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UCW ANNOUNCES OFF-MARKET TAKEOVER OFFER FOR REDHILL EDUCATION

Combines two highly complementary education businesses as a meaningful step towards creating one of Australia's leading listed tertiary education groups

- UCW announces off-market takeover offer for RedHill Education and lodgement of Bidder's Statement
- Exchange ratio of 4.5 ordinary shares in UCW for each ordinary share in RedHill Education implies a value of \$0.79 per RedHill Education share, a 14.5% premium to its 30 day VWAP and a 2.9% premium to last close
- Brings together two high-quality complementary education businesses as a meaningful step to creating Australia's leading listed tertiary education group
- Combination results in a broader course offering, greater cross-selling opportunities, and a broader and more diversified student recruitment network
- Financially, the Combined Group will have a larger, more diversified revenue and earnings base with a strengthened balance sheet
- Combined Group expected to have increased relevance and access to capital markets through greater scale and liquidity
- Appointment of highly-experienced independent Chair – David Buckingham, recent CEO of Navitas Limited (subject to the transaction completing)
- Strong shareholder support for the Offer with Redhill Education's two largest shareholders, Perpetual Investment Management Limited and Viburum Funds Pty Ltd having entered into pre-bid acceptance agreements for 19.9% of RedHill Education shares, in aggregate

The board of UCW Limited (ASX:UCW) (**UCW**) is pleased to announce an off-market takeover offer for RedHill Education Limited (ASX: RDH) (**RedHill**). UCW proposes to acquire all of the ordinary

shares in RedHill for consideration of 4.5 fully paid ordinary shares in UCW for each RedHill share (the **Offer**).

As at 11 December 2020 (being the last trading day before the date of this announcement), the Offer implies a value of \$0.79¹ per RedHill Share, representing a:

- 14.5% premium to RedHill's 30-day VWAP²;
- 31.3% premium to RedHill's recent capital raise price³; and
- 2.9% premium to RedHill's last closing price⁴.

Strong strategic rationale

The UCW Board believes there is strong strategic rationale to combine UCW and RedHill (the **Combined Group**), with compelling industrial, financial and corporate logic.

"Our goal is for the Combined Group to become one of Australia's leading listed tertiary education providers. This transaction represents a meaningful step towards achieving that objective" said UCW Chair, Gary Burg. "The Offer represents a premium to RedHill's share price across a range of measures, delivers significant benefits to both RedHill and UCW shareholders, and creates a larger platform from which to pursue growth in Australia's evolving education sector".

"Importantly, RedHill's two largest institutional shareholders have entered into pre-bid acceptance agreements for 19.9% of RedHill's shares, in aggregate. We view this as a strong endorsement of the proposal and its potential to create long-term shareholder value".

"We have long believed that UCW and RedHill are a natural fit" said UCW CEO, Adam Davis. "We share a similar philosophy and commitment to quality. Bringing the businesses together creates a larger, stronger group with a broader offering and a wider reach. We expect to derive meaningful cost and revenue synergies, to preserve shareholder value and to position the Combined Group to benefit from the tailwinds in the domestic student market, the recovery of the international student market and for future growth."

"We are excited about the long-term opportunities within the education sector, including participating in further industry consolidation" he said.

Subject to the transaction completing, David Buckingham, recent Chief Executive Officer and Chief Financial Officer at formerly ASX-listed Navitas Limited and iiNet Limited, has agreed to act as the Independent Non-Executive Chair for the Combined Group.

Benefits for RedHill shareholders

The transaction delivers numerous benefits to RedHill shareholders, including majority ownership of the Combined Group.

