

ASX Announcement



iCollege Limited
(ASX: ICT)

22 February 2021

iCollege Announces Off-Market Takeover Offer for Redhill Education

iCollege Limited (**iCollege**) (ASX: ICT) proposes to make an off-market takeover bid for all the ordinary shares in Redhill Education Limited (**Redhill**) (ASX: RDH). iCollege proposes to offer **6** fully paid ordinary shares in iCollege (**iCollege Share**) for every **1** fully paid ordinary share in Redhill (**Redhill Shares**) (**Offer**) valuing Redhill at **\$50.3** million or (**\$0.99** per Redhill Share), based on the closing price of iCollege of **\$0.165** on the last trading day immediately preceding this announcement, which represents an attractive premium of:

- **29.4%** to Redhill's undisturbed price of **\$0.765** on 11 December 2020, the last day of trading prior to the announcement of UCW's takeover offer for Redhill.
- **22.2%** to Redhill's closing share price of **\$0.81** on 19 February 2021, the last day of trading prior to the announcement of iCollege's intention to make a takeover bid for Redhill.
- **65.0%** to Redhill's June capital raise price of **\$0.60** opened on 16 June 2020.
- **12.8%** to UCW's implied offer price of **\$0.878**, 4.5x UCW's closing share price of **\$0.195** on 19 February 2021, the last day of trading prior to the announcement of iCollege's intention to make a takeover bid for Redhill.

ICOLLEGE Limited has made a superior offer to UCW to acquire 100% of Redhill Education

The key strategic rationale for the offer includes:

- ✓ Creating a champion education portfolio by combining two Australian industry leaders
- ✓ Combining complementary businesses that benefit from expanded geographic diversity
- ✓ Significant value creation for both sets of shareholders
- ✓ Greater scale and stronger balance sheet facilitating future growth opportunities
- ✓ Enhanced product offering providing the opportunity to extend student lifecycle through the offering of a broader collection of courses

iCollege and Redhill vary in their campus locations, course offerings and international agent network, providing significant scope for synergies.

After realisation of cost and revenue synergies, iCollege's acquisition of Redhill is expected to be earnings accretive.

ASX Announcement

iCollege Limited
(ASX: ICT)

Commenting on the proposed transaction, Simon Tolhurst, Chairman of iCollege said:

“The merger is an exciting opportunity for both iCollege and RedHill shareholders to combine and create what will be one of Australia’s leading listed education providers. The combined group would be well positioned to invest, innovate and compete in a rapidly growing marketplace.”

1 Details of iCollege’S Offer

iCollege proposes to offer 6 iCollege shares for each Redhill share. The Offer is to those Redhill shares currently on issue, and those that come to be issued as a result of the vesting of performance rights and options on issue. The Offer is subject to certain defeating conditions set out in the annexure to this announcement.

The iCollege bidder’s statement is expected to be lodged with the Australian Securities and Investments Commission within the next 21 days. The Offer will remain open for a minimum period of 1 month (unless withdrawn during that period under section 652B of the Corporations Act).

iCollege reserves the right to amend the terms of the Offer in a way which is not substantially less favourable to Redhill shareholders, subject to the Corporations Act 2001 (Cth) and related policy and practice.

The Offer is not being made, and is not capable of acceptance, in any other jurisdiction where to do so would constitute a violation of the laws of such jurisdiction. iCollege will determine what jurisdictions outside Australia and New Zealand can receive iCollege shares as consideration. In any other jurisdiction, iCollege shares will be sold to a nominee and the proceeds of sale (less any fees) will be remitted to those shareholders.

iCollege does not hold a relevant interest in any of Redhill's shares at the date of this announcement. iCollege 's offer is subject to certain defeating conditions set out in the annexure to this announcement, including acquiring a minimum 90% shareholding.

