



REDHILL EDUCATION

2016 Annual General Meeting

Acting Chairman's Address

24 November 2016



INTRODUCTION

My name is William Deane, I am a non-executive director and currently in the role of Acting Chairman while our Chairman Bill Beerworth is in hospital. Bill Beerworth sends his apologies.

I will start by stating we are pleased that RedHill's revenue has continued to grow significantly and the investment we made in organic growth initiatives has resulted in EBITDA in line with expectations.

Our CEO, Glenn Elith, will take you through the RedHill summary financial metrics for FY2016.

Glenn will also provide some colour and detail on our new initiatives.

In this address, I will reflect on 3 broad themes:

- 1. The value of our disciplined strategic plan.**
- 2. The value of our higher education and international student accreditations.**
- 3. The value of our future growth opportunities.**

1. Value of our disciplined Strategic Plan

NO RELIANCE ON VET FEE-HELP REVENUES

Our total revenue from VET FEE HELP in FY2016 was \$1.5m representing 5% of total revenue.

FY2016 has proven to be a tumultuous year for the education sector in Australia. The VET FEE-HELP tuition loan scheme has been abused by a number of providers who pursued strategies to enrol as many students as possible with little or no regard to the suitability of courses for the relevant student or their likely ability to complete their studies.

In response, the Australian Government acted to freeze the VET FEE-HELP tuition payments to the same level it received in 2015.

FY2016 has seen a number of education companies go into administration, be the subject of legal actions or suffer a serious decline in their share price.

You will recall in our 2015 AGM, we committed that RedHill would never induce enrolments by gifts or deceit; and we are careful in the way we source students and enrolments. We place great store in ethical and fair behaviour at all levels.

We believe our focus on quality outcomes for students and ethical behaviour has maintained shareholder value compared to many other listed companies that have been impacted by the VET FEE-HELP issues.

The RedHill share price has been impacted by the sector as a whole, however, we believe that the market now understands the difference between RedHill's approach to quality, our focus on Higher Education and the servicing and delivery of courses to international students with our very limited exposure to the VET FEE-HELP sector.

Glenn will discuss the recently proposed Vet Student Loans legislation in more detail.

1. Value of our disciplined Strategic Plan

APPROACH TO ACQUISITIONS

Many of the our competitors on the ASX have been negatively impacted by acquisitions they have made in the VET education sector.

Acquisitions are exciting and can provide a growth turbo-boost, so we spend a great deal of time running our ruler over potential targets. However, our approach to acquisitions is cautious and we have strict criteria for any target which we outlined in the 2015 Chairman's address.

As we have stated previously, the usual stumbling block for RedHill is relative pricing by vendors in a market that has been hot for several years because of an indulgent IPO market and the lure of VET FEE-HELP payments from the Commonwealth. We expect both factors will significantly diminish now and we will continue to look for sensible opportunities.

