FINANCIAL REVIEW

SE Companies and Markets

HD **G8 chief's $170m wealth web**

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WC 1,607 words

PD 29 March 2014

SN The Australian Financial Review

SC AFNR

ED First

PG 35

LA English

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Childcare - Surging childcare **group** brings back memories of Eddy Groves and ABC Learning glory days

The managing director of Australia's largest for-profit childcare **company**, which looks after almost 30,000 children, appears to be at the centre of a network of investments worth almost $170 **million**, making him the biggest childcare entrepreneur since ABC Learning's Eddie Groves.

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An AFR Weekend investigation has found G8 Education managing director Chris Scott, 66, and people with close links to him own more than 10 per cent of the **company**.

Scott, his estranged wife Juwarseh Scott and Kimberley Yin, who shares the same address as Scott and now owns a **company** formerly controlled by him, have amassed stakes in G8 worth almost $170 **million**.

Groves, Australia's best known childcare magnate, had a fortune as high as $260 **million** before the collapse of ABC Learning Centres in 2008.

The most recent G8 annual report, released in February, says Scott has two **million** shares in G8, worth about $10 **million** based on the **company**'s share price on Friday. No related party holdings connected to Scott are disclosed in the annual report.

G8 also represents the latest venture in Scott's long-standing business partnership with the **company**'s chairman, prominent Brisbane lawyer Jenny Hutson, 46.

In the past 15 years the pair has been in **apartment** letting, tourism, the corporate advisory business and now childcare, controlling a business that is set to be responsible for the care of almost 28,000 children in 388 centres .Share transfers to Kimberley Yin

It can be revealed that Scott, who was appointed to his position in 2010, was once the owner and director of a private **company**, Geosine, according to documents lodged with the Australian Securities and Investments Commission. Geosine was under Scott's control until January 2013, at which point the shares in the **company** were transferred to a woman called Kimberley Yin.

Less than two months later in March 2013, Geosine was announced as a new substantial holder in G8 with just over 20 **million** shares that gave it control of 7.4 per cent of the **company**.

Hutson confirmed to the AFR Weekend that Geosine still owns 20 **million** shares.

Yin lives at the same **Gold** Coast address as Scott. According to **property** records, Yin owns the $3 **million** Sanctuary Cove house, set on the waterfront in a gated community. The address matches that which Scott lists in ASIC documents as his **residential** address.

When asked about the nature of Yin and Scott's relationship, Hutson said: "They know each other, I'm aware of that. I don't know that it extends any further than that."On course for Rich List debut

The annual report also shows that Yin is a top 20 shareholder with four million shares in her own name, in addition to the Geosine stake.

It means Yin, 36, in total owns about $120 million shares, meaning she will almost certainly debut on the BRW Young Rich List later this year. Yin and Scott were both in Singapore on Friday and unavailable for comment. Hutson said Yin is a childcare investor, Singaporean citizen and lawyer but didn't know if Yin held Australian citizenship.

Scott's estranged wife holds more than 8 million shares G8 shares worth about $40 million.

Hutson told AFR Weekend it would be "inappropriate" to conclude Scott and Yin were close associates. Hutson said there was "absolutely" no agreements between the Scott, his estranged wife and Yin.

"Chris Scott and I have been in business for a long time together, in terms of common enterprises, and that's not how I understand the position to be."

Hutson said she was unaware if Scott, who she describes as "one of the best businessmen I've had the opportunity to work with", was living at the same address as the house Yin owns in Sanctuary Cove.

"I'm not sure he's living there. I seriously don't know what his [house address] is."Lost fortunes and fines

It has not always been smooth sailing for Scott, a former trucker turned apartment letting magnate who lost his then considerable fortune – recorded at $280 million on the 2007 BRW Rich List – in the collapse of the financial services and travel firm MFS in 2008.

Three years later Scott was fined $130,000 by the Office of Fair Trading in Queensland over a dispute regarding the letting of apartments by his former business S8 in 2005-2006.

Scott agreed never to operate as a letting agent in Queensland after the fine, telling The Courier-Mail in 2011: "Ultimately, I didn't have enough money to defend [a claim] against the State of Queensland. They've got more money than me."

