



# CAPITAL RAISING

**RedHill Education Limited**

**16 June 2020**

**Investor Presentation**



**REDHILL** EDUCATION



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This Presentation has been prepared and is issued by Redhill Education Limited ACN 119 952 493 (**RedHill** or the **Company**) and is dated 16 June 2020 in relation to a Capital Raising comprising:

- RedHill's proposed 1 for 2.5 pro rata accelerated non-renounceable entitlement offer of new fully paid shares in RedHill (**New Shares**) to certain eligible shareholders (**Entitlement Offer**) to raise approximately \$7.4 million; and
- a placement of New Shares to institutional and sophisticated investors (**Placement**) within RedHill's temporarily increased 25% capacity under ASX Listing Rule 7.1 to raise approximately \$4.6 million
- The Entitlement Offer is being made without disclosure to investors under section 708AA of the *Corporations Act 2001* (Cth) (**Corporations Act**) as modified by *ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84*.

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This Presentation contains summary information about the Company and its activities current as at 16 June 2020. The information in this presentation is of a general nature and does not purport to be complete nor does it contain all information which a prospective investor may require in evaluating a possible investment in the Company or that would be required in a prospectus or product disclosure statement prepared in accordance with the requirements of the Corporations Act. The historical information in this Presentation is, or is based upon, information that has been released to the ASX. This Presentation should be read in conjunction with the Company's other periodic and continuous disclosure announcements lodged with the ASX, which are available at [www.asx.com.au](http://www.asx.com.au).

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All dollar values are in Australian dollars (A\$ or AUD) unless otherwise stated. Prospective investors should also be aware that the pro-forma financial information included in this Presentation is for illustrative purposes and does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the United States Securities and Exchange Commission. Prospective investors should be aware that certain financial data included in this presentation is "non-IFRS financial information" under ASIC Regulatory Guide 230 Disclosing non-IFRS financial information published by ASIC and also "non-GAAP financial measures" within the meaning of Regulation G under the U.S. Securities Exchange Act of 1934. Non-IFRS/non-GAAP measures in this presentation include the pro-forma financial information, EBITDA and EBIT.

While the Company believes that this non-IFRS/non-GAAP financial information provides useful information to users in measuring the financial position and conditions of the Company, the non-IFRS/non-GAAP financial information does not have a standardised meaning prescribed by Australian Accounting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should it be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Prospective investors are cautioned, therefore, not to place undue reliance on any non-IFRS/non-GAAP financial information and ratios included in this Presentation.



## IMPORTANT NOTICE & DISCLOSURE

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A number of figures, amounts, percentages, estimates and calculations of value in this Presentation are subject to the effect of rounding.

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### ACKNOWLEDGEMENTS

You acknowledge and agree that:

- determination of eligibility of investors for the purposes of the institutional or retail components of the Entitlement Offer is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of each of RedHill and/or the Underwriter;
- each of RedHill and the Underwriter and each of their respective affiliates disclaim any duty or liability (including for negligence) in respect of that determination and the exercise or otherwise of that discretion, to the maximum extent permitted by law;
- the Underwriter may have interest in the securities of RedHill, including by providing investment banking and debt services to RedHill. Further, it may act as market maker or buy or sell securities or associated derivatives of RedHill as principal or agent; and
- the Underwriter will receive fees for acting in its capacity as lead manager and underwriter to the Capital Raising.



## IMPORTANT NOTICE & DISCLOSURE

### INTERNATIONAL SELLING RESTRICTIONS

This Presentation does not constitute an offer of the New Shares in any jurisdiction in which it would be unlawful. In particular, this Presentation does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. The New Shares have not been, and will not be, registered under the US Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States except pursuant to an exemption from, or in transactions not subject to, the registration requirements of the US Securities Act of 1933. The distribution of this Presentation may be restricted by law in any country outside Australia and New Zealand. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. See further International Offer Restrictions in this Presentation. By accepting this Presentation you represent and warrant that you are entitled to receive the Presentation in accordance with these restrictions and agree to be bound by their limitations.

In accordance with such Act, an offer of New Shares in Liechtenstein is limited to persons who are "qualified investors" (as defined in the Securities Prospectus Implementation Act).

### LIECHTENSTEIN

This document has not been, and will not be, registered with or approved by the Financial Market Authority of Liechtenstein. Accordingly, this document may not be made available, nor may the New Shares be offered for sale, in Liechtenstein except in circumstances that do not require a prospectus under the Securities Prospectus Implementation Act of Liechtenstein.

## OVERVIEW

- ❖ RedHill is undertaking an equity raising of approximately \$12 million via a non-underwritten institutional placement (Placement) and a fully underwritten accelerated, non-renounceable entitlement offer ("Entitlement Offer")
  - Institutional Placement to raise \$4.6 million
  - Fully underwritten Entitlement Offer to raise \$7.4 million
- ❖ Proceeds will be used to **enhance the balance sheet and increase available cash to support the business** during the economic uncertainties caused by the COVID-19 pandemic, and to have **sufficient funds available for future recovery and operational change initiatives** when pandemic conditions improve
- ❖ International student education is a **large and resilient sector** and has been identified as a **priority industry to be restarted** on the roadmap to a COVIDSafe Australia
- ❖ RedHill is **well positioned to capitalise on other emerging opportunities** post the COVID-19 pandemic





## CAPITAL RAISING OVERVIEW

<b>Offer Structure and Size</b>	Institutional Placement and an underwritten accelerated, non-renounceable entitlement offer ("Entitlement Offer") to raise \$12 million
<b>Pricing</b>	<ul style="list-style-type: none"><li>❖ Offer price of \$0.60 per New Share, represents<ul style="list-style-type: none"><li>○ 7.5% discount to the TERP<sup>1</sup> of \$0.65</li><li>○ 9.0% discount to the 5 day VWAP on 15 June 2020</li></ul></li></ul>
<b>Placement and Institutional Offer</b>	<ul style="list-style-type: none"><li>❖ Placement to raise approximately \$4.6 million</li><li>❖ The Placement and the Institutional Entitlement Offer will be conducted on 16 June 2020</li></ul>
<b>Retail Entitlement Offer</b>	<ul style="list-style-type: none"><li>❖ The Retail Entitlement Offer will open on 22 June and close at 5.00pm on 2 July</li><li>❖ The Retail Offer is open to all eligible retail shareholders with a registered address in Australia or New Zealand</li></ul>
<b>Underwriting</b>	The Entitlement Offer is fully underwritten by Veritas Securities Limited <sup>2</sup> . The Placement is not underwritten
<b>Ranking</b>	New shares issued under the Offer will rank equally with existing shares from 9 July 2020
<b>Record Date</b>	18 June 2020 for determining entitlement to participate in the Retail Entitlement Offer
<b>Director Participation</b>	The non-executive directors are considering sub-underwriting a total of up to approximately \$380,000 of the Retail Entitlement Offer and would not be paid any sub-underwriting or other fees.