ASX Announcement

iCollege Limited
(ASX: ICT)

2 A Compelling Opportunity

Key opportunities of the combined group are:

- iCollege is the only ASX listed company to have access to state government funding contracts across 5 states and territories. The funding contracts allows iCollege to deliver subsidised, free or low fee training to residents and citizens of Australia
- The combined entity can broaden its revenue base and Redhill shareholders gain access to new lucrative training markets
- Approximately, 90% of Redhill's annual revenue is derived from NSW and VIC. Comparably, iCollege derives over 70% of its annual revenue from QLD and WA
- iCollege and Redhill's overseas agent networks currently recruit students from vastly different geographic regions
- The combined offerings of both entities provide significant opportunity to extend student life cycle
- Immediate costs synergies realised from the combined group
- The increased size of the business would have a larger and more diversified revenue and earnings base
- Eligibility for scrip-for-scrip CGT rollover relief in respect to the transfer of shares under the offer
- Supported by iCollege's larger average daily trading volume over the last 12 months, the merger will provide enhanced liquidity to Redhill shareholders

3 Strategic Rationale and Fit

iCollege is a leading vocational training provider that comprises six business which deliver accredited and non-accredited vocational education and training solutions. Redhill operates a group of high-quality tertiary and vocational education businesses that provide students with innovative courses, great learning experiences, and industry-aligned educational outcomes.

The combined group of iCollege and Redhill brings together two education industry leaders creating a national campus footprint with a broad suite of leading brands and a diversified geographic agent network.

iCollege and Redhill differ in their campus locations, course offerings and agent network. A merger of the highly complementary businesses provides significant scope for cost and revenue synergies while ensuring existing markets are not cannibalised.

ASX Announcement

iCollege Limited
(ASX: ICT)

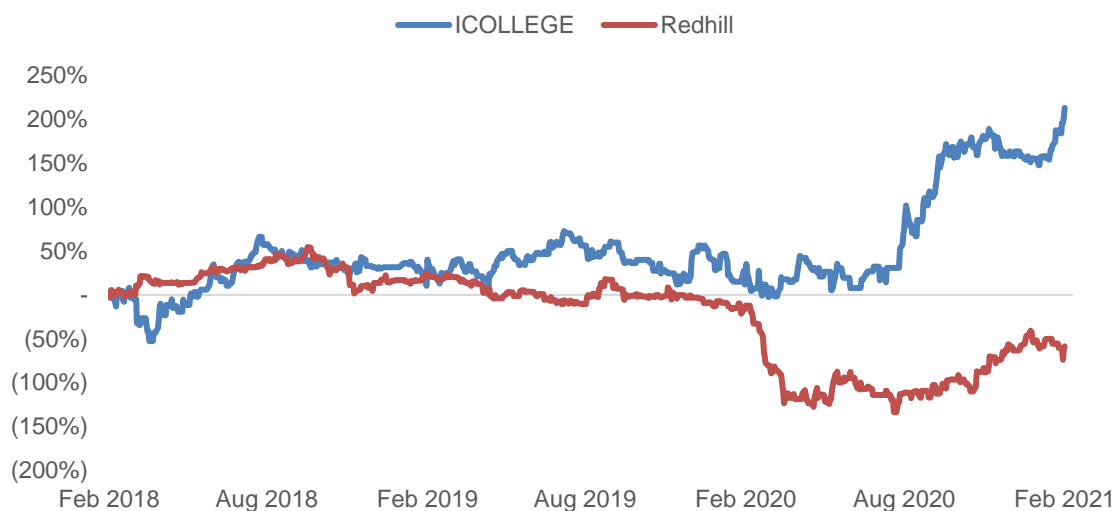
- The broader range of courses available establishes an enhanced product offering under the merged entity. iCollege managed to swiftly respond to the decline of international students resulting from the recent pandemic. iCollege was able to quickly move its focus to the delivery of in demand domestic training for the reskilling of Australians - a necessary pivot given the current challenges facing the international student market. Redhill predominantly offers ELICOS, Business and Management, Technology and Design courses while iCollege courses focus on Hospitality, Health and Community Services, Building and Construction, Business and ELICOS. Redhill's course portfolio will prove complementary to iCollege's existing portfolio. The merger will see students enjoy the benefits of a greater accessibility to a diverse range of courses offered while the combined entity will enjoy the revenue synergies achieved through cross selling opportunities to students.
- Most of Redhill's campuses are in New South Wales and Victoria. Conversely, the majority of iCollege's campuses are in Queensland, Western Australia and South Australia. A group combination creates significant opportunities to expand the geographic delivery locations of current course offerings, creating operating advantages and a more balanced geographic revenue base. iCollege expects to increase utilisation of Redhill campuses through the provision of training offerings to domestic students.
- Redhill's international agent network has significant exposure to South America and Europe. Conversely, iCollege's international agent network draws most of its students from the Indian subcontinent, South East Asia and South America. The shared international agent network resource provides the opportunity to expand each entities international reach and increase existing student enrolment pipelines ensuring a boost to student numbers upon the reopening of Australia's borders. Jointly, both businesses will have access to approximately 450 international agents.