- The Offer represents a premium across a range of measures, including potential scrip-for-scrip Capital Gains Tax⁵ rollover relief
- 66% ownership in a larger, well-capitalised business with a vision for an accelerated growth trajectory
- Ability to share in value uplift from immediate and longer-term cost and revenue synergies
- Increased scale, market relevance and liquidity

¹ Based on the value of each UCW share of \$0.175, being the closing price on 11 December 2020, the last trading day prior to the date of this announcement

² 30 day VWAP of \$0.688 per share calculated for the period up to and including 11 December 2020, the last trading day prior to the date of this announcement

³ Offer premium relative to the RedHill recent capital raise price of \$0.60 completed in July 2020

⁴ Offer premium relative to the RedHill closing price of \$0.765 on 11 December 2020, the last trading day prior to the date of this announcement

⁵ Refer to Bidder's Statement for further information in relation to Capital Gains Tax considerations

- Shareholder-aligned leadership team with the appointment of highly-experienced independent Chair – David Buckingham (ex-CEO of Navitas Limited)

Benefits for UCW shareholders

The transaction also delivers numerous benefits to UCW shareholders, including meaningful continued participation in the Combined Group

- 34% ownership in a larger, well-capitalised business with a vision for an accelerated growth trajectory
- Ability to share in value uplift from immediate and longer-term cost and revenue synergies
- Increased scale, market relevance and liquidity
- Shareholder-aligned leadership team with appointment of highly-experienced independent Chair – David Buckingham (ex-CEO of Navitas Limited)

Complementary course offerings

The Combined Group brings together UCW's target market of Health and Community Services with RedHill's focus on Technology, Design and Management, as well as a shared philosophy and commitment to quality.

- Attractive course mix in high-growth sectors underpinned by strong underlying employment demand
- Creates an attractive portfolio of brands and study pathways across the student lifecycle
- Targeting both domestic and international students

Significant cost and revenue synergies

Both sets of shareholders will benefit from immediate and longer-term cost and revenue synergies.

- Corporate expenses to be rationalised through removal of cost duplication
- Opportunity to improve campus utilisation and potentially rationalise the Combined Group's leased premises, while also expanding RedHill's offering into UCW's broader national footprint
- Leverage wider student recruitment network with broader course offering and study pathways to a larger target market
- Bundling and cross-selling of courses within and across sectors to extend average study duration of students within the Combined Group
- Ability to better leverage marketing spend with longer-term opportunity to potentially combine brands and improve market presence
- Expedited product development through shared knowledge and resources
- Expedite digital transition, including to blended and non-campus delivery

Greater scale and strengthened balance sheet

The Combined Group will have a larger and more diversified revenue and earnings base, \$26.0m⁶ of net cash, and be well positioned to withstand the current trading environment and to pursue growth initiatives.

- Combined Group pro-forma⁷ FY20: revenue of \$89.7m, EBITDA of \$17.1m, EBIT of \$6.6m and NPAT of \$2.4m
- Increased scale and liquidity provide more relevance and greater access to capital markets

⁶ Based on UCW's cash of \$8.7m and \$4.2m debt (excluding lease liabilities) as at 30 September 2020 per UCW Market Update announcement on 2 November 2020 and the midpoint of RedHill's expected cash balance of \$21m to \$22m at 31 December 2020 as per 2020 AGM on 19 November 2020 and \$nil debt (excluding lease liabilities) per FY20 Annual Report

⁷ EBITDA, EBIT and NPAT have been adjusted for one-off items. Refer Bidder's Statement for details

- Larger platform from which to pursue further growth initiatives

Shareholder-aligned leadership team

The Combined Group's proposed board and management team have a successful track-record in the education sector across multiple listed and unlisted education businesses.

- Board and management will have a 16.9%⁸ interest in the Combined Group
- Successful track-record in UCW of delivering growth in student numbers, strong operating performance and execution of strategic acquisitions

Strong investor support

RedHill's two largest institutional shareholders have entered into pre-bid acceptance agreements with UCW for 19.9% of RedHill's shares⁹, in aggregate:

- Perpetual Investment Management Limited in relation to 13.7% of RedHill shares; and
- Viburnum Funds Limited in relation to 6.2% of RedHill shares.

UCW welcomes the opportunity to engage with other RedHill shareholders concerning the Offer.

Advisers

Investec is acting as financial adviser and K&L Gates as legal adviser to UCW in relation to the Offer.

Additional information

Additional information concerning the Offer is contained in the Bidder's Statement and Investor Presentation released to ASX.

This announcement was approved for release to the ASX by the UCW Board of Directors.

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⁸ Based on fully diluted shares outstanding including performance rights of both companies and options associated with RedHill and based on an exchange ratio of 4.5 UCW shares for every 1 RedHill share

⁹ In the absence of a superior proposal