

Tree House Education and Accessories Ltd



**Q2 & H1 FY16 Result
Presentation
08 November, 2015**



Overview of Tree House



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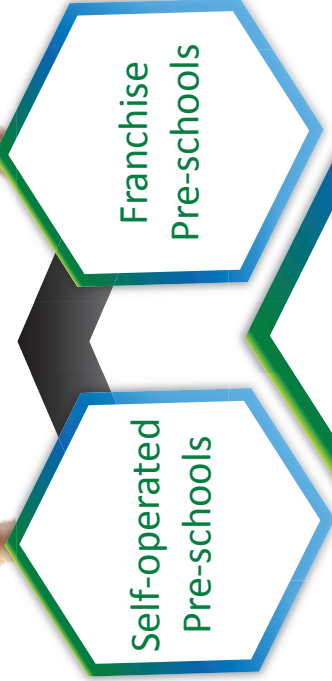
Tree House is India's leading educational service provider operating the largest number of branded self-operated pre-schools



Pre-schools

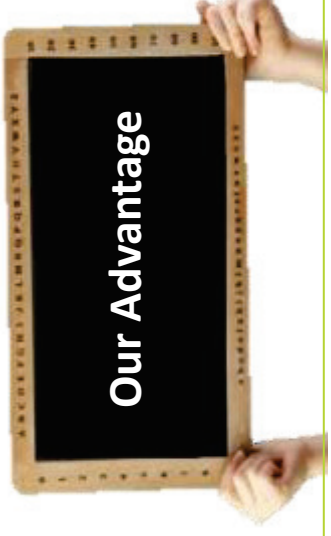


Pre-school
Business Model



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

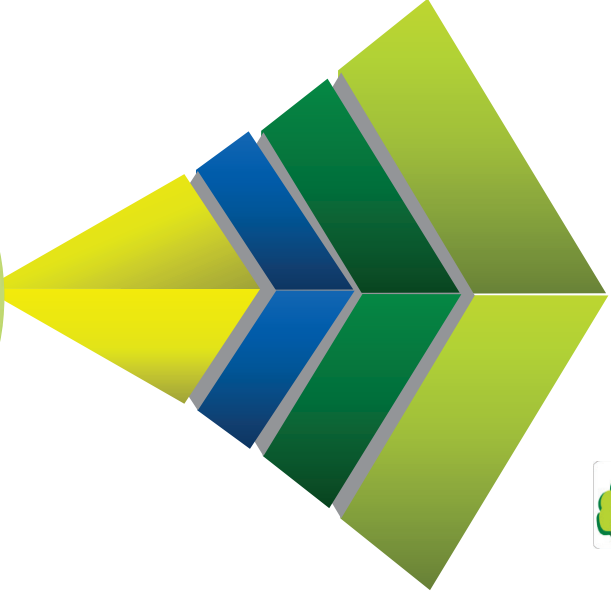
Focused Faculty

- 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

K-12



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

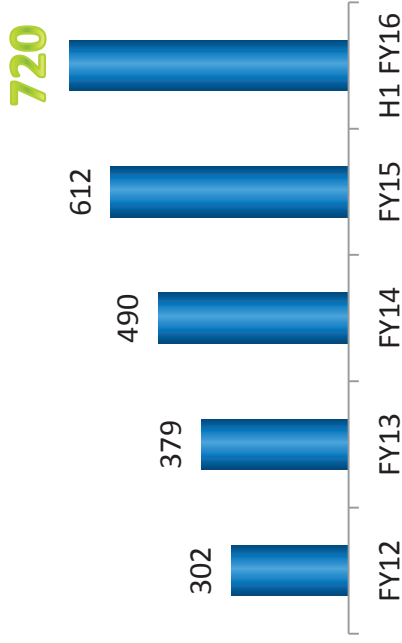
Annuity model with predictable cash flows delivering year-on year growth