<sup>1</sup>The Theoretical Ex-Rights Price ("TERP") is the theoretical price at which RedHill shares should trade immediately after the ex-date of the ANREO and Placement and is calculated based on the maximum size of the Capital Raise. TERP is a theoretical calculation only and the actual price at which RedHill shares will trade on the ASX immediately after the ex-date for the ANREO will depend on many factors and may not be equal to the TERP. TERP is calculated by reference to the closing price of RedHill shares as traded on the ASX on the last trading day prior to the announcement of the Capital Raise

<sup>2</sup>Refer to Appendix C Summary of Underwriting Agreement





## SOURCES & USES OF FUNDS

Sources	\$ MILLIONS
Gross proceeds from institutional placement	4.6
Gross proceeds from entitlement offer	7.4
<b>Total sources of funds</b>	<b>12.0</b>

Uses <sup>1</sup>	\$ MILLIONS
Enhance balance sheet strength and fund future recovery and operational change initiatives	12.0
<b>Total uses of funds</b>	<b>12.0</b>

<sup>1</sup> Before costs associated with the Capital Raising

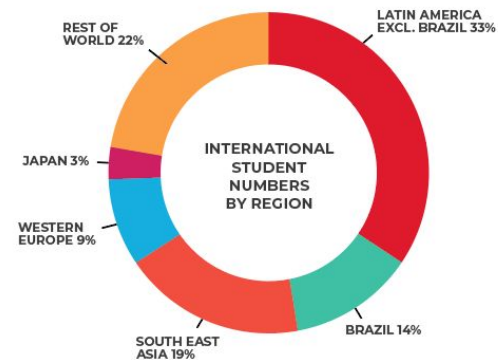
## THE COVID-19 PANDEMIC IMPACT ON REDHILL

The COVID-19 pandemic emergency has resulted in decisions by the Australian Government and the governments of other countries to enforce formal travel bans, self-isolations, and social distancing measures which have had a material impact upon RedHill's ordinary operations.

Approximately 85% of RedHill's business is delivering courses and services to international students undertaking studies in Australia, and border closures introduced by the Australian Government from 20 March 2020 means that international students who had planned to enter Australia after that date to commence their course at RedHill are not able to do so until travel bans are lifted and international airlines resume commercial flights.



Based on FY 2020 half year actual revenues



Based on international students actively studying as at the end of May 2020

## — RAPID RESPONSE TO MITIGATE IMPACT OF COVID-19

RedHill quickly implemented a range of responses to the COVID-19 pandemic which included:

- ❖ Migrating all courses to 100% online delivery
- ❖ Focusing on domestic markets for recruitment of new students
- ❖ Increasing focus on retention and upselling to international students currently in Australia
- ❖ Cost reduction measures which included:
  - Standing down approximately 67% of the non-teaching workforce from 1 April 2020
  - Senior management agreeing to reduce their salaries by 20% for Q4 of FY20
  - Non-executive directors suspending their fees for Q4 of FY20
  - FY20 Interim dividend being revoked
  - Participating in the Australian Government's JobKeeper scheme
  - Negotiating with lessors for rental relief
  - Freezing all non-essential capital expenditure
  - Pausing the Brisbane campus expansion initiative
- ❖ Cost reduction actions are expected to result in savings of circa \$4.5 million in Q4 of FY20
- ❖ Cost reductions are expected to continue into FY21





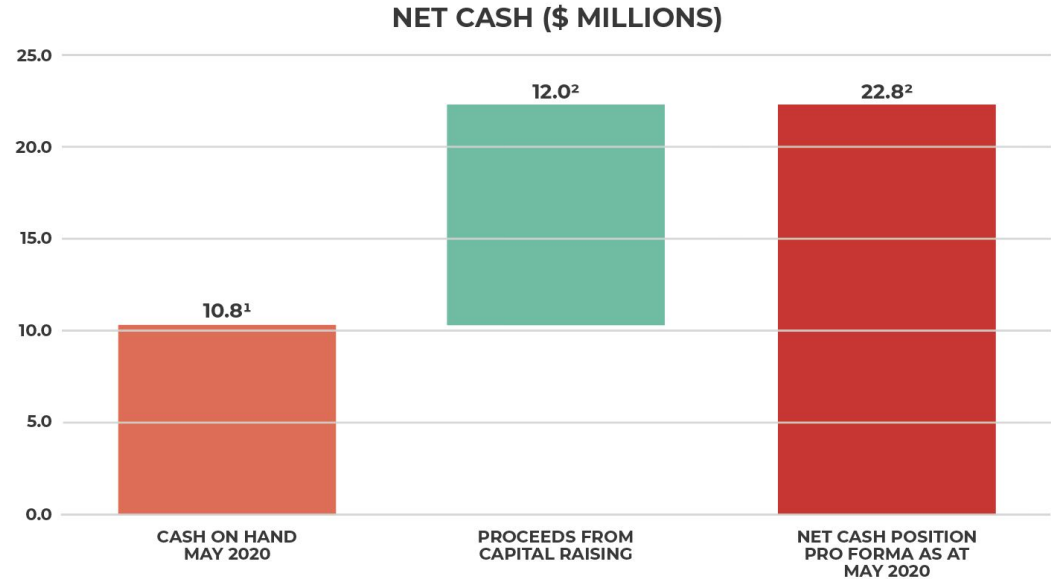
## POSITION THE BALANCE SHEET FOR FUTURE GROWTH

The ongoing COVID-19 pandemic has resulted in no new students entering Australia with corresponding near term revenue impacts. The impact on the future revenue pipeline will be most acutely felt in FY21.

- ❖ RedHill has maintained a strong balance sheet with **nil debt and \$10.8 million of cash** on hand
- ❖ Student numbers are expected to decline materially from July 2020 onwards
- ❖ Proceeds to be used to **support the business during the COVID-19** pandemic; and,
- ❖ To have **sufficient funds** available for **future recovery and operational change initiatives** when pandemic conditions improve
- ❖ The capital raise is expected to provide **sufficient funds** to operate the business **until the end of calendar 2021**

<sup>1</sup> Based on unaudited management accounts

<sup>2</sup> Before costs associated with the Capital Raising



# INTERNATIONAL EDUCATION AN IMPORTANT EXPORT INDUSTRY

## NSW

"The NSW Government will fund temporary crisis accommodation for stranded international students as part of a \$20 million package protecting the vulnerable and maintaining the State's track record as a leading global study destination."

