ASX Announcement

G8 Education Limited
(ASX:GEM)

23 May 2017

Approximately $100 million fully underwritten Institutional Placement to fund growth opportunities and update on CIPI Placement

G8 Education Limited ("**G8**" or the "**Group**") (ASX:GEM) today announces a fully underwritten institutional placement ("**Institutional Placement**") to raise approximately $100 million to reduce debt and fund growth opportunities.

G8 is also providing an update on:

i) Trading performance for the FY2017 year to date; and

ii) the status of the placement to CFCG Investment Partners International (Australia) Pty Ltd ("**CIPI**") in its capacity as the manager of the First Capital Australia Education Master Fund.

Trading update

G8's trading performance for the 4 months to 30 April 2017 has continued to demonstrate the strength of G8's business, with forecast underlying EBIT in line with market consensus forecasts for FY2017 of around mid to high $170's million.

On a rolling 12 month basis, G8's like-for-like occupancy[1] as at the end of April was 77.7%, down approximately 3.4% pts from the prior corresponding period, due to industry supply increases, weaker demand in select markets and select centre-specific issues. The impact of lower occupancy has been offset by price increases as well as strong cost control which, through active management, have resulted in an improvement in underlying EBIT and EBIT margin. The group is currently taking a number of initiatives to drive occupancy improvement in the second half of FY2017.

G8's acquisition pipeline remains strong, with the number of centres and total acquisition costs broadly continuing to be as disclosed at the full year results in February. The pace of acquisitions has been slightly impacted by some delays in development processes, with the resulting EBIT impact from 2017 acquisitions now expected to be approximately $4 million below the previously stated $7 million forecast. G8's pipeline centres continue to target areas with favourable demand and supply dynamics. EBIT contributions from centres acquired in 2016 are in line with targeted levels.

[1] Based on operational capacity, on a like-for-like centres basis, using the average of the last 12 months for the relevant period

The forecast improvement in underlying EBIT in FY17 is expected to be achieved despite an approximately $7 million adverse impact relating to net LDCPDP (Long Day Care Professional Development Program) Funding. As noted previously, LDCPDP Funding is due to expire in June 2017.

The recent introduction of the "Jobs for Families" childcare package is expected to make child care more affordable, accessible and flexible. G8 welcomes increased support for our families to access subsidised child care with the changes expected to be positive for a significant portion of G8's existing family base.

Institutional Placement

G8 is today announcing a fully underwritten Institutional Placement to raise approximately $100 million. The purpose of the Institutional Placement is to reduce debt, strengthen the balance sheet and to ensure that G8 can execute on its $200 million acquisition pipeline as previously announced to the market.

The Institutional Placement price will be determined via a variable price bookbuild with a floor price of $3.10 and a maximum price of $3.20, which represents a discount of between 7.2% to 10.1% to G8's closing price of $3.45 on 16 May 2017.

G8 shares ("**New Shares**") to be issued under the Institutional Placement will rank equally with existing G8 ordinary shares. Approximately between 31.3 to 32.3 million New Shares will be issued under the Institutional Placement.

The Institutional Placement has been fully underwritten by UBS AG, Australia Branch and Ord Minnett Limited.

G8 shares will remain in voluntary suspension whilst a bookbuild is conducted to allow the Institutional Placement to be completed. A further announcement in relation to the completion of the Institutional Placement is expected to be made prior to the commencement of trading on Wednesday, 24 May 2017, at which stage the voluntary suspension will be lifted and normal trading in G8 shares will recommence.

Update on CIPI

As announced on 20 February 2017, G8 entered into a binding Term Sheet with CIPI in its capacity as the manager of the First Capital Australia Education Master Fund (the "**Investor**") in relation to a share placement (the "**CIPI Placement**"). CIPI is a wholly owned subsidiary of Hong Kong listed China First Capital Group Limited ("**CFCG**").

Under the terms of the Term Sheet, the Investor had agreed to invest approximately $212.8 million by subscribing for 54,846,894 ordinary shares in G8 at an issue price of $3.88 per share. The CIPI Placement was to be conducted in two tranches, as set out below:

Tranche	Expected Completion Date	Shares to be issued	Funds raised
Tranche 1	24 February 2017	16,454,068	$63.8 million
Tranche 2	17 May 2017	38,392,826	$149.0 million
Total		**54,846,894**	**$212.8 million**

Pursuant to the Term Sheet, G8 received the proceeds of Tranche 1 on 24 February 2017 and issued 16,454,068 shares to CIPI (representing 4.07% of G8 ordinary shares on issue prior to the Institutional Placement).

As announced on Wednesday 17 May 2017, CIPI (in its capacity as manager of the Investor) requested an extension of time for payment of Tranche 2 of the CIPI Placement of 180 days. G8 determined that it was not in the best interests of shareholders to grant this extension, and terminated the CIPI Placement. The termination does not impact Tranche 1 of the CIPI Placement ("**CIPI Placement – Tranche 1**") which has been completed.