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

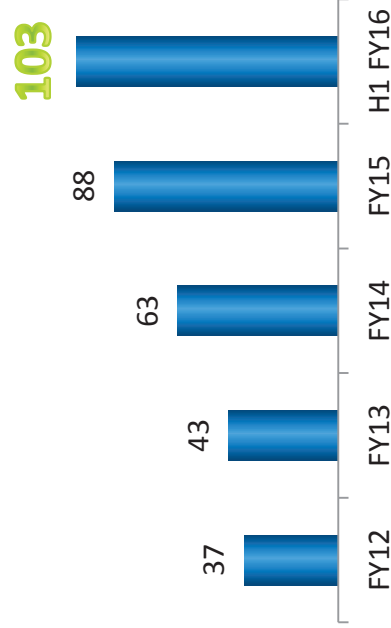
Tree House Pre-schools – No. of Centers



Tree House K-12 schools

24
schools

Tree House Pre-schools – No. of Cities



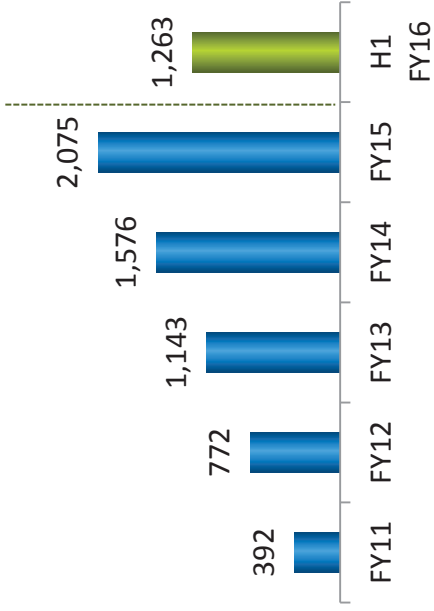
Present in Maharashtra, Gujarat
and Rajasthan

Financial Overview

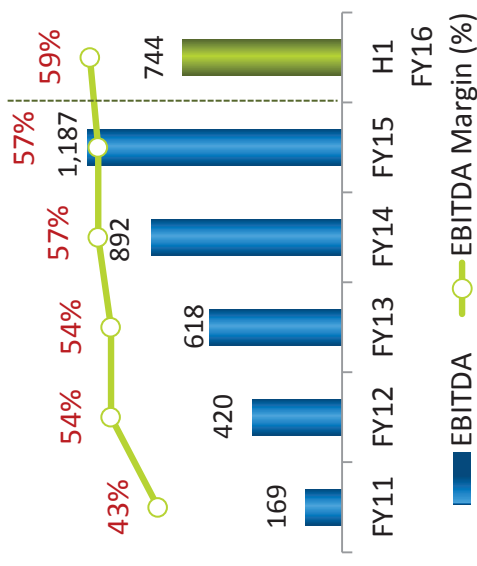


Financial Trends

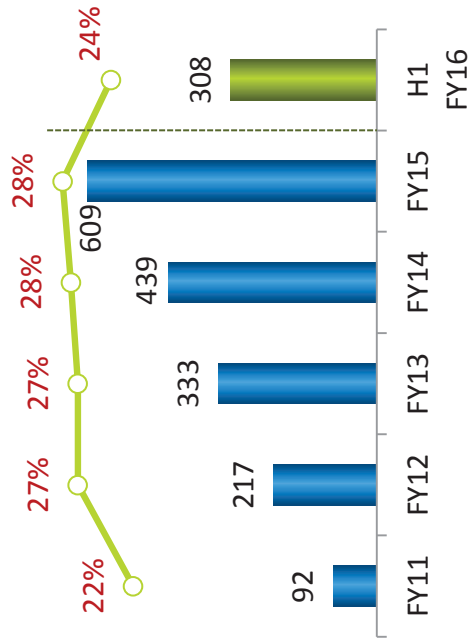
Revenues from Operations (Rs mn)



