

13 May 2019

## Registration of Scheme Booklet with ASIC

Navitas Limited (ASX:NVT) ("Navitas") refers to its announcement on Friday, 10 May 2019 about the proposed acquisition of Navitas by BGH BidCo A Pty Ltd ("BidCo"), an entity that will be owned by a consortium led by BGH Capital, by way of a scheme of arrangement ("Scheme"), and the orders made by Supreme Court of Western Australia approving the convening of the Scheme Meetings and the dispatch of an explanatory statement and notices of the Scheme Meetings (together, the "Scheme Booklet") to Navitas shareholders.

Navitas is pleased to confirm that the Australian Securities and Investments Commission has now registered the Scheme Booklet. Attached to this announcement is a copy of the Scheme Booklet, including the Independent Expert's Report from Lonergan Edwards & Associates Limited (which concludes that the Scheme is fair and reasonable and in the best interests of Navitas shareholders (who are not Consortium Shareholders), in the absence of a superior proposal).

Shareholders who have elected to receive communications electronically will receive an email with links to where they can download the Scheme Booklet and lodge their proxy online. Shareholders who have not made such an election will be mailed a printed copy of the Scheme Booklet and proxy form with instructions for voting (dispatch is expected to be completed on or before Friday, 17 May 2019). Navitas encourages you to read the Scheme Booklet in its entirety before deciding whether or not to vote in favour of the Scheme.

The General Scheme Meeting (for all Navitas shareholders other than the "Consortium Shareholders", as defined in the Scheme Booklet) will be held at **11.00 am (Perth time) on Wednesday, 19 June 2019** at Brookfield Tower 2, Ground Floor, 123 St Georges Terrace, Perth, Western Australia.

The Consortium Shareholders Scheme Meeting (for the Consortium Shareholders only) will be held at 12.00 noon (Perth time) on the same date and at the same venue as the General Scheme Meeting.

The Directors of Navitas unanimously recommend that Navitas shareholders vote in favour of the Scheme, in the absence of a superior proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Navitas shareholders. They also intend to vote, or procure the voting of, all Navitas shares held or controlled by them in favour of the Scheme, subject to the same qualifications.

If after reading the Scheme Booklet you have any further questions in relation to the Scheme or the Scheme Booklet, please contact the Navitas Shareholder Information Line on 1300 648 603 (within Australia) or +61 3 9415 4277 (outside Australia) Monday to Friday from 6.30 am to 5.00 pm (Perth time) on business days.

-----ENDS-----

Navitas Limited

**Head Office**  
Level 8, Brookfield Place  
125 St Georges Terrace  
Perth WA 6000 Australia

ABN 69 109 613 309

**Main Details**  
T +61 8 9314 9600  
F +61 8 9314 9699  
E [info@navitas.com](mailto:info@navitas.com)  
W [navitas.com](http://navitas.com)

**For further information contact:**

David Buckingham, Group Chief Executive Officer | Tel: +61 433 856 205

**About Navitas**

Navitas is a leading global education provider that offers an extensive range of educational services through two major Divisions to students and professionals including university programs, creative media education, professional education, English language training and settlement services. Navitas is a S&P/ASX200 company. Further details about Navitas are available at [www.navitas.com](http://www.navitas.com)



**Navitas Limited**  
ABN 69 109 613 309

# Scheme Booklet

for a recommended scheme of arrangement in relation to  
the proposed acquisition by BidCo of all Navitas Shares

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**Your Directors unanimously recommend that you VOTE IN FAVOUR  
of the Scheme, in the absence of a Superior Proposal and subject to the  
Independent Expert continuing to conclude that the Scheme is in the best  
interests of Navitas Shareholders.**

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This is an important document and requires your immediate attention. You should read it in its entirety before deciding whether or not to vote in favour of the Scheme Resolutions required to implement the Scheme. If you are in any doubt about what to do, you should consult your legal, financial, taxation or other professional adviser immediately.

If you have any questions about this Scheme Booklet or the Scheme, please contact the Navitas Shareholder Information Line on 1300 648 603 (within Australia) or +61 3 9415 4277 (outside Australia) on Business Days between 6.30 am and 5.00 pm (Perth time).

Financial adviser to Navitas:



Legal advisers to Navitas:

ashurst

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# Important dates and expected timetable for the Scheme

## Key dates

Date of this <b>Scheme Booklet</b>	Monday, 13 May 2019
<b>Election Time (for Consortium Shareholders only)</b> Latest time and date by which Election Forms must be received from Consortium Shareholders Electing to receive the Mixed Consideration	5.00 pm on Friday, 14 June 2019
Latest time and date for receipt of completed proxy forms for: <ul style="list-style-type: none"> <li>the General Scheme Meeting</li> <li>the Consortium Shareholders Scheme Meeting</li> </ul>	Monday, 17 June 2019, at: 11.00 am (Perth time) / 1.00 pm (Sydney time) 12.00 noon (Perth time) / 2.00 pm (Sydney time)
Time for determining eligibility to vote at the Scheme Meetings	5.00 pm (Perth time) / 7.00 pm (Sydney time) on Monday, 17 June 2019
<b>General Scheme Meeting</b> to be held at Brookfield Tower 2, Ground Floor, 123 St Georges Terrace, Perth, Western Australia	11.00 am (Perth time) on Wednesday, 19 June 2019
<b>Consortium Shareholders Scheme Meeting</b> to be held at Brookfield Tower 2, Ground Floor, 123 St Georges Terrace, Perth, Western Australia	12.00 noon (Perth time) on Wednesday, 19 June 2019

## If the Scheme Resolutions are passed by Navitas Shareholders

<b>Second Court Date</b> for approval of the Scheme	Friday, 21 June 2019
<b>Effective Date</b> Scheme Order lodged with ASIC and lodgement is announced on ASX Last day of trading in Navitas Shares on ASX (with Navitas Shares suspended from close of trading)	Monday, 24 June 2019
<b>Scheme Record Date</b> for determining entitlements to Scheme Consideration	5.00 pm (Perth time) / 7.00 pm (Sydney time) on Thursday, 27 June 2019
<b>Implementation Date</b> Payment of Scheme Consideration and transfer of Scheme Shares to BidCo	A date during the period from Tuesday, 2 July 2019 to Tuesday, 16 July 2019, to be selected by BidCo prior to the Scheme Meetings

All dates following the date of the Scheme Meetings are indicative only and, among other things, are subject to all necessary approvals from the Court and any other conditions to the Scheme having been satisfied or, if applicable, waived. Navitas reserves the right to vary the times and dates set out above. Any changes to the above timetable will be announced on ASX and notified on Navitas' website at [www.navitas.com](http://www.navitas.com).

<sup>1</sup>If the General Scheme Meeting concludes after 12.00 noon (Perth time) on Wednesday, 19 June 2019, the Consortium Shareholders Scheme Meeting will begin as soon as practicable after the conclusion of the General Scheme Meeting.

# Letter from the Chairman of Navitas

13 May 2019

## Dear Navitas Shareholders

On behalf of your Directors, I am pleased to provide you with this Scheme Booklet, which contains important information about the proposed acquisition of Navitas by a consortium consisting of the BGH Fund, Mr Rodney Jones, AustralianSuper, British Columbia Investment Management Corporation, Canada Pension Plan Investment Board, Ontario Teachers' Pension Plan Board and Sinspec Investment Private Limited (using a special purpose vehicle that is referred to in this document as BidCo).

The purpose of this Scheme Booklet is to give you the information that you require to make an informed decision about whether or not to vote in favour of the Scheme at the upcoming Scheme Meetings, and to share with you the Navitas Board's views about the merits of the Consortium's proposal, as well as the Independent Expert's opinion. Your vote is important, and this Scheme Booklet is an important document; so I encourage you to read it in full and to seek independent advice about your decision.

## PROPOSED ACQUISITION OF NAVITAS

On 21 March 2019, Navitas announced that it had entered into a Scheme Implementation Deed under which BidCo (which will ultimately be controlled by the Consortium) would acquire all of the issued shares in Navitas by way of a scheme of arrangement, for a cash Offer Price of \$5.825 per Navitas Share. The Scheme is subject to the satisfaction of a number of conditions including that Navitas Shareholders approve the Scheme.

If the Scheme is approved and is implemented, Navitas Shareholders (who are registered as such on the Scheme Record Date, and who are not Consortium Shareholders<sup>4</sup>) will receive a cash amount of \$5.825 per Navitas Share (this is the Offer Price).

As you may be aware, Navitas received the First Indicative Proposal of \$5.50 per Navitas Share, and a subsequent affirmed proposal at the same price, from BGH Capital, Mr Rodney Jones and AustralianSuper. That proposal was rejected by your Directors.

The Offer Price of \$5.825 per Navitas Share that is now offered under the Revised Proposal represents an increase of \$0.325 (or 5.9%) per Navitas Share from the First Indicative Proposal. As a prerequisite to pursuing the Revised Proposal, the Navitas Board also successfully negotiated a conditional lifting of certain contractual restrictions that had been assumed by Mr Rodney Jones and AustralianSuper in conjunction with the First Indicative Proposal (further details about this are provided in Section 1.2(e)).

The increased Offer Price represents a:

- 33.9% premium to the \$4.35 closing price of Navitas Shares on 9 October 2018 (being the last trading day before the announcement of the First Indicative Proposal);
- 33.3% premium to the \$4.37 one month VWAP to 9 October 2018;
- 32.7% premium to the \$4.39 three month VWAP to 9 October 2018; and
- enterprise value / pro forma EBITDA from continuing operations for the 12 months ending 31 December 2018 multiple of 15.5x<sup>2</sup>

The Offer Price translates to an implied market capitalisation of \$2,087 million and implies an enterprise value of \$2,295 million<sup>3</sup> for Navitas.

The Navitas Board has been consistent in its focus on maximising value for all Navitas Shareholders and, in its view, the Revised Proposal is an opportunity for shareholders to realise value for their shareholding.

Information about the Consortium, BidCo and its intentions for the Navitas business is provided in Section 6 of the Scheme Booklet. Importantly, the Consortium has confirmed that its intention is for Navitas to continue to be centred around quality, student experiences and outcomes, and maintaining and developing deep, trusted relationships with Navitas' university partners and other key stakeholders. Consistent with that vision, the Consortium has (in conjunction with Navitas) already met with certain of Navitas' university partners, with a focus on ensuring that they remain informed about the Scheme process and assured of the Consortium's commitment to maintaining the high standards and service that Navitas is known for, following implementation of the Scheme.

<sup>2</sup> The Consortium Shareholders (only) will receive the Mixed Consideration, which includes HoldCo Shares.

<sup>3</sup> Enterprise value based on equity value of \$2.1 billion plus net debt of \$207.9 million and minority interests of \$0.4 million as at 31 December 2018. Pro forma EBITDA from continuing operations of \$148.5m includes share of EBITDA from joint ventures and excludes bid advisory fees and other expenses accrued in connection with the Consortium and Initial Consortium's proposals, contributions from closed business units (Macquarie and Curtin Sydney) and adjustments arising from the rationalisation of the Careers & Industry Division.

<sup>4</sup> Based on reported net debt of \$207.9 million and non-controlling interests of \$0.4 million as at 31 December 2018.

## DIRECTORS' RECOMMENDATION

Your Directors have diligently considered Navitas' current position, as well as Navitas' medium and longer term potential, throughout our engagement with the Consortium, and believe that the Revised Proposal is in the best interests of Navitas Shareholders.

**Your Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Navitas Shareholders.**

Furthermore, each of your Directors intends to vote all the Navitas Shares held or controlled by them in favour of the Scheme, subject to those same qualifications.

Your Directors have formed the view that the Scheme is in the best interests of Navitas Shareholders (who are not Consortium Shareholders) for the following reasons (which are explained in more detail, and supplemented, in this Scheme Booklet):

- the Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Navitas Shareholders (who are not Consortium Shareholders), in the absence of a superior proposal. See more about the Independent Expert's conclusion below;
- the Offer Price of \$5.825 cash per Navitas Share represents certain value, at a significant premium, for your Navitas Shares; and
- following announcement of the First Indicative Proposal on 10 October 2018 (and until entering into the Process and Confidentiality Deed), Navitas pursued discussions with a number of other parties about whether they could present an alternative change of control proposal for Navitas, but no Superior Proposal has emerged. This supports your Directors' view that the Offer Price represents fair, realisable value for your Navitas Shares.

In determining to unanimously recommend the Scheme to Navitas Shareholders, your Directors also considered the disadvantages of the Scheme proceeding, and reasons why Navitas Shareholders may (in pursuit of their own individual investment objectives, or otherwise) consider voting against the Scheme, which include:

- certain Navitas Shareholders may disagree with your Directors' recommendation and the Independent Expert's conclusion;
- Navitas Shareholders may want to continue to participate in the future financial performance of the Navitas business (which they will not be able to do if the Scheme becomes Effective);
- Navitas Shareholders may consider that there is potential for a Superior Proposal to emerge in the future (which would not eventuate if the Scheme becomes Effective); and
- the tax consequences of the Scheme may not be suitable for certain Navitas Shareholders.

Consortium Shareholders (only) will receive the Mixed Consideration for their Navitas Shares. For the reasons explained in Section 1.5, your Directors make no recommendation in relation to the Mixed Consideration or whether Consortium Shareholders should ultimately Elect to receive it.

## INDEPENDENT EXPERT

Your Directors appointed Lonergan Edwards & Associates Limited as the Independent Expert to assess the merits of the Scheme. The Independent Expert has concluded that the Scheme is fair and reasonable, and in the best interests of Navitas Shareholders (who are not Consortium Shareholders) in the absence of a superior proposal.

The Independent Expert has assessed the value of a Navitas Share to be in the range of \$5.60 to \$6.15, on a 100% controlling interest basis. The Offer Price of \$5.825 per Navitas Share falls within the Independent Expert's assessed valuation range on a 100% controlling interest basis.

A complete copy of the Independent Expert's Report is included in Annexure F and I encourage you to read it in full.

## HOW TO VOTE

Your vote is important and will determine the future ownership of Navitas. We encourage you to vote on the Scheme Resolution applicable to you by completing the relevant proxy form enclosed with this Scheme Booklet, or alternatively by attending the applicable Scheme Meeting. The General Scheme Meeting is to be held at 11.00 am (Perth time) on Wednesday, 19 June 2019, at Brookfield Tower 2, Ground Floor, 123 St Georges Terrace, Perth, Western Australia, and the Consortium Shareholders Scheme Meeting is to be held at 12.00 noon (Perth time) on Wednesday, 19 June 2019, at the same location.

Because the Consortium Shareholders will receive the Mixed Consideration under the Scheme, they will vote on the Scheme in a separate class, at a separate Scheme Meeting, to all other Navitas Shareholders (and each of the Consortium Shareholders has made a binding contractual commitment, in favour of the Consortium, to vote in favour of the Scheme). Importantly, this means that the Scheme will not proceed unless the requisite majorities of all other Navitas Shareholders (excluding the Consortium Shareholders) agree to it at the General Scheme Meeting.

If you wish the Scheme to proceed, it is important that you vote in favour of the applicable Scheme Resolution.

## FURTHER INFORMATION

If you have any questions in relation to the Scheme Booklet or the Scheme, please contact the Navitas Shareholder Information Line on 1300 648 603 (within Australia) or +61 3 9415 4277 (outside Australia) between 6.30am and 5.00pm (Perth time) on Business Days.

Navitas Shareholders should also consider seeking independent financial, legal and taxation advice, as appropriate, before making any decision in relation to their Navitas Shares.

On behalf of your Directors, I would like to take this opportunity to thank you for your ongoing support of and commitment to Navitas and its business, and I look forward to your participation at the Scheme Meetings.

Yours sincerely



Tracey Horton AO  
Chairman

# Important Notices

## NATURE OF THIS DOCUMENT

This Scheme Booklet is important. Navitas Shareholders should carefully read this Scheme Booklet in its entirety before deciding whether or not to vote in favour of the applicable Scheme Resolution required to implement the Scheme.

This Scheme Booklet explains the terms of the proposed acquisition of all of the Scheme Shares by BidCo (which is a special purpose vehicle that has been incorporated for the purposes of the Scheme and is currently owned by the BGH Fund entities), by way of a scheme of arrangement between Navitas and Navitas Shareholders under Part 5.1 of the Corporations Act.

This Scheme Booklet also sets out the manner in which the Scheme will be considered and implemented (if all of the conditions to the Scheme are satisfied or (if permitted) waived) and provides such information as is prescribed by law or is otherwise material to the decision of Navitas Shareholders whether to vote in favour of the Scheme.

This Scheme Booklet is not a disclosure document required by Chapter 6D of the Corporations Act.

If you have sold all your Navitas Shares, please disregard this Scheme Booklet.

## RESPONSIBILITY FOR INFORMATION

Navitas has been solely responsible for preparing the Navitas Information. The information concerning Navitas and the intentions, views and opinions of Navitas and the Directors contained in this Scheme Booklet has been prepared by Navitas and is the responsibility of Navitas. BidCo and the Consortium Members and their Related Bodies Corporate and their respective directors, officers, employees and advisers have not verified any Navitas Information and do not assume any responsibility for the accuracy or completeness of any Navitas Information.

BidCo has been solely responsible for preparing the Consortium Information. The information concerning BidCo, HoldCo and the Consortium, and the intentions, views and opinions of BidCo and the Consortium contained in this Scheme Booklet, has been prepared by BidCo and is the responsibility of BidCo. None of Navitas, its Related Bodies Corporate, or their respective directors, officers, employees or advisers has verified any of the Consortium Information, and none of them assumes any responsibility for the accuracy or completeness of any the Consortium Information.

The Independent Expert, Lonergan Edwards & Associates Limited, has prepared the Independent Expert's Report and takes responsibility for that report. None of Navitas, BidCo or the Consortium, or their respective Related Bodies Corporate, or any of their respective directors, officers, employees or advisers takes any responsibility for the Independent Expert's Report. The Independent Expert's Report is set out in Annexure F.

Navitas' Australian tax adviser, EY, has prepared Section 8 (Taxation Implications) and takes responsibility for that Section. None of Navitas, BidCo or the Consortium, or their respective Related Bodies Corporate, or any of their respective directors, officers, employees and advisers takes any responsibility for that Section.

## REGULATORY INFORMATION AND ROLE OF ASIC AND ASX

This document is the explanatory statement for the Scheme between Navitas and the Scheme Shareholders for the purposes

of section 412(1) of the Corporations Act. A copy of the Scheme is included in this Scheme Booklet as Annexure C.

A copy of this Scheme Booklet has been provided to ASIC in accordance with section 411(2) of the Corporations Act. It was then registered by ASIC under section 412(6) of the Corporations Act before being sent to Navitas Shareholders.

ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that it has no objection to the Scheme. ASIC's policy in relation to statements under section 411(17)(b) of the Corporations Act is that it will not provide such a statement until the Second Court Date. This is because ASIC will not be in a position to advise the Court until it has had an opportunity to observe the entire Scheme process. If ASIC provides that statement, it will be produced to the Court at the Second Court Hearing. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been lodged with ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

## FORWARD LOOKING STATEMENTS AND INTENTIONS

This Scheme Booklet contains both historical and forward looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward looking statements.

All forward looking statements in this Scheme Booklet reflect views only as at the date of this Scheme Booklet, and generally may be identified by the use of forward looking words such as "believe", "aim", "expect", "anticipate", "intending", "foreseeing", "likely", "should", "planned", "may", "estimate", "potential", or other similar words. Similarly, statements that describe Navitas', BidCo's or the Consortium's objectives, plans, goals or expectations are or may be forward looking statements. The statements contained in this Scheme Booklet about the impact that the Scheme may have on the results of Navitas' operations and the advantages and disadvantages anticipated to result from the Scheme are also forward looking statements.

Navitas Shareholders should be aware that there are risks (both known and unknown), uncertainties, assumptions and other important factors that could cause the actual conduct, results, performance or achievements of Navitas to be materially different from the future conduct, results, performance or achievements expressed or implied by such statements or that could cause the future conduct, results, performance or achievements to be materially different from historical conduct, results, performance or achievements. These risks, uncertainties, assumptions and other important factors include, among other things, the risks set out in Section 7.

None of BidCo, the Consortium or Navitas, or any of their respective directors, officers or advisers, or any person named in this Scheme Booklet with their consent, or otherwise involved in the preparation of this Scheme Booklet, gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Scheme Booklet will actually occur.

Navitas Shareholders are cautioned about relying on any such forward looking statements. The forward looking statements in this Scheme Booklet reflect views held only as at the date of this Scheme Booklet. Subject to any continuing obligations under applicable law or the ASX Listing Rules, Navitas, BidCo and the Consortium and their respective directors and officers

disclaim any obligation to update any forward looking statements after the date of this Scheme Booklet, to reflect any change in expectations in relation to those statements or change in events, conditions or circumstances on which a statement is based.

### NOT INVESTMENT ADVICE

The information contained in this Scheme Booklet does not take into account the investment objectives, financial situation or particular needs of any individual Navitas Shareholder or any other person. Before making any investment decision in relation to the Scheme, you should consider, with or without the assistance of an independent securities or other adviser, whether that decision is appropriate in light of your particular investment needs, objectives and financial circumstances.

### NOT AN OFFER

This Scheme Booklet does not constitute or contain an offer to Navitas Shareholders, or a solicitation of an offer from Navitas Shareholders, in any jurisdiction.

### FOREIGN JURISDICTIONS

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. Navitas disclaims all liabilities to such persons.

Navitas Shareholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed.

This Scheme Booklet has been prepared in accordance with Australian law and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations of jurisdictions other than Australia. No action has been taken to register or qualify this Scheme Booklet or any aspect of the Scheme in any jurisdiction outside Australia.

### IMPORTANT NOTICE ASSOCIATED WITH COURT ORDER

The fact that, under subsection 411(1) of the Corporations Act, the Court has ordered that the Scheme Meetings be convened, and has approved the Scheme Booklet required to accompany the Notices of Scheme Meeting, does not mean that the Court:

- has formed any view as to the merits of the proposed Scheme or as to how Navitas Shareholders should vote (on this matter, members must reach their own decision); or
- has prepared, or is responsible for the content of, the Scheme Booklet.

The order of the Court that the Scheme Meetings be convened is not, and should not be treated as, an endorsement by the Court of, or any other expression of opinion by the Court on, the Scheme.

### NOTICES OF SCHEME MEETING

The Notice of General Scheme Meeting (for Navitas Shareholders who are not Consortium Shareholders) is set out in Annexure D, and the Notice of Consortium Shareholders Scheme Meeting (for Consortium Shareholders) is set out in Annexure E.

### NOTICE OF SECOND COURT HEARING

At the Second Court Hearing, the Court will consider whether to approve the Scheme following the votes at the Scheme Meetings.

Any Navitas Shareholder may appear at the Second Court Hearing, which is expected to be held on Friday, 21 June 2019 at the Supreme Court of Western Australia.

### TAX IMPLICATIONS OF THE SCHEME

If the Scheme becomes Effective and is implemented, there will be tax consequences for Scheme Shareholders which may include tax being payable on any gain on disposal of Navitas Shares. For further detail about the general Australian tax consequences of the Scheme, refer to Section 8. The tax treatment may vary depending on the nature and characteristics of each Navitas Shareholder and their specific circumstances. In addition, the tax treatment for Consortium Shareholders may differ as a result of receiving the Mixed Consideration (which includes HoldCo Shares). Accordingly, Navitas Shareholders should seek professional tax advice in relation to their particular circumstances.

### PRIVACY

Navitas and BidCo may need to collect personal information in connection with the Scheme.

The personal information may include the names, contact details and details of holdings of Navitas Shareholders, together with contact details of individuals appointed as proxies, attorneys or corporate representatives for the Scheme Meetings. The collection of some of this information is required or authorised by the Corporations Act.

