS; 2. Department of Education and Training, Early Childhood and Childcare in Summary June quarter 2018; 3. Australian Government; 4. ACECQA, Company analysis

Australian children aged 0-6 years



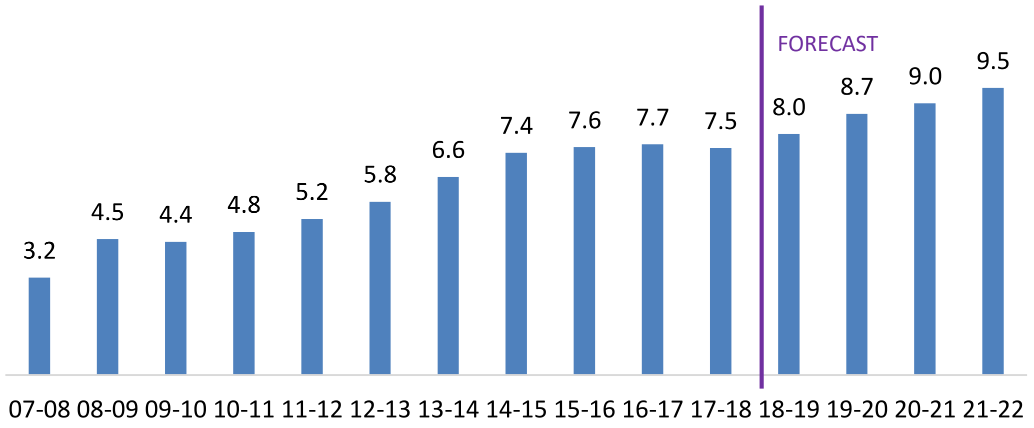
Source: ABS

Industry fragmentation by centres



Source: Company information and Canaccord Genuity (Australia) Limited Research estimates

Australian Government childcare funding



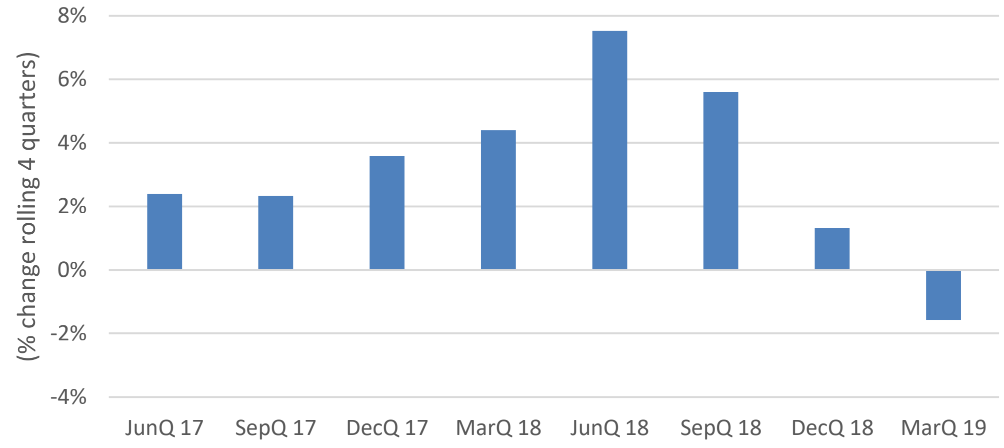
Source: Australian Government

Recent centre supply and demand dynamics

- Whilst the Australian childcare sector has been challenged by oversupply, recent data highlights a decline in supply growth:
  - 121 new LDC centres opened in MarQ 2019 (vs. 127 in MarQ 2018)
  - 27 centres closed in MarQ 2019 (vs. 18 in MarQ 2018)[1,2]
- Signs of moderating supply growth, combined with acceleration of closures and tightening of bank funding offers increased centre acquisition opportunities
- Evolve believes the timing is favourable for the implementation of the Australian Initial Phase
  - Positive impact of the CCS on occupancy is expected to continue
  - Robust supply of acquisition opportunities due to sector fragmentation
  - Limited acquisition competition as Australian childcare incumbents are expected to maintain focus on existing centre occupancy improvements and execute on their development pipelines

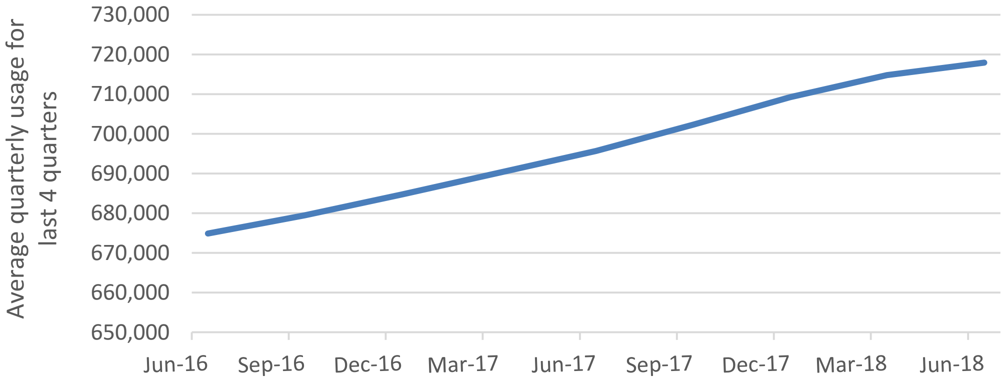
Source: 1. ACECQA; 2. Canaccord Genuity (Australia) Limited Research estimates; 3. Australian Government

LDC supply growth



Source: ACECQA, Canaccord Genuity (Australia) Limited Research estimates

Number of children using approved LDC services



Source: Department of Education and Training, Early Childhood and Childcare in Summary June quarter 2018. Note: rolling average of past 4 quarters usage