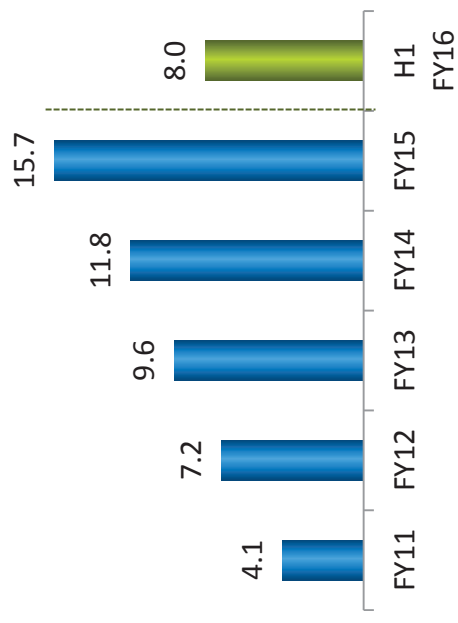
Operational EBITDA (Rs mn) & Margins



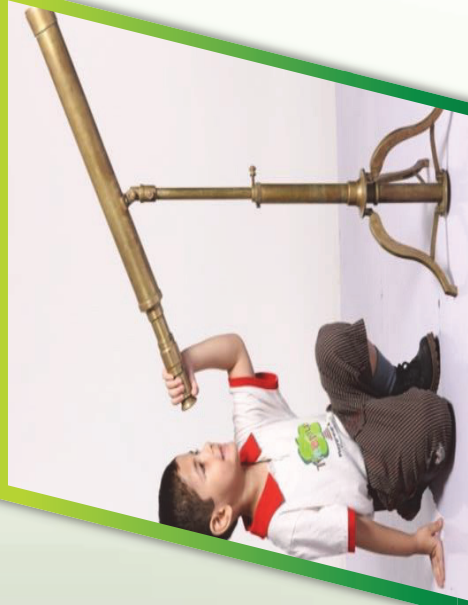
PAT (Rs mn) & Margins



Diluted EPS (INR)



Q2 & H1 FY16 Performance



Operational Highlights

Pre Schools

73 net addition of pre-schools in Q2 FY16



720 centers as on September 30, 2015

- The number of self-operated preschools is 611
- Ratio of self operated preschools to total preschools is 85%
- The Company's initiative to provide low cost quality pre-primary education under the GLOBAL CHAMPS brand is now available at 6 centers in Mumbai.

Present in **103** cities in India

- New cities launched in the Q2 FY 2016 are: Ahmednagar, Goa, Gurgaon, Jalgaon, Noida, Ratnagiri.



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 September 30, 2015 is 2,576
- Total teacher strength as on September 30, 2015 is 2,453

Day Care

- The Company has expanded its daycare foot print, now in 250 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



Social Initiatives

- The company has initiated 'Swachh Bharat Abhiyan' and conducted awareness programs in its schools across India.
- A unique scheme was launched to impart training to women helper staff across centers to enable them to drive school buses.

Financial Highlights

Particulars (in Rs mn)	Q2 FY16	Q2 FY15	Growth	H1 FY16	H2 FY15	Growth
Revenue from Operations	572.5	497.6	15.1%	1,262.8	1,036.7	21.8%
EBITDA operational	301.5	296.9	1.6%	743.5	629.6	18.1%
EBITDA Margin	52.7%	59.7%	(700)bps	58.9%	60.7%	(180)bps
PBT	187.4	193.3	(3.1)%	493.8	435.6	13.4%
PAT	127.4	125.9	1.2%	307.6	286.4	7.4%
PAT Margin	22.3%	25.1%	(280) bps	24.4%	27.6%	(320) bps

- The Company delivered positive growth momentum based on its expanding operations.
- Margins were impacted due to 73 new center openings in Q2, the highest in the history of the company in a single quarter.

Financial Highlights

Update on Receivables

As the table below explains, nearly 50% of the outstanding receivables as on 30th September 2015 have since been received and we are on track to recover the balance.

Debtors mentioned in the unaudited financials can be summarized as follows:

Particulars	As on 31 st March 2015 (Gross)	Invoiced during Q1 & Q2 FY 16	Received during Q1 & Q2 FY 16	Balance as on 30 th Sept 2015 (Net of Provision)	Subsequent
					Collections (till 07 Nov, 2015) *
Pre-school	751.89	10,453.77	8,922.66	2,283.00	1,836.00
Franchisees	30.91	274.65	130.56	175.00	145.00
K-12	3,514.15	1,808.38	1,519.53	3,803.00**	1,135.00
Total	4,296.95	12,536.80	10,570.75	6,261.00	3,116.00

Rs. In lacs.