ASX Announcement

iCollege Limited
(ASX: ICT)

4 Track Record of Performance¹

Figure 1: 3 Year Historical iCollege and Redhill Total Shareholder Returns



5 Advisers

iCollege is being advised by sole lead financial advisor Ord Minnett Limited and legal counsel Thomson Geer Lawyers in relation to the Offer.

This announcement has been approved for release by the board of iCollege Limited.

ENDS

Simon Tolhurst
Chairman

¹ Source: Iress, as at 19 February 2021. Pricing has been rebased to movements from 18 February 2018. Total shareholder returns include dividends paid. Past performance is not an indication of future performance.

6 ANNEXURE

7 DEFEATING CONDITIONS

The Offer and any contracts resulting from acceptance of the Offer are subject to fulfilment of the following conditions:

- (a) **(Minimum acceptance)** Before the end of the Offer Period, iCollege has a Relevant Interest in more than 90% (by number) of Redhill Shares.
- (b) **(Regulatory Approvals, including ACCC)** Before the end of the Offer Period, the Regulatory Approvals are:
 - (a) granted, given, made or obtained unconditionally, or on the basis of conditions that impose only non-material requirements incidental to the approval or consent;
 - (b) remain in full force and effect; and
 - (c) do not become subject to any notice, indication or intention to revoke, suspend, restrict, modify or renew them,including any necessary clearances and authorisations, on conditions acceptable to iCollege, from the Australian Consumer and Competition Commission and the Australian Competition Tribunal.
- (c) **(No Prescribed Occurrences)** Before the end of the Offer Period, there is no occurrence of a Prescribed Occurrence.
- (d) **(No Material Adverse Change)** Before the end of the Offer Period, there is no occurrence of a Material Adverse Change.

Definitions:

Announcement Date	means the date on which the Offer is announced.
ASIC	means the Australian Securities and Investments Commission.
Associate	has the meaning given to that term by section 12 Corporations Act as if section 12(1) Corporations Act included an associate reference occurring in this document.
ASX	means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).
Bid	means the offer made by iCollege to the Redhill Shareholders under Chapter 6 Corporations Act.
Consideration	Means 6.0 iCollege Shares to each Redhill Share.
Consolidated Group	has the same meaning as in the <i>Income Tax Assessment Act 1997</i> (Cth).
Corporations Act	means <i>Corporations Act 2001</i> (Cth).
Encumbrance	<p>means:</p> <ul style="list-style-type: none">(a) any interest, right or power that in substance secures payment or performance of any obligation, for example a mortgage, charge or security interest under the <i>Personal Property Securities Act 2009</i> (Cth);(b) any preferential or adverse interest of any kind;(c) a right to buy or use assets, for example a hire purchase agreement, option, licence, lease or agreement to purchase;(d) a right to set-off or right to withhold payment of a deposit or other money;(e) an easement, restrictive covenant, caveat or similar restriction over property;(f) an agreement to create any of the items referred to in paragraphs (a) to (e) above or to allow any of those items to exist; or <p>a notice under section 255 Tax Act (1936), subdivision 260-A in schedule 1 <i>Taxation Administration Act 1953</i> (Cth) or any similar legislation.</p>
Financial Indebtedness	<p>means any debt or other monetary liability (whether actual or contingent) in respect of money borrowed or raised or any financial accommodation including under or in respect of any:</p> <ul style="list-style-type: none">(a) bill, bond, debenture, note or similar instrument;(b) acceptance, endorsement or discounting arrangement;(c) guarantee;(d) finance or capital lease;

iCollege Limited

Government Agency

- (e) agreement for the deferral of a purchase price or other payment in relation to the acquisition of any asset or service; or
- (f) obligation to deliver goods or provide services paid for in advance by any financier.

means iCollege Limited ACN 105012066.

means:

- (a) a government or government department or other body;
- (b) a governmental, semi-governmental or judicial person; or
- (c) a person (whether autonomous or not) who is charged with the administration of a law.