Source: NSW Government Department of Education media release 15 May 2020

## QLD

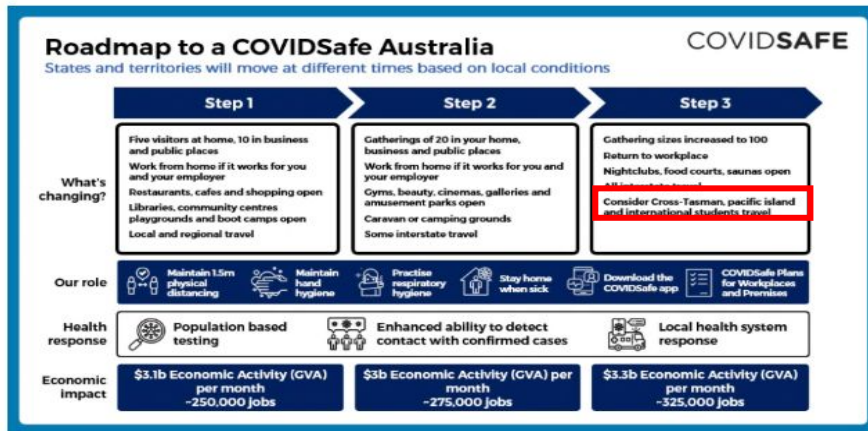
Premier Annastacia Palaszczuk has welcomed a partnership with film legend Baz Luhrmann's daughter Lilly to help international students impacted by COVID-19.

"Many international students can't get home, and I was over the moon to hear that Lilly had a fantastic idea to make sure that they felt looked after in Queensland," Ms Palaszczuk said.

The State Government will provide \$10 million to support more than 20,000 who are in Queensland separated from family and their home countries.

It is also supporting a campaign, The Study Queensland Luhrmann Appeal, launched by Lilly, to further support the students.

Source: Queensland Premier and Minister for Trade media release 24 May 2020



Source: Australian Government, Department of Health 21 May 2020



Source: State Government of Victoria website 29 May 2020

# INDUSTRY CALLS FOR A COVID SAFE CORRIDOR FOR INTERNATIONAL STUDENTS

## IHEA PROPOSES NATIONAL PROTOCOLS TO ESTABLISH A COVIDSAFE CORRIDOR TO FACILITATE THE SAFE ENTRY OF INTERNATIONAL STUDENTS TO AUSTRALIA

IHEA welcomes the National Cabinet's Roadmap to a COVIDSafe Australia including consideration of the conditions under which international student travel can recommence.

All Australians benefit from the contribution international students and their families make to our economy. It is critical that the international education industry can bounce back in the next major student commencement period for Australian higher education in early 2021.

**IHEA proposes a COVIDSafe Corridor for international student travel comprising four elements: national protocols; pilot programs; provider principles; and participation of independent providers in pilots.**

Australia's high quality independent higher education providers have the capacity to implement national protocols, the essential characteristics for international student support and success, and are well placed to participate in successful pilot programs.

International education is Australia's third largest export industry contributing \$28 billion to our national economy and generating 250,000 jobs. A resumption of student travel is critical to the recovery of Australia's economy and the jobs and livelihoods of Australian workers and their families.

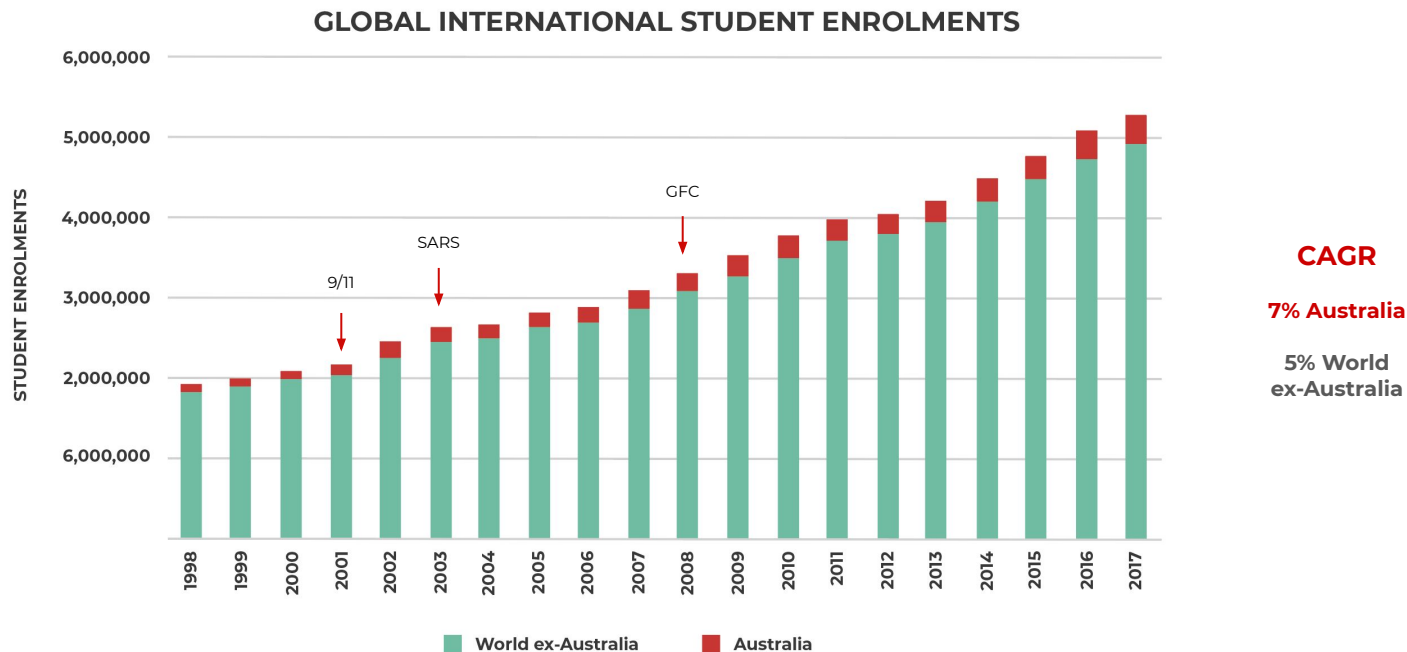
Source: IHEA media release 28 May 2020





## HISTORIC RECOVERY FROM MARKET & ECONOMIC DISRUPTION

The international student industry has demonstrated resilience through various economic and industry shocks, with Australian growth achieving faster than market growth.