Governance structure

Existing structure adapted to meet the requirements of the Australian Initial Phase with no additional governance costs

- Evolve's organisational structure to deliver on the New Zealand Turnaround Plan and the Australian Initial Phase will be:
  - — Chris Sacre and Chris Scott to become Executive Directors with responsibility for the Australian operations during the Australian Initial Phase
  - — If the Australian Initial Phase is deemed successful and the Australian business reaches a scale that requires a full time CEO, the Board will appoint an appropriate candidate
  - — Rosanne Graham to continue as CEO of Evolve's New Zealand operations
  - — Both the New Zealand and Australian segments will report to the Board on their respective operational responsibilities
- The Board will continue with three New Zealand Independent Directors (including replacements for Alistair Ryan and Norah Barlow) and the two Australian Executive Directors. The Board has determined that the Australian Executive Directors will not receive any remuneration (other than directors' fees) initially, but that this will be kept under review as the Australian Initial Phase progresses

Risk factors

Risk factors

In addition to general risks and the risks facing its existing New Zealand operations, Evolve has identified key risks arising from the Australian Initial Phase and recent developments

Risk	Description
Australian Initial Phase risks	
Due Diligence	When acquiring centres, there is added risk that issues with centres are not discovered. Even where a thorough due diligence process is conducted (as is intended), issues may only come to light following acquisition. Where this is the case, Evolve may have paid too much for a centre and will need to meet the cost of any required remedial action to receive the expected earnings from the acquisition.
Integration	Acquired centres may not perform as well under Evolve's ownership as they did before acquisition. Common risks to performance include staff discontent with new management structures or failure of the culture at the centre to fit with the culture that Evolve will incubate in its Australian Initial Phase. If these risks eventuate, the acquired centres could experience declining occupancy and high staff turnover, both of which will negatively contribute to overall earnings performance.
Growth capacity	An experienced Australian team has been prearranged and right-sized to undertake the acquisition and operation of the proposed Australian ECE centre acquisitions. Despite the depth and substantial expertise of the Australian Initial Phase execution team, there is a risk that there may be insufficient resource available within this team to run the acquired centres efficiently. If this eventuated, Evolve may need to source additional external support for the Australian Initial Phase, which could result in higher costs than anticipated.
Disruption to Turnaround Plan	Although Evolve will use a separate, Australian based execution team to implement the Australian Initial Phase, there is a risk that the Australian Initial Phase could place additional demands upon some of Evolve's New Zealand Management Team and they may therefore have less time available to focus on the New Zealand Turnaround Plan.

This page describes some of the key specific risks of the Australian Initial Phase. It does not purport to list every risk now or in the future, nor general risks of the Australian Initial Phase or risks of Evolve's existing business, and the occurrence or consequences of some of the risks described are partially or completely outside the control of Evolve, its Directors and Management team. The selection of risks described above is based on the knowledge of Evolve as at the date of this document, but there is no guarantee that the importance of different risks will not change or that other risks will not emerge.

Risk factors (cont.)

In addition to general risks and the risks facing its existing New Zealand operations, Evolve has identified key risks arising from the Australian Initial Phase and recent developments

Risk	Description
Existing business risk update	
Execution of the Turnaround Plan	Evolve's Board approved a three year Turnaround Plan for the New Zealand business in November 2018 identifying the steps required to restructure and reinvigorate the business. This plan included a range of initiatives to be implemented in order to restore the business to levels of improved profitability over a three year period, noting that fundamental steps needed to be taken (e.g. senior executive recruitment, staff changes at various key positions throughout the organisation) and plans and initiatives needed to be developed and implemented before improved results could be anticipated to start to be realised. Over the last nine months Rosanne Graham has recruited a strong executive team to provide senior leadership to the organisation and to implement the plan. Actions are well advanced and good progress on operational improvement initiatives has been made. The Company has delivered its FY19 underlying EBITDA guidance and management and the Board remain confident that the plan will deliver the turnaround required for Evolve. Evolve will continue to invest to support the turnaround over FY19-20, which is expected to result in financial performance improvement from FY21 onwards. The risk for Evolve is that despite additional costs being incurred by the business (including among others additional staff and centre remediation expenditure), the performance of the underlying business does not improve to meet or exceed these additional costs. The timing of achieving improvement initiatives may also differ from the plan such that the business performance takes longer to improve than initially expected. Whilst the plan forecasts bank covenant compliance, delay in achieving the expected financial performance improvement may require renegotiation of bank covenants. Uncertainty as to the timing of the expected financial performance improvement could lead to the Company receiving an audit opinion for the year ended 31 March 2019 that comments on these uncertainties.
Government Policy and Funding	Evolve receives approximately 65% of its revenue base from MoE funding. Up until January this year there had been no increase in MoE funding rates for more than three years while costs (mainly teacher salaries and rents) have continued to rise. In addition, since mid last year, Evolve has identified a need to significantly increase its investment in infrastructural support and capability, incurring significant additional costs. The current Government announced a 1.6% increase in funding rates (below the rate of sector cost increases) in its May 2018 Budget but this increase did not apply until January this year. At the same time government policy relating to the early childhood sector is being reviewed and there may be additional requirements into the future. The risk for Evolve is that government funding rates do not keep pace with the costs of operating a childcare business and that compliance requirements may require additional investment and higher costs. Parental fees make up approximately 35% of the Evolve revenue base but there is a limit at which early childhood care might become uneconomic for some parents and caregivers and the Company's ability to increase prices for services might be restricted. There is an additional risk that MoE compliance requirements continue to increase leading to higher costs, and more pressure on licensing conditions.