Insolvency Event

means any of the following events occurring in relation to a party:

- (a) a liquidator, receiver, receiver and manager, administrator, official manager or other controller (as defined in the Corporations Act), trustee or controlling trustee or similar official is appointed over any of the property or undertaking of the party;
- (b) the party is, or becomes unable to, pay its debts when they are due or is or becomes unable to pay its debts within the meaning of the Corporations Act, or is presumed to be insolvent under the Corporations Act;
- (c) the party ceases to carry on business; or
- (d) an application or order is made for the liquidation of the party or a resolution is passed or any steps are taken to liquidate or pass a resolution for the liquidation of the party, otherwise than for the purpose of an amalgamation or reconstruction.

Listing Rules

means the Listing Rules of ASX and any other rules of ASX which are applicable while the company is admitted to the Official List of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

Material Adverse Change

means:

- (a) any matter, event or circumstance which happens, is announced or becomes known to iCollege after the date of this document which (individually or when aggregated with all those matters, events or circumstances) has resulted in or is likely to result in either:
 - (i) the value of consolidated net assets of the Redhill Group being reduced by at least

\$250,000 against what they would have been but for the matters, events or circumstances; or

- (ii) the ongoing consolidated annual net profit after tax, in any financial year after the one ending 2021, of the Redhill Group being reduced by at least \$250,000 against what it would have been but for the matters, events or circumstances;

- (b) iCollege becomes aware, prior to the end of the Offer Period, that Redhill has breached its continuous disclosure obligations under the Listing Rules and, had a reasonable iCollege in similar circumstances to iCollege known of the information giving rise to such breach prior to the Announcement Date, it would have resulted in that reasonable iCollege offering less Consideration under the Bid,

but does not include:

- (c) any matter, event or circumstance arising from changes in economic or business conditions (including changes in currency exchange rates) which impact on Redhill and its competitors in a similar manner;
- (d) any change in taxation rates or taxation laws which impact on Redhill and its competitors in a similar manner;
- (e) any change in accounting policy required by law; or any change occurring directly or indirectly as a result of any matter, event or circumstance required by this document, the Bid or the transactions contemplated by them.

Offer

means each offer to acquire Redhill Shares of a Redhill Shareholder (other than iCollege) for the Consideration.

Offer Period

means the period that the Offer is open for acceptance.

Prescribed Occurrence

means:

- (a) **(conversion)** Redhill converts all or any of its shares into a larger or smaller number of shares;
- (b) **(reduction of share capital)** Redhill resolves to reduce its share capital in any way;
- (c) **(buy-back)** Redhill:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under the Corporations Act;
- (d) **(distribution)** Redhill makes or declares, or announces an intention to make or declare, any distribution (whether by dividend, capital reduction or otherwise and whether in cash or in specie);
- (e) **(issuing shares or options)** a member of Redhill Group:
 - (i) issues shares;
 - (ii) grants an option over its shares; or
 - (iii) agrees to make an issue of shares or grant an option over its shares,in each case to a person outside Redhill Group;
- (f) **(securities or other instruments)** a member of the Redhill Group:
 - (i) issues securities or other instruments convertible into shares or debt securities; or
 - (ii) agrees to issue securities or other instruments convertible into shares or debt securities,in each case to a person outside the Redhill Group;
- (g) **(constitution)** a member of the Redhill Group adopts a new constitution or modifies or repeals its constitution or a provision of it;
- (h) **(disposals)** a member of the Redhill Group disposes, or agrees to dispose of, the whole or a substantial part of its business or property;
- (i) **(acquisitions, disposals or tenders)** a member of the Redhill Group:
 - (i) acquires or disposes of;
 - (ii) agrees to acquire or dispose of; or
 - (iii) offers, proposes, announces a bid or tenders for,any business, asset, interest in a joint venture, entity or undertaking, the value of which exceeds \$250,000;
- (j) **(Encumbrances)** a member of the Redhill Group creates any Encumbrance over the whole or a substantial part of its business or property (other than in the ordinary