1. Value of our disciplined Strategic Plan

FOCUS ON ORGANIC GROWTH

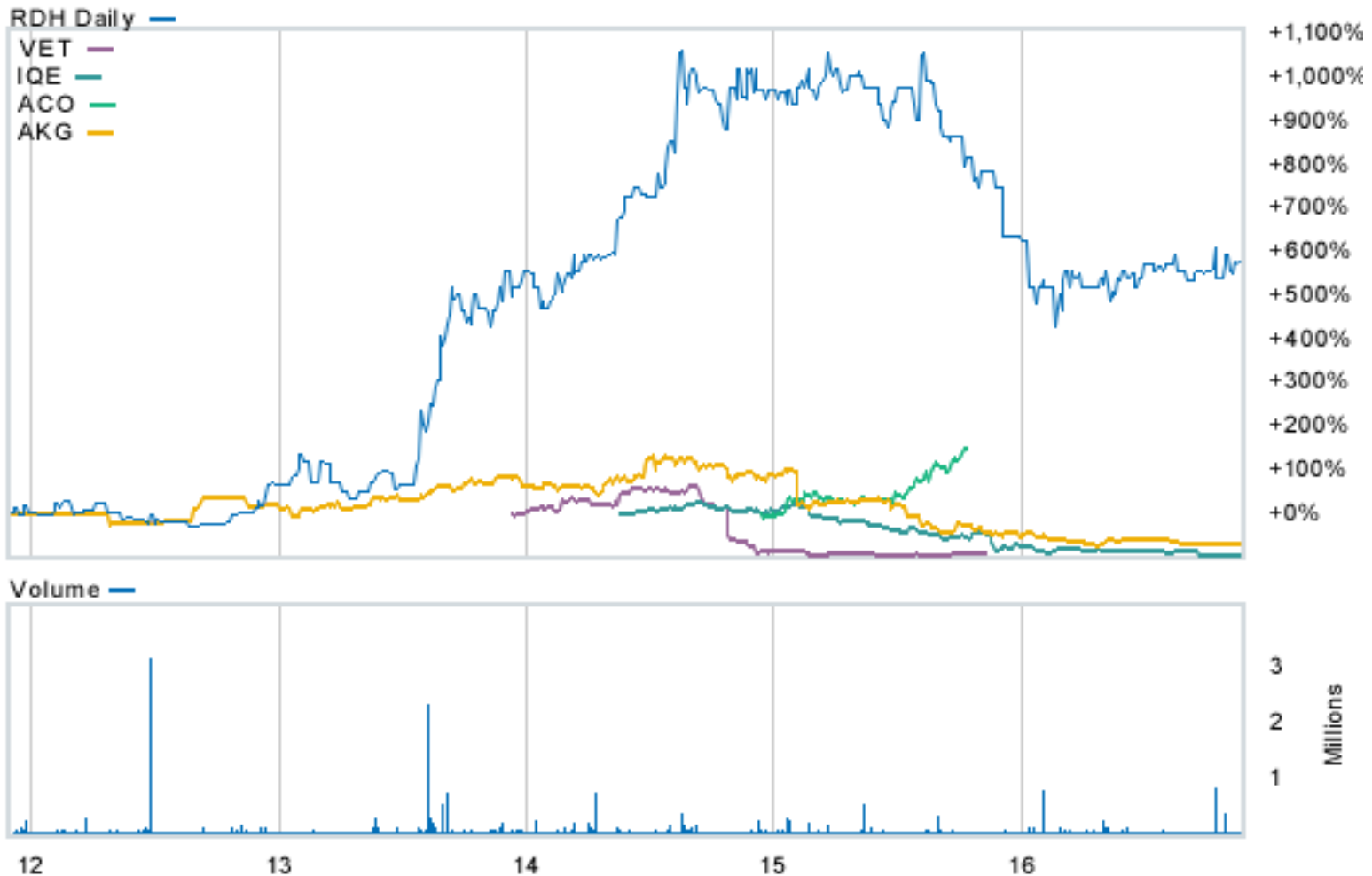
As you know, because we had not found a suitable target in several years, we made a determined strategic move in FY2015 to invest in strong organic growth. Our revenue has continued to grow rapidly but, as we flagged back then, there is always a short term impact on EBITDA and cashflow while we invest in growth.

We have seen this in FY2016 as we expected.

Glenn will cover these growth initiatives in detail, but suffice to say the board is pleased by the progress with these initiatives and are confident of the payoffs over calendar year 2017.

We believe this focus on strategic organic growth will deliver significant value enhancement to shareholders and continue to deliver a long term sustainable, profitable and high growth business.

1. Value of our disciplined Strategic Plan



The above chart displays the RedHill Education Limited (RDH) share price over the past 5 years (being approximately the period that Glenn Elith has been CEO) compared to ASX listed peers.

2. The value of our Higher Education and international student accreditations

INTERNATIONAL STUDENT ACCREDITATIONS

We have continued to maintain our international student accreditations for each of our campuses and Registered Training Organisations (RTO's), and our next re-registration renewal is not due for over 3 years.

In addition to our focus on ELICOS, we have expanded our offering to international students to include vocational training with Certificate IVs and Diplomas in Business, Leadership & Management and Project Management.

Students from over 35 countries now attend a RedHill campus.

We have continued our focus on international student recruitment in Western Europe through Go Study and are evaluating possible new regions.

As a result, international students represented 74% of our FY2016 revenue and we expect this revenue to continue to grow in FY2017.

2. The value of our Higher Education and international student accreditations

HIGHER EDUCATION QUALIFICATIONS

Over the past few years, RedHill has invested considerable capital, time and resources in expanding our Higher Education accreditations.

These accreditations are extremely difficult to achieve because they must be reviewed by content experts and undergo significant scrutiny by TEQSA to ensure they meet the high standard of curriculum and quality of materials.

These accreditations are now highly sort after because they allow our domestic students to access Commonwealth Government tuition loans and enable us to continue to grow without reliance upon VET FEE-HELP.