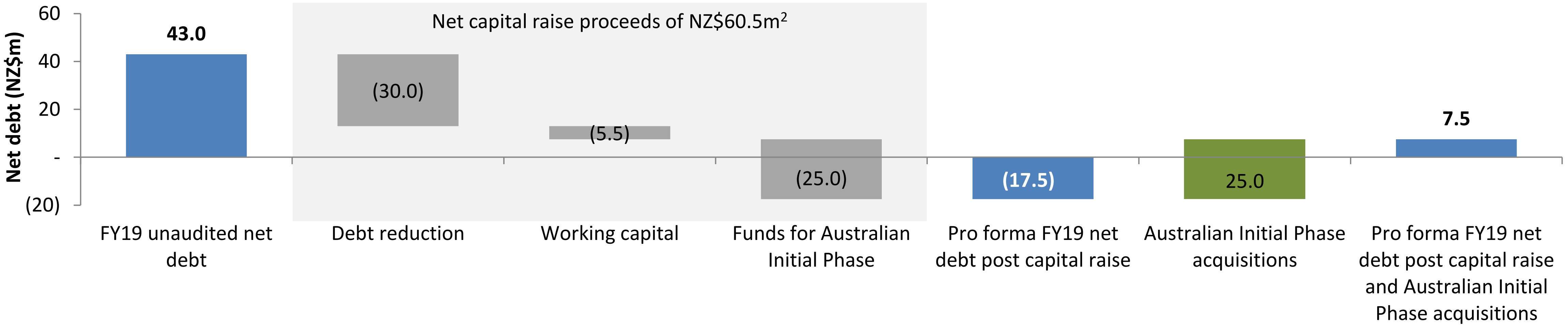
This page describes some of the key specific risks to Evolve's existing business arising from recent developments. It does not purport to list every risk now or in the future, nor risks of the Australian Initial Phase, and the occurrence or consequences of some of the risks described are partially or completely outside the control of Evolve, its Directors and Management team. The selection of risks described above is based on the knowledge of Evolve as at the date of this document, but there is no guarantee that the importance of different risks will not change or that other risks will not emerge.


Capital
raising

Capital raising, debt profile and dividend

- Evolve has agreed a capital management strategy with ASB, which was a condition of its re-negotiated banking facilities agreed in November 2018. Some key terms of the strategy are:
  - Evolve is seeking to raise NZ$63m of capital via a fully underwritten offer
  - NZ$30m of Evolve's bank facilities will be repaid and the facility limit reduced by that amount by 30 June 2019
  - Evolve will begin the Australian Initial Phase with NZ$25m of the capital raised to be applied to that purpose
- Capital raise proceeds of NZ$63.5m are to be applied as follows:
  - Reduction of debt: ~NZ$30.0m
  - Implementation of the Australian Initial Phase: ~NZ$25.0m
  - Working capital: ~NZ$5.5m
  - Costs of the Offer: ~NZ$3.0m
- The existing business (excluding the funds raised for the Australian Initial Phase) will have a FY19 pro forma Net Debt / Underlying EBITDA ratio of 0.6x immediately following completion of the Offer[1]
- Immediately following the capital raising Evolve will have a fully drawn acquisition loan of NZ$25.4m and a working capital facility of NZ$8.5m. The facilities expire in April 2022
- Following the capital raise and the reduction of debt, Evolve will be in a position to be able to recommence dividend payments. Dividends will be determined within a framework consistent with Evolve's most effective deployment of surplus earnings, either for distribution and/or reinvestment in the business. No dividend will be paid in respect of the FY19 year but the Directors expect to provide more specific guidance as to future dividend policy at the time of the Annual Meeting in August 2019

Pro forma impact on FY19 Net Debt



(1) Based on unaudited FY19 Underlying EBITDA of NZ$13.3m
(2) Excluding the costs of the Offer

Capital raising details

Offer	▪ 4.4 for 1 pro rata accelerated rights entitlement offer to raise approximately NZ$63.5m ▪ Approximately 793.2m New Shares are to be issued
Application Price	▪ NZ$0.08 or the A$ Price[1] per New Share, representing a 25.8% discount to TERP
Institutional Entitlement Offer	▪ The Institutional Entitlement Offer will be conducted from Wednesday, 8 May to Thursday, 9 May 2019 ▪ Entitlements not taken up and entitlements of Ineligible Institutional Shareholders will be offered for sale in the Institutional Bookbuild to be conducted on Thursday, 9 May and Friday, 10 May 2019
Retail Entitlement Offer	▪ The Retail Offer will open Monday, 13 May 2019 and close Wednesday, 29 May 2019 ▪ Entitlements not taken up and entitlements of Ineligible Retail Shareholders will be offered for sale in the Retail Bookbuild to be conducted on Friday, 31 May 2019
Ranking	▪ New Shares issued under the Offer will rank equally in all respects with Evolve's Existing Shares
Shareholder participation	▪ Chris Scott, Evolve's 19.0% shareholder (via J47 Pty Ltd) and Director, has committed to take up all entitlements under the Offer ▪ Evolve's other Directors who hold shares (Alistair Ryan and Norah Barlow) also intend to take up all entitlements under the Offer ▪ An entity associated with Chris Sacre has participated in sub-underwriting the Offer, and will subscribe for New Shares if there is a shortfall and either Bookbuild does not clear
Underwriting	▪ The Offer is fully underwritten by Forsyth Barr Group Limited and Canaccord Genuity (Australia) Limited

(1) The A$ Price will be the Australian dollar equivalent of NZ$0.08 which will be determined using the RBNZ AUD/NZD exchange rate on Friday 10 May 2019 at 3.00pm NZDT / 1.00pm AEDT