G8 has been one of the stellar performers on the Australian Securities Exchange over the past year. Its share price has more than doubled since March 2013 and the company's market capitalisation is now approaching an impressive $1.5 billion, enough for G8 to be ranked among the top 200 companies on the ASX.

It has grown rapidly since Scott and Hutson became managing director and chairman respectively in March 2010.

G8, like several companies Scott and Hutson have previously been involved in, has been extremely acquisitive. The apartment letting and travel booking business, S8 (where "S" stood for Singapore, Scott's former long-time residence and "8" signified the Chinese number for prosperity), quickly grew in the 2000s through the constant acquisition of property managers and travel agencies.

Before it was taken over by the now collapsed MFS investment group in 2007, S8 had accumulated 5000 hotel rooms and owned well-known travel brands such as Harvey World Travel, Travelscene, Gulliver's Travel and Transonic Travel.Explosive growth through acquisitions

More recently, G8 (The "G" stands for global) has also grown by gobbling up childcare centres in what is a highly fragmented industry. Hutson and Scott's arrival came as a result of a merger between the listed Early Learning Services and their company Payce Childcare. ELS was later renamed G8 Education.

ELS operated 34 childcare centres, had places for just over 2500 children and annual revenue of $33 million before the 2010 merger.

But under the Hutson and Scott's watch the company has exploded. This week the company paid $228 million to pounce on 91 centres that were up for grabs after a proposed float of childcare roll-up Sterling Early Education failed to materialise.

The company also operates 18 corporate centres and 51 franchised centres in Singapore but it is Australia where it is rapidly expanding.

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When this deal and another 63-strong centre **buy**-up announced in February are settled, G8's footprint of centres across Australia will increase to 388, taking total student places to 27,995.

The Sterling deal takes the number of new centres bought by G8 in 2014 to 154, more than double the 70 **purchased** in the 2013 calendar year.

"[The deal] is a great opportunity to move forward in terms of being a significant operator in the for profit space," Hutson said. "I'**m** passionate about childcare and about the education of children."G8 denies Groves similarity

Childcare has long been attractive to entrepreneurs because of government subsidies – more than $5 **billion** a year – flowing into the sector in the form of rebates and benefits.

Under Groves, the former ABC Learning Centres was also a highly acquisitive business but Hutson says G8 is not like ABC. "Our mission is to make good centres great and that is what makes us different from the past."

G8 has also been innovative in tapping the debt markets for its acquisitions, raising some funds via unsecured corporate notes, a relatively new concept in Australia.

So far investors have backed the strategy.

G8's shares have gained about 60 per cent since January. Investment interest in the sector has renewed, despite ABC's failure, because there is plenty of room for growth given there are about 6000 childcare centres across Australia, the majority of which are run by independent operators.

Hutson has said that G8 would always be "disciplined", with the **company** promising investors it would not pay over 4-times earnings before interest and tax for new centres.

But the **company** broke its own rules with the Sterling deal announced this week paying a price of 5.79-times EBIT. G8 management told investors it was a one-off, defensive move, designed to stop another player entering the market in one swoop.Market backs Sterling deal

So far, however, the market has backed the latest move. More than 100 institutions bid to participate in a $100 **million** capital raising to fund the **acquisition** this week, Hutson says.

Investors brushed off the raising by pumping up the stock by 4 per cent on Wednesday, the day after the shares were released from a trading halt.

After combining at S8, Scott and Hutson later joined forces in the dying days of MFS. After a stellar run, MFS got into financial trouble and in February 2008 moved to sell its travel arm, then known as Stella, to private **equity** outfit CVC Asia Pacific.

The deal fell over and Scott, who at this point owned 8.4 per cent of the **company**, began agitating for change. Within a month Scott had joined the **board** and by May he was essentially running the outfit, now renamed Octaviar.

He quickly installed Chris Chapman as chief executive. Chapman was also G8's CEO until he left in August 2011.

CO abcler : A.B.C. Learning Centres Ltd | erlers : G8 Education Ltd

IN i323 : Textile Machinery Manufacturing | i32 : Machinery | iindstrls : Industrial Goods | i95109 : Child Day Care Services | i983 : Educational Services | ibcs : Business/Consumer Services

NS ccat : Corporate/Industrial News

RE austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

PUB Fairfax Media Management Pty Limited

AN Document AFNR000020140328ea3t0000x

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