

Tree House Education and Accessories Ltd



**Q1 FY16 Result
Presentation
05 August, 2015**

Overview of Tree House



Overview of Treehouse

Tree House is India's leading educational service provider operating the largest number of branded self-operated pre-schools



India's largest self operated pre-school chain



Self operated pre-school chain targeting a large untapped segment: the urban aspirational

Playgroup, Nursery, Jr. KG and Sr.KG



School management services to K-12 schools in strong pre-school clusters

Pre-Schools

K-12



Pre-schools



Pre-school Business Model



Self-operated
Pre-schools

Franchise
Pre-schools

OFFERINGS

- Playgroup
- Nursery
- Junior KG
- Senior KG
- Day Care Service
- Teacher Training Course
- Summer Camp
- Hobby/Activity Class

Our Advantage

High-Quality Programs

- Tree House's unique curriculum blends the best of Playway and Montessori methods to provide a perfect balance of education and fun
- Curriculum content delivered uniformly across the country

Holistic Developmental Education

- Learning methods develop the child's social, physical, emotional & cognitive skills
- Emphasis on role play and socio-dramatic plays (promoting out of the box thinking)
- Learning outcomes measured for every child every year
- Innovative teaching methods introduce the child to formal education in the most conducive manner

Student-Focused

- Programs are designed to cater to the needs of each child in a customized way to help physical and intellectual growth

Focused Faculty

- Regular nationwide training for all teachers
- Teacher productivity and output constantly measured

Tree House's USPs

- Monthly updates to parents through newsletters
- Parent involvement in special activities



Logical extension of pre-school business – pre-schools as feeders to K-12



The company enters into long term contracts to provide school management services



The company endeavors to leverage the Tree House brand



Provide school management services to K-12 schools in strong pre school clusters



Annuity model with predictable cash flows delivering year-on year growth

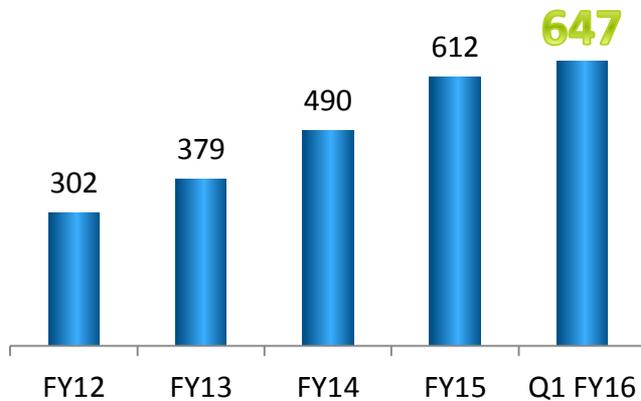


The company owns K-12 infrastructure on which it earns lease rentals. The company has recently closed the first transaction for monetizing these assets and will endeavor to conclude the entire process over the next 24 months