Capital raising timetable

Institutional Entitlement Offer and Institutional Bookbuild	
Announcement and trading halt	Wednesday, 8 May 2019
Institutional Entitlement Offer opens (10.00am NZDT, 8.00am AEDT)	Wednesday, 8 May 2019
Institutional Entitlement Offer closes (4.00pm NZDT, 2.00pm AEDT)	Thursday, 9 May 2019
Institutional Bookbuild	Thursday, 9 May – Friday, 10 May 2019
Record Date (7.00pm NZDT, 5.00pm AEDT)	Friday, 10 May 2019
Trading halt lifted on NZX / ASX (pre-market open)	Monday, 13 May 2019
ASX settlement	Thursday, 16 May 2019
NZX settlement	Friday, 17 May 2019
Allotment and trading of New Shares on NZX and ASX	Friday, 17 May 2019

Retail Entitlement Offer and Retail Bookbuild	
Record Date (7.00pm NZDT, 5.00pm AEDT)	Friday, 10 May 2019
Retail Entitlement Offer opens	Monday, 13 May 2019
Retail Entitlement Offer closes (5.00pm NZT, 3.00pm AEST)	Wednesday, 29 May 2019
Retail Bookbuild (trading halt in place)	Friday, 31 May 2019
ASX settlement	Wednesday, 5 June 2019
NZX settlement	Thursday, 6 June 2019
Allotment and trading of New Shares on NZX and ASX	Thursday, 6 June 2019

Appendix

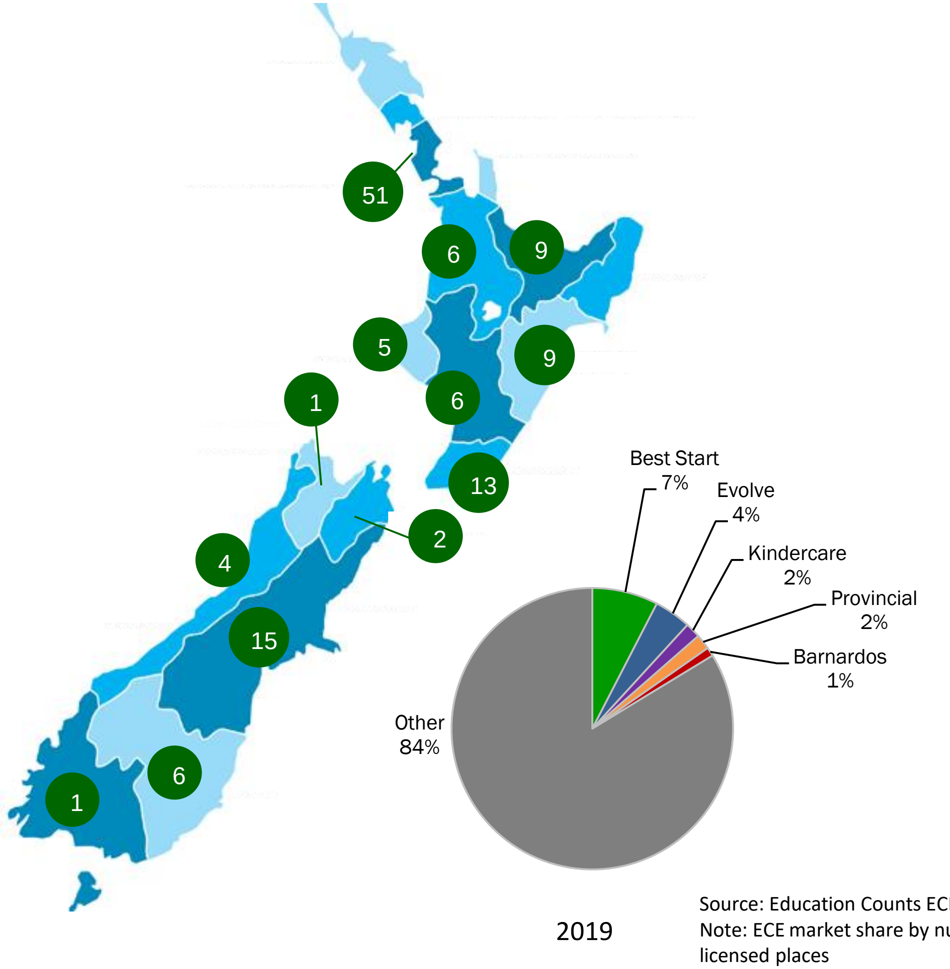
Evolve's New Zealand portfolio

- Evolve operates early childhood education centres throughout New Zealand
- Evolve's centres are predominantly well scaled with over 85% of centres being ≥50 licensed places
- All centres are leased, with stable, long term agreements in place

Key Operating Metrics	ECE Centres
Number of centres	128
Number of licensed child care places	9,218
Average licensed places per centre	74
FY19 blended occupancy[1]	76.5%
Average centre lease term	Approx. 18 years

(1) Blended annual average occupancy across all Mature Centres, based on New Zealand occupancy calculation