The primary purpose of the collection of personal information is to assist Navitas and BidCo to conduct the Scheme Meetings and implement the Scheme.

The information may be disclosed to Navitas, BidCo, the Consortium and their respective Related Bodies Corporate and advisers, print and mail service providers, share registries, securities brokers and any other service provider to the extent necessary to effect the Scheme.

Navitas Shareholders who are individuals, and other individuals in respect of whom personal information is collected, have certain rights to access the personal information collected about them. Navitas Shareholders may contact the Share Registry if they wish to exercise these rights.

If the information outlined above is not collected, Navitas may be hindered in, or prevented from, conducting the Scheme Meetings or implementing the Scheme. Navitas Shareholders who appoint an individual as their proxy, attorney or corporate representative to vote at the applicable Scheme Meeting should inform that individual of the matters outlined above.

### EXTERNAL WEBSITES

Unless expressly stated otherwise, the content of Navitas' and any Consortium Member's website does not form part of this Scheme Booklet and Navitas Shareholders should not rely on any such content.

### INTERPRETATIONS

Capitalised terms used in this Scheme Booklet are defined in the Glossary in Section 11, or otherwise in the sections in which they are used. Section 11 also sets out rules of interpretation which apply to this Scheme Booklet. Some of the documents

reproduced in the Annexures to this Scheme Booklet have their own defined terms, which are sometimes different from those in the Glossary.

Any diagrams, charts, graphs and tables appearing in this Scheme Booklet are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in diagrams, charts, graphs and tables is based on information available at the date of this document. All numbers are rounded, unless otherwise indicated.

The financial amounts in this Scheme Booklet are expressed in Australian currency, unless otherwise stated. A reference to dollars, \$, A\$ or cents is to Australian currency, unless otherwise stated. All times referred to in this Scheme Booklet are references to times in Perth, Western Australia, unless otherwise stated.

#### **DATE OF THIS SCHEME BOOKLET**

This Scheme Booklet is dated 13 May 2019.

# **1. Considerations relevant to your vote**



## 1.1 Summary

### Reasons to vote in favour of the Scheme



Your Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Navitas Shareholders.



The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Navitas Shareholders (who are not Consortium Shareholders), in the absence of a superior proposal.



The Offer Price of \$5.825 cash per Navitas Share represents a significant premium for your Navitas Shares.



You will receive certain value of \$5.825 per Navitas Share for your investment in Navitas.



Since the announcement of the First Indicative Proposal, no Superior Proposal has emerged.



The Navitas Share price is likely to fall if the Scheme is not implemented and no Superior Proposal emerges.



If the Scheme does not proceed, Navitas Shareholders will continue to be exposed to risks associated with Navitas' business, rather than realising certain value for their Navitas Shares in a certain timeframe.

These reasons are discussed in more detail in Section 1.2.

### Reasons why you may choose to vote against the Scheme



You may disagree with the Directors' recommendation and the Independent Expert's conclusion.



You may prefer to continue your investment in the Navitas business, and continue to share in any potential upside or downside associated with that investment.



You may consider that there is potential for a Superior Proposal to emerge.



The tax consequences of the Scheme may not be suitable for you.

These reasons are discussed in more detail in Section 1.3.

## 1.2 Reasons to vote in favour of the Scheme

### (a) Your Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Navitas Shareholders

In reaching their recommendation, your Directors have assessed the Scheme having regard to the reasons to vote in favour of, or against, the Scheme, as set out in this Scheme Booklet. The Offer Price of \$5.825 per Navitas Share represents an increase of \$0.325 (or 5.9%) per Navitas Share relative to the initial offer price of \$5.50 per Navitas Share under the First Indicative Proposal. Your Directors believe the Offer Price is attractive, and recognises the value of both Navitas' existing business and its medium and longer term potential. The Scheme also provides certain cash proceeds in the near term which may not be achieved if the Scheme does not proceed.

In the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Navitas Shareholders, each of your Directors intends to vote all Navitas Shares held or controlled by them in favour of the Scheme. The Directors' interests in Navitas Shares are set out in Section 10.1.



**(b) The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Navitas Shareholders (who are not Consortium Shareholders), in the absence of a superior proposal**

Your Directors appointed Lonergan Edwards & Associates Limited to prepare an Independent Expert's Report, including an opinion as to whether the Scheme is fair and reasonable and in the best interests of Navitas Shareholders. The Independent Expert has concluded that the Scheme is fair and reasonable, and in the best interests of Navitas Shareholders (who are not Consortium Shareholders), in the absence of a superior proposal.

The Independent Expert has assessed the value of a Navitas Share to be in the range of \$5.60 – \$6.15, on a 100% controlling interest basis. The Offer Price of \$5.825 per Navitas Share falls within the Independent Expert's assessed valuation range.

In relation to the HoldCo Shares that the Consortium Shareholders (only) will receive as part of the Mixed Consideration, the Independent Expert has concluded that the market value of the HoldCo Shares to be issued to the Consortium Shareholders (immediately post implementation of the Scheme) is no greater than the \$5.825 per Navitas Share (on an equivalent basis) that all other Navitas Shareholders will receive, for the reasons explained in paragraph 29 of the Independent Expert's Report.

Your Directors encourage you to read the Independent Expert's Report, which is set out in Annexure F.

**(c) The Offer Price of \$5.825 cash per Navitas Share represents a significant premium for your Navitas Shares**

The Offer Price is \$5.825 per Navitas Share, which represents a premium of:

- 33.9% to the closing price of Navitas Shares on 9 October 2018 (being the last trading day before the announcement of the First Indicative Proposal);
- 18.9% to the closing price of Navitas Shares on 14 January 2019 (being the last trading day before the announcement of the receipt of the Revised Proposal);
- 3.6% to the closing price of Navitas Shares on 20 March 2019 (being the last trading day before the announcement of the entry into of the Scheme Implementation Deed);
- 0.8% to the closing price of Navitas Shares on 8 May 2019 (being the Last Practical Trading Day);
- 33.3% to the one month VWAP to 9 October 2018; and
- 32.7% to the three month VWAP to 9 October 2018.

Figure 1 shows the premium to the Navitas Share price on the dates listed immediately above, as well as the premium to the VWAP of Navitas Shares over the periods referred to above.

Figure 1 – Premium over historical Navitas Share prices<sup>5</sup>



**(d) You will receive certain value of \$5.825 per Navitas Share for your entire investment in Navitas**

The Scheme will provide you with the opportunity to obtain certain value of \$5.825 per Navitas Share for all of your Navitas Shares.<sup>6</sup>

The Scheme also provides you with an opportunity to dispose of 100% of your Navitas Shares in a single transaction:

- without incurring brokerage or stamp duty; and
- in circumstances where you may (depending on the size of your shareholding) presently face limited opportunities (other than under the Scheme) to achieve full liquidity in respect of your Navitas Shares, or may only do so at a discount to the applicable prevailing share price.

The certainty of the all-cash Offer Price should be compared with the risks and the uncertainties of remaining a Navitas Shareholder, which include, but are not limited to, the risks set out in Section 7 (see further Section 1.2(g)).

<sup>5</sup> The one month VWAP of Navitas Shares up to and including 9 October 2018 was \$4.37 and the three month VWAP up to and including 9 October 2018 was \$4.39. The comparison between the Offer Price and the one month VWAP and three month VWAP to 9 October 2018 (and not to any subsequent dates) has been provided because Navitas considers that this most accurately reflects the premium offered under the Revised Proposal. Navitas considers that since announcement of the First Indicative Proposal (on 10 October 2018) for \$5.50 per Navitas Share, the price of Navitas Shares on ASX continued to be impacted by that proposal, even after Navitas announced on 12 November 2018 that it had rejected the \$5.50 proposal.

<sup>6</sup> This assumes you are not a Consortium Shareholder who will receive the Mixed Consideration.

**(e) Since the announcement of the First Indicative Proposal, no Superior Proposal has emerged**

The First Indicative Proposal was announced by Navitas on 10 October 2018. This immediately followed the Initial Consortium Members' entry into the Co-operation and Process Agreement. An important effect of that agreement is to bind RMJ and AustralianSuper to vote against any competing proposal, even if it were to deliver superior value to all other Navitas Shareholders.

Following announcement of the First Indicative Proposal on 10 October 2018 (and until entering into the Process and Confidentiality Deed with the Initial Consortium Members), Navitas and its financial adviser actively explored with a number of other parties whether they could present an alternative change of control proposal for Navitas. A number of those parties confirmed the Navitas Board's concern that the contractual restrictions that RMJ and AustralianSuper had assumed (under the Co-operation and Process Agreement) were a potential impediment to those other parties considering a competing proposal for Navitas.

The Navitas Board required, as a prerequisite to granting due diligence access to the Consortium and pursuing the Revised Proposal, a suitable lifting of that impediment (so as to restore a competitive market for control of Navitas, in the interests of all Navitas Shareholders). Accordingly, the Navitas Board successfully negotiated and agreed with the Initial Consortium that those restrictions would be lifted in the event that Navitas received a Superior Proposal, the Consortium did not match that proposal within the agreed timeframe, and the Superior Proposal became binding prior to 2 April 2019.<sup>7</sup>

That agreement continued under an amendment deed executed simultaneously with the Scheme Implementation Deed, the effect of which was to remove those restrictions, for a reasonable window, so as to allow any superior competing proposal that emerged during that time and that would have maximised value for all Navitas Shareholders to not be unduly impeded by the Initial Consortium's Co-operation and Process Agreement.

However, as at the date of this Scheme Booklet, no Superior Proposal has emerged and your Directors:

- are not aware of any Superior Proposal that may emerge; and
- have no reason to believe that a Superior Proposal will emerge, particularly now that the window for a Superior Proposal to become binding (such that the restrictions under the Co-operation and Process Agreement would automatically be lifted) has now closed (having ended on 2 April 2019) – see Sections 1.3(c) and 6.6 for more detail.

**(f) The Navitas Share price is likely to fall if the Scheme is not implemented and no Superior Proposal emerges**

The closing Navitas Share price on ASX was:

- \$4.35 on 9 October 2018, being the last trading day prior to the announcement of the First Indicative Proposal; and
- \$4.90 on 14 January 2019, being the last trading day prior to the announcement of the receipt of the Revised Proposal.

As illustrated in Figure 2, the Navitas Share price has risen substantially following announcement of the First Indicative Proposal and announcement of the receipt of the Revised Proposal, and rose further following announcement of the parties' entry into the Scheme Implementation Deed.

**Figure 2 – Navitas Share price performance between 1 January 2017 and announcement of the Scheme Implementation Deed**



If the Scheme is not implemented and no Superior Proposal emerges, your Directors believe it is likely that the Navitas Share price will fall below the price at which it has traded since the announcement of the parties' entry into the Scheme Implementation Deed.

<sup>7</sup> This was provided for by the Process and Confidentiality Deed between Navitas and the Initial Consortium dated 14 January 2019 (and released to ASX on 15 January 2019), as amended by the letter of amendment dated 18 February 2019 between Navitas, BGH Capital, AustralianSuper and RMJ (and released to ASX on 19 February 2019).

- (g) **If the Scheme does not proceed, Navitas Shareholders will continue to be exposed to risks associated with Navitas' business, rather than realising certain value for their Navitas Shares in a certain timeframe**

If the Scheme does not proceed, the value that Navitas Shareholders will be able to realise from their Navitas Shares (in terms of the price of those Navitas Shares and any future dividends paid in respect of them) will necessarily be uncertain and subject to a number of risks outlined in Section 7.

Among other things, those uncertainties and risks relate to the performance of Navitas' business from time to time (in particular, the uncertainties associated with Navitas' outlook as described in Section 7.2), general economic conditions and movements in the stock markets. Some of the specific business risks associated with an investment in Navitas may also be heightened in circumstances where the Scheme does not proceed (see Section 7.4(a) for more about this).

The Scheme removes these risks and uncertainties for Navitas Shareholders and allows Navitas Shareholders to exit their investment in Navitas at a price that your Directors consider compelling. If the Scheme is approved and implemented, these risks and uncertainties will be assumed by BidCo, as the sole shareholder of Navitas following implementation of the Scheme.

### 1.3 Reasons why you may choose to vote against the Scheme

Your Directors unanimously recommend that you vote in favour of the Scheme and the Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Navitas Shareholders, in both instances in the absence of a Superior Proposal and, in the case of your Directors' recommendation, provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Navitas Shareholders. However, there may be reasons which lead you to consider voting against the Scheme, including those set out below.

- (a) **You may disagree with the Directors' recommendation and the Independent Expert's conclusion**

In concluding that the Scheme is in the best interests of Navitas Shareholders, absent a Superior Proposal, your Directors and the Independent Expert are making judgements based on future trading conditions and events which cannot be predicted with certainty and which may prove to be inaccurate (either positively or negatively).

You may hold a different view from, and are not obliged to follow the recommendation of, your Directors, and may not agree with the Independent Expert's conclusion.

- (b) **You may prefer to continue your investment in the Navitas business, and continue to share in any potential upside or downside associated with that investment**

If the Scheme is implemented, you will no longer be a Navitas Shareholder and will forgo any benefits that may result from being a Navitas Shareholder.<sup>8</sup>

This will mean that you will not participate in the future performance of Navitas, retain any exposure to Navitas' assets, or have the potential to share in the value that could be generated by Navitas in the future.

- (c) **You may consider that there is potential for a Superior Proposal to emerge**

It is possible that a more attractive proposal for Navitas Shareholders could materialise in the future, such as a takeover bid with a higher offer price than the Offer Price.

However, as at the date of this Scheme Booklet, your Directors are not aware of any Superior Proposal that may emerge and have no reason to believe that a Superior Proposal will emerge. As noted above, Navitas and its financial adviser actively explored with a number of other parties whether they could present an alternative change of control proposal for Navitas, but those discussions did not result in an alternative proposal being presented to Navitas.

Navitas Shareholders should also bear in mind that the Co-operation and Process Agreement prohibits RMJ and AustralianSuper (who together own approximately 18% of the Navitas Shares on issue) from accepting, voting in favour of, or otherwise supporting a Competing Proposal (as defined in that agreement), and requires RMJ and AustralianSuper to vote against any such Competing Proposal, in both cases, until 30 September 2019.

As mentioned in Section 1.2(e) above, the Navitas Board successfully negotiated and agreed with the Initial Consortium that those restrictions would be lifted in the event that Navitas received a Superior Proposal, the Consortium did not match that proposal within the agreed timeframe, and the Superior Proposal became binding prior to 2 April 2019.

However, as at the date of this Scheme Booklet, no Superior Proposal has been received and the window for one to become binding (such that the restrictions under the Co-operation and Process Agreement would automatically be lifted) has now closed (having ended on 2 April 2019). This means that the Co-operation and Process Agreement still operates to reduce the likelihood that any Superior Proposal will emerge or be completed (as it did before the Navitas Board successfully negotiated the conditional lifting of the relevant restrictions).

For a summary of the other relevant terms of the Co-operation and Process Agreement, refer to Section 6.6.

- (d) **The tax consequences of the Scheme may not be suitable for you**

Implementation of the Scheme may have tax implications for Navitas Shareholders, some of which may be adverse. For example, the amount of CGT that you may be liable to pay will vary depending on personal tax circumstances, and the tax consequences for Consortium Shareholders will differ from those for other Navitas Shareholders.

A general outline of the Australian tax implications is set out in Section 8. This outline is expressed in general terms only, and Navitas Shareholders should consult with their own independent taxation advisers regarding the taxation implications of the Scheme.

### 1.4 Other relevant considerations

- (a) **The Scheme may proceed even if you vote against it**

The Scheme will be implemented if the Scheme Resolutions are passed by the Requisite Majorities at the Scheme Meetings and the Scheme is approved by the Court, irrespective of whether you do not vote or you vote against the applicable Scheme Resolution at the applicable Scheme Meeting.

If this occurs, your Navitas Shares will be transferred to BidCo and you will receive the Scheme Consideration.

<sup>8</sup> This assumes you are not a Consortium Shareholder who will receive the Mixed Consideration.

**(b) Conditions precedent**

The Scheme is subject to a number of conditions, which are summarised in Section 3.7 and Annexure A.

If these conditions are not satisfied or (if permitted) waived, the Scheme will not proceed (even if it has been approved by Scheme Shareholders) and Scheme Shareholders will not receive the Scheme Consideration, as contemplated under the Scheme.

As at the date of this Scheme Booklet, the Navitas Board is not aware of any matter that would result in the non-fulfilment of the conditions.

**(c) Exclusivity**

The Scheme Implementation Deed provides that Navitas is subject to certain exclusivity obligations and restrictions, including no shop, no talk and no due diligence restrictions, and notification obligations, and also provides that BidCo has a matching right in respect of Competing Proposals. Refer to Annexure A for further information on these arrangements.

**(d) Break Fee**

If the Scheme does not become Effective, the Break Fee (\$15,651,094) may become payable by BidCo or Navitas (depending on the circumstances). The circumstances in which the Break Fee would be payable by BidCo or Navitas (as the case may be) are summarised in Annexure A.

**(e) Warranty by Scheme Shareholders**

If the Scheme becomes Effective, each Scheme Shareholder will be deemed to have warranted to BidCo, and deemed to have appointed and authorised Navitas to warrant to BidCo as its agent and attorney, that all their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) will, at the time of the transfer of them to BidCo in accordance with the Scheme, be fully paid and free from all encumbrances and interests of third party of any kind, and that they have full power and capacity to transfer their Scheme Shares (including any rights attaching to those Scheme Shares) to BidCo under the Scheme. See Section 9.4 of this Scheme Booklet for further details.

## 1.5 No recommendation made in respect of the Mixed Consideration

In considering the Scheme and reaching their recommendation, the Directors have considered only the Scheme Consideration payable to Navitas Shareholders who are not Consortium Shareholders (that is, the Directors have only considered whether the all-cash Offer Price represents fair value and is otherwise in the best interests of Navitas Shareholders).

The Directors make no recommendation in respect of the Mixed Consideration or whether Consortium Shareholders should ultimately Elect to receive it, for reasons that include the following:

- (a) the Mixed Consideration is only offered to four Navitas Shareholders (being the entities comprising RMJ, and AustralianSuper), each of whom is:
  - (i) a Consortium Member; and
  - (ii) a sophisticated or professional investor (as contemplated by the corresponding definitions in the Corporations Act);
- (b) each of the Consortium Shareholders has already agreed under the Co-Investment Agreement (between the Consortium Members and BidCo) to Elect to receive the Mixed Consideration in prescribed proportions<sup>9</sup>, such that any recommendation by the Navitas Board would not be factored into their decision making;
- (c) because each of the Consortium Shareholders is a Consortium Member, they themselves are best placed to determine both:
  - (i) whether to Elect to receive the Mixed Consideration (which, as noted above, they have already contractually committed to do); and
  - (ii) the value of the HoldCo Shares comprising part of the Mixed Consideration, and do not reasonably require the Navitas Board to provide a recommendation in respect of these matters (in order for the Consortium Shareholders to make an informed decision about them); and
- (d) the value of the HoldCo Shares (comprising some or all of the Mixed Consideration, depending on the Consortium Shareholder's Election) will depend significantly on how the Consortium chooses to conduct the Navitas business following implementation of the Scheme. While Section 6 includes some information about the Consortium's intentions following implementation of the Scheme, that information is general in nature and does not provide a sufficient basis for the Navitas Board to assess the value of the HoldCo Shares (and, therefore, the Mixed Consideration).

However, in Electing to receive the Mixed Consideration, the Directors would encourage the Consortium Shareholders to:

- (a) carefully consider the information set out in Section 6 (about, among other things, the Consortium, the Consortium's intentions for Navitas' business, and the HoldCo Shares that the Consortium Shareholders will be issued) and in Section 7.2 (about the specific risks for the Navitas business, to which they would continue to be exposed as holders of HoldCo Shares);
- (b) take into account that the Independent Expert has:
  - (i) concluded that the market value of the HoldCo Shares to be issued to the Consortium Shareholders (immediately post implementation of the Scheme) is no greater than \$5.825 per Navitas Share (on an equivalent basis), for the reasons explained in paragraph 29 of the Independent Expert's Report; and
  - (ii) noted that the HoldCo Shares they will receive will be minority interests in an unlisted entity, and will be substantially illiquid; and
- (c) consult their independent securities or other adviser about whether an investment in HoldCo Shares meets their individual investment objectives (if they have not already done so).

<sup>9</sup> RMJ is required to Elect to receive HoldCo Shares in respect of 53.2% of its Navitas Shares, and AustralianSuper is required to Elect to receive HoldCo Shares in respect of 99.8% of its Navitas Shares.

## **2. Frequently asked questions**

This Section 2 answers some questions you may have about the Scheme. It is not intended to address all relevant issues for Navitas Shareholders. This Section 2 should be read together with all other parts of this Scheme Booklet.