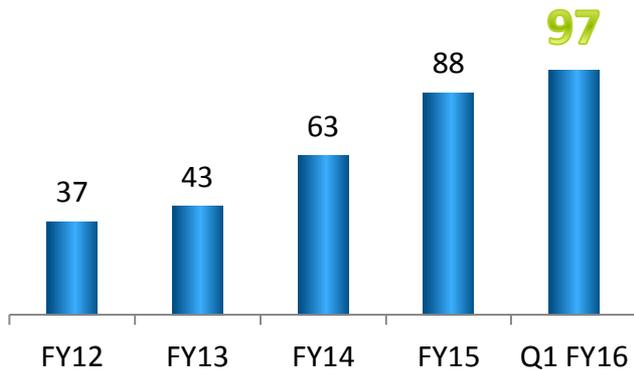
Our Network

Nationwide presence

Tree House Pre-schools – No. of Centers



Tree House Pre-schools – No. of Cities



Network as of 30 June, 2015

Tree House K-12 schools

24
schools

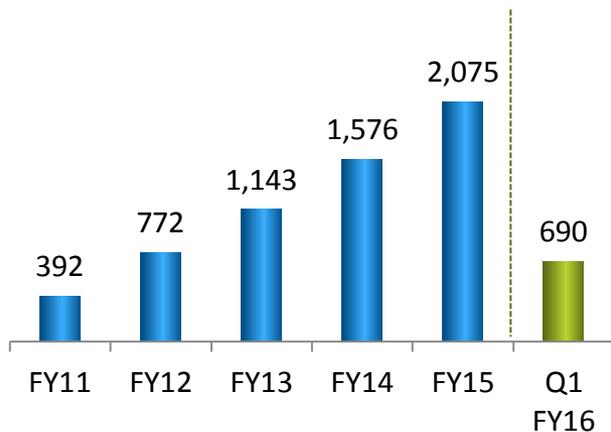
Present in Maharashtra, Gujarat
and Rajasthan

Financial Overview

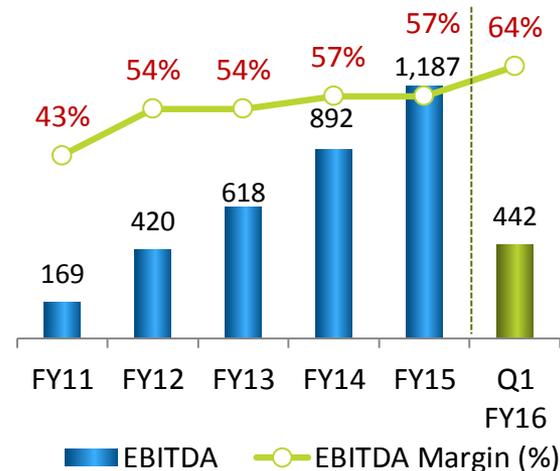


Financial Trends

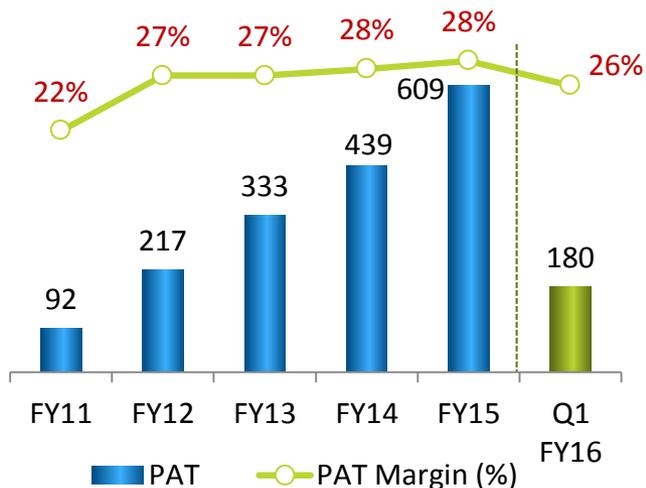
Revenues from Operations (Rs mn)



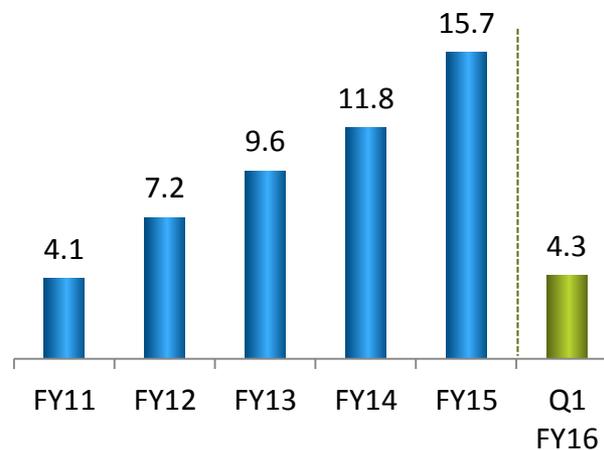
Operational EBITDA (Rs mn) & Margins



PAT (Rs mn) & Margins



Diluted EPS (INR)