Evolve's centre locations and market share



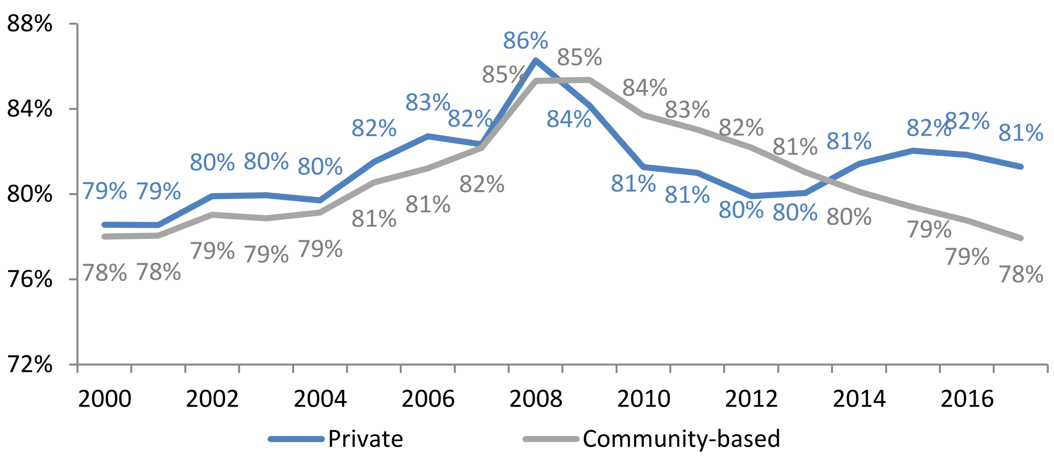
Source: Education Counts ECE Directory
Note: ECE market share by number of licensed places

New Zealand ECE market

- The ECE industry in New Zealand provides care to children until they begin primary school (generally up to age 5 – 6)
- There were approximately 4,500 ECE services in 2018, comprised of:
  - ECE centres: ~2,600, mainly growing
  - Kindergartens: ~650
  - Home based: ~430
  - Parent led[2]: ~860, mainly shrinking
- ~53 net additional ECE centres are opened annually[1]
- Evolve expects the focus on education quality in the Government's Strategic Plan for Early Learning to result in an increase to the currently low barriers to entry in the sector
- Another barrier to entry is capital (particularly to achieve scale)

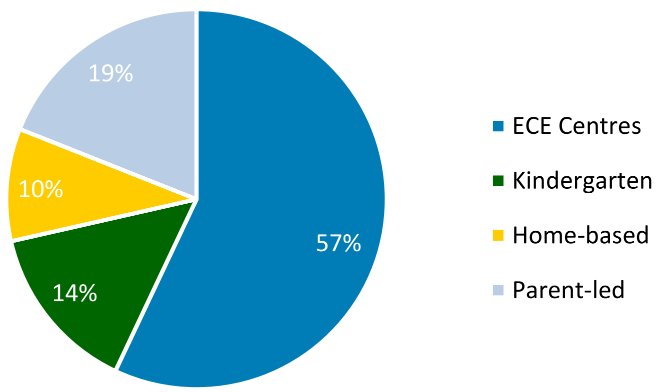
Source: Education Counts
(1) 5 year average (2014 – 2018), Total Education and Care.
(2) Parent-led includes Kōhanga Reo and Playcentre

ECE service occupancy rates[3]



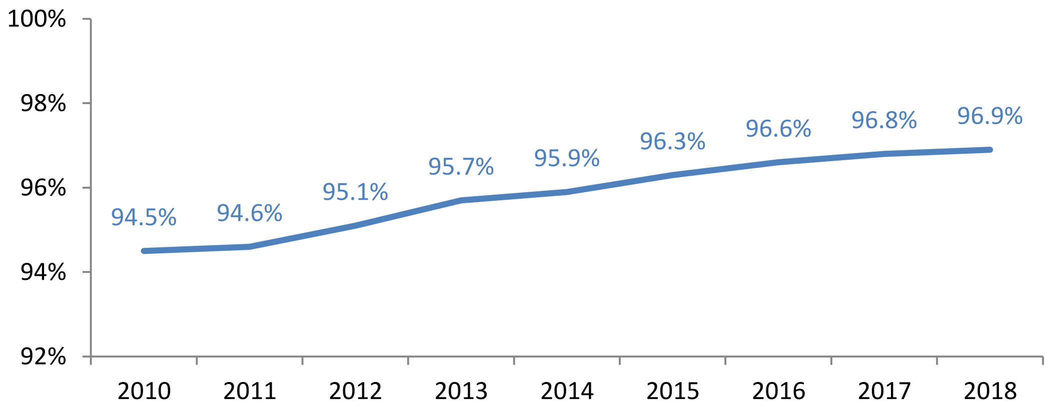
Source: Education Counts, Type: Education and Care, All Day
(3) New Zealand occupancy calculation

ECE industry market share[4]



Source: Education Counts, 2018. Excludes Casual Education and Care, Hospital Based Care and Correspondence School
(4) Market share by number of licensed ECE services

ECE participation prior to primary school[5]

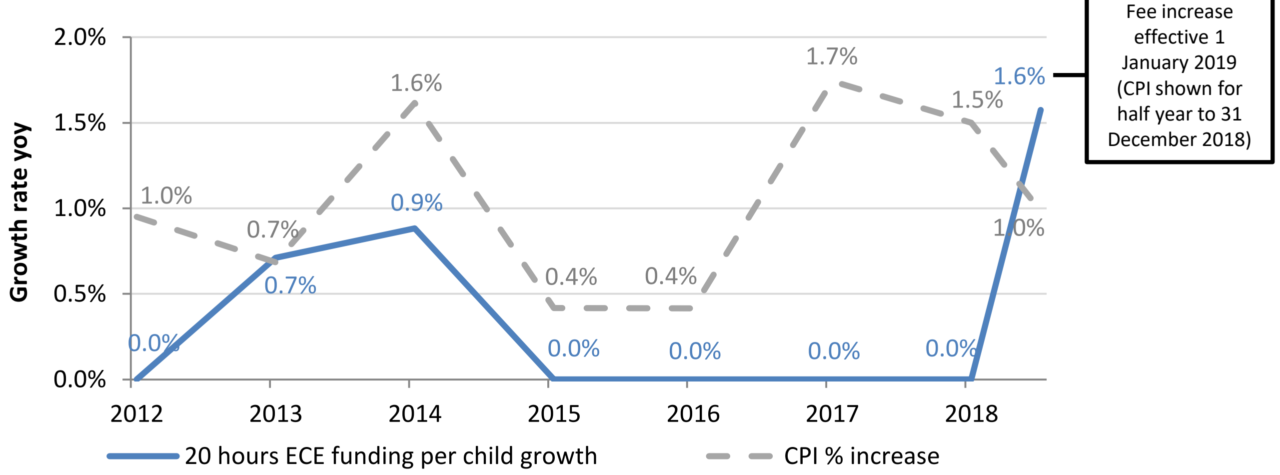


Source: Education Counts, September year end
(5) Participation rates show how many children have regularly attended ECE in the six months prior to starting school