* Subsequent collections (certified by the statutory auditors) refers to amount collected out of amount due as on 30th September 2015.

** of the K-12 receivables as on 30th September 2015, an amount of INR 1995 lacs is more than 6 months of which INR 884 lacs has been received subsequently and an amount of INR 602 lacs is accrued but not due.

Management Views

Commenting on the Q2 FY16 results, Mr. Rajesh Bhatia, Managing Director of Tree House, said:

Financial Analysis

Q2 was another positive quarter for Tree House. We made further progress towards our goal of expanding brand presence nationwide, generating value and above all creating a direct connect with young minds of this country, which forms the core of our DNA. H1 FY 16 revenues increased by 21.8% over H1 FY15, while Operational EBIDTA enhanced 18.1%; this primarily reflects the solid execution of our strategy. We are also encouraged by the recent upgrade of the credit rating for our long term bank facilities by rating agency Credit Analysis & Research Ltd from CARE A- (minus) to CARE A.

Consumer Sentiments and view on the Overall Business Cycle:

We are experiencing a consumer whose spending is cautious due to the overall environment. To enable volume expansion and keep margins intact we have given favorable payment terms, since we engage with thousands of families and their children. Tree House, I have always maintained, is a social impact company and while we work towards the “for profit” goal, we also have to protect our brand and goodwill as we are a part of the emotional chord of these families.

Solid Execution of Record Openings in a single quarter:

During the quarter, we have launched 71 new self-operated pre-school centers and 2 franchisee centers. This also keeps us well on the path to launch 150 new pre-schools in FY16, of which 108 have been successfully launched in H1FY16. Today, our network spans over 103 cities with a total of 720 pre-schools (including 109 franchisees).

Big Entry in New Delhi & NCR:

During the quarter, we have completed the setting up 35 centers in New Delhi and NCR region. With this we have entered into New Delhi and expect to add 50 more centers in this locations by end of FY 16.

Management Views

Key centers to be Re-branded:

Over the next two years, 100 key centers shall be upgraded and re-branded “Tree House i” where i stands for Innovation, Ideation, Imagination and Information. In these centers, Tablets with fully loaded curriculum for students aged 3.5 years to 6 years will be provided in each classroom. In addition the parents of these centers shall be provided Tree House Android based App, to monitor their child’s activities on real time basis. We expect this to go live during academic year 2016-17.

Day Care Expansion

Our day care business continues to gain momentum and shows immense promise to be a dominant anchor for growth in the future. As of 30th September 2015, we provide day care facilities at 250 of our existing locations.

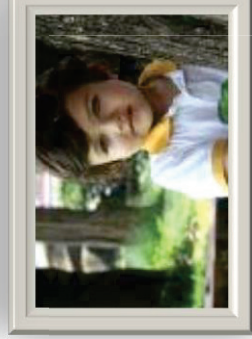
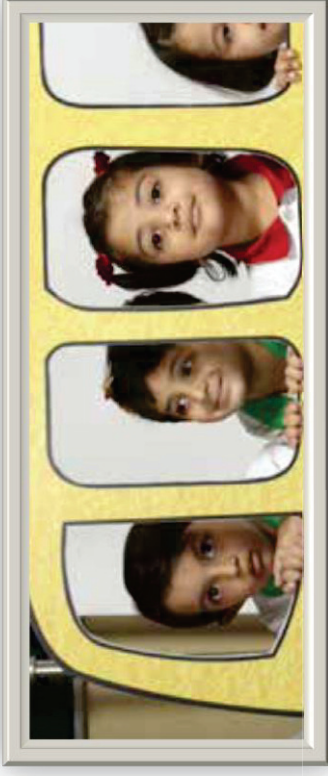
Overall, our progress thus far has been highly encouraging and we remain in line to deliver on profitable growth from leveraging on existing operations and expansion plans across the country.”



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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