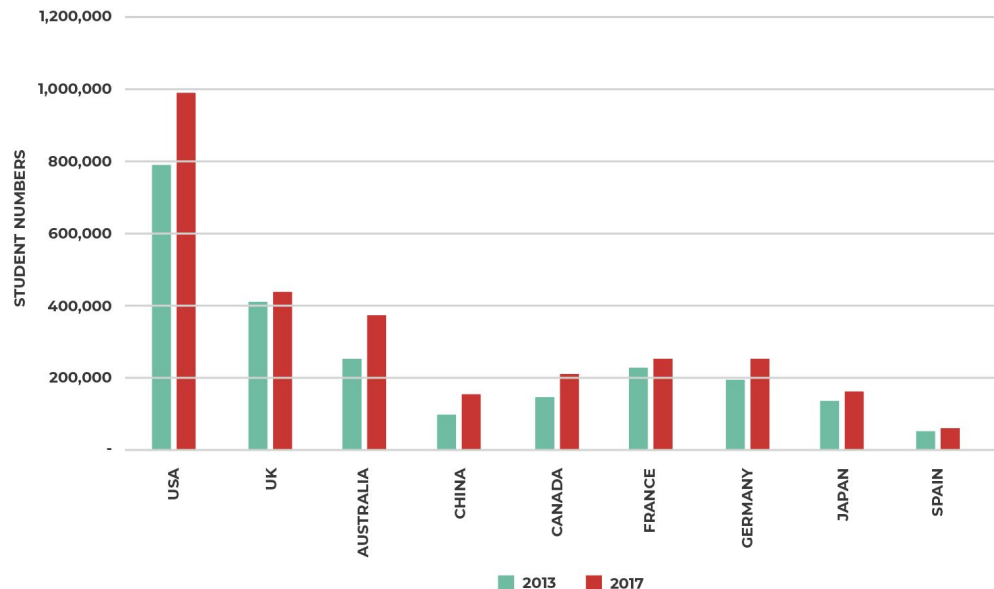


Source: UNESCO Institute for Statistics

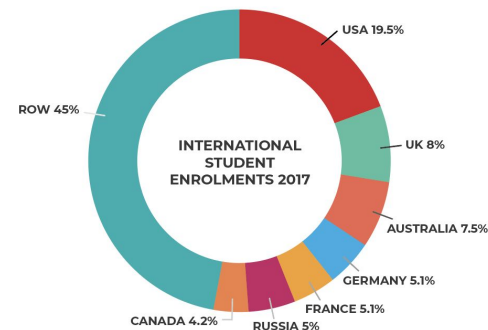
# AUSTRALIA IS A LARGE AND GROWING MARKET FOR INTERNATIONAL STUDENTS

Australia is the third largest market with strong growth in recent years.

INTERNATIONAL STUDENT ENROLMENTS 2013–2017



Source: UNESCO Institute for Statistics



Source: UNESCO Institute for Statistics

## Economic value to Australia

International education is currently Australia's **fourth largest export**

Coal



**\$77**  
billion

Iron ore



**\$69**  
billion

Natural gas



**\$49**  
billion

International education



**\$37.6**  
billion

Source: Australian Bureau of Statistics (2018-19)





## REDHILL WELL POSITIONED COMING OUT OF COVID-19

- ❖ Exposure to ELICOS, VET and Higher Education sectors
- ❖ Domestic and international student populations
- ❖ Strong cash position, nil bank debt
- ❖ Innovative and student focused operations
- ❖ Agility to adapt to emerging opportunities



## EMERGING BUSINESS OPPORTUNITIES

Current and post-pandemic opportunities for RedHill include:

- ❖ Online delivery to offshore students: 'Commence your course offshore, complete it in Australia'
- ❖ Micro-credentials and short course programs
- ❖ Australia likely to remain an attractive study destination relative to other competing markets:
  - Effective response to COVID-19 pandemic
  - Stable political environment
- ❖ Expand course offerings to both international and domestic markets
- ❖ Likely reduced domestic competition
- ❖ Other emerging opportunities



# REDHILL IS PLEASED TO ANNOUNCE THE LAUNCH OF THE GREENWICH ONLINE ACADEMY

## Begin your Australian Adventure at home!



### Virtual GEC

*Greenwich English Online Academy will accelerate your English ability to be ready for your incredible journey to Australia!*

- Start learning before coming to Australia
- Study in quarantine on arrival
- Appealing price point
- Be immediately ready to start work in Australia
- Join the Greenwich community

### Virtual GMC

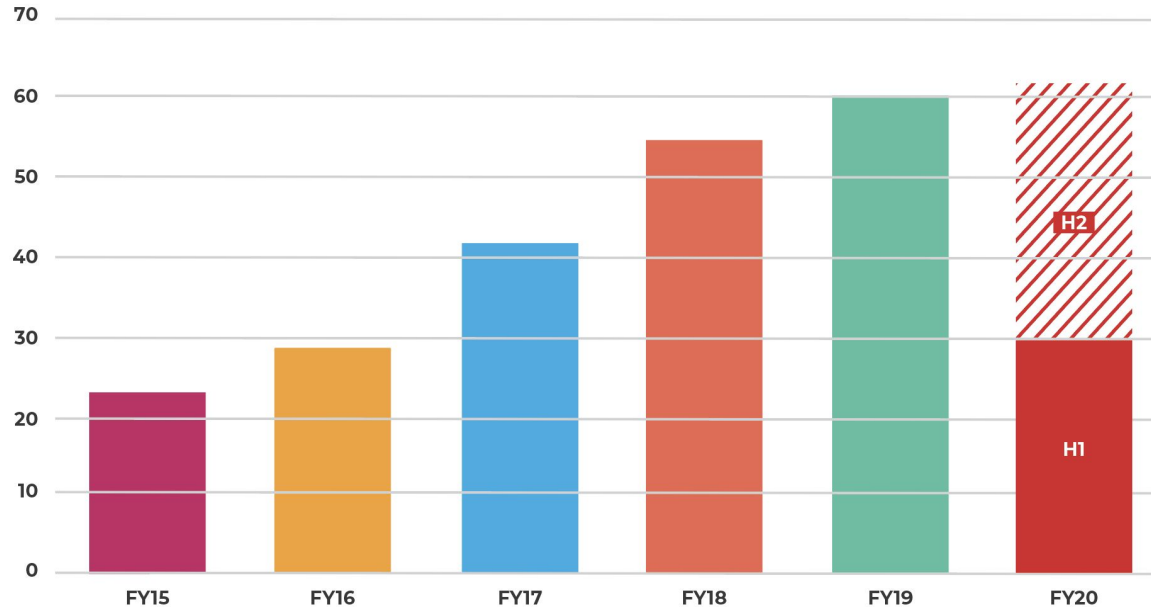
*Upskill your career prospects with an industry relevant qualification from a leading Australian institution!*

- Start learning before coming to Australia
- Study in quarantine on arrival
- Appealing price point
- Online learning fully recognised in VET qualifications
- Join the Greenwich community

## REDHILL POSITIONED TO PERFORM WELL WHEN MARKET CONDITIONS NORMALISE



REVENUE (\$ MILLIONS)



### CAGR 27% FY15–FY19

Pre-COVID, RedHill experienced significant consistent growth in revenues. Post pandemic, Australia is expected to return as a destination of choice for international students. RedHill will be ideally positioned to benefit from increased student demand for quality education.

Full year FY20 revenue is forecast to be in the range of \$62m to \$64m<sup>1</sup>.