RedHill's Higher Education qualifications include:

- Diploma, Associate Degree and Bachelor of IT (Mobile Apps Development)
- Diploma, Associate Degree and Bachelor of Interactive Media
 - 2D Animation
 - 3D Design
 - Digital Film
 - Games Design
- Diploma, Associate Degree and Bachelor of Digital Design
- Diploma, Associate Degree and Bachelor of IT (Games Programming)
- Diploma of IT

These Higher Education qualifications now represent approximately 23% of our consolidated FY2016 revenue. This has grown by over 400% in the past 5 years.

3. Future growth

Since its inception, RedHill has invested in the best available team and facilities and has focussed on delivering quality student outcomes. We have also continued to position the business for growth.

In the last two years RedHill has launched:

- New 23 classroom campus in Melbourne (soon to be expanded to 43 classrooms)
- Greenwich Management College in Sydney and Melbourne
- Joint Venture with Coder Factory Academy in Sydney and Melbourne
- Greenwich English College in Melbourne
- The Left Bank online school
- International School of Colour and Design in Melbourne
- International School of Colour and Design accredited to deliver to international students
- Academy of Information Technology in Melbourne
- Go Study in France
- Go Study in Melbourne
- Greenwich Examination Centre to deliver a range of Cambridge English examinations
- Substantial core course range expansion

We believe the above developments will position RedHill for continued high growth in FY2017 and beyond while ensuring we manage your company for the benefit of its shareholders.

3. Future growth

We are proud of where RedHill is positioned today but we will not slow down. In fact last week, Glenn launched the new Forge Faculty business which is offering online short courses in digital design, digital marketing, interior design and web development.

I believe with Glenn, the management team and my colleagues on the board, your company is in good hands for FY2017.

Let us turn to Glenn Elith, our CEO, for greater detail and insights into RedHill Education.



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Chief Executive Officer's Address

24 November 2016



FY2016 performance

Good morning,

RedHill delivered strong revenue growth in FY2016, and invested in an exciting range of expansion initiatives.

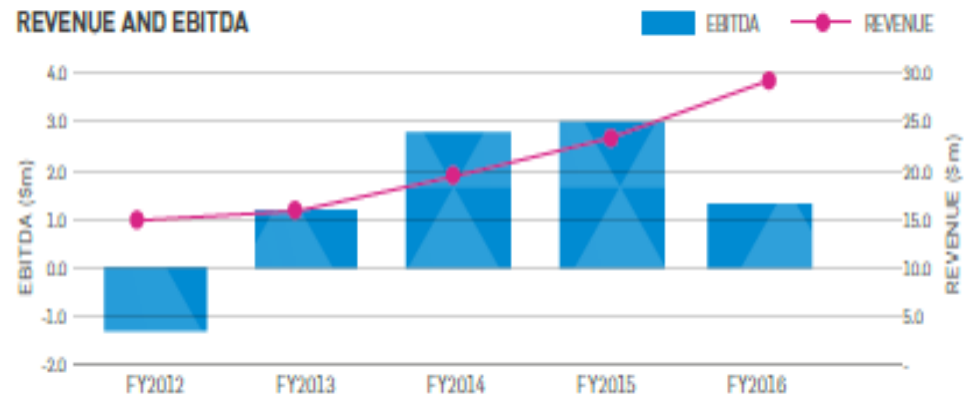
RedHill's directors were pleased to report FY2016 financial results which featured:

- **Revenues of \$28.3 million**, a 24% increase*
- **EBITDA** of \$1.5 million**, a 50% decrease*
- **Profit after income tax of \$0.3 million**, a 80% decrease*
- **Positive net cash from operating activities of \$0.4 million**
- **Cash balance of \$4.9 million** at 30 June 2016, with no bank debt

Significant investment costs for RedHill's new Melbourne campus and other new business development activities were incurred in FY2016, which reduced the profit and operating cash flow results for the financial year.

Melbourne operations reduced EBITDA by \$0.9 million in the FY2016 results.

RedHill expects financial performance to improve significantly in FY2017 as a result of core business growth and the investment in business development activities.



* Over the previous corresponding financial year

** Earnings before interest, taxation, depreciation and amortisation

Business development – investing in growth

RedHill invested in a range of organic expansion initiatives in 2015 and 2016, which we believe are important to increase RedHill's tertiary education footprint and to enhance future revenue and profit growth.