ECE sector funding in New Zealand

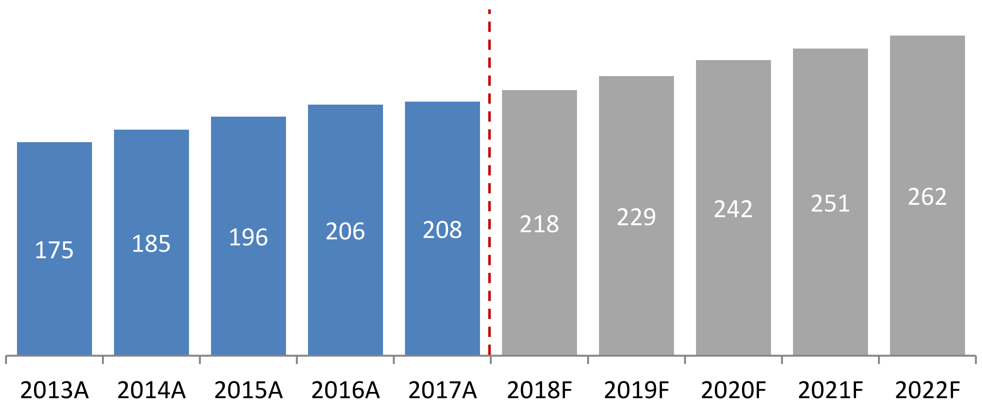
- The Ministry of Education provides full funding for 20 hours of ECE per week for children aged 3 and over, and a funding subsidy for up to 30 hours per week for all children up to 6 years old
- ECE services can charge fees to parents in addition to Government funding for children younger than 3, and for hours in excess of 20 per week for children aged 3 and over
- The first funding increase in 3.5 years was announced by the Government in January 2019. This amounts to a 1.6% increase in fees paid per hour

ECE funding rate growth



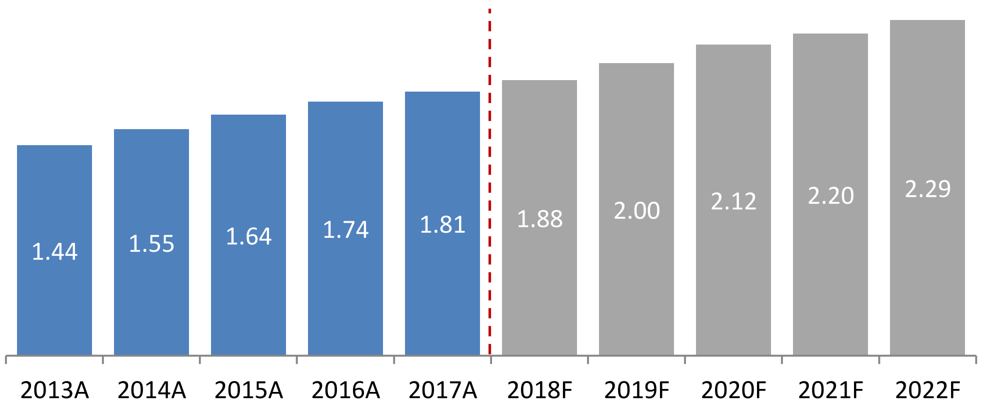
Sources: Education Counts, Statistics NZ. Note: Funding rates are for 20 Hours ECE, Education and Care, All-day Teacher-led 80%+

Number of ECE places provided (000)



Source: New Zealand Treasury

New Zealand Government ECE funding (NZ$bn)



Source: New Zealand Treasury

NZ Turnaround Plan: Progress Update

Goal	Plan	Actions to date
1. Deliver the highest quality outcomes for children	• Gain and maintain consistency of high quality delivery across all sites • Develop a best practice framework for all Evolve centres • Transitioning ERO reviews to 3-4 years for all centres	• GM Quality Assurance recruited • Centre Blueprint being implemented • Review of HR processes with a view to introducing innovation and ensuring best practice • Increase centre support being provided and positively received from People and Performance, Marketing, and Property teams
2. Retain children and families	• Build an awareness in centre managers of why customers choose Evolve centres and what will make them feel Evolve has delivered on its promises • Use real-time customer feedback to better identify, monitor and manage the triggers that cause a child/family to leave a centre prematurely	• Centres experiencing high customer turnover identified and strategies implemented to reduce turnover • Real time customer survey tool introduced (Ask Nicely) • Training sessions underway nationally to upskill centre managers on positive engagement and retention of families

NZ Turnaround Plan: Progress Update (cont.)

Goal	Plan	Actions to date
3. Retain staff – reduce turnover levels	• Develop a people strategy with a clear employment value proposition • Clarify the roles and responsibilities of regional, area and centre managers, ensuring they have the capability, motivation and appropriate support to perform these roles • Invest in the development of staff at all levels of the organisation • Drive organisational change to build a culture of success, accountability and self-leadership	• Senior operations roles appointed include a regional manager for the South Island, area managers for West Auckland, Wellington Central, Waikato and Bay of Plenty • People strategy completed; Evolve value proposition and three-year Turnaround Plan central to the strategy • Extensive support being provided to regional and area managers in all elements of their roles • Vision, values and mission reviewed, ready for relaunch • Work started on management and leadership development programmes • Engaged external provider to deliver professional training and education to staff • New human resources information system planning, process and technology mapping underway for implementation in early FY20
4. Grow revenue from the existing base	• Optimise the fee structure within each centre • Provide training and support to centre managers, assisting them to have appropriate price discussions with parents	• Competitor analysis and pricing/discount review completed and roll out of new fee schedule and systems controls underway

NZ Turnaround Plan: Progress Update (cont.)