Question	Answer
<b>AN OVERVIEW OF THE SCHEME</b>	
<b>What is the Scheme?</b>	<p>If implemented, the Scheme will result in BidCo (which is a special purpose vehicle that has been incorporated for the purposes of the Scheme and is currently owned by the BGH Fund entities) acquiring all of the Scheme Shares for the Scheme Consideration, by way of a scheme of arrangement under Part 5.1 of the Corporations Act.</p> <p><b>For more information see <a href="#">Section 3</a></b></p>
<b>What is a “scheme of arrangement”?</b>	<p>A scheme of arrangement under Part 5.1 of the Corporations Act is a statutory procedure that is commonly used to enable one company to acquire all of the shares in another company.</p> <p>If the Scheme becomes Effective and is implemented:</p> <ul style="list-style-type: none"> <li>Navitas Shareholders (other than Consortium Shareholders) will receive Scheme Consideration of \$5.825 per Navitas Share, provided they are registered as a Navitas Shareholder on the Scheme Record Date;</li> <li>Consortium Shareholders will receive the Mixed Consideration; and</li> <li>Navitas will become a wholly-owned subsidiary of BidCo (and will be ultimately controlled by the Consortium).</li> </ul> <p>To become Effective, a number of conditions must be satisfied or (if permitted) waived. A summary of the conditions to the Scheme is set out in Section 3.7 and Annexure A.</p> <p><b>For more information see <a href="#">Section 3</a></b></p>
<b>Who are BidCo and the Consortium?</b>	<p>BidCo and (in the case of the Consortium Shareholders, who are receiving the Mixed Consideration) HoldCo are the companies that are offering the Scheme Consideration for your Navitas Shares. BidCo and HoldCo are proprietary companies incorporated in Australia under the Corporations Act. On implementation of the Scheme, each of BidCo and HoldCo will be ultimately controlled by the Consortium.</p> <p>The Consortium comprises BGH Capital, BGH Fund, RMJ, AustralianSuper, BCI, Sinspec, CPPIB and OTPP.</p> <p>For further information regarding BidCo and the Consortium Group, refer to Section 6.</p> <p><b>For more information see <a href="#">Section 6</a></b></p>
<b>Do any Consortium Members own Navitas Shares?</b>	<p>Yes. As the date of this Scheme Booklet, RMJ owns approximately 12.6% of the Navitas Shares on issue, AustralianSuper owns approximately 5.4%, and CPPIB owns approximately 0.2%. In aggregate, the Consortium has a Relevant Interest in approximately 18.2% of the Navitas Shares on issue.</p> <p><b>For more information see <a href="#">Section 6.9(a)</a></b></p>
<b>What approvals are required at the Scheme Meetings?</b>	<p>The Scheme can only proceed if, at the General Scheme Meeting, the General Scheme Resolution is passed. For this to occur, the General Scheme Resolution must be approved by:</p> <ul style="list-style-type: none"> <li>unless the Court orders otherwise, a majority in number of Navitas Shareholders (excluding the Consortium Shareholders) who vote on the General Scheme Resolution; and</li> <li>holders of at least 75% of the votes cast by Navitas Shareholders (again, excluding the Consortium Shareholders) on the General Scheme Resolution.</li> </ul> <p>The Consortium Shareholders Scheme Resolution must also be passed at the Consortium Shareholders Scheme Meeting by the same majorities (of Consortium Shareholders, this time excluding all other Navitas Shareholders); however, each Consortium Shareholder has made a binding contractual commitment (in favour of the Consortium) to vote in favour of the Scheme, such that the Consortium Shareholders Scheme Resolution is expected to be passed on that basis.</p> <p>In this Scheme Booklet, approval of this nature is described as the <b>Requisite Majorities</b>.</p> <p><b>For more information see <a href="#">Section 9.3</a>, <a href="#">Annexure D</a> and <a href="#">Annexure E</a></b></p>

Question	Answer
<b>THE SCHEME CONSIDERATION</b>	
<b>What payment will I receive if the Scheme is implemented?</b>	<p>If the Scheme becomes Effective and is implemented, Navitas Shareholders (other than Consortium Shareholders) will receive a cash payment of \$5.825 per Navitas Share if they are registered as a Navitas Shareholder on the Scheme Record Date.</p> <p>If you are a Consortium Shareholder, you will receive the Mixed Consideration, which comprises:</p> <ul style="list-style-type: none"> <li>4.459 ordinary shares and 1.366 preference shares in HoldCo per Scheme Share in respect of the proportion of your shareholding for which you Elect to receive your consideration in HoldCo Shares; and</li> <li>\$5.825 per Scheme Share in respect of the proportion of your shareholding for which you Elect to receive consideration in cash.</li> </ul> <p>For information about when and how you will be paid, see Sections 3.4 and 3.5.</p> <p><b>For more information see Sections 3.4 and 3.5</b></p>
<b>What premium is being offered to Navitas Shareholders?</b>	<p>The Offer Price of \$5.825 cash per Navitas Share represents a premium of:</p> <ul style="list-style-type: none"> <li>33.9% to the closing price of Navitas Shares on 9 October 2018 (being the last trading day before the announcement of the First Indicative Proposal);</li> <li>18.9% to the closing price of Navitas Shares on 14 January 2019 (being the last trading day before the announcement of the receipt of the Revised Proposal);</li> <li>3.6% to the closing price of Navitas Shares on 20 March 2019 (being the last trading day before the announcement of the entry into the Scheme Implementation Deed);</li> <li>0.8% to the closing price of Navitas Shares on 8 May 2019 (being the Last Practicable Trading Day);</li> <li>33.3% to the one month VWAP to 9 October 2018; and</li> <li>32.7% to the three month VWAP to 9 October 2018.</li> </ul> <p><b>For more information see Section 1.2(c)</b></p>
<b>How is BidCo funding the Scheme Consideration?</b>	<p>BidCo has agreed binding equity commitments with each of the Consortium Members who is providing Equity Funding, and a binding Debt Commitment Letter from its debt financiers for the Debt Funding, which in aggregate will provide BidCo with sufficient funding to pay the maximum amount of cash Scheme Consideration payable under the Scheme.</p> <p>BidCo and HoldCo have each entered into the Deed Poll to covenant in favour of the Scheme Shareholders to perform their respective obligations in relation to the Scheme. Those obligations include providing the Scheme Consideration to the Scheme Shareholders in accordance with the Scheme, including (in the case of BidCo) providing the aggregate amount of the cash Scheme Consideration and (in the case of HoldCo) issuing the HoldCo Shares required to be issued in respect of valid Elections by the Consortium Shareholders.</p> <p>On the basis of the arrangements described above, BidCo believes that it will be able to satisfy its obligation to provide the Scheme Consideration as and when it is due under the terms of the Scheme.</p> <p><b>For more information see Section 6.4</b></p>
<b>What are the tax implications of the Scheme?</b>	<p>A general outline of the Australian tax implications of the Scheme is set out in Section 8.</p> <p>As the outline is general in nature, you should consult your taxation adviser for detailed taxation advice before making a decision as to whether or not to vote in favour of the Scheme.</p> <p><b>For more information see Section 8</b></p>
<b>Who are the Consortium Shareholders and what is the Election?</b>	<p>The Consortium Shareholders are RMJ and AustralianSuper, who are members of the Consortium and also own Navitas Shares (in aggregate they own approximately 18.0% of the Navitas Shares on issue).</p> <p>The Consortium Shareholders will receive the Mixed Consideration (instead of the all-cash Scheme Consideration available to all Navitas Shareholders), which comprises:</p> <ul style="list-style-type: none"> <li>4.459 ordinary shares and 1.366 preference shares in HoldCo per Scheme Share in respect of the proportion of their shareholding for which they Elect to receive consideration in HoldCo Shares; and</li> <li>\$5.825 per Scheme Share in respect of the proportion of their shareholding for which they Elect to receive consideration in cash.</li> </ul> <p>Under the Co-Investment Agreement, RMJ is required to Elect to receive HoldCo Shares in respect of 53.2% of its Navitas Shares, and AustralianSuper is required to elect to receive HoldCo Shares in respect of 99.8% of its Navitas Shares.</p> <p>Because the Consortium Shareholders will receive a different form of consideration under the Scheme to all other Navitas Shareholders, their rights under the Scheme differ from those of other Navitas Shareholders, such that they constitute a separate class of members for the purposes of voting on the Scheme. This means that the Consortium Shareholders will not be permitted to vote at the General Scheme Meeting and will instead vote at the Consortium Shareholders Scheme Meeting.</p> <p><b>For more information see Sections 3.3 and 6</b></p>



Question	Answer
<b>What will happen to the Consortium Shareholders' Navitas Shares?</b>	<p>If the Scheme becomes Effective and is implemented, the Consortium Shareholders' Navitas Shares will be transferred to BidCo on the Implementation Date, like all other Navitas Shareholders' Navitas Shares.</p> <p><b>For more information see <a href="#">Section 9.3</a></b></p>
<b>How do I make an Election?</b>	<p>If you are a Consortium Shareholder, you need to complete an Election Form in accordance with the instructions set out in the form, and return it to the Share Registry by no later than the Election Time (which is expected to be 5.00 pm (Perth time) on Friday, 14 June 2019).</p> <p>If you are not a Consortium Shareholder, you are not eligible to make an Election or to receive the Mixed Consideration.</p> <p><b>For more information see <a href="#">Election Form</a></b></p>
<b>What happens if a Consortium Shareholder does not make a valid Election?</b>	<p>If you are a Consortium Shareholder and your Election is not received by the Election Time (which is expected to be 5.00 pm (Perth time) on Friday, 14 June 2019) or you have not made a valid Election, you will receive the Scheme Consideration of \$5.825 per share for all of your Navitas Shares that you hold on the Scheme Record Date.</p> <p>However, each of the Consortium Shareholders has agreed under the Co-Investment Agreement (between the Consortium Members and BidCo) to Elect to receive the Mixed Consideration in prescribed proportions.</p> <p><b>For more information see <a href="#">Section 3</a></b></p>
<b>Why are only the Consortium Shareholders being offered the Mixed Consideration?</b>	<p>The Mixed Consideration is only being offered to Consortium Shareholders because of their membership of the Initial Consortium.</p>

#### THE SCHEME MEETINGS AND VOTING DETAILS

<b>When and where will the Scheme Meetings be held?</b>	<p>The General Scheme Meeting will be held at 11.00 am (Perth time) on Wednesday, 19 June 2019, at Brookfield Tower 2, Ground Floor, 123 St Georges Terrace, Perth, Western Australia.</p> <p>The Consortium Shareholders Scheme Meeting will be held at 12.00 noon (Perth time) on Wednesday, 19 June 2019, at the same location as the General Scheme Meeting.</p> <p>If the General Scheme Meeting concludes after 12.00 noon on Wednesday, 19 June 2019, the Consortium Shareholders Scheme Meeting will begin as soon as practicable after the conclusion of the General Scheme Meeting.</p> <p><b>For more information see <a href="#">Section 4.2</a></b></p>
<b>Why are there two Scheme Meetings?</b>	<p>Because the Consortium Shareholders are offered and will receive a different form of consideration under the Scheme to all other Navitas Shareholders, their rights under the Scheme differ from those of other Navitas Shareholders, such that they constitute a separate class of members for the purposes of voting on the Scheme. This means that the Consortium Shareholders will not be permitted to vote at the General Scheme Meeting and will instead vote at the Consortium Shareholders Scheme Meeting.</p> <p><b>For more information see <a href="#">Section 4</a></b></p>
<b>What am I being asked to vote on?</b>	<p>You are being asked to vote on whether to approve the Scheme by voting on the relevant Scheme Resolution.</p> <p>The text of the General Scheme Resolution (which Navitas Shareholders excluding the Consortium Shareholders are asked vote on) is set out in the Notice of General Scheme Meeting in Annexure D.</p> <p>The text of the Consortium Shareholders Scheme Resolution (which the Consortium Shareholders are asked to vote on) is set out in the Notice of Consortium Shareholders Scheme Meeting in Annexure E.</p> <p><b>For more information see <a href="#">Annexure D</a> and <a href="#">Annexure E</a></b></p>
<b>What vote is required to approve the Scheme?</b>	<p>For the Scheme to proceed, each Scheme Resolution must be passed by the applicable Requisite Majorities. In relation to the Consortium Shareholders Scheme Resolution, each Consortium Shareholder has made a binding contractual commitment (in favour of the Consortium) to vote in favour of the Scheme, such that the Consortium Shareholders Scheme Resolution is expected to be passed on that basis.</p> <p>Even if the Scheme is approved at the Scheme Meetings, the Scheme is still subject to other outstanding conditions and the approval of the Court.</p> <p><b>For more information see <a href="#">Section 9.3</a>, <a href="#">Annexure D</a> and <a href="#">Annexure E</a></b></p>
<b>Who is entitled to vote at the Scheme Meetings?</b>	<p>Each Navitas Shareholder who is registered on the Register at 5.00 pm (Perth time) / 7.00 pm (Sydney time) on Monday, 17 June 2019 is entitled to attend and vote at:</p> <ul style="list-style-type: none"> <li>the General Scheme Meeting, if you are not a Consortium Shareholder; or</li> <li>the Consortium Shareholders Scheme Meeting, if you are a Consortium Shareholder.</li> </ul> <p><b>For more information see <a href="#">Section 4.3</a>, <a href="#">Annexure D</a> and <a href="#">Annexure E</a></b></p>



Question	Answer
<b>How do I vote?</b>	<p>You may vote on the relevant Scheme Resolution:</p> <ul style="list-style-type: none"> <li>· in person, by attending the relevant Scheme Meeting;</li> <li>· by proxy or attorney, by completing and lodging the proxy form enclosed with this Scheme Booklet, or a duly executed power of attorney, as applicable so that it is received by: <ul style="list-style-type: none"> <li>· 11.00 am (Perth time) for Navitas Shareholders voting by proxy or attorney on the General Scheme Resolution; or</li> <li>· 12.00 noon (Perth time) for Consortium Shareholders voting by proxy or attorney on the Consortium Shareholders Scheme Resolution,</li> </ul> </li> </ul> <p>on Monday, 17 June 2019; or</p> <ul style="list-style-type: none"> <li>· by a corporate representative (in the case of a Navitas Shareholder which is a body corporate).</li> </ul> <p>Voting is not compulsory. However, your vote is important and the Scheme may be implemented even if you do not vote on the relevant Scheme Resolution required to implement the Scheme.</p> <p><b>For more information see <a href="#">Section 4.4, Annexure D and Annexure E</a></b></p>
<b>How will voting at the Scheme Meetings be conducted?</b>	<p>Voting at each of the Scheme Meetings will be conducted by way of a poll.</p> <p>This means that every Navitas Shareholder (at the General Scheme Meeting) and Consortium Shareholder (at the Consortium Shareholders Scheme Meeting) who is present in person or by proxy, representative or attorney will have one vote for each Navitas Share held by them.</p> <p><b>For more information see <a href="#">Annexure D and Annexure E</a></b></p>
<b>What will happen to my Navitas Shares if I do not vote, or vote against the Scheme, and the Scheme becomes Effective?</b>	<p>If you do not vote on, or you vote against, the Scheme, and the Scheme becomes Effective:</p> <ul style="list-style-type: none"> <li>· any Navitas Shares held by you on the Scheme Record Date (expected to be 5.00 pm (Perth time) / 7.00 pm (Sydney time) on Thursday, 27 June 2019) will be Scheme Shares and will be transferred to BidCo on the Implementation Date; and</li> <li>· you will receive the Scheme Consideration (provided you are registered as a Navitas Shareholder on the Scheme Record Date).</li> </ul> <p><b>For more information see <a href="#">Section 4.5</a></b></p>
<b>When will the result of the Scheme Meetings be available?</b>	<p>The results of the Scheme Meetings will be announced to ASX shortly after their conclusion (and will be available on Navitas' website at <a href="http://www.navitas.com">www.navitas.com</a>).</p>
<b>VOTING CONSIDERATIONS</b>	
<b>What do the Directors recommend?</b>	<p>Your Directors unanimously recommend that all Navitas Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Navitas Shareholders.</p> <p>Section 1.2 provides a summary of some of the reasons why your Directors consider that Navitas Shareholders should vote in favour of the Scheme, again in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Navitas Shareholders.</p> <p>Each Director who holds or controls Navitas Shares intends to vote all Navitas Shares held or controlled by them in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Navitas Shareholders. Details of the Directors' interests in Navitas Shares are set out in Section 10.1.</p> <p><b>For more information see <a href="#">Section 1.2</a></b></p>
<b>Do the Directors make any recommendation in respect of the Mixed Consideration?</b>	<p>No.</p> <p>The Directors make no recommendation in respect of the Mixed Consideration or whether Consortium Shareholders should Elect to receive it.</p> <p><b>For more information see <a href="#">Section 1.5</a></b></p>
<b>What is the opinion of the Independent Expert?</b>	<p>The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of Navitas Shareholders (who are not Consortium Shareholders), in the absence of a superior proposal.</p> <p>In relation to the HoldCo Shares that the Consortium Shareholders (only) will receive as part of the Mixed Consideration, the Independent Expert has concluded that the market value of the HoldCo Shares to be issued to the Consortium Shareholders (immediately post implementation of the Scheme) is no greater than \$5.825 per Navitas Share (on an equivalent basis), for the reasons explained in paragraph 29 of the Independent Expert's Report.</p> <p><b>For more information see <a href="#">Annexure F</a></b></p>
<b>Why might I consider not voting in favour of the Scheme?</b>	<p>Reasons why you might consider not voting in favour of the relevant Scheme Resolution are set out in Section 1.3.</p> <p><b>For more information see <a href="#">Section 1.3</a></b></p>

Question	Answer
<p><b>Is the Navitas Board aware of a Superior Proposal?</b></p>	<p>No.</p> <p>Following announcement of the First Indicative Proposal on 10 October 2018 (and until entering into the Process and Confidentiality Deed with the Initial Consortium Members), Navitas and its financial adviser actively explored with a number of other parties whether they could present an alternative change of control proposal for Navitas.</p> <p>However, as at the date of this Scheme Booklet, no Superior Proposal has emerged and the Navitas Board is not aware of any Superior Proposal that may emerge. In this regard, Navitas Shareholders should also bear in mind the restrictions imposed on RMJ and AustralianSuper under the Co-operation and Process Agreement, which are summarised in the Frequently Asked Questions immediately below and Sections 1.3(c) and 6.6, may reduce the likelihood that a Superior Proposal emerges or is ultimately completed.</p> <p><b>For more information see Sections 1.2(e) and 1.3(c)</b></p>
<p><b>What happens if a Competing Proposal emerges?</b></p>	<p>Until the Scheme is approved by the Court, there is nothing preventing other parties from making unsolicited acquisition proposals for Navitas.</p> <p>If, during the Exclusivity Period, Navitas:</p> <ul style="list-style-type: none"> <li>• is approached in relation to an actual or potential Competing Proposal;</li> <li>• receives a request for certain information or access to certain documents relating to the Navitas Group; and</li> <li>• provides certain information relating to the Navitas Group,</li> </ul> <p>then, pursuant to the Scheme Implementation Deed, the following must occur:</p> <ul style="list-style-type: none"> <li>• <b>notice:</b> Navitas must give BidCo a notice setting out all material terms of the Competing Proposal (including, if specified, the price, consideration, conditions, structure, timing, break fee, financing and due diligence requirements) and the identity of the person that has made a Competing Proposal;</li> <li>• <b>matching period:</b> if the Competing Proposal is a Superior Proposal, BidCo will be given five Business Days to make a counterproposal that would produce an outcome for Navitas Shareholders that is at least as favourable to them as the Competing Proposal (this is a <b>Matching Counterproposal</b>) (and during this period Navitas must not recommend the Competing Proposal or enter into any agreement or understanding to implement it); and</li> <li>• <b>Matching Counterproposal:</b> if BidCo makes a Matching Counterproposal, then Navitas and BidCo must promptly agree any matters that are reasonably necessary to give effect to the Matching Counterproposal.</li> </ul> <p>These (and other) provisions of the Scheme Implementation Deed are summarised in greater detail in Annexure A.</p> <p>If a Competing Proposal for Navitas emerges prior to the Second Court Hearing, the Directors will carefully consider the proposal and determine whether it is a Superior Proposal. Your Directors will keep you informed of any material developments.</p> <p>Following announcement of the First Indicative Proposal on 10 October 2018 (and prior to entering into the Process and Confidentiality Deed), Navitas and its financial adviser actively explored with a number of other parties whether they could present an alternative change of control proposal for Navitas. However, as at the date of this Scheme Booklet, no Superior Proposal has emerged.</p> <p><b>For more information see Annexure A</b></p>
<p><b>Is the Co-operation and Process Agreement an impediment to Competing Proposals?</b></p>	<p>Yes.</p> <p>The Co-operation and Process Agreement prohibits RMJ and AustralianSuper (who together own approximately 18% of the Navitas Shares on issue) from accepting, voting in favour of, or otherwise supporting a Competing Proposal (as defined in that agreement), and requires RMJ and AustralianSuper to vote against any such Competing Proposal, in both cases, until 30 September 2019 (unless otherwise amended or further extended).</p> <p>The Navitas Board successfully negotiated and agreed with the Initial Consortium that those restrictions would be lifted in the event that Navitas received a Superior Proposal, the Consortium did not match that proposal within the agreed timeframe, and the Superior Proposal became binding prior to 2 April 2019.</p> <p>However, as at the date of this Scheme Booklet, no Superior Proposal has been received, and the window for one to become binding has now closed. Accordingly, the conditions to the automatic lifting of the restrictions under the Co-operation and Process Agreement can now no longer be satisfied. This means that the Co-operation and Process Agreement still operates to reduce the likelihood that any Superior Proposal will emerge or be completed (as it did before the Navitas Board successfully negotiated the conditional lifting of the relevant restrictions).</p> <p>For a summary of the other relevant terms of the Co-operation and Process Agreement, refer to Section 6.6.</p> <p><b>For more information see Section 6.6</b></p>

Question	Answer
<b>CONDITIONS AND IMPLEMENTATION OF THE SCHEME</b>	
<b>What are the conditions to the Scheme?</b>	<p>The Scheme is subject to a number of outstanding conditions, including (but not limited to) the following:</p> <ul style="list-style-type: none"> <li>· the Scheme being approved by the Requisite Majorities at each Scheme Meeting;</li> <li>· the Scheme being approved by the Court at the Second Court Hearing;</li> <li>· no Material Adverse Change occurring;</li> <li>· no Prescribed Occurrence occurring;</li> <li>· no TEQSA Action or ASQA Action occurring;</li> <li>· satisfaction of the Specified Contracts Condition; and</li> <li>· the US Education Regulatory Approvals being obtained.</li> </ul> <p>A summary of the conditions to the Scheme is set out in Section 3.7 and Annexure A.</p> <p><b>For more information see Section 3.7 and Annexure A</b></p>
<b>When will the Scheme become Effective?</b>	<p>Subject to the satisfaction or, as applicable, waiver of the conditions to the Scheme, the Scheme will become Effective on the date on which the Court order approving the Scheme is lodged with ASIC (this is the <b>Effective Date</b>).</p> <p>This is expected to occur on Monday, 24 June 2019.</p> <p><b>For more information see Section 9.3</b></p>
<b>What happens on the Implementation Date?</b>	<p>On the Implementation Date:</p> <ul style="list-style-type: none"> <li>· BidCo will acquire all the Scheme Shares; and</li> <li>· Scheme Shareholders will be paid the Scheme Consideration.</li> </ul> <p>Pursuant to the Scheme Implementation Deed, BidCo may elect when specifically the Implementation Date will occur, provided it falls during a specified period (beginning on the third Business Day after the Scheme Record Date and ending on the 13th Business Day after the Scheme Record Date) and BidCo's election is made before the Scheme Meetings take place. Accordingly, the Implementation Date is currently expected to be a date during the period from Tuesday, 2 July 2019 to Tuesday, 16 July 2019. When BidCo has selected the specific Implementation Date, Navitas will notify Navitas Shareholders of that date by way of ASX announcement.</p> <p><b>For more information see Section 9.3</b></p>
<b>What happens if the Scheme is not implemented?</b>	<p>If the Scheme is not implemented:</p> <ul style="list-style-type: none"> <li>· you will not receive the Scheme Consideration; and</li> <li>· you will retain your Navitas Shares and continue to have exposure to the benefits and risks associated with an investment in Navitas,</li> </ul> <p>and, in the absence of a Competing Proposal:</p> <ul style="list-style-type: none"> <li>· Navitas will continue to operate as a stand-alone entity and remain listed on ASX; and</li> <li>· the price of Navitas Shares traded on ASX is likely to fall.</li> </ul> <p><b>For more information see Section 3.6</b></p>
<b>Can the Scheme Implementation Deed be terminated?</b>	<p>The Scheme Implementation Deed may be terminated in certain circumstances. These are summarised in Annexure A. If the Scheme Implementation Deed is terminated, the Scheme will not proceed.</p> <p><b>For more information see Annexure A</b></p>
<b>Is there a reimbursement or break fee payable?</b>	<p>Under the Scheme Implementation Deed, a Break Fee of approximately \$15.65 million may become payable either by Navitas to BidCo, or by BidCo to Navitas, if certain events occur. The failure to pass either Scheme Resolution by the Requisite Majorities will not trigger the payment of the Break Fee by Navitas.</p> <p>The circumstances in which the Break Fee is payable by Navitas or BidCo (as applicable) are summarised in Annexure A.</p> <p><b>For more information see Annexure A</b></p>

Question	Answer
<b>ADDITIONAL INFORMATION</b>	
<b>How will I be paid the Scheme Consideration?</b>	<p>All payments of Scheme Consideration will be made to you by direct deposit into your nominated bank account, as advised to the Share Registry as at the Scheme Record Date. Subject to the Scheme becoming Effective, the Scheme Consideration will be paid on the Implementation Date.</p> <p>If you are a Consortium Shareholder, you will receive the cash component of the Mixed Consideration in the manner stated above. The issue of the HoldCo Share component of the Mixed Consideration will be effected by way of HoldCo procuring on the Implementation Date that your (or your nominee's) name is entered into the HoldCo share register as a HoldCo shareholder in respect of those HoldCo Shares to which you are entitled. HoldCo will then, within five Business Days after the Implementation Date, send or procure the sending of a certificate reflecting the issue of the HoldCo Shares to which you (or your nominee) are entitled.</p> <p>If you have not nominated a bank account, payment will be made by cheque for the relevant amount in Australian currency, dispatched by prepaid post to your Registered Address.</p> <p><b>For more information see Sections 3.4 and 3.5</b></p>
<b>Can I sell my Navitas Shares now?</b>	<p>You can sell your Navitas Shares on market at any time before close of trading on ASX on the Effective Date at the then prevailing market price (which may vary from the Offer Price).</p> <p>Navitas intends to apply to ASX for Navitas Shares to be suspended from official quotation on ASX from close of trading on the Effective Date (which is currently expected to be Monday, 24 June 2019).</p> <p>You will not be able to sell your Navitas Shares on market after this time.</p> <p>If you sell your Navitas Shares on market, you may be required to pay brokerage.</p> <p><b>For more information see Sections 4.5</b></p>
<b>Will I receive any further dividends from Navitas?</b>	<p>As announced on 21 March 2019, given the minimal franking credit balance available to apply to any special dividend payment, the Board determined not to declare a special dividend prior to implementation of the Scheme.</p> <p>If the Scheme is implemented, no further dividends will be paid by Navitas.</p> <p>The Directors retain the discretion to declare a dividend in circumstances where the Scheme does not proceed.</p>
<b>Will I need to pay brokerage or stamp duty?</b>	<p>Scheme Shareholders will not incur any brokerage or stamp duty on the transfer of their Scheme Shares under the Scheme.</p>
<b>Is there a number that I can call if I have further queries about the Scheme?</b>	<p>If, after reading this Scheme Booklet, you have any questions about the Scheme, please contact the Navitas Shareholder Information Line on 1300 648 603 (within Australia) or +61 3 9415 4277 (outside Australia).</p>

### **3. Summary of the Scheme**

### 3.1 Introduction

Navitas and BidCo entered into the Scheme Implementation Deed on 21 March 2019, pursuant to which the Scheme is proposed.

