



Oversupply still a challenge for G8 education

Company/ASX Code	G8 Education Ltd / GEM
AGM date	Wednesday 17 April 2019
Time and location	11 am at The Mantra on View Hotel View Ave Surfers Paradise Qld
Registry	Link Market Services
Webcast	NA
Poll or show of hands	Poll on all items
Monitor	Geoff Orrock
Pre AGM Meeting?	Yes, with Chair Mark Johnson

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

The company described 2018 as another year of challenges, with an oversupply of places which continued to overhang the sector throughout the year, with slight improvement in the second half.

Revenue was \$851m, an increase of 7% on 2017. Expenses were \$755m, an increase of 11%. Earnings before interest and tax (EBIT) for the year was \$136m, a fall of \$20m. Net profit after tax (NPAT) was \$71.8m, down \$8m on 2017.

The full year dividend paid fell 4 cents per share (cps) to 14 cps and total shareholder return (TSR) was (13.9)% with the share price falling back to \$2.83 at year's end, recovering at end March 2019 to \$3.05.

Significant progress was made with GEM's Strategic Plan to optimise the network of childcare centres. G8 believes the Group has an opportunity to use its scale to build a differentiated experience for both its families and its team, with the end result that G8 centres become the centre of choice in all of the markets in which it operates. A central component of building the centre of choice is the quality of the centre, from both an asset and team capability perspective. Over 170 refurbishment and asset improvement activities were undertaken in 2018. From a team capability viewpoint, the Group developed and rolled out new training programs in relation to the national quality standards, with further programs currently under development for roll-out in 2019. These activities improved the quality of centres, with G8's portfolio centre quality exceeding national standards for the first time.

Summary

(As at Calendar year end)	2018	2017	2016	2015
NPAT (\$m)	71.8	80.6	80.3	88.6
UPAT (\$m)	79.4	92.9	93.3	87.1
Share price (\$)	2.83	3.45	3.59	3.57
Dividend (cents)	14	18	24	24
TSR (%)	(13.9)	(0.6)	7.3	(8.6)
EPS (cents)	15.9	18.9	21.2	24.2
CEO total rem, actual (\$m)*	0.905	0.793	0.896	0.745

* includes prior year STI

For CY 2018, the CEO's total actual remuneration was **11 times** the Australian Full time Adult Average Weekly Total Earnings based on data from the Australian Bureau of Statistics.

Item 2	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

Following shareholder approval, G8 Education implemented a new Remuneration Plan in 2017.

Fixed remuneration (FR) is pitched at a level between the median and the 65th percentile of the market. The MD's FR in 2018 was \$760,000, a relatively modest base.

Remuneration at risk is provided through both Short Term incentive (STI) and Long Term incentive (LTI). For the MD the opportunity for both STI and LTI is 75% of FR each, giving a mix in the ratios 40:30:30. Key management personnel (KMP) have lower incentive values.

A table of 5-year Performance and Executive Remuneration Comparison is provided as is a table of Actual Remuneration, although it should be noted that incentive payments shown in the latter relate to the prior year, ie 2017.

STI is paid to incentivise achievement of the Financial Plan (65% of FR) and other specific KMP annual objectives (10% of FR). If the financial plan is not achieved, then grant of STI is limited to 10% of FR. The required achievements are detailed in the Annual Report.

STI is granted 50% in cash and 50% in equity, for amounts above \$150,000. The equity component is locked for 1 year depending only on service.

In calendar year 2018 (CY18) the Financial Plan was not achieved and STI to be paid was 5% of FR.

LTI opportunity for the MD is 75% of FR. LTI is paid as Performance Rights (PR) which are issued at no cost. The number of PRs granted is calculated using a market value.

The vesting period is 3 years and there is a single vesting hurdle of cumulative annual growth rate (CAGR) of underlying earnings per share (EPS). If CAGR of EPS is below 10% pa no LTI vests and at

15% pa all LTI vests with straight line ratio of vesting between 10% and 15%. This is a very challenging target.

There are also hedging and lending prohibitions and a clawback clause.

No LTI vested in CY18.

Board non-executive director (NED) base fees are \$140,000 and the Chair's fee is \$285,000. Committee chairs receive \$25,000 but there is no additional fee for committee members.

In all, the remuneration levels are modest and aligned with shareholder return and ASA intends to support this resolution.

Item 3	Re-election of Mr Mark Johnson as a Director
ASA Vote	For

Summary of ASA Position

Mr Johnson joined the Company's Board as Chair on 1 January 2016.

He is an experienced Chair and company director with a diverse portfolio. He was a Director of Westfield Corporate Limited until June 2018, and is currently a Director of Coca-Cola Amatil Limited and a Director on other non-listed company boards. Prior to embarking on his Board career, Mr Johnson was the Chief Executive Officer and Senior Partner of PricewaterhouseCoopers (PwC), one of Australia's leading professional services firms, from July 2008 to June 2012. His former roles include Chair of the PwC Foundation, member of the Auditing and Assurance Board and Deputy Chair of the Finance and Reporting Committee at the Australian Institute of Company Directors. Mr Johnson is a Fellow of the Institute of Chartered Accountants and the Australian Institute of Company Directors, and holds a Bachelor of Commerce from the University of NSW.

Mr Johnson holds 60,000 G8 Education shares.

Item 4	Re-election of Mr David Foster as a Director
ASA Vote	For

Summary of ASA Position

Mr Foster joined the Company's Board on 1 February 2016 and is Chair of the Nominations Committee.

He has had a career in financial services spanning over 25 years, with his last executive role being Chief Executive Officer of Suncorp Bank. Since leaving Suncorp, Mr Foster has developed his career as an experienced NED with a portfolio of Board roles across a diverse range of industries including financial services, retailing, local government, education and professional services. He currently serves as Chair of MotorCycle Holdings Limited and Thorn Group Limited, and as Director of Genworth Mortgage Insurance Australia Limited.

Mr Foster holds 22,976 G8 Education shares.

Item 5	Issue of Performance Rights to MD/CEO
ASA Vote	For

Summary of ASA Position

The company seeks shareholder approval for the granting of 198,119 Performance Rights to the Company's MD and CEO, Mr Gary Carroll, under the G8 Executive Incentive Plan (GEIP), and also approval for the vesting of the Performance Rights granted to Mr Carroll in the event that Mr Carroll ceases employment with the Company in certain circumstances.

The number of Performance Rights has been calculated by dividing the dollar value of Mr Carroll's strategic LTI opportunity by the value of each Performance Right which was determined using the 5 day volume weighted average price of the Shares up to and including 1 March 2019, being \$3.1799 per Share.

The individual involved in the preparation of this voting intention does not have a shareholding in this company.

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