Revenue for FY21 will be severely impacted by COVID-19 and cannot be reliably estimated at this time.

<sup>1</sup>Based on unaudited management accounts as at 31 May 2020 and an estimate of June revenue based on likely student numbers



## CAPITAL RAISING TIMETABLE

Description	Date
Trading halt and announcement of Capital Raising	Tue, 16 June 2020
Placement and Institutional Entitlement Offer opens	Tue, 16 June 2020
Placement and Institutional Entitlement Offer closes	Tue, 16 June 2020
Announcement of results of Placement and Institutional Entitlement Offer	Thu, 18 June 2020
Trading halt lifted - shares recommence trading on an 'ex-entitlement' basis	Thu, 18 June 2020
Record date for determining entitlement to participate in Entitlement Offer	Thu, 18 June 2020
Retail Offer booklet dispatched and Retail Entitlement Offer opens	Mon, 22 June 2020
Issues of New Shares under the Placement and Institutional Entitlement Offer	Wed, 24 June 2020
Retail Entitlement Offer closes	Thu, 2 July 2020
Settlement of Retail Entitlement Offer	Wed, 8 July 2020
Issue of New Shares under the Retail Entitlement Offer	Thu, 9 July 2020
Dispatch of holding statements in respect of New Shares issued under the Retail Entitlement Offer	Fri, 10 July 2020



## APPENDIX A – KEY RISKS

This section describes some of the key risks associated with an investment in New Shares in RedHill together with some of the specific risks relating to participation in this Offer, which may affect the value of RedHill Shares, many of which are beyond the control of RedHill. Investors should consult their own professional, financial, legal and tax advisors about the risks and the suitability of investing in light of their particular circumstances. Investors should also consider publicly available information on RedHill before making an investment decision. All potential investors should satisfy themselves that they have a sufficient understanding of these matters, including the risks described in this section and have regard to their own investment objectives, financial circumstances and taxation position and seek independent professional financial advice if they are uncertain.

The risks described in this section are categorised as follows:

1. risks specific to an investment in RedHill; and
2. general risks and risks associated with the Offer

The risks set out below are not an exhaustive list of the risks associated with an investment in RedHill. Further, you should note that this section focuses on the key risks and does not purport to list every risk that RedHill may have now or in the future.

You should note that the occurrence or consequences of many of the risks described in this section are partially or completely outside the control of RedHill, its directors and management.

It is also important to note that there can be no guarantee that RedHill will achieve its stated objectives or that any forward looking statements, expectations, illustrations or forecasts contained in this Presentation will be realised or otherwise eventuate.

### 1. RISKS SPECIFIC TO AN INVESTMENT IN REDHILL

#### INTERNATIONAL DISRUPTION AND THE IMPACT OF THE CORONAVIRUS (COVID-19) PANDEMIC

A large proportion of RedHill's operational and financial performance is dependent upon, and will continue to be impacted by, the demand for providing services and courses to international students undertaking studies in Australia. A range of possible disruptive circumstances or events (for example, outbreak of disease, political unrest and tensions, restrictions on movements between countries and negative international relations) may reduce the appeal of Australia as a study destination and may result in a decline in the demand from international students seeking to study in Australia from RedHill's source markets.

Any present or future circumstances which reduce the attractiveness of Australia as a study destination may have a material adverse impact on RedHill's financial position and performance.



## APPENDIX A – KEY RISKS

The circumstances relating to COVID-19 have resulted in domestic and international governments and regulatory authorities implementing and enforcing formal travel bans, lockdowns, quarantines, and social-distancing requirements which are completely out of RedHill's control. These actions and other COVID-19 pandemic implications are having a material adverse effect on RedHill's operations and performance.

There is continued uncertainty as to the duration and further impact of COVID-19 including (but not limited to) in relation to government policy, legislation, regulatory or health authority actions, work stoppages, lockdowns, quarantines, travel restrictions, social instability and the impact on global economies. There is no certainty that demand for RedHill's services or courses will normalise to a level that existed prior to the impact of COVID-19, or how long a process of normalisation could take, even after the lifting of travel restrictions.

While RedHill expects it will have sufficient liquidity to deal with the circumstances relating to COVID-19 as a result of the Offer, there is a risk that if the duration of events surrounding COVID-19 are prolonged, RedHill may need to take additional measures in order to respond appropriately.

There are other changes in the domestic and global economic outlook associated with the events relating to COVID-19 that are beyond the control of RedHill and may affect RedHill's financial position and performance.

These include (but are not limited to) changes in inflation rates, interest rates, foreign currency exchange rates, employment rates, labour costs, international travel costs, and changes in general economic conditions (for example, an economic recession or downturn).

RedHill has already taken decisive steps in an effort to mitigate the impact of COVID-19, including but not limited to revoking its FY20 interim dividend, migrating all courses to 100% online delivery, standing down a large portion of the workforce, suspending non-executive director fees for Q4 of FY20, pausing of major capital expenditure, freezing of non-essential operating expenses, and accessing available government relief funding (including the Australian Government's 'JobKeeper' scheme). Having already taken these measures, RedHill may have limited options available to it to further reduce costs should domestic and global economic conditions not improve.

### COMPETITION

RedHill operates in highly competitive markets across its geographies, addressable markets, products and services. If the actions of competitors or potential competitors become more effective, or if new competitors enter the market and RedHill is unable to appropriately respond to or counter these actions, RedHill's financial performance could be adversely affected or RedHill may be unable to compete successfully.



## APPENDIX A – KEY RISKS

An increase in competition in the markets in which RedHill operates could result in RedHill needing to increase its marketing and/or capital expenditure, reduce its tuition and service fees, increase fees paid to third party international student agents, revise its business strategy or alter other aspects of its business model to remain competitive. All of these factors could have a material adverse effect on RedHill's financial position and performance.

### RELIANCE UPON THIRD PARTY AGENTS

RedHill's business includes a network of third-party international student agents who provide student recruitment services into RedHill's English language, vocational and higher education courses and programmes. All of these relationships are non-exclusive and can be renegotiated or terminated at short notice. RedHill seeks to mitigate risk by having a diverse network of international student agents representing a wide range of international student nationalities, so as to reduce the reliance upon any particular agent or student nationality.

Third party international student agents often collect fees from students which are required to be passed onto RedHill at the time that students undertake their studies, and there is a risk (particularly if an agent is facing financial distress, including as a result of COVID-19) that one or more of these agents fails to pay RedHill when payment is due, seeks to renegotiate or terminate its relationship with RedHill, does not provide a level of service consistent with that expected and required by RedHill, contravenes or is alleged to have contravened laws or regulations, incurs fines or penalties, or undertakes actions that cause other negative impacts to RedHill.

Any of these matters could adversely affect RedHill's brand and business strategy, and may have an adverse effect on the operating and financial performance of RedHill.