Note

1: In Q1 FY16, Lease Rent Equalization aggregating to Rs 32.2 mn was recognized as Income in the earlier years. Pursuant to the sale of the immovable property from which the revenue was derived the same has been written off

2: In Q1 FY16 tax expenses includes Deferred tax of Rs. 22.6 mn pertaining to the quarter ended March 31, 2015



Q1 FY16
Performance



Operational Highlights

Pre Schools

35 net addition of pre-schools in Q1 FY16



647 centers as on June 30, 2015

- The number of self-operated preschools is 540
- Ratio of self operated preschools to total preschools is 83.46%
- The Company's initiative to provide low cost quality pre-primary education under the GLOBAL CHAMPS brand is now available at 5 centers in Mumbai

Present in **97** cities in India

- New cities launched in the Q1 FY 2016 are: Solapur, Sangli, Akola, Bareilly, Aurangabad, Satara, Amravati, Hoogly, and New Delhi



Operational Highlights

K-12 School management services

- The Company is providing school management services to 24 K-12 schools in 3 states in India



Employee Strength

- Total staff strength as on June 30, 2015 is 2,271
- Total teacher strength as on June 30, 2015 is 2,155

Day Care

- The Company has expanded its daycare foot print, now in 190 centers due to encouraging response from the parents and the Company believes that this service will contribute meaningfully in the future. The Company has entered into tie ups with large employers in the IT, ITES, banking and consulting space to provide daycare services for their employees.



Financial Highlights

Particulars (in Rs. mn)	Q1 FY16	Q1 FY15	Growth
Revenue from Operations	690.3	539.1	28.1%
Operational EBITDA	441.9	332.8	32.8%
<i>EBITDA Margin</i>	<i>64.0%</i>	<i>61.7%</i>	<i>229 bps</i>
PBT*	306.4	242.4	26.4%
PAT*	180.2	160.6	12.0%
<i>PAT Margin</i>	<i>26.1%</i>	<i>29.0%</i>	<i>(369)bps</i>

*Note

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2: Tax expenses includes Deferred tax of Rs. 22.6 mn pertaining to the quarter ended March 31, 2015

Management Views

Commenting on the Q1 FY16 results, Mr. Rajesh Bhatia, Managing Director of Tree House, said, “We have initiated the year on a positive note with Tree House reporting a solid financial and operating results for the first quarter. In Q1FY16, we opened 35 new centers and as a result, we are today spread across 97 cities with our total pre-school count at 647. This has enabled to increase our topline by 28.05%.

We provide high quality education that is a strong launch platform to the lives of thousands of children across the country. Gaining nationwide acceptance, we continue to extend our pre-school network to a large number of new cities and have simultaneously penetrated into regions that already have Tree House centers.

In addition to the ongoing growth of pre-schools, we are steadily enhancing the number of day care centers that operate from common premises post school hours. We believe that there is significant untapped demand for daycare services and are confident that our offerings in this space, set to a high standard, will once again create new and successful trends in this segment.

A key area where we are continuing to focus on is the monetization of our K-12 assets. We are committed to the same.

For FY16, our priorities will be on leveraging our strong on-the-ground systems and processes to accelerate the expansion of our network. In FY16, we look forward to entering new markets like Delhi-NCR along with several other attractive markets across the country. We target 150 new pre-schools this fiscal year. With that, we are confident that our acknowledged position as a leading player in the pre-school education space will enable us to capitalize on the immense unlocked potential this sector presents.”

Outlook



Growth Initiatives

- ✿ Expansion
 - Continue thrust on expanding pre school center network in new and existing geographies
- ✿ Focus of Training and Development
 - Create a platform to encourage talent growth
 - Sustained investments towards Tree House's in-house training system to deliver quality education
- ✿ Leverage diversified offerings – Daycare & Teacher Training Program
 - Day care facility is a natural extension of the pre-school center and enables the Company to sweat assets and have optimal utility
 - Professionally conducted program enables women to become qualified teachers.
- ✿ Monetize Assets
 - Committed towards monetizing investments in physical assets of K-12 schools and moving towards an asset-light operating structure





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