If the Scheme becomes Effective and is implemented:

- (a) BidCo will acquire all the Scheme Shares;
- (b) Navitas will become a wholly-owned subsidiary of BidCo;
- (c) Navitas Shareholders (other than Consortium Shareholders) who are registered as such on the Scheme Record Date will receive Scheme Consideration of \$5.825 per Navitas Share;
- (d) Consortium Shareholders will receive the Mixed Consideration; and
- (e) Navitas will be delisted from ASX.

### 3.2 Scheme Meetings and Navitas Shareholder approval

The Scheme will only proceed if the Scheme Resolutions are approved by the Requisite Majorities at the Scheme Meetings, all other conditions to the Scheme (summarised in Section 3.7) are satisfied or (where permitted) waived and the Court approves the Scheme. Therefore, if you want the Scheme to proceed, it is important that you vote in favour of the Scheme at the relevant Scheme Meeting.

Navitas Shareholders (excluding Consortium Shareholders) are asked to vote on the General Scheme Resolution at the General Scheme Meeting, and the Consortium Shareholders are asked to vote on the Consortium Shareholders Scheme Resolution at the separate Consortium Shareholders Scheme Meeting.

The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Navitas Shareholders (who are not Consortium Shareholders), in the absence of a superior proposal.

The Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Navitas Shareholders.

### 3.3 Consortium Shareholders and the Consortium Shareholders Scheme Meeting

The Consortium Shareholders are RMJ and AustralianSuper (and entities through which they hold their Navitas Shares) and, as at 8 May 2019 (being the Last Practical Trading Day), the Consortium Shareholders own the following Navitas Shares:

- 45,117,995 Navitas Shares are legally and beneficially owned by RMJ, being approximately 12.6% of the total Navitas Shares on issue; and
- 19,401,870 Navitas Shares are beneficially owned by AustralianSuper<sup>10</sup>, being approximately 5.4% of the Navitas Shares on issue.

Because the Consortium Shareholders are offered a different form of consideration under the Scheme to all other Navitas Shareholders (that is, the Mixed Consideration), their rights under the Scheme differ from those of other Navitas Shareholders such that they constitute a separate class of members for the purposes of voting on the Scheme. This means that the Consortium Shareholders will not be permitted to vote at the General Scheme Meeting (on the General Scheme Resolution) and will instead vote at the Consortium Shareholders Scheme Meeting (on the Consortium Shareholders Scheme Resolution).

Each of the Consortium Shareholders:

- (a) is a Consortium Member;
- (b) is a sophisticated or professional investor (as contemplated by the corresponding definitions in the Corporations Act); and
- (c) has already agreed under the Co-Investment Agreement (between the Consortium Members and BidCo) to Elect to receive the Mixed Consideration in prescribed proportions.<sup>11</sup>

Accordingly, their information requirements, both in respect of the Navitas business and the HoldCo Shares offered under the Mixed Consideration, as well as in relation to any Election, are qualified by these factors.

The Consortium Shareholders Scheme Resolution must be passed at the Consortium Shareholders Scheme Meeting by the Requisite Majorities (of Consortium Shareholders); however, each Consortium Shareholder has made a binding contractual commitment (in favour of the Consortium) to vote in favour of the Scheme, such that the Consortium Shareholders Scheme Resolution is expected to be passed on that basis.

### 3.4 Consideration to be received if the Scheme proceeds

If the Scheme becomes Effective and is implemented, then on the Implementation Date:

- Navitas Shareholders (other than Consortium Shareholders) registered as such on the Scheme Record Date will receive \$5.825 per Navitas Share; and
- Consortium Shareholders registered (as a holder of Navitas Shares) on the Scheme Record Date will receive the Mixed Consideration, comprising:
  - 4.459 ordinary shares and 1.366 preference shares in HoldCo per Scheme Share in respect of the proportion of their shareholding for which they Elect to receive consideration in HoldCo Shares; and
  - \$5.825 per Scheme Share in respect of the proportion of their shareholding for which they Elect to receive consideration in cash.

<sup>10</sup> JPMorgan Nominees Australia Ltd is the registered holder of these Navitas Shares.

<sup>11</sup> RMJ is required to Elect to receive HoldCo Shares in respect of 53.2% of its Navitas Shares, and AustralianSuper is required to Elect to receive HoldCo Shares in respect of 99.8% of its Navitas Shares.

Pursuant to the Scheme Implementation Deed, BidCo may elect when specifically the Implementation Date will occur, provided it falls during a specified period (beginning on the third Business Day after the Scheme Record Date and ending on the 13th Business Day after the Scheme Record Date) and BidCo's election is made before the Scheme Meetings take place. Accordingly, the Implementation Date is currently expected to be a date during the period from Tuesday, 2 July 2019 to Tuesday, 16 July 2019. When BidCo has selected the specific Implementation Date, Navitas will notify Navitas Shareholders of that date by way of ASX announcement.

### 3.5 Payment of the Scheme Consideration

Navitas will pay the cash component of the Scheme Consideration:

- (a) where a Navitas Shareholder has elected, prior to the Scheme Record Date, to receive dividends by electronic funds transfer to the bank account nominated by the Navitas Shareholder – by transfer into that account; and
- (b) otherwise – by cheque for the relevant amount in Australian currency, dispatched by prepaid post to your Registered Address.

For Scheme Shares held in joint names, Navitas will make the payment to the joint holders and will send the relevant amount to the holder whose name appears first in the Register.

You should be aware that if either of the Scheme Meetings is adjourned or the Effective Date is otherwise delayed, the payment of the Scheme Consideration may also be delayed.

### 3.6 If the Scheme does not proceed

If the Scheme does not proceed, Navitas Shareholders will continue to hold their Navitas Shares and will not receive the Scheme Consideration.

In the absence of any Competing Proposal, Navitas will continue to operate as a stand-alone, ASX-listed entity. Navitas Shareholders will continue to participate in the benefits of, and be exposed to the risks associated with, an investment in Navitas. Some of the risks relating to a continued investment in Navitas are set out in Section 7. Some of the risks associated with an investment in Navitas may also be heightened in circumstances where the Scheme does not proceed; see Section 7.4(a) for more about this.

Navitas Shareholders should also bear in mind that the restrictions on RMJ and AustralianSuper accepting, voting in favour of, or otherwise supporting a Competing Proposal (as defined in the Co-operation and Process Agreement), and the requirement for RMJ and AustralianSuper to vote against any Competing Proposal (again, as defined in the Co-operation and Process Agreement), will continue to apply until 30 September 2019 (unless otherwise amended or further extended) irrespective of whether or not the Scheme proceeds.

### 3.7 Conditions to the Scheme

Pursuant to the Scheme Implementation Deed, a number of outstanding conditions need to be satisfied or (if permitted) waived before the Scheme can be implemented. Some of these conditions include (but are not limited to) the following:

- (a) **Navitas Shareholder approval:** The Scheme Resolutions are passed by the Requisite Majorities at the Scheme Meetings;
- (b) no **Material Adverse Change** occurs between 21 March 2019 and 8.00 am on the Second Court Date;
- (c) no **Prescribed Occurrence** occurs between 21 March 2019 and 8.00 am on the Second Court Date;
- (d) no **TEQSA Action** or **ASQA Action** occurs before 8.00 am on the Second Court Date;
- (e) the **Specified Contracts Condition** is satisfied before 8.00 am on the Second Court Date; and
- (f) the **US Education Regulatory Approvals** are obtained before 8.00 am on the Second Court Date.

All of the outstanding conditions precedent to the Scheme are summarised in Annexure A. The Scheme will not proceed unless all of the conditions precedent are satisfied or (if permitted) waived in accordance with the Scheme Implementation Deed.

The Scheme was also conditional on FIRB approval of the Scheme. That approval has been obtained by BidCo (as announced to ASX by Navitas on 12 April 2019), so that condition has now been satisfied.

### 3.8 Implementation of the Scheme

Following approval of the Scheme by Navitas Shareholders and the Court (and satisfaction or waiver of the other conditions, as applicable), there are three important dates in respect of implementation of the Scheme. Those dates are:

- (a) the **Effective Date**, which is the date on which the Court order approving the Scheme is lodged with ASIC and the Scheme becomes Effective (expected to be Monday, 24 June 2019);
- (b) the **Scheme Record Date**, which is 5.00 pm (Perth time) / 7.00 pm (Sydney time) on the third Business Day after the Effective Date and is the date when the Register is examined to determine the Navitas Shareholders who will be entitled to participate in the Scheme (ie those who are Scheme Shareholders, and whose Navitas Shares will be Scheme Shares) and receive the Scheme Consideration, and how many Scheme Shares they hold (expected to be Thursday, 27 June 2019); and
- (c) the **Implementation Date**, which will be a date (that BidCo selects before the Scheme Meetings) during the period beginning on the third Business Day after the Scheme Record Date and ending on the 13th Business Day after the Scheme Record Date (and is therefore expected to be during the period from Tuesday, 2 July 2019 to Tuesday, 16 July 2019), and is the date on which:
  - (i) all of the Navitas Shares held by Scheme Shareholders will be transferred to BidCo without any need for action by Scheme Shareholders, by Navitas signing and effecting on behalf of Scheme Shareholders a valid transfer or transfers of the Scheme Shares to BidCo and entering BidCo in the Register;
  - (ii) Scheme Shareholders will be paid the Scheme Consideration; and

(iii) Navitas will become a wholly-owned subsidiary of BidCo (and will be ultimately controlled by the Consortium).

When BidCo has selected the specific Implementation Date, Navitas will notify Navitas Shareholders of that date by ASX announcement.

Further details about implementation of the Scheme are set out in Section 9.3.

### 3.9 Directors' recommendation and voting intentions

Your Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Navitas Shareholders.

Each Director intends to vote all the Navitas Shares held or controlled by them in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Navitas Shareholders.

Your Directors believe that the reasons for you to vote in favour of the Scheme outweigh the reasons to vote against the Scheme. These reasons and other relevant considerations for Navitas Shareholders are set out in Section 1.

The Directors make no recommendation in relation to the Mixed Consideration or whether Consortium Shareholders should ultimately Elect to receive it.

### 3.10 Independent Expert's conclusion

The Independent Expert's Report is set out in full in Annexure F. Your Directors encourage you to read this report in full before deciding how to vote on the Scheme.

### 3.11 Funding of the Scheme Consideration

BidCo has agreed binding equity commitments with each of the Consortium Members who is providing Equity Funding, and a binding Debt Commitment Letter from its debt financiers for the Debt Funding, which in aggregate will provide BidCo with sufficient funding to pay the maximum amount of the cash Scheme Consideration payable under the Scheme.

BidCo and HoldCo have each entered into the Deed Poll to covenant in favour of the Scheme Shareholders to perform their respective obligations in relation to the Scheme. Those obligations include providing the Scheme Consideration to the Scheme Shareholders in accordance with the Scheme, including (in the case of BidCo) providing the aggregate amount of the cash Scheme Consideration and (in the case of HoldCo) issuing the HoldCo Shares required to be issued in respect of valid Elections made by the Consortium Shareholders.

Further details about BidCo's funding arrangements are set out in Section 6.4.

### 3.12 Australian tax implications

You should seek your own professional advice regarding the individual tax consequences applicable to you. A general outline of the tax implications for Australian residents is set out in Section 8.

### 3.13 No brokerage or stamp duty

No brokerage or stamp duty will be payable by Scheme Shareholders on the transfer of their Scheme Shares under the Scheme.

### 3.14 Questions

If, after reading this Scheme Booklet, you have any questions about the Scheme, please contact the Navitas Shareholder Information Line at any time between 6.30 am and 5.00 pm (Perth time) on Business Days on 1300 648 603 (within Australia) or +61 3 9415 4277 (outside Australia).



## **4. How to vote at the Scheme Meetings**

## 4.1 Your vote is important

For the Scheme to proceed, the Scheme Resolutions must be approved by the Requisite Majorities at the Scheme Meetings.

For this reason, the Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Navitas Shareholders.

If you are unable to attend the applicable Scheme Meeting, the Directors recommend that you complete and return, in the enclosed reply-paid envelope, the personalised proxy form that accompanies this Scheme Booklet, or lodge your proxy form online at the Share Registry's website, [www.investorvote.com.au](http://www.investorvote.com.au). Further instructions relating to the proxy forms are set out below.

## 4.2 The Scheme Meetings

The General Scheme Meeting will be held at 11.00 am (Perth time) on Wednesday, 19 June 2019, at Brookfield Tower 2, Ground Floor, 123 St Georges Terrace, Perth, Western Australia. Details about the General Scheme Meeting are set out in the Notice of General Scheme Meeting contained in Annexure D.

The Consortium Shareholders Scheme Meeting will be held at 12.00 noon (Perth time) on Wednesday, 19 June 2019, at the same location as the General Scheme Meeting. If the General Scheme Meeting concludes after 12.00 noon (Perth time) on Wednesday, 19 June 2019, the Consortium Shareholders Scheme Meeting will begin as soon as practicable after the conclusion of the General Scheme Meeting. Details about the Consortium Shareholders Scheme Meeting are set out in the Notice of Consortium Shareholders Scheme Meeting contained in Annexure E.

## 4.3 Voting entitlement in respect of Scheme Meetings

Each Navitas Shareholder who is registered on the Register at 5.00 pm (Perth time) / 7.00 pm (Sydney time) on Monday, 17 June 2019 is entitled to attend and vote at:

- (a) the General Scheme Meeting, if they are not a Consortium Shareholder; and
- (b) the Consortium Shareholders Scheme Meeting, if they are a Consortium Shareholder.

Voting is not compulsory.

In the case of jointly held Navitas Shares, only one of the joint shareholders is entitled to vote. If more than one Navitas Shareholder votes in respect of jointly held Navitas Shares, only the vote of the Navitas Shareholder whose name appears first in the Register will be counted.

Details about the permitted methods of voting are set out in Section 4.4 and in the Notice of General Scheme Meeting (in Annexure D) and Notice of Consortium Shareholders Scheme Meeting (in Annexure E), as applicable.

## 4.4 How to vote

You may vote on the Scheme by:

- attending the relevant Scheme Meeting in person; or
- proxy, attorney or, in the case of a corporation which is a Navitas Shareholder, by corporate representative appointed in accordance with the Corporations Act.

Relevant details in respect of each of these methods are set out below.

Voting on each of the Scheme Resolutions will be conducted by way of a poll.

### (a) Voting in person

To vote in person, you must attend the relevant Scheme Meeting. If you attend, you will be admitted to the meeting and given a voting card at the point of entry to the meeting upon disclosing your name and address. Please bring a form of personal identification with you, such as your driver's licence.

### (b) Voting by proxy

To vote by proxy, you must complete and return the personalised proxy form enclosed with this Scheme Booklet by no later than:

- 11.00 am (Perth time) for Navitas Shareholders voting by proxy on the General Scheme Resolution; or
- 12.00 noon (Perth time) for Consortium Shareholders voting by proxy on the Consortium Shareholders Scheme Resolution, on Monday, 17 June 2019, in accordance with the instructions on the form. A proxy need not be a Navitas Shareholder.

You may appoint an individual or body corporate as your proxy. If you appoint a body corporate as your proxy, that body corporate must ensure that it appoints a corporate representative to exercise its powers as proxy at the relevant Scheme Meeting (see below).

A Navitas Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

### (c) Voting by attorney

To vote by attorney, the attorney must have a duly executed power of attorney, specifying the Navitas Shareholder's name, the attorney, the meetings at which the appointment may be used and that the power of attorney applies in relation to Navitas. The appointment may be a standing one and the attorney need not be a Navitas Shareholder.

**(d) Voting by corporate representative**

For a body corporate to vote by corporate representative, the representative must have a duly executed appointment which complies with the requirements of the Corporations Act. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution. The representative must bring this appointment to the relevant Scheme Meeting, including any authority under which it is signed, unless it has previously been given to Navitas.

**(e) Lodgement of proxy forms and powers of attorney**

To be effective, completed proxy forms, powers of attorney and any authorities under which proxy forms are signed must be received by the Share Registry in any of the following ways at least 48 hours before the time for holding the relevant Scheme Meeting (that is, by the cut-off times noted in Section 4.4(b) above), or, if the relevant Scheme Meeting is adjourned, at least 48 hours before the scheduled resumption of relevant the Scheme Meeting:

**By post to:**

Computershare Investor Services Pty Limited  
GPO Box 1282 Melbourne  
Victoria 3001 Australia

**By facsimile to:**

1800 783 447 (within Australia)  
+61 3 9473 2555 (outside Australia)

**Online** at the Share Registry's website, [www.investorvote.com.au](http://www.investorvote.com.au)

## 4.5 Your choices

You have three choices available to you. These choices are set out below:

**(a) Option 1 - Vote at the relevant Scheme Meeting**

You can vote at the relevant Scheme Meeting in person, or by proxy, attorney or corporate representative (in the case of corporations who are Navitas Shareholders), in respect of some or all of your Navitas Shares. Details of how to vote at the Scheme Meetings are set out in Section 4.4. You may vote in favour of or against the relevant Scheme Resolution required to implement the Scheme.

If you vote against the relevant Scheme Resolution required to implement the Scheme and the Scheme Resolutions are passed and the Scheme becomes Effective, then any Navitas Shares held by you on the Scheme Record Date will be transferred to BidCo, and you will receive the Scheme Consideration (notwithstanding that you did not vote in favour of the Scheme Resolution).

In relation to the Consortium Shareholders Scheme Resolution, each Consortium Shareholder has made a binding contractual commitment (in favour of the Consortium) to vote in favour of the Scheme, such that the Consortium Shareholders Scheme Resolution is expected to be passed on that basis.

**(b) Option 2 - Sell your Navitas Shares on market**

You can sell your Navitas Shares on ASX at any time before the close of trading on the Effective Date. If you sell your Navitas Shares on ASX, you may be liable for CGT upon the disposal of your Navitas Shares (see Section 8), and may incur brokerage charges (and, potentially, GST on those brokerage charges). If the Scheme becomes Effective, Navitas Shares will cease trading on ASX at close of trading on the Effective Date.

Navitas Shareholders who wish to sell some or all of their Navitas Shares on ASX should contact their broker for information on how to effect the sale.

**(c) Option 3 - Do nothing**

If you do not wish to vote for or against the relevant Scheme Resolution, nor to sell your Navitas Shares on ASX, you may choose to do nothing.

If you do nothing and the Scheme Resolutions required to implement the Scheme are passed by the Requisite Majorities, the Scheme is approved by the Court, and the Scheme becomes Effective, then any Navitas Shares held by you on the Scheme Record Date will be transferred to BidCo, and you will receive the Scheme Consideration (notwithstanding that you did not vote in favour of, or on, the Scheme Resolution).

## 4.6 What to do next

**(a) Read the remainder of this Scheme Booklet**

You should read and consider the remainder of this Scheme Booklet in full before making any decision on the Scheme. If you require further advice in relation to the Scheme, contact your legal, financial, taxation or other professional adviser.

**(b) Consider your options**

Navitas Shareholders should refer to Sections 1.2 and 1.3 for further guidance on the reasons to vote for and against the Scheme. However, as noted elsewhere in this document, this Scheme Booklet does not take into account the investment objectives, financial situation and particular needs of any individual Navitas Shareholder.

## **5. Information relating to Navitas**

## 5.1 Background

Navitas is an Australian global education provider with 120 colleges and campuses across 33 countries, offering an extensive range of educational services to more than 70,000 students, clients and professionals.

Navitas is listed on ASX (ASX: 'NVT'). As at 8 May 2019, being the Last Practical Trading Day, Navitas had a market capitalisation of approximately \$2,071 million (based on a closing price of \$5.78 per Navitas Share).

Navitas originated in Perth, Western Australia in 1994 with the establishment of the IBT Group (IBT). In December 2004, IBT listed on ASX and subsequently changed its name to Navitas in November 2007. Since its inception in 1994, Navitas has diversified both geographically and in terms of its range of service offerings, through a combination of organic growth and acquisitions.

Navitas' business includes the provision of a range of services including pre-university and university programs, English language courses, migrant education and settlement services, creative media education, student recruitment, professional development and corporate training. Since listing, the relative proportion of Navitas' revenue derived from overseas markets has grown significantly.

For the financial year ended 30 June 2018, Navitas reported revenue of \$931.0 million and pro forma EBITDA<sup>12</sup> of \$84.0 million. For the half-year ended 31 December 2018, Navitas reported revenue of \$477.4 million and pro forma EBITDA of \$50.9 million.

Navitas employs approximately 7,000 employees around the world.

## 5.2 Overview of divisions and operations

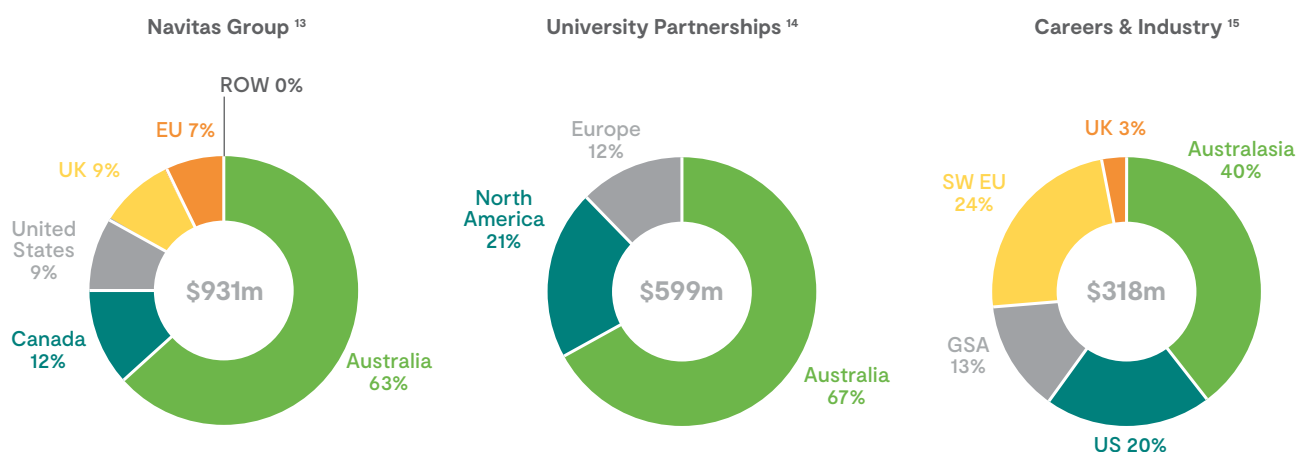
### (a) Divisions

Navitas operates across two divisions, University Partnerships and Careers & Industry:

- Navitas' University Partnerships Division is a global leader in pre-university, managed campus and university pathway programs designed to increase students' access to higher education and prepare them for future success. The pathway program model focuses on providing pre and first year university courses to international students who do not qualify for direct entry to partner universities due to either language or academic record. University Partnerships courses are delivered via on-campus colleges, through an agreement with a partner university, in a structured environment aimed at maximising student success. Navitas seeks to achieve this by incorporating additional teaching hours, having smaller class sizes, and having increased levels of learning, support and pastoral care; and
- Navitas' Careers & Industry Division delivers vocational and higher education programs in the creative, government services, human services and management sectors. The Careers & Industry Division is comprised of the SAE Institute (SAE), which delivers education programs in the area of creative media including courses in audio, film and multimedia, and Professional and English Programs, which deliver English language tuition, jobs skills training, and higher and vocational education in security and psychology.