Goal	Plan	Actions to date
5. Attract new families	• Better understand what customers are looking for and tailoring the offering and communications to resonate with them • Improve the relevance and quality of marketing to drive a step change in the level of new enquiries and enrolments • Refocus marketing operations to better meet the needs of the organisation, with a particular emphasis on centre-specific marketing	• New marketing team recruited, who are all working effectively with centres • All centre websites redesigned and updated with ongoing content updates • Advertising optimised to deliver stronger leads into the business • Strengthened sales training with centres to drive occupancy where needed • New customer relationship management platform under development, including product testing, user acceptance testing, web form integration, setup and configuration • New offers and channels tested • 50% increase in enquiries to our contact centre in Q4'19
6. Invest in the support office operations	• Build the capability and capacity of the senior and middle managers to better lead and manage • Establish a common centre blueprint of the key components/requirements of a successful centre • Provide head office support when and where it is needed to assist centre operations • Ensure consistent management focus on centre performance and earlier resolution of issues	• Organisational restructure completed with recruitment of 4 new GMs of: Centre Operations, Quality Assurance, People & Talent and Marketing • Regional and Area Manager roles review completed and recruited (with two remaining to fill) • New GM Property appointed and new team recruited • Recruitment for Area Manager roles underway

NZ Turnaround Plan: Progress Update (cont.)

Goal	Plan	Actions to date
7. Lift the presentation appeal of Evolve's centres	• Establish a coordinated and comprehensive maintenance and repairs programme • Invest in the capital expenditure requirements to bring all centres up to a high standard of presentation • Expand the property team to effectively and efficiently manage this programme of work	• Over 30 centres have been given internal re-paints • Property team of 4 established • Centralised repairs and maintenance function up and running to co-ordinate responsive maintenance needs of all centres in the portfolio • Integrated lease management system commissioned and operational • Property assessment of all centres completed by property team - FY20 draft capex plan developed
8. Improve the portfolio of centres	• Divest non-core centres based on agreed strategic criteria • Develop a plan for future acquisitions/developments to be pursued once the existing portfolio has stabilised	• Sale of Porse, Au Pair Link and ECE Management completed • 5 centres identified for sale - 1 sold, active marketing for remaining 4 centres ongoing • 1 centre closed

NZ: Next priority areas

Goal	Next priorities
1. Deliver the highest quality outcomes for children	• Review priority areas for the quality assurance and professional learning team with new GM • Continue to implement centre blueprint to gain consistency of high-performance
2. Retain families	• Continue optimising customer service at each point of engagement e.g. improving communications with parents • Implement retention targets to reduce family turnover rates at a centre level
3. Retain staff	• Review of attraction, recruitment/appointment and induction processes underway • Development of remuneration strategy and review of staff benefits underway • Development of new Evolve website with optimised careers section
4. Grow revenue from the existing base	• Complete revised pricing and discount project, including maximising funding • Work underway on optimising funding models with Area/Centre Managers

NZ: Next priority areas (cont.)

Goal	Next priorities
5. Attract new families	• Continue optimisation of the websites and marketing channels • Drive better conversion at every point of the sales pipeline • Trial-to-launch new customer relationship management system in Q2'20
6. Invest in the support office operations	• Ensure clear priorities and accountabilities for all support office roles • Support office managers to participate in management and leadership development programmes • System and vendor selection for human resources information system
7. Lift the presentation appeal of Evolve's centres	• New Project Manager to oversee the larger FY19 and FY20 capex projects • Finalise FY20 capex plan
8. Improve the portfolio of centres	• Complete sale of remaining 4 centres identified for sale • Consider sale of other centres that are not showing signs of improved performance

Reconciliation of non-GAAP Financial Information

NZ$m	Underlying (1) FY19 (Unaudited)	Impairment (2)	Net other (3)	FY19 (Unaudited)	Underlying (1) FY18	Porse GST Provision (4)	Impairment (2)	FY18
Total Income	150.2			150.2	159.0			159.0
Operating expenses	(137.0)		(0.1)	(136.9)	(137.3)	3.0	13.9	(154.2)
EBITDA before acquisition and integration expenses	13.3		(0.1)	13.3	21.6	3.0	13.9	4.7
Acquisition expenses					(0.1)			(0.1)
Integration expenses					(0.0)			(0.0)
Depreciation	(2.7)			(2.7)	(2.6)			(2.6)
Amortisation	(0.4)	107.1		(107.6)	(0.6)			(0.6)
EBIT	10.1	107.1	(0.1)	(96.9)	18.2	3.0	13.9	1.4
Funding costs	(2.8)			(2.8)	(1.6)			(1.6)
Profit before taxation	7.4	107.1	(0.1)	(99.7)	16.7	3.0	13.9	(0.2)
Taxation	(2.1)		0.0	(2.1)	(4.6)		(0.7)	(4.0)
Net Profit After Taxation	5.3	107.1	(0.0)	(101.8)	12.0	3.0	13.2	(4.2)