### REGULATORY REGISTRATIONS AND ACCREDITATIONS

The education industry in Australia is highly regulated. RedHill holds various tertiary education registrations and accreditations which are governed by legislation and standards authorities in Australia. Future changes to commonwealth, state or territory legislation or regulations, or an inability to retain any registrations or accreditations, or any delays to the approval of any registrations or accreditations, may adversely impact RedHill's financial position and performance.

### INTERNATIONAL STUDENT VISA AND IMMIGRATION POLICIES

RedHill's business includes recruiting international students into its vocational and higher education courses to be delivered in Australia. Any future changes which are made to international student visa requirements in Australia, including working rights for certain visa types, or to Australian immigration policies for students from RedHill's source markets, may adversely impact the financial position and performance of RedHill.





## APPENDIX A – KEY RISKS

### EXPOSURE TO AUSTRALIAN GOVERNMENT FUNDING AND TUITION LOAN ARRANGEMENTS

RedHill's business includes being accredited to offer eligible domestic students Australian Government assistance for financing of their tertiary studies under the Higher Education Loan Program (HELP). RedHill is accredited to offer FEE-HELP to eligible domestic students undertaking higher education courses, and VET Student Loans to eligible domestic students undertaking certain vocational courses. Future changes to HELP legislation or regulations, or an inability by RedHill to retain or renew HELP accreditations, could have a material and adverse impact on RedHill's financial position and performance.

The commonwealth, state and territory governments in Australia provide various forms of direct and indirect funding to certain tertiary education organisations and for certain courses and qualifications. Future changes by commonwealth, state or territory government to direct and indirect funding arrangements could directly impact RedHill's ability to successfully compete in certain areas, which could have a material and adverse impact on RedHill's financial position and performance.

### FAIR WORK ACT AND INDUSTRIAL AWARDS

The employment arrangements for most of RedHill's employees fall under the jurisdiction of the *Fair Work Act 2009* (Cth) (Act), and the *Educational Services (Post-Secondary Education) Award 2020* (Award). Future changes to the Act or the Award, or any changes in the interpretation, or any possible contraventions by RedHill of the Act or the Award, could have a material and adverse impact on RedHill's financial position and performance.

### HUMAN RESOURCES

RedHill's ability to operate successfully depends on the continuing efforts of its senior executives and other key employees who have certain competencies and expertise in the Australian tertiary education industry. The loss of one or more senior executive or key employee may have an adverse effect on RedHill's operations, and there is a risk it may not be able to attract and retain senior executives or key employees, or be able to recruit suitable replacements in a timely manner. Any loss of a senior executive or key employee, or any delay in recruiting their replacement, could impact the RedHill's ability to operate and achieve its growth strategies, which could have a material and adverse impact on RedHill's financial position and performance.

Any outbreak of COVID-19 within RedHill's workforce may cause disruption to operations or reduced productivity during any period of employee quarantine or illness.



## APPENDIX A – KEY RISKS

Remote working arrangements to meet social distancing or quarantine requirements during the COVID-19 outbreak may have a material and adverse impact on RedHill's financial position and performance.

### **SERVICE DELIVERY QUALITY AND STUDENT SATISFACTION**

RedHill delivers its courses and services in purpose built quality campuses and online, and engages experienced teachers and trainers to deliver its internally developed learning materials. Student surveys are regularly undertaken to measure satisfaction levels in a broad range of aspects of their study experience, and findings from these surveys are used to provide performance feedback to employees and to identify continuous improvement activities. RedHill also invests in providing other support services to students including assistance with internship placements, hosting of industry events and holding of events and exhibitions to showcase student works. Any factors or actions which undermine the service delivery quality and student satisfaction could have a material and adverse impact on RedHill's financial position and performance.

### **INABILITY TO EXECUTE BUSINESS STRATEGY**

RedHill may fail to implement or achieve its strategic objectives due to a range of factors, including management not prioritising delivery of key initiatives, changes to the competitive environment that result in a change to the underlying assumptions of the strategy, poor cost management, loss of key employees, failure to effectively execute a project, or adverse economic shocks and uncertainty.

As part of its strategy, RedHill may undertake acquisitions or divestments from time to time, or invest capital into new projects or initiatives, including possible campus footprint expansions. While RedHill is focused on maintaining a disciplined approach to its capital expenditure, such actions could result in a variability of earnings over time, which may have a material and adverse impact on RedHill's financial position and performance.

### **RECRUITING INTERNATIONAL STUDENTS FOR OTHER EDUCATION ORGANISATIONS**

RedHill's business includes agreements to recruit students to be enrolled into other third party education organisations. These agreements are non-exclusive with no fixed term and can generally be terminated on short notice.

There is a risk (particularly to the extent that the other education organisations are facing financial distress, including as a result of COVID-19) that the other education organisation could fail to pay RedHill when payments are due, terminate or vary the terms of the agreements, enter into relationships with any of RedHill's competitors, or undertake recruitment activities in their own right. Any of these actions could have a material and adverse impact on RedHill's financial position and performance.



## APPENDIX A – KEY RISKS

### CHANGES IN GRADUATE EMPLOYMENT PROSPECTS

A measure of RedHill's operational success is its students achieving desired learning outcomes, which may include gaining relevant employment upon graduation. Any factors which adversely impact the employment prospects of RedHill's graduating students may reduce the appeal or demand for certain courses, which could have a material and adverse impact on RedHill's financial position and performance.

### INDUSTRY AND BRAND REPUTATION

The success of RedHill is dependent on its industry and brand reputation. Maintaining a good reputation will assist RedHill to maintain its market position, its registrations and accreditations, its relationship with international student agents and other service providers, its relationship with client education organisations, its ability to attract and retain capable employees, and its ability to attract students. Any factors or actions which undermine the strength of RedHill's industry and brand reputation could have a material and adverse impact on RedHill's financial position and performance.

Allegations of wrongdoing on the part of RedHill or any other tertiary education organisation, could attract negative media coverage or Australian regulatory authority scrutiny which focuses not only on the individual education organisation in question but on the tertiary education sector as a whole. Any factors which result in negative media coverage or Australian regulatory authority scrutiny towards RedHill or its competitors or the tertiary education sector could have a material and adverse impact on RedHill's financial position and performance.

### LEASED PREMISES

RedHill does not own any properties for the purpose of its operations, but instead enters into commercial leasing agreements for suitable premises. There is a risk that RedHill may not be able to retain existing leased premises on favourable commercial terms, or secure suitable new leased premises on favourable commercial leasing terms to meeting the operating needs and growth aspirations of the business. Failure to enter into commercial leasing agreements on favourable terms could have a material and adverse impact on RedHill's financial position and performance.

### IMPAIRMENT OF INTANGIBLES

RedHill's intangible assets comprise of right of use assets, goodwill, and copyrights.