Figure 3 outlines the relative revenue contribution and geographic split of each division for the financial year ended 30 June 2018.

**Figure 3 – FY18 Revenue by geography and division**



<sup>12</sup> Pro forma EBITDA includes proportionate share of EBITDA from joint ventures.

<sup>13</sup> As at 30 June 2018.

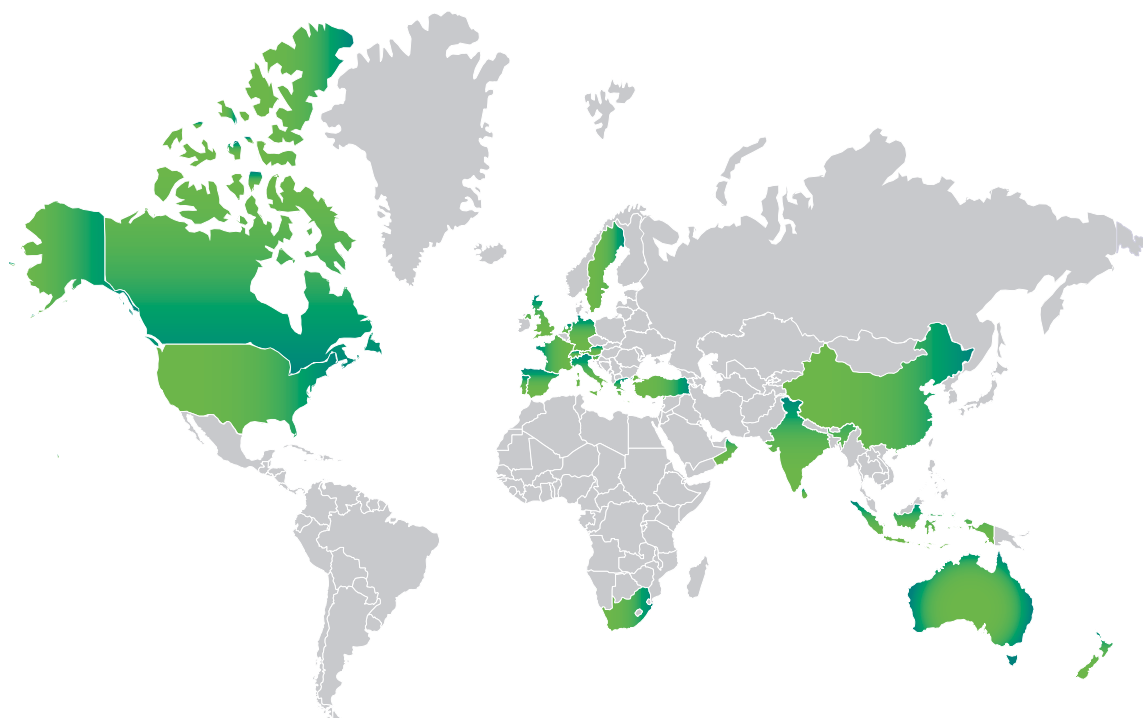
<sup>14</sup> As at 30 June 2018; excludes corporate revenue.

<sup>15</sup> As at 30 June 2018; excludes corporate revenue.

#### (b) Navitas locations

As at the date of this Scheme Booklet, Navitas had 45 partnerships/colleges within the University Partnerships Division, and the Careers & Industry Division had 59 campuses/sites across Australasia, Europe and North America and two online offerings.

Figure 4 – Navitas locations



Location	University Partnerships (Partnerships/Colleges)	Careers & Industry (Campuses / Sites)
Australasia	21	28
Europe	13	24
North America	11	7
Online	–	2
<b>TOTAL</b>	<b>45</b>	<b>61</b>

The Careers & Industry Division also licences the SAE concept to third parties who operate SAE campuses in an additional 9 countries.

### 5.3 Navitas Board and senior management

#### (a) Navitas Board

As at the date of this Scheme Booklet, the Navitas Board comprised:

Name	Position
Ms Tracey Horton AO	Non-Executive Chairman
Mr David Buckingham	Managing Director
Mr Tony Cipa	Non-Executive Director and Chairman of the Audit and Risk Committee
Ms Diana Eilert	Non-Executive Director and Chairman of the People and Remuneration Committee
Ms Lisa Paul AO PSM	Non-Executive Director
Mr David Robb	Non-Executive Director

**(b) Senior management**

As at the date of this Scheme Booklet, the key members of Navitas' key management personnel are:

Name	Position
Mr David Buckingham	Group Chief Executive Officer and Managing Director
Mr Philip Mirams	Chief Financial Officer
Ms Bev Hudson	CEO of University Partnerships, Australasia
Mr Scott Jones	CEO of Navitas Careers & Industry
Mr Paul Lovegrove	CEO of University Partnerships, Europe
Mr Brian Stevenson	CEO and President of University Partnerships, North America
Mr Mick Campbell	Chief Information Officer
Mr Iain Rothwell	Chief Commercial Officer

## 5.4 Navitas' securities and capital structure

**(a) Navitas securities on issue**

As at 8 May 2019 (being the Last Practical Trading Day), Navitas had 358,251,068 Navitas Shares on issue. No other securities in Navitas were on issue.

**(b) Substantial shareholders**

Based on publicly available information, as at 8 May 2019 (being the Last Practical Trading Day), Navitas had received notifications from the following substantial shareholders in accordance with section 671B of the Corporations Act:

Name	Number of Navitas Shares	Percentage shareholding <sup>16</sup>
Consortium	65,258,777	18.22%
Schroder Investment Management Australia Limited	29,446,059	8.22%
Allan Gray Australia Pty Ltd	26,130,561	7.30%
Peter Devon Larsen	23,433,610	6.54%

As mentioned elsewhere in this Scheme Booklet, RMJ and AustralianSuper are Consortium Members. As a result of entering into the Co-Investment Agreement, each of the Consortium Members obtained a Relevant Interest in the Navitas Shares held by the other Consortium Members (if any).

**(c) Top 20 Navitas Shareholders**

Based on Navitas' share register as at 8 May 2019, the top 20 Navitas Shareholders held approximately 91.99% of the Navitas Shares, as set out in the following table.

Name	Number of Navitas Shares	Percentage shareholding
J P Morgan Nominees Australia Pty Limited	70,421,135	19.66%
HSBC Custody Nominees (Australia) Limited	56,896,275	15.88%
Citicorp Nominees Pty Limited	36,311,303	10.14%
Remjay Investments Pty Ltd	34,711,843	9.69%
Landmark Holdings (Wa) Pty Ltd	23,000,000	6.42%
Wonder Holdings Pty Ltd	18,751,890	5.23%
National Nominees Limited	15,800,027	4.41%
Cambo Investments Pty Ltd	15,130,000	4.22%

<sup>16</sup> % shareholding based on number of Navitas Shares on issue on the Last Practical Trading Day.

Name	Number of Navitas Shares	Percentage shareholding
Hoperidge Enterprises Pty Ltd <Jones Family A/C>	9,586,690	2.68%
Mr Maxwell Charles Schroder	8,633,391	2.41%
Ms Julianne Hannaford	8,129,000	2.27%
BNP Paribas Nominees Pty Ltd <Agency Lending Drp A/C>	7,341,950	2.05%
Lily Investments Pty Ltd	5,527,968	1.54%
Mrs Luniarty Kartosudiro <Ben Chew Family A/C>	4,384,312	1.22%
Coolah Holdings Pty Ltd <Lambert Family A/C>	3,521,297	0.98%
BNP PARIBAS NOMS PTY LTD <DRP>	3,090,782	0.86%
Dasam Nominees Pty Ltd	2,738,710	0.76%
CS Third Nominees Pty Ltd <HSBC Cust Nom AU Ltd 13 A/C>	1,936,353	0.54%
Scott Paul Jones + Rodney Malcolm Jones + Carol Robin Jones <Scopa Family A/C>	1,874,580	0.52%
HSBC Custody Nominees (Australia) Limited - GSCO ECA	1,782,000	0.50%
<b>TOTAL</b>	<b>329,569,506</b>	<b>91.99%</b>

## 5.5 Financial information

This Section 5.5 contains financial information relating to Navitas for the financial years ended 30 June 2018 and 30 June 2017, and for the half-year ended 31 December 2018.

The financial information in this Section 5.5 is a summary only and has been prepared and extracted for the purposes of this Scheme Booklet only. The information has been extracted from the audited financial reports of Navitas for the financial years ended 30 June 2018 and 30 June 2017, and from the reviewed financial report for the half-year ended 31 December 2018.

### (a) Basis of interpretation

The historical financial information of Navitas presented is in an abbreviated form and does not contain all the disclosures, presentation, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act. Accordingly, Navitas recommends that Navitas Shareholders read the following in conjunction with the financial statements of Navitas for the respective periods including the description of the significant accounting policies contained in those financial statements and the notes to those financial statements (copies of which are available on Navitas' website at [www.navitas.com](http://www.navitas.com) and on ASX's website as [www.asx.com.au](http://www.asx.com.au)).

The historical financial information of Navitas has been prepared in accordance with the recognition and measurement principles contained in the Australian Accounting Standards. The historical financial information in this Scheme Booklet is presented on a standalone basis and accordingly does not reflect any impact of the Scheme.



**(b) Consolidated statement of profit or loss and other comprehensive income**

The following table presents the historical consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2018, and for the financial years ended 30 June 2018 and 30 June 2017:

	1H19 \$'000	FY18 \$'000	FY17 \$'000
Revenue	477,419	930,980	955,195
Marketing Expenses	(83,067)	(153,948)	(145,579)
Academic expenses	(115,983)	(217,239)	(218,787)
Administration expenses	(227,556)	(487,064)	(466,953)
Non-operating gains and losses	-	4,944	14,263
BGH Consortium proposal costs	(13,767)	-	-
Impairment losses	-	(75,321)	-
Finance costs	(4,212)	(9,188)	(7,469)
Share of net profit of entities accounted for using the equity method	642	1,553	271
<b>Profit/(loss) before income tax expense</b>	<b>33,476</b>	<b>(5,283)</b>	<b>130,941</b>
Total income tax expense	(12,089)	(50,021)	(50,072)
<b>Profit/(loss) for the period</b>	<b>21,387</b>	<b>(55,304)</b>	<b>80,869</b>
Other comprehensive (expense)/income for the year	(4,962)	(921)	2,473
<b>Total comprehensive income/(expense) for the period</b>	<b>16,425</b>	<b>(56,225)</b>	<b>83,342</b>
<b>Profit/(loss) attributable to:</b>			
Owners of the parent	21,367	(55,847)	80,337
Non-controlling interests	20	543	532
<b>Total comprehensive income/(expense) attributable to:</b>			
Owners of the parent	16,438	(56,795)	82,851
Non-controlling interests	(13)	540	491
	<b>16,425</b>	<b>(56,255)</b>	<b>83,342</b>
	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
<b>Earnings/(loss) per share</b>			
Basic	<b>6.0</b>	<b>(15.6)</b>	<b>22.1</b>
Diluted	<b>6.0</b>	<b>(15.6)</b>	<b>22.1</b>

(c) Consolidated statement of financial position

The following table presents the historical consolidated statement of financial position as at 31 December 2018, 30 June 2018 and 30 June 2017:

	31 Dec 18 \$'000	30 June 18 \$'000	30 June 17 \$'000
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	87,770	81,871	86,642
Trade and other receivables	90,634	123,919	141,054
Current tax receivable	13,558	3,255	-
Prepayments and other assets	30,776	34,444	31,902
<b>Total Current Assets</b>	<b>222,738</b>	<b>243,489</b>	<b>259,598</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	141,629	140,330	172,528
Deferred tax assets	19,539	16,362	32,616
Investments accounted for using the equity method	25,570	25,939	25,620
Intangible assets	402,209	400,555	408,546
Other financial assets	4,069	3,634	2,538
<b>Total Non-Current Assets</b>	<b>593,016</b>	<b>586,820</b>	<b>641,848</b>
<b>TOTAL ASSETS</b>	<b>815,754</b>	<b>830,309</b>	<b>901,446</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	152,947	129,646	127,754
Deferred revenue	262,810	278,502	262,112
Current tax payable	-	-	3,890
Borrowings	3,334	3,262	3,099
Provisions	16,662	22,520	11,395
<b>Total Current Liabilities</b>	<b>435,753</b>	<b>433,930</b>	<b>408,250</b>
<b>Non-Current Liabilities</b>			
Trade and other payables	41,458	44,707	50,906
Borrowings	291,869	280,477	269,567
Provisions	30,263	42,388	16,985
<b>Total Non-Current Liabilities</b>	<b>363,590</b>	<b>367,572</b>	<b>337,458</b>
<b>TOTAL LIABILITIES</b>	<b>799,343</b>	<b>801,502</b>	<b>745,708</b>
<b>NET ASSETS</b>	<b>16,411</b>	<b>28,807</b>	<b>155,738</b>
<b>EQUITY</b>			
Issued capital	110,470	110,209	110,511
Foreign currency translation reserve	(3,352)	1,428	2,648
Cash flow hedge reserve	(608)	(459)	(731)
(Accumulated losses)/retained earnings	(90,543)	(83,255)	42,417
<b>Equity attributable to owners of the parent</b>	<b>15,967</b>	<b>27,923</b>	<b>154,845</b>
Non-controlling interests	444	884	893
<b>TOTAL EQUITY</b>	<b>16,411</b>	<b>28,807</b>	<b>155,738</b>

**(d) Consolidated statement of cash flows**

The following table presents the historical consolidated statement of cash flows for the half-year ended 31 December 2018, and for the financial years ended 30 June 2018 and 30 June 2017:

	1H19 \$'000	FY18 \$'000	FY17 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers	496,578	935,387	932,619
Payments to suppliers and employees	(431,468)	(796,084)	(826,962)
Dividends received from equity accounted entities	1,050	1,925	1,895
Lease incentive contributions received	-	-	37,584
Interest received	1,016	1,249	1,555
Interest paid	(4,052)	(8,771)	(7,401)
Income tax paid	(25,595)	(41,405)	(37,756)
<b>Net cash flows from operating activities</b>	<b>37,529</b>	<b>92,301</b>	<b>101,534</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(14,177)	(21,127)	(81,655)
Purchase of controlled entities, net of cash acquired	-	(9,189)	(533)
Proceeds on disposal of controlled entities, net of cash on disposal	-	2,692	(8,226)
Purchase of other investments	(580)	(200)	(2,695)
<b>Net cash flows used in investing activities</b>	<b>(14,757)</b>	<b>(27,824)</b>	<b>(93,109)</b>
<b>Cash flows from financing activities</b>			
Payments for share buy-back	-	(1,760)	(69,800)
Proceeds from borrowings	219,079	534,902	452,298
Repayments of borrowings	(207,834)	(532,988)	(314,000)
Loans to joint ventures	(129)	(1,623)	(500)
Payments of dividends	(28,518)	(68,513)	(67,446)
Payments of dividends to non-controlling interests	(427)	(254)	(432)
<b>Net cash flows (used in)/from financing activities</b>	<b>(17,829)</b>	<b>(70,236)</b>	<b>120</b>
Net increase/(decrease) in cash and cash equivalents	4,943	(5,759)	8,545
Net foreign exchange differences	956	988	(822)
Cash and cash equivalents at beginning of the period	81,871	86,642	78,919
<b>Cash and cash equivalents at the end of the period</b>	<b>87,770</b>	<b>81,871</b>	<b>86,642</b>

## 5.6 Material changes in Navitas' financial position

As announced to ASX on 21 March 2019, the successful appeal by SAE Education Limited (a subsidiary of Navitas) in the Supreme Court of the United Kingdom will result in a one off contribution to Navitas' FY19 profit of approximately \$5 million.

Navitas has also and will continue to accumulate profits in the ordinary course of trading.

To the knowledge of the Directors, and subject to these matters, the financial position of Navitas has not changed materially since 31 December 2018 being the last date of the period to which the financial statements for the half-year ended 31 December 2018 relate.

Copies of Navitas' periodic reports (including for the financial year ended 30 June 2018) and financial statements for the half-year ended 31 December 2018 can be obtained from Navitas' website at [www.navitas.com](http://www.navitas.com), ASX's website at [www.asx.com.au](http://www.asx.com.au) and from Navitas free of charge following a request in writing (by email to [coy.sec@navitas.com](mailto:coy.sec@navitas.com), or by post to The Company Secretary, Navitas Limited, Level 8, Brookfield Place, 125 St Georges Terrace Perth WA 6000, Australia) received before the Scheme is approved by the Court.

## 5.7 Intentions regarding the continuation of Navitas' business

The Corporations Regulations require a statement by the Directors of their intentions regarding Navitas' business. If the Scheme is implemented, BidCo has stated that it intends to reconstitute the Navitas Board as appropriate for such an entity.

It is for the reconstituted Navitas Board to determine its intentions as to:

- (a) the continuation of the business of Navitas or how the existing business will be conducted;
- (b) any major changes to be made to the business of Navitas; or
- (c) the future employment of the present employees of Navitas,

and, accordingly, it is not possible for the Directors to provide such a statement.

The Consortium's intentions if the Scheme is implemented are set out in Section 6.5.

## 5.8 Recent Navitas Share price performance

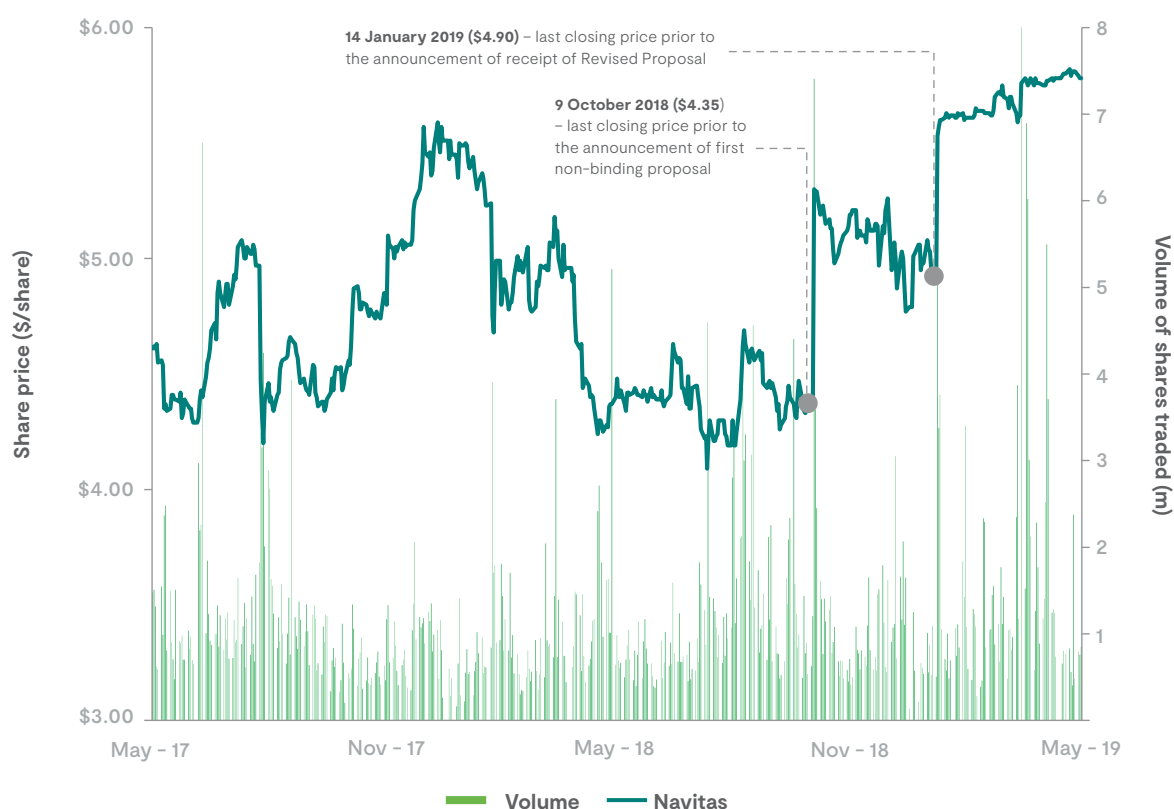
Navitas Shares are listed on ASX under the ASX code 'NVT'.

On 9 October 2018, being the last trading day prior to the announcement of the First Indicative Proposal, the closing Navitas Share price on ASX was \$4.35. On 14 January 2019, being the last trading day prior to the announcement of the receipt of the Revised Proposal from the Initial Consortium, the closing Navitas Share price on ASX was \$4.90. From announcement of the First Indicative Proposal on 10 October 2018 to 8 May 2019 (being the Last Practical Trading Day), the closing Navitas Share price on ASX has ranged from \$4.77 to \$5.82.

In the three months up to 9 October 2018 (being 10 July 2018 up to 9 October 2018):

- the highest recorded daily closing price for Navitas Shares on ASX was \$4.69 on 16 August 2018; and
- the lowest recorded daily closing price for Navitas Shares on ASX was \$4.09 on 18 July 2018.

**Figure 5 – Navitas Share price and trading volume over the two years before the Last Practical Trading Day**



## 5.9 Public information available for inspection

Navitas is a disclosing entity as defined in the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. Broadly, these require Navitas to announce price sensitive information as soon as it becomes aware of the information, subject to exceptions for certain confidential information. Navitas is also required to prepare and lodge with ASIC and ASX both annual and half-year financial statements.

Further announcements concerning Navitas will continue to be made available on ASX's website after the date of this Scheme Booklet.

Copies of the documents filed with ASX may be obtained from ASX's website at [www.asx.com.au](http://www.asx.com.au) and Navitas' website at [www.navitas.com](http://www.navitas.com). Copies of the documents lodged with ASIC in relation to Navitas may be obtained from, or inspected via, ASIC's online registry portal ASIC Connect at [www.asicconnect.gov.au](http://www.asicconnect.gov.au) including at ASIC's self service kiosks at ASIC's service centres. Copies of these documents will also be made available free of charge following a request in writing to Navitas at any time before the Scheme Meetings.

## **6. Information relating to BidCo, HoldCo and the Consortium**

## 6.1 Introduction

This Section 6 forms part of the Consortium Information and has been prepared by, and is the responsibility of, BidCo. This Section 6 contains information relating to the Consortium, BidCo and HoldCo, and outlines how BidCo is funding the Scheme Consideration and its vision, intentions, views and opinions in relation to Navitas.