For personal use only

course of business and other than a lien which arises by operation of law or legislation securing an obligation not yet due and consistent with past practice);

- (k) **(board)** any person is appointed to the Redhill Board, other than those nominated by iCollege;
- (l) **(employment arrangements)** a member of the Redhill Group:
 - (i) materially increases the remuneration of, or otherwise varies the employment arrangements with, any of its directors; or
 - (ii) accelerates the rights of any of its directors to compensation or benefits of any kind, other than in the ordinary course of business or as a result of contracted arrangements that are consistent with past practice and in effect at the date of this document;
- (m) **(termination or retention payment)** a member of the Redhill Group pays any of its directors or employees a termination or retention payment (otherwise than as required by an existing contract which, at the date of this document, is in place and has been disclosed to ICOLLEGE);
- (n) **(commitments and settlements)** a member of the Redhill Group:
 - (i) enters into any contract or commitment involving revenue or expenditure by the Redhill Group of more than \$250,000 over the term of the contract or commitment;
 - (ii) terminates or amends in a material manner any contract material to the conduct of the Redhill Group's business or which involves revenue or expenditure of more than \$250,000 over the term of the contract;
 - (iii) waives any material third party default where the financial impact on the Redhill Group will be in excess of \$250,000; or
 - (iv) accepts as a settlement or compromise of a material matter (relating to an amount in excess of \$250,000) less than the full compensation due to the Redhill or a Subsidiary of Redhill;
- (o) **(financial arrangements)** a member of the Redhill Group amends (or agrees to amend) in any material respect any arrangement with its financial advisers in respect of the transactions contemplated by this document;

- (p) **(capital expenditure)** a member of the Redhill Group undertakes or agrees to undertake capital expenditure in excess of \$500,000 in aggregate;
- (q) **(insolvency)** an Insolvency Event occurs in respect of any member of the Redhill Group;
- (r) **(financial indebtedness)** a member of the Redhill Group provides financial accommodation (irrespective of what form of Financial Indebtedness that accommodation takes) in excess of \$250,000;
- (s) **(breach of law)** a member of the Redhill Group takes or omits to take action which results in a breach of law material to a member of the Redhill Group;
- (t) **(accounting policy)** a member of the Redhill Group changes any accounting policy applied by them to report their financial position;
- (u) **(related party)** a member of the Redhill Group enters into or resolves to enter into a transaction with any related party of the Redhill as defined in section 228 Corporations Act; or
- (v) **(tax liability)** the Redhill or any other member of the Redhill Group does anything that results in a taxable gain for the Redhill Group by either causing a Subsidiary to cease being a member of the Redhill Group or causing the Redhill Group to cease being a Consolidated Group, but a Prescribed Occurrence does not include:
- (w) an issue of Redhill Shares on exercise of an option that had been granted on or before the date of this document;
- (x) any matter required to be done or brought about by Redhill under this document or which is contemplated by the Bid; or
- (y) any other matter, the undertaking of which iCollege has approved in writing.

Redhill

means Redhill Education Limited ACN 119952493.

Redhill Board

means the board of directors of Redhill.

Redhill Group

means Redhill and each of its Subsidiaries.

Redhill Share

means a fully paid ordinary share in Redhill.

Redhill Shareholder

means a registered holder of Redhill Shares.

Regulatory Approvals

means all approvals or consents that are required by law, regulation or regulatory policy, as are necessary to permit:

- (a) the Offer to be lawfully made to and accepted by Redhill Shareholders; and

Regulatory Authority

(b) the acquisition of the Redhill Shares by iCollege.

includes:

- (a) ASX, ASIC, the Foreign Investment Review Board and the Australian Taxation Office;
- (b) a Government Agency;
- (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- (d) any regulatory organisation established under statute.

Relevant Interest

has the meaning given to that term by section 9 Corporations Act.

Subsidiaries

has the meaning given to that term by section 9 Corporations Act.