

ASX Announcement

G8 Education Limited
(ASX:GEM)



20 September 2021

ACQUISITION OF LEOR

G8 Education Limited (the “**Group**” or “**G8 Education**“, ASX: GEM) today announces that it has entered into an agreement to acquire Leor Pty Ltd (“**Leor**”), a small but rapidly growing provider of in-home childcare and NDIS services, for an upfront cash consideration of \$2m. The total potential consideration payable is \$9.5m and is contingent upon earnings targets being achieved over 3 years from CY22 through to CY24.

The acquisition of Leor provides G8 Education with a platform for entry into the underserved in-home child care and specialised NDIS segments for children. This offering will deepen and extend G8 Education’s support for families with complex needs by providing flexible, high quality care in a personalised “family home” environment.

Leor will operate as a newly established specialist care division within G8 Education, under the leadership of Leor Founder and Managing Director Andrea Christie-David. Leor’s proven operating model, developing capability set and aligned cultural values are a good strategic fit for G8 Education. The business operates in most states and territories and is an approved provider of In Home Care under the Commonwealth Government’s Child Care Subsidy scheme (“**In Home Care**”). Leor is also a registered NDIS provider, with approval to deliver a broad range of services, including specialist early intervention and allied health supports to children across Australia.

Leor is the only certified B Corporation in the early learning sector in Australia, which is third-party verification of its ethical business practices. Leor is ready to scale and meet the significant and growing latent demand in the in-home child care and NDIS segments, including supporting families within the existing G8 Education network. Moreover, G8 Education views its ability to provide a more flexible and varied work offering to its Educators through this acquisition to be an important component of its team retention and attraction strategy.

The acquisition will be funded from the Company’s existing cash reserves and is subject to customary closing conditions. Leor is expected to be self-funding following a modest initial investment in capability and is expected to have a neutral impact on the Group’s CY22 earnings.

Whilst the In Home Care scheme is capped¹, Leor’s research suggests that it is under-utilised, and specialist NDIS services to children have opportunities for growth under the recently announced NDIS ‘early childhood approach’. Both segments are well supported by Commonwealth Government funding. Leor estimates that the underserved NDIS segment for children in the early childhood and school aged brackets to be in excess of \$1.3 billion². While Leor’s profit contribution to the Group in the short term is not likely to be material, G8 Education views this acquisition as providing a significant growth opportunity over the medium to long term particularly as businesses and families continue to adapt to an evolving COVID-19 environment.

¹ In Home Care came within the Child Care Subsidy scheme in 2018

² Lark estimate based on the NDIS publication “*Young people and the NDIS*” dated 30 June 2020, which outlines average utilisation of annualised committed supports in approved NDIS plans for children aged 0 – 14 (p40).

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G8 Education CEO Gary Carroll said:

"We are excited for Leor to become part of the G8 Education network, and are delighted that Andrea will be joining us, to continue to lead the Leor business and establish the specialised care division. We believe there is a real growth opportunity in the in-home and specialist care markets and see this acquisition as being an attractive adjacent opportunity for our business. It will enable us to expand our service offering, provide greater convenience and flexibility for families and team members, and potential new sources of revenue growth for the business. Leor is a great strategic fit for G8 Education and we see wide ranging opportunities to work together to grow the offering over the medium term."

This acquisition is consistent with our overarching focus on driving quality across the business, and finding new and innovative solutions for families, to meet their evolving needs. It also comes at a critical period for families, who are balancing changing work practices – including work-from-home arrangements, with the desire to have greater flexibility over their child care arrangements."

Leor Founder and CEO, Andrea Christie-David said:

"As a lawyer and mother of three who built this business from scratch, I know firsthand the pain points felt by families when it comes to finding quality care that is flexible and responsive to each child's learning needs and family situations. I have enjoyed seeing Leor grow since I first developed the concept, yet have been hampered by the fact that demand for our services always outstripped supply, especially since the pandemic began and families sought alternative solutions to their child care needs. Becoming part of the G8 Education network is the perfect opportunity for Leor to now meet that demand by accessing G8 Education's scale and expertise to continue our growth."

Since we began delivering services under the NDIS we have been achieving positive outcomes for children with complex needs through our unique holistic early intervention model. We believe that joining the G8 Education group will enable us to deliver positive results for even more children and families accessing the NDIS across the country. This exciting opportunity provides Leor with the ability to expand our platform and deliver services to families who are looking for tailored learning and specialised NDIS supports, in their own home, at the times that work for them."

ENDS

This document has been authorised for release by the Board of Directors.

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