

## ASX Announcement

Mayfield Childcare Limited (ASX:MFD)

31 December 2024

## New Incubator, Placement to Raise \$4.6M and Restructure

Mayfield Childcare Limited (“Mayfield” or the “Company”) is pleased to announce a new incubator partnership and a strategic restructure of operations, supported by an institutional placement.

Key highlights:

- **New Incubator Partnership:** Mayfield has secured an Incubator Agreement (“Incubator”) with a newly formed Incubator partner, backed with working capital provided by Finexia Limited (ASX:FNX) (“Finexia”) and to be led by Mayfield’s outgoing CEO, Ashok Naveinthiran, upon his departure from the Company. The new Incubator structure improves strategic and operational alignment, reducing the transitional risk from potential future acquisitions under the Incubator. The Company’s existing incubator partnership with Genius Learning Pty Ltd (“Genius”) will no longer be a potential source of centre acquisitions for the Company.
- **Operational Restructure for Enhanced Performance:** To position the Company for optimum performance, the Board has approved the divestment of a portfolio of centres in Queensland and Victoria which are either underperforming or in clusters attracting a disproportionate level of management costs. In connection with the planned divestment, the Company’s support office staff and related costs will be reduced by approximately 15% - 20%<sup>2</sup> reflecting the commensurate needs of the business.
- **Placement to Support Strategic Initiatives:** Mayfield has received commitments for \$4.6 million through a capital raising utilising the Company’s existing placement capacity under ASX Listing Rule 7.1. Proceeds will be used to support the Company’s restructure initiative and to strengthen the balance sheet ahead of the Early Childhood Education and Care (“ECEC”) Worker Retention Grant implementation and upcoming bank facility renewal in 2025.

### New Incubator Partnership

The Mayfield Board is pleased to announce a new Incubator partnership with Steps Learning Pty Ltd (“Steps”). As part of the partnership, Mayfield has strategically acquired a 10% equity interest in the new incubator Steps, with working capital support for the new incubator provided by Finexia.



1. Mayfield had advised Genius Learning under its existing Incubator agreement that it would not acquire these centres as the centres did not currently meet the Company’s operating performance thresholds.
2. Based on a reduction in FTE as a pct of annualised Head Office staff and related costs as at 30 June 2024.
3. Values have been rounded to three decimal places for illustrative purposes.

- Under the terms of the Incubator agreement, Steps will undertake to expand its portfolio in alignment with Mayfield's strategic growth objectives, guided by a mutually agreed development plan.
- Steps has entered into a Management Agreement with Mayfield for Mayfield to provide services for the Steps portfolio. The management fees are to be agreed and set through an appropriate arms-length process and will have a positive impact on Mayfield's earnings in 2025.
- Mayfield will retain a right of first refusal over all centres within the Steps portfolio and will be granted an option to acquire centres as they meet specific performance thresholds, on acquisition terms to be determined through an appropriate arms-length process.
- Prior to the establishment of this partnership, Steps separately acquired 10 early learning centres from Genius Learning-related entities<sup>1</sup>, with acquisition financing provided by Finexia. Steps will seek to acquire a further 10 centres from Mayfield through the implementation of the restructure of Mayfield's operations as set out below.
- Mayfield may seek to expand its equity interest in Steps up to 20%, subject to mutual agreement on pricing and structure.

**Patrick Bell, CEO, Finexia stated** *"We are proud to have taken an active role in supporting this strategic collaboration between Mayfield and Steps. As the leading non-bank financier in the childcare sector, we have tailored a financial structure designed to support Steps in refining its operations, expanding its portfolio and importantly, aligning with Mayfield's growth strategy over time. We are proud to have Steps, and by extension Mayfield, join Finexia's network of established, medium-sized operators, reflecting our ongoing commitment to the sector."*

**Ashok Naveinthiran, CEO, Mayfield stated** *"I am excited to lead Mayfield's new Incubator with the common goal of creating long-term sustainable value by delivering high-quality acquisition targets which are de-risked by having a closely aligned partner. Having the support of Finexia, a leading financier within the sector, as financial partner provides the Incubator with a strong foundation and the stability needed to drive strategic expansion."*

## Restructure of Operations and Divestment

To position the Company for future success, the Board has approved a strategic restructure including the proposed divestment of 10 centres (5 in Queensland and 5 in Victoria) that continue to underperform or are located in subscale clusters incurring high management costs.

- The divestment is intended to occur in stages to Mayfield's new Incubator partner, Steps, subject to an independent expert assessment of the consideration payable for centres which are currently loss making.



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- In connection with the proposed divestment, Mayfield will retain an exclusive option to buy back the centres under equivalent terms, thereby preserving the Company's long-term value.
- The expected date for completion of the proposed divestment is Q1 2025.
- As a result of the restructure, Mayfield will reduce its support office staff and related costs by approximately 15 - 20%<sup>2</sup> to reflect the demands of the continuing portfolio and streamlined operations. Support office savings and timing are subject to the scope of works required under the Management Agreement through its transitional phase, which are to be agreed.
- As part of the proposed restructure, management will undertake a review of the carrying value of its intangible assets directly associated with its strategic plans to ensure the carrying value aligns with the updated portfolio and strategic outlook.

Following the implementation of the restructure, Mayfield anticipates a significant uplift in earnings and a strong increase in overall occupancy levels.

### Support via Placement

To support the proposed restructure and to strengthen the balance sheet ahead of the implementation of the ECEC Worker Retention Grant and bank facility renewal in 2025, Mayfield is pleased to advise that it has received commitments to complete a \$4.6 million capital raising via an institutional placement of 9,837,992 fully paid ordinary shares to new professional and sophisticated investors ("Placement"), utilising its existing placement capacity under ASX Listing Rule 7.1.

The shares issued under the Placement will be issued at a price of \$0.465<sup>3</sup> per share representing a 5% discount to the 10-day VWAP up to and including 20 December 2024 of \$0.490<sup>3</sup> and a 5% discount to the last closing price of \$0.490 on 20 December 2024 (most recent trading day).

The Company has engaged Lazarus Securities Pty Ltd to act as lead manager of the Placement. An indicative timetable for the Placement is outlined below:

Placement announcement – Company resumes trading	Tuesday, 31 December 2024
Settlement of New Shares issued under Placement	Thursday, 2 January 2025
Allotment and issue of New Shares under Placement	Friday, 3 January 2025

**Chairman, David Niall stated** *"The Board, including Roseanne Healy and recently appointed Directors, Heidi Beck and Greg Johnson, has been very focused on positioning the Company for sustained success. The capital raise, coupled with the proposed restructure, will provide stability for the Company and is expected to be earnings accretive on a per-share basis for shareholders. We believe that the changes put in place will mitigate the risks facing the Company heading into 2025 and establish the basis for improved performance and long-term shareholder value creation."*



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3. Values have been rounded to three decimal places for illustrative purposes.

**For further information, please contact:**

**David Niall**  
Chairman  
dniall@mayfield.com.au

**Roseanne Healy**  
Non-Executive Director  
rhealy@mayfield.com.au

**Greg Johnson**  
Non-Executive Director  
gjohnson@mayfield.com.au

**Heidi Beck**  
Non-Executive Director  
hbeck@mayfield.com.au

**Ashok Naveinthiran**  
Chief Executive Officer  
anavein@mayfield.com.au

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