(1) EBITDA (underlying) for FY19 is unaudited EBITDA before the after-tax impairment expense of NZ$107.1m, being an impairment of goodwill relating to the acquisition of early childhood education centres in prior periods; for FY18 this is EBITDA before the Porse GST provision, the after-tax impairment expense of NZ$13.2m relating to the Home-Based Division and the closure of one early childhood education centre, acquisition and integration costs. EBITDA is a non-GAAP measure and is not prepared in accordance with NZ IFRS. This measure is intended to supplement NZ GAAP measures presented in Evolve Group financial statements, should not be considered in isolation and is not a substitute for those measures

(2) For FY19 impairment expense with respect to ECE Centres; for FY18 impairment expense with respect to Home Based ECE division, and closure of one centre. FY19 unaudited impairment figure is an estimate only and, accordingly, is not audited and has not been reviewed by Evolve's external auditor. Following the audit process, the FY19 impairment figure in this presentation may change

(3) Net gain on sale of assets sold, including sale of home based division and one ECE centre, and onerous lease expense

(4) NZ$3m expense to settle the historic PORSE GST matter - a non-recurring expense

Impairment

- The net loss recorded for the year was due to the impairment of a goodwill expense recognised in the financial statements. Evolve recorded a non-cash expense of NZ$107.1m for the impairment of goodwill relating to the acquisition of early childhood education centres in prior periods. Declining enrolments in FY18 and FY19 have reduced the current profitability of the portfolio of centres

- In assessing the carrying value of goodwill, the company undertakes a number of assessments, primarily focusing on a value in use model, which is highly sensitive to relatively small changes in key assumptions. The company also considered the share price movement since the interim result

- Since the interim financial result for FY19, the further decline in occupancy in the final stages of FY19 and further increased investment in head office support have impacted the value in use model for the year ended 31 March 2019 leading to the company recording a further $75m impairment expense in the second half of the 2019 financial year

- Evolve remains confident that the operation and profitability of the centre portfolio will improve over the next three years, however an impairment is required in accordance with financial reporting standards and auditing requirements

Glossary

Term	Description
1H	The first half of a Company financial year, ending 30 September
ABS	Australian Bureau of Statistics
ACECQA	Australian Children's Education & Care Quality Authority
Australian Initial Phase	Refers to the initial phase of the Australian expansion strategy, acquiring up to 12 centres in Australia for a total cost of up to NZ$25m
Australian occupancy calculation	Children attending per day as a percentage of the number of licensed places
CCS	Child Care Subsidy
Company	Evolve Education Group Limited
EBITDA	Earnings before interest, tax, depreciation and amortisation. EBITDA is a non-GAAP measure and is not prepared in accordance with New Zealand IFRS. This measure is intended to supplement New Zealand GAAP measures presented in Evolve Group financial statements, should not be considered in isolation and is not a substitute for those measures
ECE	Early childhood education
ERO	Education Review Office
FTE	Full time equivalent children, based on a 6 hour MoE funded day
FY	Company financial year, ending 31 March
LDC	Long day care, centre based childcare (birth to 12 years) provided by professional staff in Australia
Mature Centres	Centres acquired by Evolve as a going concern from a third party vendor. As at the date of this presentation, Evolve has a total of 128 centres which includes 123 Mature Centres and 5 development centres
MoE	Ministry of Education
Net Cash	The value of cash and cash equivalents and the balance sheet asset for MoE funding receivable, less borrowings and the balance sheet liability for MoE funding received in advance
Net Debt	The value of borrowings and the balance sheet liability for MoE funding received in advance, less cash and cash equivalents and the balance sheet asset for MoE funding receivable
Net Debt / Underlying EBITDA	Ratio of Net Debt at period end to Underlying EBITDA for the last 12 months
New Zealand occupancy calculation	The total MoE funded child hours claimed, as a percentage of the maximum Government funded hours available (licensed capacity x 30 hours/week)
TERP	Theoretical ex-entitlements price, which is equal to the average price of 4.4 New Shares at the Application Price of NZ$0.08 per New Share and 1 Existing Shares of NZ$0.23, being the closing price as at 7 May 2019
Turnaround Plan	The three year plan to improve New Zealand operations announced in the 1H19 results, with eight strategic priorities, focusing on staffing, marketing and facilities management
Underlying EBITDA	EBITDA before any material non-recurring items

Capitalised terms used in this presentation and not otherwise defined above have the specific meaning given to them in the Glossary at the back of the Offer Document

Disclaimer

The information in this presentation is an overview and does not contain all information necessary to make an investment decision. It is intended to provide interested parties with further information about a pro rata accelerated rights entitlement offer of New Shares in Evolve Education Group Limited ("Evolve", the "Company") under clause 19 of Schedule 1 of the FMCA and pursuant to the provisions of section 708AA of the Corporations Act 2001 (Cth) (as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84 and ASIC Instrument 16-0626).

This presentation is not a product disclosure statement or other disclosure document for the purposes of the FMCA. No legal or other obligation will arise between an interested party and any of Evolve, its related companies, or any other person, in relation to the Information. Any decision to acquire New Shares should be made on the basis of the separate offer document to be lodged with NZX (the "Offer Document"). Any Eligible Shareholder who wishes to participate in the Offer should review the Offer Document and apply in accordance with the instructions set out in the Offer Document and the Entitlement and Acceptance Form accompanying the Offer Document or as otherwise communicated to the Eligible Shareholder. This presentation and the Offer Document do not constitute an offer, advertisement or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer, advertisement or invitation.

All of the data provided in this document is derived from publicly available information in relation to Evolve (including Evolve's annual report for its financial year ended 31 March 2018 and Evolve's interim financial report for the six months ended 30 September 2018), unless otherwise indicated. FY19 unaudited financial information is taken from management accounts and, accordingly, is not audited and has not been reviewed by Evolve's external auditor. Following the audit process, the FY19 unaudited financial information in this presentation may change.

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