## 6.2 Overview of the Consortium Members

### (a) BGH Capital and the BGH Fund

BGH Capital was established in 2017 as an independent private investment firm, owned and managed by its founding partners – Robin Bishop, Ben Gray and Simon Harle. In May 2018, BGH Capital had a final close on the BGH Fund of approximately A\$2.6 billion, making it the largest domestic private equity fund in Australia and New Zealand. The objective of the BGH Fund is to provide investors with returns through a diversified portfolio of growth investments in companies in Australia and New Zealand.

### (b) RMJ

Mr Rod Jones is one of the co-founders of Navitas, and was the Navitas CEO until February 2018 and Managing Director until June 2018. Mr Jones remained on the Navitas Board until November 2018. The other entities comprising RMJ (besides Mr Jones himself) are owned and controlled by Mr Jones.

### (c) AustralianSuper

AustralianSuper is an Australian superannuation fund created in 2006, predominantly by the merger of the Australian Retirement Fund and the Superannuation Trust of Australia. It is a profit for member pension fund. AustralianSuper manages more than \$150 billion of members' retirement savings on behalf of more than 2.3 million members from around 280,000 businesses. One in 10 working Australians is a member of AustralianSuper, the nation's largest superannuation fund. It invests on behalf of its members, with existing infrastructure and property investments including both domestic and globally significant assets such as Ausgrid, the King Cross development in London and NSW Ports.

### (d) BCI (British Columbia Investment Management Corporation)

British Columbia Investment Management Corporation (BCI) is a company incorporated pursuant to an Act of the Government of the Province of British Columbia, Canada, the Public Sector Pension Plans Act. With a global portfolio of more than C\$145.6 billion (as at 31 March 2018), BCI is one of Canada's largest institutional investors within the capital markets. It invests on behalf of public sector clients in British Columbia. Its activities help finance the retirement benefits of more than 583,000 pension plan members, as well as the insurance and benefit funds that cover over 2.3 million workers in British Columbia.

### (e) CPPIB (Canada Pension Plan Investment Board)

Canada Pension Plan Investment Board (CPPIB) is a professional investment management organisation that invests the funds of the Canada Pension Plan (CPP) on behalf of its 20 million contributors and beneficiaries. In order to build a diversified portfolio, CPPIB invests globally in public equities, private equities, real estate, infrastructure and fixed income instruments, including both private and public debt. As at 31 December 2018, CPPIB had total assets under management valued at approximately C\$368.5 billion, producing a 10-year annualised net real return of 8.2%.

### (f) OTPP (Ontario Teachers' Pension Plan Board)

The Ontario Teachers' Pension Plan Board (OTPP) is Canada's largest single-profession pension plan, with \$191.1 billion in net assets at 31 December 2018. It holds a diverse global portfolio of assets, approximately 80% of which is managed in-house, and has earned an annual total-fund net return of 9.7% since the plan's founding in 1990. OTPP is an independent organisation headquartered in Toronto. Its Asia-Pacific region office is located in Hong Kong and its Europe, Middle East & Africa region office is in London. The defined-benefit plan, which is fully funded, invests and administers the pensions of the province of Ontario's 327,000 active and retired teachers.

### (g) Sinspec

Sinspec Investment Pte Ltd (Sinspec) is a wholly-owned subsidiary of GIC (Ventures) Private Limited. Sinspec was incorporated in Singapore on 6 July 2005 for the purpose of investing in special projects managed by GIC Special Investments Private Limited (GICSI). GICSI is the private equity and infrastructure investment arm of GIC Private Limited (GIC), which is incorporated in Singapore and wholly owns GICSI.

GIC was incorporated in 1981 under the Singapore Companies Act and is wholly owned by the Government of Singapore. It was set up with the sole purpose of managing Singapore's foreign reserves. GIC invests well over \$100 billion internationally in a wide range of asset classes and instruments.

## 6.3 Overview of BidCo and HoldCo

### (a) BidCo

BidCo is a special purpose company that was incorporated on 11 February 2019 for the purpose of acquiring (under the Scheme) and holding (following implementation of the Scheme) all the shares in Navitas. BidCo is an unlisted Australian proprietary company that has not conducted business and does not own any assets or have any liabilities other than in connection with its incorporation, the entry into transaction documents in connection with the Scheme and the taking of such other actions as are necessary to facilitate the implementation of the Scheme (including actions in relation to the incurrence of costs, fees and expenses in connection with the Scheme). The ultimate holding company of BidCo is HoldCo.

### (b) HoldCo

BGH HoldCo A Pty Ltd ACN 631 941 403 (HoldCo) is a special purpose company that was incorporated on 27 February 2019 for the purpose of indirectly holding all the shares in BidCo and issuing securities in HoldCo to the Consortium Members (including to the Consortium Shareholders pursuant to Elections made under the Scheme).

HoldCo is an unlisted Australian proprietary company that has not commenced trading or conducted business and, except as described below, does not own or hold any assets or have any liabilities other than in connection with its incorporation, the entry into transaction documents in connection with the Scheme and the taking of such other actions as are necessary to facilitate the implementation of the Scheme (including actions in relation to the incurrence of costs, fees and expenses in connection with the Scheme). The affairs of HoldCo are regulated under the HoldCo Constitution.

### (c) Ownership structure

As at the date of this Scheme Booklet, BidCo is a wholly-owned subsidiary of BGH MidCo A Pty Ltd ACN 631 562 582 (MidCo), which is in turn a wholly-owned subsidiary of HoldCo. HoldCo is currently owned by the BGH Fund entities. BidCo, MidCo and HoldCo are each incorporated in Australia. On or prior to implementation of the Scheme, it is intended that the ownership of HoldCo will change such that HoldCo will be owned as illustrated by the diagram below<sup>17</sup>.



### (d) Directors

#### (i) Mr Ben Gray

As at the date of this Scheme Booklet, Mr Ben Gray is the sole director of BidCo and HoldCo. Mr Gray is a Founding Partner of BGH Capital. Previously, he was a Managing Partner at TPG Capital, where he served as the Joint Head of Asia, as the Head of Australia and New Zealand and as a member of the Global Management Committee. Mr Gray spent almost 13 years at TPG, and together with Simon Harle (also a Founding Partner of BGH Capital), jointly or individually led investments in Myer, Asciano, Petbarn, Healthscope, Inghams and Cushman & Wakefield, including DTZ and Cassidy Turley. Mr Gray was also heavily involved in managing the investment in Alinta by funds advised by TPG. Prior to joining TPG in 2004, Mr Gray was a Director at Credit Suisse, where he worked in the investment banking division in New York and Australia. He received a Bachelor of Commerce with First Class Honours from the University of Melbourne and a Master of Business Administration with High Distinction (Baker Scholar) from Harvard Business School. Mr Gray is a Director of the Australian American Leadership Dialogue.

#### (ii) Other directors

On or prior to implementation of the Scheme, Mr Rodney Jones will be appointed as chairman of BidCo and HoldCo. Mr Jones has over 45 years' experience in educational administration and has held a number of senior administrative positions within the government and the private education sectors. He is recognised as one of the leaders in the successful establishment of the international education sector in Australia.

Mr Jones is one of the co-founders of Navitas and was the Group CEO and Managing Director of Navitas until 2018. He remained on the Navitas Board until November 2018. As CEO he was instrumental in the expansion and development of the Navitas model into the various markets in which it now operates. Through this executive and board experience at Navitas, Mr Jones gained extensive experience in executive leadership, financial analysis, risk management, strategy, corporate governance, remuneration, the education sector and technology.

Mr Jones has received an honorary Doctor of Education in recognition of his outstanding contribution to the development of the international education sector both in Australia and overseas. In 2008, he was awarded the Australian Ernst & Young Entrepreneur of the Year.

It is expected that certain nominee directors of the Consortium Members will also be appointed to the boards of BidCo and HoldCo on or prior to implementation of the Scheme. Nominees of the BGH Funds are expected to comprise a majority of the directors of the boards. See also Section 6.5(e) about the boards of directors of Navitas and its subsidiaries if the Scheme is implemented.

<sup>17</sup> On or prior to implementation of the Scheme, BGH Fund may sell down a minority stake of its investment to certain other third party investors in the BGH Fund. However, for the avoidance of doubt, BGH Fund is committed to take up the full amount of its investment as specified in Section 6.4(a) even if no sell-down occurs. In addition, the HoldCo ownership interests set out in the diagram above are approximate figures and may change in minor respects due to changes in the further equity funding that may be required as a result of (for example) changes in transaction costs.



## 6.4 Funding of the Scheme Consideration

This Section 6.4 outlines how BidCo intends to fund the Scheme Consideration. The Scheme is not subject to any financing condition precedent.

### (a) Cash Scheme Consideration

#### (i) Equity funding

BidCo has entered into legally binding equity commitment letters with each of the Consortium Members who is providing Equity Funding, under which those Consortium Members agree to provide BidCo (directly or indirectly) an aggregate amount of up to A\$1,109 million if the Scheme becomes Effective (**Equity Funding**) in the following proportions:

· BGH Fund:	\$424 million <sup>18</sup>
· AustralianSuper:	\$65 million
· Sinspec:	\$150 million
· CPPIB:	\$150 million
· BCI:	\$160 million
· OTPP:	\$160 million

As indicated above in Section 6.2, each of the Consortium Members providing Equity Funding are or are controlled by significant enterprises, and each has access to cash funding from their own resources that is significantly greater than their respective equity commitments to BidCo.

The Equity Funding is to be provided for the sole purposes of paying the Scheme Consideration payable by BidCo to Navitas Shareholders under the Scheme, the refinancing of existing Navitas debt, and associated transaction costs. Any costs in addition to this will require further funding. The equity commitment letters are expected to be superseded prior to the Second Court Hearing by subscription arrangements with HoldCo on the same material terms contemplated by the equity commitment letters.

The provision of the Equity Funding by the relevant Consortium Members is subject to certain limited conditions precedent which are customary for equity commitments of this kind and include (but are not limited to):

- all conditions precedent under the Scheme Implementation Deed being satisfied or waived and the Scheme becoming Effective;
- each of the other relevant Consortium Members funding or otherwise fulfilling their respective equity commitments; and
- debt funding being available that, when added to the Equity Funding, is sufficient to enable BidCo to pay the Scheme Consideration.

The Co-Investment Agreement provides that the Equity Funding provided by the relevant Consortium Members will be used to subscribe for securities in HoldCo prior to implementation of the Scheme, such that the ownership of HoldCo will reflect the proportions set out in Section 6.3(c). See Section 6.6 for further detail regarding the Co-Investment Agreement.

#### (ii) Debt facilities

BidCo has entered into a legally binding debt commitment letter (**Debt Commitment Letter**) under which HPS Investment Partners LLC, KKR Credit Advisors (US) LLC on behalf of certain funds, clients and accounts by it or its affiliates as original lenders, Nomura Singapore Limited and National Australia Bank Limited have severally agreed to provide certain secured debt facilities (**Facilities**) in an aggregate amount of up to approximately A\$1,145 million to BidCo (**Debt Funding**). BidCo is permitted to use the proceeds of borrowings under the Facilities to fund the Scheme Consideration, the refinancing of certain existing debt facilities of the Navitas Group and certain related transactions and costs.

The Debt Funding is subject to the satisfaction of certain conditions precedent, which are customary for debt facilities of this kind and include (but are not limited to):

- BidCo has confirmed that completion of the acquisition of the Scheme Shares will occur in accordance with the Scheme Implementation Deed;
- all material authorisations required to complete the acquisition of the Scheme Shares have been obtained and all conditions precedent to implementation of the Scheme have been, or will on the date of the first drawdown under the Facilities, be satisfied or waived; and
- there has been no termination of, amendment to, or waiver under the Scheme Implementation Deed which is materially prejudicial to the interests of the financiers without the prior consent of the financiers (not to be unreasonably withheld).

It is expected that the Debt Commitment Letter will be superseded by a binding long form agreement on the same material terms contemplated by the Debt Commitment Letter prior to the Second Court Hearing.

It is expected that the conditions to the Debt Funding will be satisfied on or before the Second Court Date (other than certain conditions which are intended to be satisfied concurrently with, or prior to, the first drawdown under the Facilities on the Implementation Date including the payment of fees and expenses).

### (b) Issue of HoldCo Shares

BidCo expects that the number of HoldCo Shares to be issued to AustralianSuper and RMJ as part of the Mixed Consideration will be 193,374,924 ordinary shares and 59,219,647 preference shares in HoldCo, although this is subject to Navitas receiving the valid Elections that AustralianSuper and RMJ have contractually committed (in favour of the Consortium) to make – see further about this in Section 6.7 below.

<sup>18</sup> This is comprised of \$143 million from BGH Capital IA Pty Ltd in its capacity as trustee for BGH Capital Trust IA, \$47 million from BGH Capital IB Pty Ltd in its capacity as trustee for BGH Capital Trust IB and \$234 million from BGH Capital Offshore GP I Limited as general partner of BGH Capital Offshore I LP

HoldCo and BidCo have each entered into the Deed Poll to covenant in favour of the Scheme Shareholders to perform their respective obligations in relation to the Scheme. One of those obligations is to provide the Scheme Consideration to the Scheme Shareholders in accordance with the Scheme, including (in the case of HoldCo) to issue all HoldCo Shares required to be issued in respect of valid Elections by the Consortium Shareholders.

**(c) Conclusion**

On the basis of the arrangements described above, BidCo believes that it will be able to satisfy its obligation to provide the Scheme Consideration as and when it is due under the terms of the Scheme, and considers that it has reasonable grounds for that belief.

## 6.5 BidCo's intentions following implementation of the Scheme

**(a) Introduction**

If the Scheme is implemented, BidCo will acquire and hold all of the Navitas Shares on issue and, accordingly, Navitas will become a wholly-owned subsidiary of BidCo. This Section 6.5 sets out the intentions of BidCo with respect to Navitas if the Scheme is implemented.

The statements of intention made in this Section 6.5 are statements of present intention only. These intentions are based on the facts and information concerning Navitas (including certain non-public information made available by Navitas to BidCo prior to the entry into the Scheme Implementation Deed) and the general business environment that is known to BidCo at the time of preparation of this Scheme Booklet. BidCo does not currently have full knowledge of all material information, facts and circumstances that are necessary to assess all of the operational, commercial, taxation and financial implications of its current intentions. Final decisions on these matters will only be made by BidCo after having conducted a detailed review of Navitas' business after implementation of the Scheme. Accordingly, the statements set out in this Section 6.5 are statements of current intention only, which may change as new information becomes available or as circumstances change.

The intentions of HoldCo are the same as the intentions of BidCo.

**(b) General business review**

The Consortium intends for Navitas' operations to continue to be centred around quality, student experiences and outcomes, and maintaining and developing deep, trusted relationships with Navitas' university partners and other key stakeholders.

If the Scheme is implemented, BidCo intends to work with Navitas' leadership team to optimise the prospects and operating performance of the business, including new potential growth adjacencies.

In order to achieve these outcomes, BidCo intends to undertake a detailed review of Navitas' operations covering strategic, financial and commercial operating matters. Final decisions about the future operating plan and management organisation for Navitas will be made following the completion of such review and based on the facts and circumstances at the relevant time.

Subject to the findings of the post-implementation review referred to above, BidCo's current intention is to continue the current strategic direction of Navitas. In addition, if the Scheme is implemented, BidCo will seek to grow Navitas' business in the education sector organically and through other opportunities that may become available to it from time to time. BidCo intends to consider and actively pursue growth opportunities, which may involve the strategic acquisition of other businesses in the education sector.

**(c) Delisting from ASX**

If the Scheme is implemented, it is intended that quotation of Navitas Shares on ASX will be terminated and Navitas will be removed from the official list of ASX on or around the Business Day immediately following the Implementation Date. It is also intended that BidCo will apply to convert Navitas from a public to a proprietary company.

**(d) Head office**

If the Scheme is implemented, it is the intention of BidCo that Navitas' head office remain located in Perth, Western Australia.

**(e) Navitas Directors**

If the Scheme is implemented, the board of directors of Navitas and each of its subsidiaries will be reconstituted with effect on and from the Implementation Date. Navitas will become a wholly-owned subsidiary within the HoldCo group and board members will be appointed as appropriate for such an entity.

**(f) Internal restructure**

Following implementation of the Scheme, BidCo may undertake a corporate restructure pursuant to which, among other things, the shares in certain members of the Navitas Group are transferred to existing or newly incorporated entities within the BidCo Group in order to optimise operating efficiency.

**(g) Employees**

BidCo considers Navitas' employees to be critical to the future success of the business. Following implementation of the Scheme, BidCo will review Navitas' business operations and organisational structure to ensure Navitas has the appropriate mix and level of employees and skills to enhance the business going forward and to enable the business to pursue growth opportunities.

**(h) Changes to Navitas' constitution**

BidCo intends to replace Navitas' constitution with a constitution appropriate for a proprietary company limited by shares (consistent with the intention expressed in Section 6.5(c) to convert Navitas into a proprietary company limited by shares following implementation of the Scheme).

## 6.6 Co-Operation and Process Agreement

BGH Capital, AustralianSuper and RMJ entered into the Co-operation and Process Agreement on 8 October 2018 (and this agreement was amended on 14 January 2019 and 21 March 2019). The Co-operation and Process Agreement sets out, amongst other matters, the framework and terms on which the Initial Consortium Members agreed, as members of a bidding consortium, to pursue the acquisition of Navitas. The Co-operation and Process Agreement contains provisions pursuant to which RMJ and AustralianSuper agree not to vote in favour of, accept or otherwise support a Competing Proposal (as defined in the Co-operation and Process Agreement), and agree to vote against any such Competing Proposal until the earlier of (amongst other specified events) implementation of the Scheme and 30 September 2019 (**Voting Restrictions**).

As announced by Navitas on 15 January 2019, the Initial Consortium Members and Navitas agreed to amend the Co-operation and Process Agreement such that the Voting Restrictions would not apply if Navitas received a Superior Proposal, the Consortium failed to match the Superior Proposal within the agreed timeframe and the Superior Proposal became binding prior to or on 22 March 2019, and then agreed (as announced by Navitas on 19 February 2019) to an extension of this date to 2 April 2019. As that date has now passed without any such Superior Proposal arising and becoming binding, the Voting Restrictions mentioned above continue to apply.

## 6.7 Co-Investment Agreement

The Consortium Members entered into the Co-Investment Agreement on 21 March 2019. The Co-Investment Agreement sets out the terms on which certain matters relating to the conduct of the Scheme and the equity commitment of each Consortium Member (other than RMJ) are regulated as between the Consortium Members. In particular, under the Co-Investment Agreement:

- BidCo and each Consortium Member (other than BGH Capital) agrees to be subject to the Voting Restrictions contained in the Co-Operation and Process Agreement as if they were included in the Co-Investment Agreement;
- AustralianSuper and CPPIB agree to vote in favour of the Scheme (as RMJ is also obliged to do under the Co-operation and Process Agreement);
- if the Break Fee becomes payable by BidCo under the Scheme Implementation Deed, each Consortium Member (other than RMJ and BGH Capital) agrees to pay BidCo an amount equal to its agreed proportion as specified in the Co-Investment Agreement;
- RMJ agrees to Elect to receive HoldCo Shares for 53.2% of its Navitas Shares, and the cash consideration for the remaining 46.8% of its Navitas Shares; and
- AustralianSuper agrees to Elect to receive HoldCo Shares in relation to 19,363,875 Navitas Shares (being 99.8% of the Navitas Shares held by AustralianSuper).

## 6.8 HoldCo Shares to be issued to Consortium Shareholders

### (a) Overview

HoldCo Shares are subject to the HoldCo Constitution and will be subject to the HoldCo Shareholders' Deed, copies of which have been or will be provided to Consortium Shareholders (who are the only Navitas Shareholders entitled to make an Election to receive the Mixed Consideration).

The Consortium Shareholders should seek professional advice from a solicitor, an accountant, a tax adviser or other independent and qualified professional advisers before deciding whether to Elect to receive the Mixed Consideration, including in relation to the nature of the HoldCo Shares, the risk factors relating to holding HoldCo Shares in light of their own personal circumstances, and the rights and obligations under both the HoldCo Constitution and HoldCo Shareholders' Deed.

### (b) Rights and obligations of HoldCo Shares

HoldCo Shares comprise ordinary shares and preference shares in HoldCo, further details of which are set out below:

#### (i) Ordinary shares

A summary of the key rights and obligations attaching to the ordinary shares of HoldCo, as provided for by the HoldCo Shareholders' Deed to be entered into by the Consortium Members, is set out below:

- **Voting rights:** Each ordinary share will be entitled to one vote at a meeting of shareholders.
- **Decision making:** Each Consortium Member has rights to appoint directors to the board of HoldCo. All HoldCo board decisions will be a simple majority, except for certain customary reserved matters (including issue of new shares, winding up, changes to the constitution, material acquisitions and disposals, related party transactions) which have higher approval thresholds.
- **Dividends:** Ordinary shares in HoldCo will carry a right to receive dividends, with the declaration or payment of any dividend or other distribution to be approved by the HoldCo board of directors.
- **Restrictions on transfer:** HoldCo shareholders will not be permitted to transfer their HoldCo Shares for a designated period after implementation of the Scheme. After this period, transfers may only be conducted subject to drag-along and tag-along provisions and other customary transfer provisions.
- **Pre-emptive rights:** HoldCo shareholders generally may not transfer HoldCo Shares to a third party without first offering to transfer those HoldCo Shares to the existing HoldCo shareholders.
- **Exit arrangements:** Following a specified period after implementation of the Scheme, certain HoldCo shareholders may require the HoldCo board to begin evaluating the possibility of an initial public offering or trade sale. This may involve requiring other HoldCo shareholders to participate in an initial public offering if necessary or convenient to achieve a successful initial public offering.
- **Compulsory transfer:** If a HoldCo shareholder experiences an insolvency event, that HoldCo shareholder must offer its HoldCo Shares for transfer to the other HoldCo shareholders.

## (ii) Preference shares

The proposed key terms of the preference shares to be issued by HoldCo to the Consortium Shareholders are:

- **Voting rights:** The preference shares do not have any voting rights at meetings of HoldCo shareholders.
- **Coupon:** Each preference share will carry an entitlement to an annual coupon which is proposed to be a small margin above the interest rate applying to HoldCo's senior debt. If the coupon is not paid in any year, the amount of the coupon will accumulate.
- **Redemption and conversion:** At the election of HoldCo, each preference share may be:
  - redeemed for an amount equal to their issue price and any accumulated and unpaid coupon; or
  - converted into such number of ordinary shares in HoldCo with a market value at the time of conversion equal to the issue price and any accumulated and unpaid coupon.
- **Liquidation preference:** If there is a liquidation of HoldCo, the holders of preference shares will be entitled to receive any proceeds from that liquidation before holders of ordinary shares.
- **Transferability:** If a holder of ordinary shares in HoldCo seeks to transfer some or all their ordinary shares in HoldCo in accordance with the HoldCo Shareholders' Deed, that holder must also transfer the corresponding portion of their preference shares. The preference shares will otherwise be subject to the rights and obligations in respect of transfer and exit arrangements applying to ordinary shares in HoldCo described above.