Intangible assets are assessed for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that an impairment might be required. There is a risk that changes in circumstances may require an impairment charge which could have a material and adverse impact on RedHill's financial position and performance.



## APPENDIX A – KEY RISKS

### **TECHNOLOGY PLATFORMS MAY BE DISRUPTED, FAIL OR BE INSUFFICIENT**

RedHill relies on third party software products and services from a number of different providers to enable internal data management and reporting and the delivery of services to students. Although RedHill has back-up and recovery procedures in place, any significant interruption to its technology systems or a major loss of data could impair the ability of RedHill to continue to provide its services.

Technology licences may be terminated or not renewed, or the technology suppliers may be subject to events, such as insolvency or technical failures, leading to temporary or permanent loss of services and failure to complete developments or upgrades when anticipated.

If any of RedHill's third party provided technology platforms prove to be insufficient for its needs, or are disrupted or fail, this could adversely affect operations and require that RedHill outlays additional capital to improve, replace or fix the platforms. This investment could have a material and adverse impact on RedHill's financial position and performance.

### **PROTECTION AND SECURITY OF PERSONAL INFORMATION AND DATA**

In order to conduct its operations, RedHill collects a wide range of personal and financial data from its students.

This information includes, but is not limited to, students' personal address and contact details, copies of passports and visas, and banking details.

RedHill's efforts to protect such information may be unsuccessful due to potential cyber-attacks, software bugs, technical malfunctions, employee error or other factors.

Allegations of, or actual, unauthorised access or loss of such sensitive data could occur, resulting in a breach of RedHill's obligations under applicable laws or regulations, and legal or regulatory action against RedHill could be initiated in connection with any such breaches. In addition, the breach could impact student satisfaction and confidence in RedHill's security arrangements. Any such allegations or breaches of laws or regulations could have a material and adverse impact on RedHill's reputation, financial position and performance.

### **OVERSEAS OPERATIONS**

RedHill operates in several overseas jurisdictions, which may change over time. It is required to comply with all applicable overseas laws and regulatory regimes, and future changes or non-compliances with these laws and regulations could have a material and adverse impact on RedHill's financial position and performance.



## APPENDIX A – KEY RISKS

### PROTECTION OF INTELLECTUAL PROPERTY

RedHill relies on laws relating to trade secrets, copyright and trademarks to assist with protecting its proprietary rights. However, there is a risk that unauthorised use of its intellectual property could occur. In addition, there is a risk that the validity, ownership or authorised use of intellectual property relevant to the business could be successfully challenged by third parties. This could involve significant expense and potentially result in RedHill being unable to use the intellectual property in question. Such an outcome could potentially have a material and adverse impact on RedHill's financial position and performance.

### ABILITY TO ACCESS CAPITAL OR DEBT MARKETS ON FAVOURABLE TERMS

While the proceeds of the Offer are intended to adequately satisfy RedHill's current capital requirements, if RedHill requires access to further funding at any stage in the future, it may be adversely affected in a material way if, for any reason, access to that funding is not available.

RedHill may seek capital funding or debt funding in the future. If RedHill is unable to access capital, or to obtain, renew, refinance, or repay any debt facilities on favourable terms within an acceptable time, it could have a material and adverse impact on RedHill's financial position and performance.

There can be no assurance that additional funding will become available. Developments in global financial markets, such as the volatile and uncertain impact of COVID-19, may adversely affect the liquidity of domestic and global credit markets and RedHill's ability to access those markets.

If additional funds are raised by issuing new equity securities in RedHill, it may result in dilution to the current shareholders of RedHill at that time.

### RISK OF LITIGATION, CLAIMS AND DISPUTES

RedHill may be subject to litigation, claims and disputes in the course of its business, including employment disputes, contractual disputes, indemnity claims, and occupational and personal claims. Any such matters could involve prosecution, defence, and settlement costs, and consume management time in the dealing with any such litigation, claims and disputes. Any litigations, claims and disputes arising could have a material and adverse impact on RedHill's financial position and performance.



## APPENDIX A – KEY RISKS

### MAINTENANCE OF ADEQUATE INSURANCE COVER

RedHill maintains adequate insurance cover that is consistent with prudent business practice, including workers' compensation, directors and officers, travel, public liability, property damage, business interruption, and other risks that may arise in the course of its operations. However, no assurance can be given that such insurance will be available in the future on commercially reasonable terms or that any insurance cover will be adequate and available to cover all claims. Should RedHill be unable to maintain adequate insurance cover, or experience claims for losses in excess of the level of its insurance coverage, it could have a material and adverse impact on RedHill's financial position and performance.

### CURRENCY FLUCTUATIONS

RedHill invoices for all of its courses and services in Australian dollars, meaning international currency fluctuations (including in connection with COVID-19) may affect the cost of courses for international students, and also may affect their cost of living while studying in Australia. Some international students will be price sensitive, and may choose not to travel to Australia to study or will travel to a different country if course or living costs increase as a result from any appreciation of the Australian dollar relative to other countries which are sources of students. As such, any appreciation of the Australian dollar relative to source markets may have a direct impact on demand for RedHill's courses and services, and could have a material and adverse impact on RedHill's financial position and performance.

## 2. OFFER AND GENERAL RISKS

### MARKET AND AN INVESTMENT IN SHARES

The market price of RedHill's shares will fluctuate due to various factors, many of which are non-specific to RedHill, including the number of potential buyers or sellers of RedHill shares on the ASX at any given time, recommendations by brokers and analysts, Australian and international general economic conditions (including as a result of the impacts of COVID-19), investor perceptions, inflation rates, interest rates, changes in government, fiscal, monetary and regulatory policies, changes in law, fire, flooding, climate change, extreme weather events, natural disasters, global geo-political events and hostilities, acts of terrorism, state of emergency declarations, outbreaks of pandemics, outbreaks of war or tensions, hostilities or breakdowns in relations among nations, and investor perceptions. These factors may cause RedHill shares to trade at a lower price than the issue price under the Offer.

### GENERAL ECONOMIC CONDITIONS

The trading price of RedHill shares may be adversely impacted by various factors, including new or changed governmental measures, business closures, lockdowns, quarantines, travel and other restrictions and resultant impacts on economies and financial markets. The historic share price performance of RedHill provides no guidance as to its future share price performance.



## APPENDIX A – KEY RISKS

Any deterioration in the domestic and global economy may have a material adverse effect on the performance of RedHill's business and RedHill's share price. It is possible that new risks might emerge as a result of Australian or global markets experiencing extreme stress, or existing risks, may manifest themselves in ways that are not currently foreseeable. The equity markets have in the past and may in the future be subject to significant volatility.

### UNDERWRITING RISK

RedHill has entered into an underwriting agreement with Veritas Securities Limited (Underwriter) under which the Underwriter has agreed to fully underwrite the Entitlement Offer component of the Offer, subject to the terms and conditions of the underwriting agreement (Underwriting Agreement).