Following termination of the CIPI Placement, G8 and CIPI have agreed to the following ("**CIPI Placement – Revised Tranche 2"**):

- CIPI (in its capacity as manager of the Investor) has committed to subscribe for 8.2 million shares at a price of $3.88 per share, representing $31.8 million of proceeds to G8. The subscription price of $3.88 represents between a 21.3% to 25.2% premium to the Institutional Placement price, as outlined above;
- The settlement date is the earlier of:
  - o 7 days after the Investor establishes a relevant financing facility in accordance with the terms; or
  - o 20 July 2017 (being 60 days after the date of the Term Sheet);
- CIPI (in its capacity as manager of the Investor) has agreed to a voluntary escrow of and to a holding lock on its existing (i.e. Tranche 1) shares until settlement of the Revised Tranche 2 of the CIPI Placement;
- CIPI (in its capacity as manager of the Investor) has agreed to trading volume restrictions in relation to its existing G8 shares for a period of 12 months from the date of settlement of the Revised Tranche 2 of the CIPI Placement. Under the trading volume restrictions, CIPI (in its capacity as manager of the Investor) has agreed not to sell on any single day an aggregate amount of its G8 shares in excess of 30% of the average total daily trading volume in G8 shares (calculated over the previous 30 trading days), except as otherwise agreed by G8 or as required by CIPI's funding arrangements. G8 intends to confirm that this restriction also applies to the shares issued under the Revised Tranche 2 Placement;
- If the Investor further defaults on its obligations and commitments to G8 by not settling the Revised Tranche 2 on the agreed terms, CIPI (in its capacity as manager of the Investor) has

irrevocably authorised and directed, if demanded by G8, the sale of the existing Tranche 1 shares to satisfy the settlement of the Revised Tranche 2 placement. G8 will use its discretion to exercise this right if it is in the best interests of shareholders at the time; and

- CIPI (in its capacity as manager of the Investor) will not be entitled to nominate a Director to the Board of G8.

Upon the completion of the CIPI Placement – Revised Tranche 2, the Investor's shareholding in G8 will increase to between 5.5% and 5.6% of the diluted ordinary shares on issue after taking into account the Institutional Placement. Following fulfilment of the Investor's obligations regarding this Tranche 2 placement, G8 has agreed to release the Investor from all liability in relation to the original default of the original Tranche 2.

Following a review of the market, G8 has elected, at this time, not to pursue any opportunities in relation to the early education sector in China.

Use of proceeds

The proceeds of the Institutional Placement, coupled with the funds already received under CIPI Placement – Tranche 1, will be used to:

i) Strengthen the balance sheet through repayment of the $50 million A$ bond due in March 2018, as well as the $40 million drawn under the Bankwest working capital facility as at 31 December 2016 that was utilised to fund acquisitions in the second half of 2016; and

ii) Partly fund the committed child care centre acquisitions in Australia as announced on 20 February 2017. These acquisitions total approximately $200 million and are expected to settle between now and mid-2019. The approximately $164 million raised via the Institutional Placement and CIPI Placement – Tranche 1, when combined with free cash flow and available debt capacity, is sufficient to fund all committed acquisitions.

On a pro-forma basis, G8's Net Debt / LTM Dec-16 EBITDA ratio will reduce from 2.2x to 1.1x as a result of the above-noted equity raisings.

A$m	CY16 Actual	CIPI Placement - Tranche 1	Institutional Placement	CIPI Placement – Revised Tranche 2
EBITDA	172	172	172	172
Dec-16 Net Debt	384	384	384	384
CIPI Placement - Tranche 1	-	(64)	(64)	(64)
Institutional Placement	-	-	(100)	(100)
CIPI Placement – Revised Tranche 2	-	-	-	(32)
Pro-Forma Dec-16 Net Debt	384	320	220	189
Pro-Forma Net Debt / Dec-16 EBITDA	**2.2x**	**1.9x**	**1.3x**	**1.1x**

The combination of the Institutional Placement, CIPI Placement – Tranche 1 and CIPI Placement – Revised Tranche 2 results in funds raised of approximately $196 million at a weighted average price of between $3.44 to $3.50.

Update on senior management

Shareholders will recall the intention was Chris Scott would assist the company with the transition to a new CEO and work on a number of strategic projects, including the possibility of opportunities in China. As the transition is now complete and matters with CFCG are resolved, Chris Scott will be retiring from both his executive role position and the G8 Board at the Annual General Meeting on 29 May 2017. The Board extend their thanks and appreciation to Chris for his vision and drive since the inception of G8, which has resulted in G8 being a market leader in the child care industry.

Managing Director, Gary Carroll, said "It was surprising and disappointing that CIPI did not fulfil its payment obligations under the share placement. It is, however, pleasing to see the support from our shareholders during this period which has been exceptional and very much appreciated. It reflects the underlying performance of the business, which is continuing to generate growth in profits despite challenging occupancy conditions. Our strategic initiatives remain on track, and these are expected to generate good growth in both occupancy and returns over time. From a capital structure perspective, this placement will strengthen our balance sheet and assist in securing a club bank facility over the coming months which itself is intended to assist the company in achieving its full potential."

G8 Education ltd

Indicative Institutional Placement timetable

Event	Date
Placement conducted	Tuesday, 23 May
End of voluntary suspension	Wednesday, 24 May
Settlement of New Shares issued under the Institutional Placement	Friday, 26 May
Allotment and trading of New Shares issued under the Institutional Placement	Monday, 29 May

ENDS

Gary Carroll
Managing Director

Mark Johnson
Chairman