## (c) Risk factors

Risk factors that apply to an investment in HoldCo following implementation of the Scheme may be materially different from those that apply to the relevant Consortium Shareholders' existing investment in Navitas. For instance, certain risk factors applying to an investment in HoldCo following implementation of the Scheme will include that:

- HoldCo is an unlisted Australian proprietary company and there will be no public market for the trading of HoldCo Shares, nor is there expected to be any such market in the near future. The ability to dispose of HoldCo Shares is also significantly restricted under the HoldCo Shareholders' Deed, which will result in HoldCo Shares being substantially illiquid and may also affect the value of HoldCo Shares;
- as the ASX Listing Rules will not apply to HoldCo, investor protections currently available to Consortium Shareholders in respect of their Navitas Shares under the ASX Listing Rules will not apply to the HoldCo Shares. For example, HoldCo is not subject to any requirement to disclose material price sensitive information to its shareholders or ensure that classes of security are appropriate and equitable (including with respect to voting rights of holders of HoldCo Shares and any preference shares issued by HoldCo). Similarly, except as required under the HoldCo Shareholders' Deed, there are no restrictions on HoldCo issuing new securities (which could result in Consortium Shareholders being more easily diluted) or making significant changes to the nature or scale of HoldCo activities without shareholder approval;
- on the basis that the Consortium Shareholders will validly Elect to receive the Mixed Consideration in the proportions prescribed under the Co-Investment Agreement, the Consortium Shareholders will each own less than 15% of HoldCo. As such, Consortium Shareholders will be subject to risks that are inherent in minority shareholdings with no substantial influence over a majority of decisions affecting HoldCo, both those made at meetings of the board of directors of HoldCo and at any general meeting of HoldCo shareholders. HoldCo is not required to hold an annual general meeting of members and Consortium Shareholders may receive significantly less information and reports about HoldCo and Navitas than Consortium Shareholders currently receive about Navitas;
- subject to the terms of the HoldCo Shareholders' Deed, future distributions will be determined by the HoldCo board. There is no guarantee that future distributions will be paid or, if they are paid, the amount of such distributions;
- Consortium Shareholders may be compelled (by other HoldCo shareholders) to sell or transfer their HoldCo Shares under various provisions of the HoldCo Shareholders' Deed. For example, under certain "drag along" provisions, BGH Capital may require other HoldCo shareholders to transfer their HoldCo Shares and under certain "compulsory transfer" provisions;
- there is no guarantee that either BidCo or HoldCo will achieve its stated objectives or any of its statements of current or future intent as described in Section 6.5, or that any dividends or distributions will be paid to HoldCo shareholders following implementation of the Scheme;
- consistent with usual private equity practice, the Consortium may seek to exit its investment in HoldCo at some time in the future subject to then prevailing market conditions, the business' performance and other factors which may be considered relevant at the time. There is no guarantee that Consortium Shareholders will be able to achieve an exit in respect of their HoldCo Shares if a decision for exit is not made by BidCo. Conversely, there is no guarantee that Consortium Shareholders will want to exit their investment in HoldCo Shares at the same time as the decision for exit is made by the Consortium. Particular HoldCo shareholders may not agree with the exit strategy adopted or decisions made by the HoldCo shareholders generally, and may not receive the price and return on investment they expect; and
- except as provided for by the HoldCo Shareholders' Deed, there are no restrictions on persons in a position of influence such as related parties, or substantial holders, from entering into "related party" transactions with HoldCo and such transactions may not require shareholder approval.

The above risk factors are equally applicable to ordinary and preference shares in HoldCo. The key material differences between the preference and ordinary shares are that the preference shares carry no voting rights but are entitled to an annual coupon and will rank ahead of ordinary shares on a liquidation.

This is a summary of certain risks associated with an investment in HoldCo following implementation of the Scheme. It is not intended to be, and is not, an exhaustive list of the risks associated with such an investment.

## 6.9 Additional information regarding BidCo and the Consortium Members

### (a) Interests in Navitas Shares

As at the Last Practical Trading Day, the following Consortium Members hold interests in Navitas Shares:

- AustralianSuper: beneficial interest in 19,401,870 Navitas Shares<sup>19</sup>;
- RMJ: legal and beneficial interest in 45,117,995 Navitas Shares (comprising 34,711,843 Navitas Shares held by Remjay Investments Pty Ltd; 9,586,690 Navitas Shares held by Hoperidge Enterprises Pty Ltd as trustee for the Jones Family Trust; and 819,462 Navitas Shares held by Hoperidge Enterprises Pty Ltd Superannuation Fund); and
- CPPIB: legal and beneficial interest in 737,600 Navitas Shares.

### (b) Dealings in Navitas Shares in the previous four months

During the four months before the date of this Scheme Booklet, other than pursuant to the Scheme Implementation Deed, Scheme or Deed Poll, neither BidCo nor any of its associates has agreed to provide consideration for any Navitas Shares under any transaction or agreement.

### (c) Benefits given during previous four months

During the four months before the date of this Scheme Booklet, none of BidCo or any of its associates has given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person or an associate to vote in favour of the Scheme or dispose of Navitas Shares, where the benefit was not offered to all Navitas Shareholders.

### (d) Benefits to Navitas Directors

None of BidCo or its associates will be making any payment or giving any benefit to any current officers of Navitas as compensation for, or otherwise in connection with, their resignation from their respective offices if the Scheme is implemented.

### (e) HoldCo Shares sold in previous three months

No HoldCo Shares were sold during the three months before the date of this Scheme Booklet.

<sup>19</sup> JPMorgan Nominees Australia Ltd is the registered holder of these Navitas Shares

## 7. Risks

The Navitas Board considers that it is appropriate for Navitas Shareholders, in considering the Scheme, to be aware that there are a number of risk factors, general and specific, which could materially adversely affect the future operating and financial performance of Navitas and the value of Navitas Shares.

The risk factors in this Section 7 are existing risks that relate to Navitas' business and the industry in which it operates, or that are generally associated with an investment in listed securities. These risks will only continue to be relevant to you if the Scheme does not proceed, in which case (in the absence of a Competing Proposal that is ultimately implemented) Navitas will continue to operate as a stand-alone entity, and you will retain your investment in Navitas.

If the Scheme proceeds, Scheme Shareholders will receive the Scheme Consideration and, from implementation of the Scheme, will cease to be Navitas Shareholders and (except for Consortium Shareholders who receive HoldCo Shares as part of the Mixed Consideration) will no longer be exposed to the risks set out in this Section 7.

You should carefully consider the risks discussed in this Section 7, as well as the other information contained in this Scheme Booklet generally, before voting on the relevant Scheme Resolution. You should consult your legal, financial, taxation or other professional adviser if you are unclear or uncertain about any matter mentioned in this Section 7 or elsewhere in this Scheme Booklet.

## 7.1 General risk factors

As with any entity with listed securities on ASX, the future prospects and operating and financial performance of Navitas and the value of Navitas Shares may be affected by a variety of factors. These factors may include:

- (a) changes in investor sentiment and overall performance of the Australian and overseas stock markets;
- (b) changes in general business, industry cycles, and economic conditions including inflation, interest rates, exchange rates, commodity prices, employment levels and consumer demand;
- (c) economic and political factors in Australia and overseas, including economic growth;
- (d) changes in legislation and government, fiscal, monetary and regulatory policies including foreign investment;
- (e) uncertainty around the likelihood, timing, franking or quantum of future dividends;
- (f) failure to make or integrate any future acquisitions or business combinations (including the realisation of synergies), significant one-time write-offs or restructuring charges, and unanticipated costs and liabilities;
- (g) changes in accounting or financial reporting standards; and
- (h) changes in taxation laws (or their interpretation).

Deterioration of the general economic conditions, adverse foreign exchange rate movements, the Australian and overseas stock markets, and catastrophic events may also affect Navitas' operating and financial position.

## 7.2 Specific risk factors for the Navitas business

There are a range of business-specific risks associated with your current investment in Navitas Shares, as set out below. Again, you will only continue to be exposed to these risks if the Scheme does not proceed and you retain your investment in Navitas Shares. While Navitas has in place what it considers are appropriate policies and procedures to help manage these risks, there is no guarantee that Navitas will be able to manage these risks completely. Furthermore, certain aspects of these risks (or Navitas' ability to respond to and manage them) may be partly or wholly outside of Navitas' control.

### (a) Partner relationships

Navitas works with a variety of partners including university partners, governments, regulators, educational advisers, industry bodies and service providers for its core business operations, and believes that all parties benefit from a strong relationship.

There are a number of events which could affect these relationships, including:

- strategic misalignment;
- performance against key performance indicators, as applicable (which often relate to student recruitment levels and outcomes, business and compliance performance);
- reputational concerns; and
- commercial differences.

Although Navitas has processes in place to seek to assess and monitor its partner relationships, there is a risk that its relationship with a partner may deteriorate. A deterioration in the relationship with a partner could place a partner contract at risk of non-renewal or termination, or impact Navitas' growth potential with that partner, both of which could have a material adverse effect on Navitas' financial performance and position. In addition, a deterioration in the relationship with a partner could have a material adverse effect on Navitas' reputation and adversely impact Navitas' ability to attract new partners (and therefore win new contracts) and retain other existing partners.



## **(b) Contract renewal and termination**

The core and majority of Navitas' operations are based on contractual relationships with university partners, and Commonwealth and State Governments (and equivalents in overseas jurisdictions). Most contracts have a fixed term, and therefore will ultimately expire unless renewed or extended. Most of Navitas' material contracts have clauses which entitle a partner to terminate the relevant contract prior to its expiry in certain circumstances, such as for unremedied breach, change in laws that makes performance unlawful, insolvency and in some cases for a failure to meet performance targets or upon a change of control of Navitas. Navitas has a good track record of renewing and extending contracts with its partners and of its contracts not being terminated prior to their expiry and, as noted above, has processes in place to assess and monitor its partner relationships. It is possible, however, that contracts may not be renewed or may be terminated prior to their expiry. The non-renewal or termination of contracts may have a material adverse effect on Navitas' reputation, operations and financial performance.

## **(c) Government policy and regulation**

Navitas operates in the higher education sector, which is subject to extensive laws, regulations and standards relating to, among other things:

- (i) the accreditation of courses and colleges;
- (ii) minimum standards for the quality of teaching and student outcomes;
- (iii) the mobility, migration and immigration of international students; and
- (iv) the management and appropriation of government funding for education purposes.

Recent years have seen several government and policy changes in the countries in which Navitas operates. Navitas believes that education, training and immigration will continue to be a topical policy in these countries in the near to medium term and therefore continue to be subject to change.

Any such changes to law and regulation relating to education, training or immigration may:

- (i) increase Navitas' costs of operating in the higher education sector (eg by requiring Navitas to take additional steps in order to comply with applicable law or regulation);
- (ii) reduce the movement of students from source countries or into destination countries in which Navitas operates; or
- (iii) decrease the amount of government funding provided in respect of student placements and therefore student enrolment volumes.

Accordingly, any such changes to laws and regulations (or other laws and regulations to which Navitas is subject) could have a material adverse effect on the operational performance of Navitas' business, or the ability of Navitas to carry out its core business, and therefore have a material adverse effect on Navitas' financial performance. While Navitas monitors policy and regulatory changes and seeks to consult and engage with government, policy makers and regulatory bodies to effect positive change, the timing and nature of adverse changes to the laws relating to education, training and immigration are largely outside of Navitas' control. As part of its operational strategy, Navitas seeks to enrol students from a diverse number of countries and have a wide network of destination locations where students can study, which further mitigates this risk.

Specifically, Navitas may be impacted by the UK's exit from the European Union (commonly referred to as **Brexit**). While the impact of Brexit is difficult to predict and depends on how and when Brexit is ultimately implemented, it could significantly affect the political, regulatory, migration and economic environments in the UK and Europe, including with respect to international students, which may adversely impact Navitas. The current uncertainty as to the terms of any Brexit agreement may also cause universities in the UK and the European Union to defer long term planning decisions and investments, which may affect Navitas' ability to win new contracts or secure renewal of existing contracts.

## **(d) Regulatory compliance**

Navitas is required to comply with a number of different laws, regulations and standards across a number of different jurisdictions to operate its core education business. While Navitas has processes in place to seek to comply with such laws, regulations and standards, such laws, regulations and standards are extensive and wide-ranging and there is a risk of non-compliance. Any failure by Navitas to comply with any applicable laws, regulations or standards could result in the licences and accreditations that Navitas requires to operate its courses, colleges and campuses being adversely amended to impose additional conditions or revoked or Navitas receiving fines or penalties. This could have a negative impact on Navitas' reputation and limit its ability to operate its core education business, and therefore have a material adverse effect on Navitas' financial performance.

## **(e) Competition**

Navitas' core business of running pathway programs is underpinned by a nurturing face-to-face learning environment for international students that provides a range of benefits to integrate students into a foreign country and a university education.

This method of learning remains popular and continues to grow with the middle income demographic growth in emerging markets of China, the India subcontinent and South-East Asian countries – all of which are traditional recruitment strongholds for Navitas' business.

However, the higher education sector, like many others, is subject to increased competition from existing providers of education services, providers of alternative educational award structures (such as micro-credentialling and nano-degrees) and a degree of disruption from emerging education technology, which is changing how education is delivered. Government policy changes can also change the competitive landscape. For example, the Australian Government has introduced funding caps that may see the universities which Navitas partners with respond by lowering entrance scores, thus creating competition for student enrolments.



In addition, a strength of Navitas is its relationships with a large network of recruitment partners who provide face-to-face advice to prospective students in their home countries on their study options. While Navitas invests in various multi-channel recruitment strategies, changes in how prospective students source information about their study options (for example, by sourcing information and enrolling in courses directly online) could reduce Navitas' competitive advantage.

While Navitas regularly assesses its service offerings to seek to ensure that they meet current and projected future needs, any increase in competition or disruption could result in less students enrolling in Navitas' programs than anticipated, which could, in turn, have a material adverse effect on Navitas' operational and financial performance.

**(f) Data protection and cyber-security**

Navitas' core business requires it to collect, store and process student and business partner data.

Like many organisations across all industries, Navitas is not immune to the threat of a cyber-security attack. Such attacks are generally malicious in nature and have the potential to compromise the confidentiality, integrity and/or availability of sensitive information and technology assets. Along with changes to data protection laws, including General Data Protection Regulation (commonly referred to as GDPR), a European Union data protection regulation, expectations about the extent of protections in place for personal data have increased globally.

While Navitas has processes in place designed to identify and reduce the information security risks to its business, students and business partners, there is a risk that such processes may not be effective. A failure to adequately secure such data could see Navitas face significant fines or penalties and incur reputational damage, which could have a material adverse effect on Navitas' financial and operational performance. In addition, a security or data breach could disrupt Navitas' information systems and business more generally.

**(g) Market dependency**

Navitas has a high market dependency on certain countries (including China) for student enrolments.

There are varying degrees of political, legislative and environmental stability in some source countries where prospective (and current) students originate and also the destination countries in which Navitas operates.

A major political crisis or natural event may limit or restrict, for a short to medium period, the freedom of movement for students from affected source countries or into destination countries in which Navitas operates. One or more of these events could negatively impact Navitas' ability to source students from the affected source countries or place them into its educational programs. While Navitas utilises a broad network of source country offices and education advisers/agents, there is a risk Navitas may not be able to offset students losses from affected source countries with students from unaffected source countries, which could, in turn, have a material adverse effect on Navitas' financial and operational performance.

**(h) Other risks**

Other areas of risk faced by Navitas include:

- (i) contractual risk, being the nature of the performance, payment terms and indemnity requirements in contracts with university partners and other clients;
- (ii) key personnel risk, being a failure to attract and retain key personnel (who are capable of overseeing the delivery of Navitas' operational and financial performance);
- (iii) new project risk, being the failure of new projects to deliver their expected benefits or returns;
- (iv) system development and integration risk, being:
  - (A) the failure of newly developed internal systems to support Navitas' future operating model or deliver their expected benefits; and
  - (B) inefficiencies resulting from lack of enhancement of existing internal systems during the development and integration of new internal systems;
- (v) safety and publicity risk, being increased publicity in relation to staff and student safety in the higher education sector and, in some cases, specific to international students; and
- (vi) financial risk arising from fraud, regulatory breaches and bad debts.

In addition, as a result of considering the proposed Scheme, putting the Scheme to Navitas Shareholders and (if it becomes Effective) implementing the Scheme, Navitas is exposed to risks associated with potential business distraction.

### 7.3 Unknown risks

Additional risks and uncertainties not currently known to Navitas may also have a material adverse effect on Navitas' financial and operational performance and the information set out in this Section 7 does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting Navitas, its business or an investment in Navitas Shares.

## 7.4 Risks specific to the Scheme

### (a) Implications for Navitas and Navitas Shareholders if the Scheme is not implemented

If the Scheme does not become Effective and is not implemented:

- (i) Navitas Shareholders will not receive the Scheme Consideration;
- (ii) Navitas Shares will not be transferred to BidCo (and will be retained by Navitas Shareholders);
- (iii) Navitas will continue, in the absence of a Competing Proposal, to operate as a stand-alone entity, and remain listed on ASX;
- (iv) Navitas Shareholders will continue to be exposed to the benefits and risks associated with an investment in Navitas on a stand-alone basis (refer to Section 7.2 for further details about these risks); and
- (v) in the absence of a Superior Proposal, or speculation regarding an alternative proposal, in the Independent Expert's opinion, Navitas Shares are likely to trade at a significant discount to the Independent Expert's valuation range (of \$5.60 to \$6.15) and to the Offer Price (of \$5.825).

In addition, some circumstances which cause the Scheme not to proceed may result in the payment of a Break Fee by Navitas to BidCo.

Navitas Shareholders should also bear in mind that:

- (i) the restrictions on RMJ and AustralianSuper (who together own approximately 18% of the Navitas Shares on issue) accepting, voting in favour of, or otherwise supporting a Competing Proposal (as defined in the Co-operation and Process Agreement), and the requirement for RMJ and AustralianSuper to vote against any such Competing Proposal, will continue to apply until 30 September 2019 (unless otherwise amended or further extended) irrespective of whether or not the Scheme proceeds;
- (ii) Navitas Shareholders (outside of the Consortium) who together hold a significant proportion of Navitas Shares have publicly expressed their support for the Initial Consortium's First Indicative Proposal (at \$5.50 per Navitas Share) and their desire to realise their investment in Navitas in the near term. If the Scheme does not proceed, then the fact that holders of a significant proportion of Navitas Shares may still be (or perceived to be) seeking to "exit" their investment in Navitas may result in ongoing speculation about the ownership of Navitas and may affect the trading price of Navitas Shares; and
- (iii) after the First Indicative Proposal was received, some of Navitas' university partners (who are critical to the success of Navitas), expressed concerns about any instability or uncertainty brought about by a change in control of Navitas. Since then, Navitas and the Consortium have worked closely with Navitas' partners to allay concerns about the conduct of Navitas' business under the Consortium's control, if the Scheme is implemented; and the Navitas Board and management have focused on ensuring that there has been no disruption in service to Navitas' university partners and other stakeholders throughout the process. However, in circumstances where the Scheme does not proceed and there is (or Navitas' partners perceive there to be) ongoing uncertainty about the control or ownership of Navitas, the specific risks for the Navitas business that are outlined in Section 7.2 – particularly in Sections 7.2(a) (Partner relationships), 7.2(b) (Contract renewal and termination) and 7.2(h)(ii) (Key personnel risk) – may be heightened.

### (b) Transaction and other costs

Costs of approximately \$19.90 million (excluding GST) are expected to be paid by Navitas in connection with the Scheme. These costs will be paid irrespective of whether the Scheme becomes Effective (and is implemented). The costs include advisory fees for Navitas' financial, legal, accounting and tax advisers, the Independent Expert's and Share Registry's fees, general administrative fees, Scheme Booklet design, printing and distribution costs, expenses associated with convening and holding the Scheme Meetings, costs relating to the Consortium's due diligence investigations, and the costs of the retention arrangements with Navitas Key Executives described in Section 10.4(b)(i).

Please also refer to Navitas' ASX announcements on 5 February 2019, which include Navitas' Half Year Financial Report for the half-year ended 31 December 2018, in which Navitas advised that it had incurred \$13.8 million of advisory fees and other expenses in connection with the Initial Consortium's proposals.

Navitas has also approved the payment of one-off special exertion fees to the Non-Executive Directors, which will result in a cost to Navitas irrespective of whether the Scheme becomes Effective (and is implemented). Section 10.4(b)(ii) includes further information about these arrangements.

### (c) Tax consequences for Navitas Shareholders

If the Scheme proceeds, there will be tax consequences for Navitas Shareholders that may include tax being payable on any gain on the disposal of Navitas Shares.

The tax treatment may vary depending on the nature and characteristics of each Navitas Shareholder and their specific circumstances. In addition, the tax treatment for Consortium Shareholders may differ as a result of receiving HoldCo Shares as part of the Mixed Consideration. Accordingly, Navitas Shareholders should seek professional tax advice in relation to their particular circumstances.

For further information about the general Australian tax consequences of the Scheme, refer to Section 8.

## **8. Taxation Implications**



Ernst & Young  
11 Mounts Bay Road  
Perth WA 6000 Australia  
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222  
Fax: +61 8 9429 2436  
ey.com/au

## **Private and Confidential**

The Directors  
Navitas Limited  
Level 8, 125 St Georges Terrace  
PERTH WA 6000

10 May 2019

Dear Directors

## **Scheme of Arrangement – Australian taxation consequences for shareholders**

As requested, we have prepared a tax opinion in relation to the proposed scheme of arrangement pursuant to which it is proposed BidCo will acquire all issued shares in Navitas ("the Scheme"). Our opinion summarises the tax implications of the Scheme for Navitas shareholders (subject to the proviso below in relation to Consortium Shareholders, as that term is defined in the Scheme Booklet) for the purposes of the Scheme Booklet ("Tax Comments").

### **Introduction**

#### ***Purpose of this letter***

The purpose of this letter is to provide a tax opinion summarising the tax implications of the Scheme for Navitas Shareholders for the purposes of the Scheme Booklet. We note that the definition of Navitas Shareholders under the Scheme Booklet, where the context requires, excludes Consortium Shareholders, as those shareholders are entitled to elect to receive shares in HoldCo as the consideration for the disposal of some or all of their Navitas Shares. We have not considered the tax implications associated with Consortium Shareholders under the Scheme, or any election by those shareholders to receive shares in HoldCo as the consideration for the disposal of some or all of their Navitas Shares.

This opinion considers the following Australian tax considerations:

- ▶ Taxation consequences of disposal; and
- ▶ Goods and Services tax ("GST") & stamp duty implications.

We will not update our opinion after we have issued it for any changes in the tax laws or in the facts of the transaction unless requested to do so.

The Tax Comments are based on Australian tax law and practice in effect at the date of this letter and do not take into account or anticipate changes in the relevant Australian tax law whether by judicial interpretation or legislative amendments. It is not intended to be, and is not, an authoritative or complete analysis of the Australian income tax, GST and stamp duty law.

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As the Tax Comments are general in nature and do not take into account all Navitas Shareholders and their individual circumstances, it is recommended that all Navitas Shareholders should consult with their own independent tax advisers regarding the Australian income tax, GST and stamp duty consequences of disposing of Navitas shares having regard to their particular circumstances.

In providing our opinion, we have relied upon the following facts and representations as provided by Navitas:

1. BidCo's proposed acquisition of Navitas will be undertaken by way of scheme of arrangement under Part 5.1 of the *Corporations Act 2001*.
2. Other information contained in the draft Scheme Booklet dated 10 May 2019 provided to us by Navitas.

This opinion is a general outline of the Australian income tax, GST and stamp duty consequences of the Scheme for certain Navitas Shareholders who participate in the Scheme. The comments set out below are relevant only to those Navitas Shareholders who hold their Navitas shares on capital account and acquired, or have been deemed to acquire, their Navitas Shares on or after 20 September 1985.

The opinion does not address the Australian tax consequences for Navitas Shareholders who:

- ▶ hold their Navitas Shares on revenue account or as trading stock;
- ▶ are temporary residents for Australian tax purposes;
- ▶ hold their Navitas Shares in connection with a business carried on through a permanent establishment outside their country of residence;
- ▶ acquired their Navitas Shares pursuant to an employee share, option or rights plan;
- ▶ are a bank, insurance company or tax exempt organisation; or
- ▶ are subject to the taxation of financial arrangements rules in Division 230 of *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their Navitas Shares.