Prior to the settlement of the Retail Entitlement Offer, there are certain events which if they were to occur (e.g. market disruptions, defects in the offer documents, material adverse changes experienced by RedHill, regulatory interventions, breaches of the Underwriting Agreement by RedHill, etc.), may lead to the Underwriter terminating the Underwriting Agreement.

The Underwriter's obligation to underwrite the Entitlement Offer is also subject to customary terms and conditions.

The ability of the Underwriter to terminate the Underwriting Agreement in respect of some events will depend (among other things) on whether the event has or is likely to have a material adverse effect on the success, settlement or marketing of the Entitlement Offer, or could reasonably be expected to give rise to a contravention by, or liability for, the Underwriter under applicable laws.

If the Underwriting Agreement is terminated for any reason, RedHill may not receive the full amount of the proceeds expected under the Entitlement Offer, its financial position might change and it might need to take other steps to raise capital, including by raising additional debt.

### PLACEMENT

The Placement proportion of the Offer is not being underwritten, which may result in a shortfall in the proceeds expected under the Placement. Should such a shortfall occur, RedHill may need to limit the use of the funds raised under the Offer accordingly. See above 'Underwriting risk' for further explanation of the risks associated with the underwriting of the Entitlement Offer.



## APPENDIX A – KEY RISKS

### DIVIDENDS

Any decisions regarding the payment of dividends in respect of RedHill's shares is determined at the discretion of RedHill's board of directors, having regard to relevant factors, which include RedHill's available profits, cashflow, financial condition, operating results, future capital requirements, covenants in relation to financing agreements, as well as economic and other broad factors. There is no warranty or assurance that a dividend will be paid by RedHill in any future period or, if a dividend is paid, it is paid at historical levels.

### LIQUIDITY RISK

RedHill is a listed entity. Therefore, the ability to sell RedHill shares will be a function of the turnover of the RedHill shares at the time of sale. Turnover itself is a function of the size of RedHill and also the cumulative investment intentions of all current and possible investors in RedHill at any one point in time.

### RISKS OF DILUTION

Current shareholders in RedHill who do not participate in the Offer as per their entitlement will have their percentage shareholding in RedHill diluted. Investors may also have their investment diluted by future capital raisings or issues of new equity securities by RedHill.

RedHill may issues new equity securities in the future to finance acquisitions or pay down debt which may, under certain circumstances, dilute the value of a shareholder's interest in RedHill shares.

### ACCOUNTING STANDARDS MAY CHANGE

Future changes in Australian accounting standards may affect the reporting of RedHill's earnings and financial position from time to time. RedHill will continue to assess and disclose, when known, the impact of adopting new accounting standards.

### EXPOSURE TO CHANGES IN TAX RULES OR THEIR INTERPRETATION

Changes may occur in the future to Australian taxation law, including changes in interpretation or application of the law by the courts or taxation authorities in Australia in relation to equity investments. In particular, both the level and basis of taxation of an investment in New Shares may change. An investment in shares involves tax considerations which may differ for each investor. Investors are encouraged to seek professional tax advice in connection with any investment in RedHill.





## APPENDIX B – INTERNATIONAL RESTRICTIONS

This document does not constitute an offer of New Shares in RedHill in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

### LIECHTENSTEIN

This document has not been, and will not be, registered with or approved by the Financial Market Authority of Liechtenstein. Accordingly, this document may not be made available, nor may the New Shares be offered for sale, in Liechtenstein except in circumstances that do not require a prospectus under the Securities Prospectus Implementation Act of Liechtenstein.

In accordance with such Act, an offer of New Shares in Liechtenstein is limited to persons who are "qualified investors" (as defined in the Securities Prospectus Implementation Act).

### UNITED STATES

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The New Shares have not been, and will not be, registered under the Securities Act of 1933 (Securities Act) and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act and applicable US state securities laws.

### NEW ZEALAND

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act").

The New Shares are not being offered to the public within New Zealand other than to existing shareholders of RedHill with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the FMC Act and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

Other than in the entitlement offer, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.



## APPENDIX C – SUMMARY OF UNDERWRITING AGREEMENTS

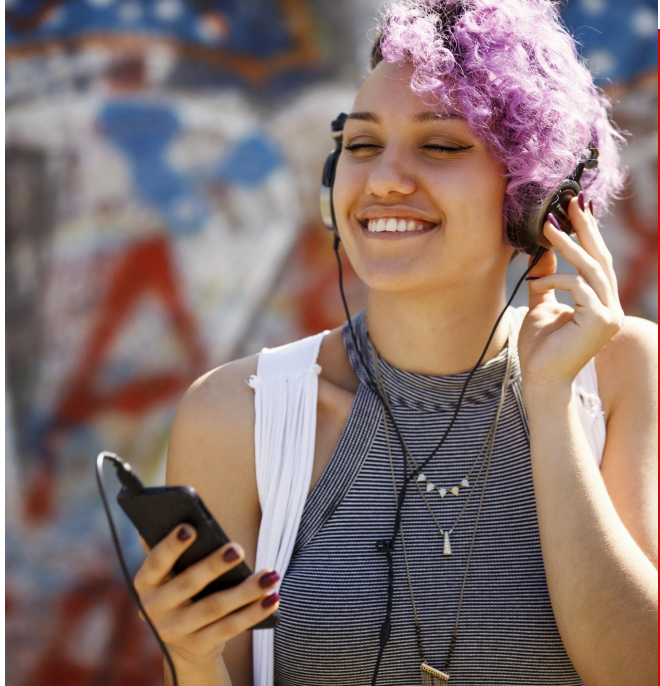
RedHill has entered into an underwriting agreement with Veritas Securities Limited (Underwriter) under which the Underwriter has agreed to fully underwrite the Entitlement Offer component of the Capital Raising, subject to the terms and conditions of the underwriting agreement (Underwriting Agreement).

Prior to the settlement of the Retail Entitlement Offer, there are certain events which if they were to occur (e.g. market disruptions, defects in the offer documents, material adverse changes experienced by RedHill, regulatory interventions, breaches of the Underwriting Agreement by RedHill, etc.), may lead to the Underwriter terminating the Underwriting Agreement.

The Underwriter's obligation to underwrite the Entitlement Offer is also subject to customary terms and conditions.

The ability of the Underwriter to terminate the Underwriting Agreement in respect of some events will depend (among other things) on whether the event has or is likely to have a material adverse effect on the success, settlement or marketing of the Capital Raising, or could reasonably be expected to give rise to a contravention by, or liability for, the Underwriter under applicable laws.

If the Underwriting Agreement is terminated for any reason, RedHill may not receive the full amount of the proceeds expected under the Capital Raising, its financial position might change and it might need to take other steps to raise capital, including by raising additional debt.



# THANK YOU

RedHill Education Limited