The Acting Chairman identified these initiatives in his address. I will focus my comments upon the following:

1. Opening our **Melbourne** campus and planning for its expansion
2. Launching **Greenwich Management College** in Sydney and Melbourne
3. Launching **Coder Factory Academy** in Sydney and Melbourne
4. Launching the delivery of online courses through **The Left Bank School**
5. Launching **Forge Faculty**

1. RedHill's Melbourne campus – expanding our geographic footprint

RedHill's new Melbourne campus commenced operations in September 2015, providing RedHill a major opportunity to penetrate the Melbourne tertiary education market using its proven approach of quality face-to-face and online teaching, extensive industry engagement, and strong student support.

The campus is ideally located in Melbourne's CBD, and currently has a student capacity of 450 at any given time across 23 classrooms. All of RedHill's schools are operating at these premises.

The Melbourne campus began generating positive EBITDA results in the fourth quarter of FY2016, and we expect it to generate positive EBITDA results in FY2017.

Demand for RedHill's courses in Melbourne has been pleasing. During the daytime the Melbourne campus currently utilises all of its available classrooms and has needed to sub-lease 5 classrooms from another education provider in the same building at a premium rental cost significantly reducing margin earned for those classes.

In order to cater for further expected growth in student demand, RedHill has secured additional leased premises to double the size and capacity of its Melbourne campus. The campus expansion fit-out is currently underway and additional classrooms and facilities are expected to be operational from January 2017.

2. Greenwich Management College – expanding international student course range

RedHill launched Greenwich Management College (GMC) in September 2015, to deliver a range of Vocational Education and Training (VET) Certificate and Diploma qualifications to overseas students.

The number of overseas students undertaking VET courses in Australia is increasing, and we see excellent potential for RedHill to grow revenues and profits in this area.



GMC currently has approximately 300 students across Sydney and Melbourne, and we expect that number to grow to over 400 students from January 2017.

GMC will increase the range of VET Certificate and Diploma courses it delivers in 2017, and will continue to focus on recruiting students via Greenwich's substantial and well established international student agency supply chain.

3. Coder Factory Academy – supporting emerging digital innovation economy

RedHill launched Coder Factory Academy (CFA) in December 2015, to deliver Australia's first VET accredited Silicon Valley style computer coding 'bootcamp' for students seeking digital literacy or careers in the emerging digital innovation economy.

CFA currently operates in Sydney and Melbourne, and plans to run 4 concurrent classes of 'bootcamp' classes of approximately 16 students per class at its next intake in early 2017.

Revenue and profit growth of CFA has been constrained due to legislative reforms in the VET sector impacting the ability of domestic students accessing Australian Government tuition loans to undertake VET courses. I will comment on these reforms shortly.



We believe CFA courses are important qualifications supporting Australia's emerging digital innovation economy, and expect it will deliver positive profit results in FY2017.

4. The Left Bank School – growing online capabilities

RedHill launched The Left Bank School (TLB) as an online education brand in May 2015, delivering a range of online VET and Higher Education courses in digital curriculums.

Capabilities developed in the development and operations of TLB are used to support online and blended course delivery at each of RedHill's other schools.

Revenue and profit growth of TLB has been constrained due to legislative reforms in the VET sector impacting the ability of domestic students accessing Australian Government tuition loans to undertake VET courses. I will comment on these reforms shortly.



5. Forge Faculty – launch of “micro-credential” courses

RedHill launched Forge Faculty (FF) in October 2016, to deliver short online courses focused on specialised skills which are mapped to and assessed against Australian nationally recognised VET units of competency.

FF will target students who do not seek to undertake full Certificate or Diploma qualifications, but who instead wish to improve specific skills which may be immediately applied in their career. These courses may be referred to as ‘nano-credentials’ or ‘micro-credentials’, and RedHill believes there is an appealing and growing market for such courses.

FF uses high quality course materials and educational support from RedHill's schools. Students who successfully complete courses with FF may have those units of competency contribute towards a full VET Certificate or Diploma if they wish to continue their studies.



Legislation changes impacting the VET sector

VET FEE-HELP Caps in 2016

In December 2015, the Australian Government legislated changes to VET FEE-HELP and froze each accredited education organisation's VET FEE-HELP student tuition loan amounts in 2016 to approximately the amount it loaned to students in 2015.

The maximum VET FEE-HELP tuition loan amount was referred to as a 'cap'. RedHill's 'cap' for 2016 was set at \$1.3 million, which will represent under 4% of our consolidated revenue for 2016 and was fully applied against commencing and progressing students by around July.

The Government acted following unacceptable abuse of the system by a number of providers who pursued strategies to enrol as many students as possible with little or no regard to the suitability of courses for the particular students or their likely ability to complete their studies.

RedHill's efforts to seek exceptions to the VET FEE-HELP cap became irrelevant when further legislative reform in 2017 was proposed, and therefore growth in our high-quality courses such as the Diploma in Digital Marketing and CFA's computer coding "bootcamp" have been constrained.

VET Student Loans Legislation in 2017

The Australian Government is currently legislating further changes to the way it provides tuition assistance to domestic students undertaking VET courses. The legislation which is currently being debated in the Senate will result in the phasing out of VET FEE-HELP and replacing it with new VET Student Loan (VSL) arrangements.

VSL legislation is necessary because the VET FEE-HELP caps imposed in 2016 did not stop abuses of the system. The VET FEE-HELP freezing drew no distinction between the quality or effectiveness of different education providers, so that providers that received large payments in 2015 did so again in 2016 unless they were subject to other regulatory or legal action.

Legislation changes impacting the VET sector

VET Student Loans Legislation in 2017 (continued)

The proposed new VSL arrangements take effect from 1 January 2017, and the legislation currently before the Senate will:

- reduce the number of vocational qualifications for which loans are made available to students;
- reduce the number of private registered training organisations accredited to offer tuition loans;
- introduce arbitrarily determined maximum loan amounts available to students undertaking applicable qualifications at \$5,000, \$10,000 or \$15,000; and
- for an initial transition period between January and June 2017 impose “caps” upon each applicable qualification of no more than approximately 110% of the VET FEE-HELP loan amount offered for the same period in 2016.

RedHill meets the criteria for provisional approval to access new VSL arrangements to a very high standard when compared against many other providers:

| CRITERIA * | REDHILL POSITION |
|---|------------------|
| At least one VET FEE-HELP course with a pass rate of more than 50%. | ✓ |
| Not be subject of a compliance notice from ASQA; not have legal proceedings underway relating to regulatory compliance or tuition funding. | ✓ |
| No history of regulatory compliance issues. | ✓ |
| Demonstrated links with industry. | ✓ |
| Hold appropriate tuition assurance insurance cover. | ✓ |
| Course pass rates >75% for each of its courses, enabling access to approximately 110% of the VET FEE-HELP loan amounts offered between January and June 2016. | ✓ |

* Per current drafted legislation

VET Student Loans Legislation in 2017 (continued)

Whilst RedHill welcomes actions to remove unscrupulous providers and behaviours from the industry, we believe that quality private providers like RedHill are being unfairly impacted by:

- arbitrary constraints on growth of current course offerings by applying Government tuition loan “caps” on each individual qualification; and
- the inability to launch new courses in the first half of 2017 where Government tuition loans are available to students.

We are concerned about the negative impact upon students seeking to undertake vocational education, who will:

- have a limited level of access to Government tuition loans to undertake each course, and who in some cases may therefore face financial hardship through needing to pay top-up tuition fees to undertake quality courses;
- have a significantly reduced range of vocational courses for which they may have access to Government tuition loans; and
- have limited access to innovative new courses supporting emerging industries like those offered by RedHill.

We are also concerned that students part-way through courses and continuing their studies in 2017 may experience quality and service issues from education organisations where VSL legislation changes adversely impacts their financial viability.

On a positive note, changes brought on by VSL may create opportunities for RedHill to acquire education organisations in 2017 who are adversely impacted and integrate them into the RedHill group, and to attract a greater number of students seeking to undertake VET studies as a result of our high quality and ethical reputation.

The first half financial results for FY2017 will be adversely impacted by early stage operational expenses associated with the various organic growth initiatives I have discussed today. Most significantly, there will be approximately \$0.5 million of operating expenses incurred in the first half of FY2017 relating to the leasing and fit-out of the Melbourne campus expansion for which no incremental revenues will be earned until the second half of FY2017.

We expect to report first half FY2017 financial results which feature:

- **Revenue growth of approximately 39%** against the corresponding previous half year (FY2016 H1 Revenue: \$12.7 million)
- **EBITDA of approximately \$0.5 million** (FY2016 H1 EBITDA: \$0.5 million)

We expect financial performance to significantly improve in the second half of FY2017, and for full year FY2017 results to improve significantly against the previous corresponding year.

We believe that RedHill is well positioned to benefit in the future from the current regulatory scrutiny of low quality operators and a clean-out of the private VET sector.

We are confident that the demand for quality private tertiary education in Australia will remain strong for both domestic and international students.

Thank you for attending today's annual general meeting.

I will now hand proceedings back to our Acting Chairman.