Navitas Shareholders who are tax resident of a country other than Australia (whether or not they are also residents, or are temporary residents, of Australia for tax purposes) should take into account the tax consequences of the Scheme under the laws of their country of residence, as well as under Australian law.

### ***Use of opinion***

This opinion does not constitute financial product advice as defined in the *Corporations Act 2001*. This summary is confined to taxation issues and is only one of the matters shareholders need to consider when making a decision about their investments. Shareholders should consider taking advice from a licensed adviser, before making a decision about their investments. The partnership of Ernst & Young is not required to hold an Australian Financial Services Licence under the *Corporations Act 2001* to provide shareholders with this taxation advice.

We have not caused and take no responsibility for the publication of any part of the Scheme Booklet in which this opinion appears, other than this opinion itself.

## Australian Resident Shareholders

### *Taxation consequences of disposal*

In the event that the Scheme is approved, BidCo will acquire 100% of the issued shares in Navitas. The income tax implications for Australian tax resident shareholders are outlined below.

#### **Capital gains tax (CGT) event**

Under the Scheme, Navitas Shareholders will dispose of their Navitas Shares to BidCo. This disposal will constitute a CGT event A1 for Australian CGT purposes for Navitas Shareholders.

The CGT event should happen on the Implementation Date, being the date on which BidCo acquires the Navitas Shares under the Scheme.

#### **Calculation of capital gain or capital loss**

Navitas Shareholders will make a capital gain on the disposal of Navitas Shares to the extent that the capital proceeds from the disposal of the Navitas Shares are more than the cost base of those Navitas Shares. Conversely, Navitas Shareholders will make a capital loss to the extent that the capital proceeds are less than their reduced cost base of those Navitas Shares.

#### **Cost base**

The cost base of the Navitas Shares generally includes the cost of acquisition and certain non-deductible incidental costs of their acquisition and disposal (provided the costs have not previously been claimed as tax deduction). The reduced cost base of the Navitas Shares is usually determined in a similar, but not identical, manner.

#### **Capital proceeds**

The capital proceeds received in respect of the disposal of each Navitas Share should be \$5.825 cash consideration per Navitas Share, being the amount of the Scheme Consideration.<sup>1</sup>

#### **CGT discount**

Individuals, complying superannuation entities or trustees that have held Navitas Shares for at least 12 months may be entitled to discount the amount of the capital gain (after application of capital losses) from the disposal of Navitas Shares by 50% in the case of individuals and trustees or by 33 1/3% for complying superannuation entities.

For trustees, the ultimate availability of the CGT discount for beneficiaries of the trusts will depend on the tax profile of the beneficiaries.

A Navitas Shareholder's net capital gain for an income year, which includes the capital gains for an income year reduced by any capital losses and any applicable CGT discount, should be included in their assessable income and is subject to income tax.

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<sup>1</sup> Consortium Shareholders are entitled to elect to receive Shares in HoldCo as the consideration for the disposal of some or all of their Navitas Shares. As discussed on page 1, we have not considered the tax implications associated with Consortium Shareholders under the Scheme or any election by those Shareholders to receive Shares in HoldCo as the consideration for the disposal of some or all of their Navitas Shares.

Capital losses may not be deducted against other income for income tax purposes, but may be carried forward to offset against future capital gains (subject to satisfaction of loss recoupment tests for certain taxpayers).

Navitas Shareholders should seek tax advice in relation to the operation of these rules.

## **Non-resident shareholders**

### ***Taxation Consequences of the Disposal***

For any Navitas Shareholder who:

- (1) is not a resident of Australia for Australian tax purposes; and
- (2) does not hold their Navitas Shares in carrying on a business through a permanent establishment in Australia,

the disposal of Navitas Shares will generally only result in Australian CGT implications if:

- (1) that shareholder together with its associates held an interest of 10% or more in Navitas at the time of disposal or for a 12 month period within 2 years preceding the disposal (referred to as a "non portfolio interest"); and
- (2) more than 50% of the market value of Navitas' assets is attributable to direct or indirect interests in "taxable Australian real property" (as defined in the income tax legislation).

Based on Navitas' representation that currently and up to the Implementation Date, less than 50% of the market value of Navitas' assets is attributable to direct or indirect interests in "taxable Australian real property", non-resident shareholders who do not hold their Navitas Shares in carrying on a business through a permanent establishment in Australia should not be subject to CGT as a result of the Scheme.

A foreign resident capital gains withholding tax of 12.5% applies to transactions involving the acquisition of the legal ownership of an asset that is an indirect Australian real property interest. Navitas considers that less than 50% of the market value of Navitas' assets is attributable to direct or indirect interests in "taxable Australian real property". On this basis, the foreign resident capital gains withholding tax should not apply.

A non-resident individual Navitas Shareholder who has previously been a resident of Australia and chose to disregard a capital gain or loss on ceasing to be a resident should be subject to Australian CGT consequences on disposal of the Navitas Shares as set out above.

Foreign resident Navitas Shareholders should obtain their own independent tax advice regarding the tax implications of the Scheme in Australia and in their country of residence.

## **Goods and services tax (GST)**

Navitas Shareholders should not be liable to GST in respect of a disposal of those Navitas Shares, regardless of whether the Navitas Shareholder is registered for GST.

In the event the Navitas Shareholder is an Australian resident and is registered for GST, the disposal of the Navitas Shares to BidCo should be considered an input taxed financial supply.

Navitas Shareholders may incur GST included in costs (such as adviser fees relating to their participation in the Scheme) that relate to the Scheme. Navitas Shareholders that are registered for GST may be entitled to input tax credits or reduced input tax credits for such costs. This will depend on each Navitas Shareholder's individual circumstances.

Navitas Shareholders should seek their own independent tax advice in relation to the GST implications of their participation in the Scheme.

### **Stamp duty**

No stamp duty is payable by Navitas Shareholders in respect of the disposal of their Navitas shares pursuant to the Scheme.

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Yours sincerely,



Matthew Davidson  
Partner - Tax



## **9. Implementation of the Scheme and other aspects of the transaction**

## 9.1 Scheme Implementation Deed

The Scheme Implementation Deed sets out the obligations of Navitas and BidCo in connection with the implementation of the Scheme.

A summary of the key terms of the Scheme Implementation Deed is set out in Annexure A, providing details in relation to (among other things):

- (a) the conditions precedent to the Scheme;
- (b) the exclusivity regime;
- (c) the circumstances in which the Break Fee will be payable (by either Navitas or BidCo, as applicable); and
- (d) each party's termination rights.

A copy of the Scheme Implementation Deed (excluding certain schedules) is attached in full to Navitas' ASX announcement on 21 March 2019, which is available on ASX's website at [www.asx.com.au](http://www.asx.com.au) and on Navitas' website at [www.navitas.com/organisation/investors](http://www.navitas.com/organisation/investors).

## 9.2 Deed Poll

BidCo and HoldCo have executed the Deed Poll in favour of the Scheme Shareholders under which BidCo and HoldCo covenant to provide the Scheme Consideration in accordance with the Scheme.

Pursuant to the Deed Poll:

- (a) BidCo must, no later than the day that is the Business Day before the Implementation Date, pay or procure the payment into an Australian dollar denominated trust account, operated by Navitas as trustee for the Scheme Shareholders for the purpose of paying the Scheme Consideration to Scheme Shareholders, an amount equal to the aggregate amount of the cash component of the Scheme Consideration payable to all Scheme Shareholders; and
- (b) HoldCo must, before no later than 12.00 noon (Perth time) on the Implementation Date, procure that the name of each Scheme Shareholder entitled to be issued HoldCo Shares under the Scheme is entered in HoldCo's register of members as the holder of those HoldCo Shares.

Under the Scheme, each Scheme Shareholder irrevocably appoints Navitas as its attorney and agent to enforce the Deed Poll against BidCo and HoldCo.

A copy of the Deed Poll is set out in Annexure B.

## 9.3 Key steps to implement the Scheme

Each key step to implement the Scheme and relevant information concerning these steps are set out below. All dates following the Scheme Meetings are indicative only and may be subject to change. Navitas will announce to ASX any change to the dates set out in the "Important Dates and Expected Timetable for the Scheme" on page 1.

### Step 1: Scheme Meetings – Navitas Shareholders to vote on the Scheme at the Scheme Meetings

In accordance with an order of the Court dated 10 May 2019, Navitas has convened the General Scheme Meeting to be held at 11.00 am (Perth time) on Wednesday, 19 June 2019 at Brookfield Tower 2, Ground Floor, 123 St Georges Terrace, Perth, Western Australia and the Consortium Shareholders Scheme Meeting to be held at 12.00 noon (Perth time) on Wednesday, 19 June 2019, at the same location as the General Scheme Meeting. The Notice of General Scheme Meeting is set out in Annexure D and the Notice of Consortium Shareholders Scheme Meeting is set out in Annexure E.

At the Scheme Meetings, the applicable Requisite Majorities must approve the Scheme Resolutions. For this to occur, each Scheme Resolution must be approved by:

- (a) **(headcount test)** a majority in number (ie more than 50%) of Navitas Shareholders present and voting at the relevant Scheme Meeting (either in person, or by proxy or representative); and
- (b) **(voting test)** holders of at least 75% of the total number of votes cast on the Scheme Resolution by Navitas Shareholders present and voting at the relevant Scheme Meeting (either in person, or by proxy or representative).

Instructions on how to vote at the Scheme Meetings are set out in Section 4 and the Notices of Scheme Meeting in Annexure D and Annexure E.

Steps 2 to 7 described below will only occur if the Scheme Resolutions are passed by the applicable Requisite Majorities at the Scheme Meetings.

### Step 2: Second Court Hearing – Navitas to apply to the Court for approval of the Scheme

In the event that:

- (a) the Scheme Resolutions are approved by the Requisite Majorities; and
- (b) all of the other conditions precedent to the Scheme (other than Court approval) have been satisfied or (if permitted) waived,

Navitas will apply to the Court for an order approving the Scheme.

The Second Court Hearing is expected to take place on Friday, 21 June 2019. Any Navitas Shareholder and, with the Court's permission, any other interested person, has a right to appear at the Second Court Hearing.

### Step 3: Effective Date – Navitas to make the Scheme Effective

If the Court makes an order approving the Scheme at the Second Court Hearing (referred to in this Scheme Booklet as the **Scheme Order**), Navitas will lodge an office copy of the Scheme Order with ASIC. Once lodged, the Scheme will become Effective and binding on BidCo, Navitas and each Scheme Shareholder (referred to in this Scheme Booklet as the **Effective Date**).

On the Effective Date, Navitas will notify ASX that the Scheme has become Effective and lodge a copy of the Scheme Order with ASX. Trading in Navitas Shares on ASX will be suspended from close of trading on the Effective Date. If the Scheme Order is made (and the Second Court Hearing occurs on the expected date), the Effective Date is expected to be Monday, 24 June 2019.

Once the Scheme becomes Effective, each Scheme Shareholder, without the need for any further act, irrevocably appoints Navitas and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purposes of enforcing the Deed Poll against BidCo and HoldCo and executing any document or doing any other act necessary, desirable or expedient to give full effect to the Scheme and the transactions contemplated by it. This includes executing a proper instrument of transfer in respect of a Scheme Shareholder's Scheme Shares.

### Step 4: Scheme Record Date – Navitas to determine entitlements to Scheme Consideration

Those Navitas Shareholders on the Register on the Scheme Record Date, being 5.00 pm (Perth time) / 7.00 pm (Sydney time) on Thursday, 27 June 2019 (the third Business Day after the Effective Date), will be entitled to receive the Scheme Consideration in respect of the Navitas Shares they hold on this date.

#### (a) Dealings on or prior to the Scheme Record Date

For the purposes of determining who is a Scheme Shareholder (ie a Navitas Shareholder on the Scheme Record Date), dealings in Navitas Shares will only be recognised if:

- (i) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as the holder of the relevant Navitas Shares at or before 5.00 pm (Perth time) / 7.00 pm (Sydney time) on the Scheme Record Date; and
- (ii) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received by 12.00 noon (Perth time) / 2.00 pm (Sydney time) on the Scheme Record Date at the place where the Register is kept.

Navitas will not accept for registration or recognise for any purpose, any transfer or transmission application in respect of Navitas Shares received after the Scheme Record Date.

#### (b) Dealings after the Scheme Record Date

For the purposes of determining entitlements to the Scheme Consideration, Navitas will maintain the Register in its form as at the Scheme Record Date until the Scheme Consideration has been paid to the Scheme Shareholders. The Register in this form will solely determine entitlements to the Scheme Consideration.

After the Scheme Record Date:

- (i) all statements of holding for Scheme Shares will cease to have any effect as documents relating to title in respect of those shares; and
- (ii) each entry on the Register will cease to have effect, other than as evidence of entitlement to the Scheme Consideration in respect of the Scheme Shares relating to that entry.

### Step 5: Implementation Date – Scheme Shareholders to receive the Scheme Consideration and Scheme Shares to be transferred to BidCo

Pursuant to the Scheme Implementation Deed, BidCo may elect when specifically the Implementation Date will occur, provided it falls during a specified period (beginning on the third Business Day after the Scheme Record Date and ending on the 13th Business Day after the Scheme Record Date) and BidCo's election is made before the Scheme Meetings. Accordingly, the Implementation Date is expected to be a date during the period from Tuesday, 2 July 2019 to Tuesday, 16 July 2019. When BidCo has selected the specific Implementation Date, Navitas will notify Navitas Shareholders of that date by way of ASX announcement.

Pursuant to the Deed Poll, BidCo must no later than the Business Day before the Implementation Date, pay or procure the payment into an Australian dollar denominated trust account, operated by Navitas as trustee for the Scheme Shareholders for the purpose of paying the cash component of the Scheme Consideration to Scheme Shareholders, an amount equal to the aggregate amount of the cash component of the Scheme Consideration payable to all Scheme Shareholders.

On the Implementation Date:

- (a) each Scheme Shareholder will be paid the Scheme Consideration or the cash component of the Mixed Consideration (as applicable) from the trust account operated by Navitas;
- (b) each Consortium Shareholder will be issued the HoldCo Shares to which they are entitled; and
- (c) once the Scheme Consideration and (where applicable) Mixed Consideration have been provided, the Scheme Shares will be transferred to BidCo, without the Scheme Shareholders needing to take any further action, and the Register will be updated so that BidCo is listed as the holder of all the Scheme Shares.

Details about the funding of the Scheme Consideration are set out in Sections 3.11 and 6.4.

## 9.4 Deemed warranties by Scheme Shareholders

The Scheme provides that each Scheme Shareholder is taken to have warranted to BidCo, and appointed and authorised Navitas as its attorney and agent to warrant to BidCo, that:

- (a) all their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) which are transferred under the Scheme will, at the time of transfer of them to BidCo, be fully paid and free from all:
  - (i) mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the Personal Property Securities Act 2009 (Cth)) and interests of third parties of any kind, whether legal or otherwise; and
  - (ii) restrictions on transfer of any kind;
- (b) they have full power and capacity to transfer their Scheme Shares to BidCo together with any rights attaching to those shares; and
- (c) as at the Scheme Record Date, they have no existing right to be issued any other Scheme Shares or any other form of Navitas securities.

## 9.5 Delisting from ASX

On or after the Implementation Date, Navitas will apply for termination of the official quotation of Navitas Shares on ASX, and for Navitas to be removed from the official list of ASX on the trading day immediately following the Implementation Date.

# **10. Additional information concerning the Scheme**

This Section 10 sets out the statutory information required under section 412(1) of the Corporations Act and Part 3 of Schedule 8 of the Corporations Regulations, but only to the extent that this information is not otherwise disclosed in other sections of this Scheme Booklet. This Section 10 also includes additional information that the Directors consider may be material to a decision on how to vote on the Scheme Resolutions, but (again) only to the extent that such information is not otherwise disclosed in other sections of this Scheme Booklet.

### 10.1 Interests of Directors in Navitas Shares

As at the date immediately before the date of this Scheme Booklet, the number of Navitas Shares held by or on behalf of each Director was as follows:

Director	Number of Navitas Shares	Percentage interest in Navitas Shares
Ms Tracey Horton AO	18,000	0.005%
Mr David Buckingham	23,768	0.007%
Mr Tony Cipa	20,000	0.006%
Ms Diana Eilert	6,500	0.002%
Ms Lisa Paul AO PSM	6,500	0.002%
Mr David Robb	20,000	0.006%
<b>Total</b>	<b>94,768</b>	<b>0.026%</b>

Each Director intends to vote any Navitas Shares held or controlled by him or her in favour of the General Scheme Resolution, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Navitas Shareholders.

### 10.2 Directors' dealings in Navitas Shares

No Director acquired or disposed of a Relevant Interest in any Navitas Share or other security in the four month period ending on the date immediately before the date of this Scheme Booklet.

### 10.3 Interests and dealings of Directors in securities in the Consortium entities

#### (a) Directors' interests in securities in the Consortium entities

No Director has a Relevant Interest in any securities of any of the Consortium Members or any of their respective Related Bodies Corporate.

#### (b) Directors' dealings in securities in the Consortium entities

No Director has acquired or disposed of a Relevant Interest in any securities in any of the Consortium Members or any of their respective Related Bodies Corporate in the four month period ending on the date immediately before the date of this Scheme Booklet.

### 10.4 Benefits and agreements

#### (a) Benefits in connection with retirement from office

There is no payment or other benefit that is proposed to be made or given to any director, secretary or executive officer of Navitas (or any of its Related Bodies Corporate) as compensation for the loss of, or consideration for or in connection with his or her retirement from, office in Navitas (or any of its Related Bodies Corporate) in connection with, or that is materially affected by the implementation of, the Scheme.

#### (b) Other agreements or arrangements connected with or conditional on the Scheme

Other than the matters described in paragraphs (i) and (ii) below, there are no agreements or arrangements made between any Director and any other person, including BidCo or a Consortium Member, in connection with, or conditional on the outcome of, the Scheme.

##### (i) Retention arrangements

Navitas has in place specific retention arrangements with certain key executives (each, a Key Executive), who include Navitas' Group Chief Executive Officer and Managing Director, David Buckingham. The terms of these arrangements are summarised below. For Key Executives who are key management personnel, the arrangements have the effect of guaranteeing a portion of their potential FY19 'Target Variable Pay' should they meet service and satisfactory performance conditions (with any amount of their 'Target Variable Pay' for FY19 to be reduced by the amount paid under the retention arrangements). These arrangements are contingent on executives completing a term of service and, subject to the conditions noted below, will be paid regardless of whether the Scheme proceeds or not. However, as explained below, the timing of payment will be accelerated if the Scheme Resolutions are passed.

The Navitas Board determined to put in place the retention arrangements following receipt of the First Indicative Proposal from the Initial Consortium on 10 October 2018 (but before receipt of the Revised Proposal).

In determining to apply the retention arrangements, the Navitas Board considered the best interests of Navitas and the need to retain the services of the Key Executives, particularly given the key role that each would play (and ultimately has played) in ensuring that:

- Navitas' business continues to operate unaffected by the Initial Consortium's proposal;
- Navitas' relationships with university partners, customers and stakeholders remain secure; and
- Navitas' strategies continue to be pursued, notwithstanding the uncertainty and disruption arising from the Initial Consortium's proposal.

The Navitas Board's People and Remuneration Committee also obtained and considered the views of an independent remuneration consultant with respect to the structuring and quantum of the payments contemplated by the retention arrangements.

Under the retention arrangements:

- each Key Executive would be guaranteed a minimum fixed cash amount as part of their variable remuneration outcomes for FY19 (which are typically determined by the Navitas Board in or around September 2019) (**Determination Date**) (noting that the amount for Mr Buckingham would be reduced if Navitas' EBITDA for FY19 attributable to continuing businesses is less than \$149 million as outlined below), unless a change of control event<sup>20</sup> occurs, in which case such payment would be accelerated. In the case of the Scheme, this means that, if the Scheme Resolutions are passed, the retention payments would be paid to the Key Executives on the Business Day after the Scheme Meetings, assuming the other conditions to their payment (outlined below) are satisfied;
- entitlement to and payment of the retention payments are otherwise not conditional on the outcome of the Scheme;
- any retention payment is subject to the continued employment of the relevant Key Executive, and for Key Executives who are also key management personnel the Navitas Board being satisfied as to the relevant Key Executive's performance during FY19; and
- for Key Executives who are also key management personnel, the amount of any retention payment will reduce the Key Executive's 'Target Variable Pay' award under Navitas' executive incentive plan for FY19<sup>21</sup>.

The maximum aggregate amount of the retention payments that may be payable to all Key Executives is \$2,426,000. The amount of Mr Buckingham's retention payment is \$750,000.

Absent a change of control event (before the Determination Date), the amount of Mr Buckingham's retention payment would be reduced on a pro rata basis if Navitas' EBITDA for FY19 attributable to its continuing businesses<sup>22</sup> (**Applicable EBITDA for FY19**) is less than \$149 million, but more than \$142 million, and no retention payment would be made to Mr Buckingham if the Applicable EBITDA for FY19 is \$142 million or less. However, if a change of control event occurs before the Determination Date, which will be the case if the Scheme Resolutions are passed at the Scheme Meetings, there will be no reduction in Mr Buckingham's retention payment (based on the Applicable EBITDA for FY19) and, subject to Mr Buckingham satisfying all other conditions to that payment including having performed satisfactorily (determined in the Navitas Board's discretion), he would be entitled to the full amount. At this time, the Navitas Board intends to make full payment if the Scheme Resolutions are passed.

## (ii) Special exertion fees for Non-Executive Directors

As contemplated by rule 10.3 of the Navitas constitution, the Navitas Board has approved one-off special exertion fees for each Non-Executive Director of Navitas, in recognition of the increased and sustained workload and time commitment involved in those Non-Executive Directors: considering and responding to the First Indicative Proposal and the Revised Proposal; negotiating and agreeing the Process and Confidentiality Deed, and facilitating the Consortium's due diligence investigations; negotiating and agreeing the terms of the Revised Proposal, including the terms and conditions of the Scheme Implementation Deed and associated documents; and (now) overseeing the process through to implementation of the Scheme.

There are two separate fee amounts, to reflect the differing levels of involvement that each Non-Executive Director has had (and is expected to have) in the process – with Mr Tony Cipa and Ms Tracey Horton leading Navitas' Bid Response Committee (and its function in overseeing and co-ordinating Navitas' response to the First Indicative Proposal and the Revised Proposal, and in advancing the interests of Navitas and all its shareholders throughout).

These special exertion fees are not conditional on the Scheme being implemented, and will be paid prior to implementation of the Scheme in the following amounts (inclusive of superannuation): \$30,800 for each of the Non-Executive Directors, plus a further amount of \$70,000 for each of Mr Tony Cipa and Ms Tracey Horton (to reflect their additional work as members of the Bid Response Committee).

The approved amounts were determined using a time-based methodology, having regard to (among other things) advice obtained from an independent board remuneration and governance consultant as to a reasonable rate to apply in calculating the amounts payable.

<sup>20</sup> A change of control event includes approval by Navitas' shareholders of a scheme of arrangement (that would, if it becomes effective, result in any person, either alone or together with its associates, holding all of the shares in Navitas). To avoid any doubt, the Scheme Resolutions being passed is a change of control event.

<sup>21</sup> As set out in Navitas' remuneration report for FY18, a Key Executive's 'Target Variable Pay' award will broadly depend on that Key Executive's 'Target Variable Pay', the EVA® performance multiple achieved and the extent to which that Key Executive's personal key performance indicators have been satisfied. Note: EVA® is a registered trade mark of Stern Stewart & Company.

<sup>22</sup> Continuing business EBITDA includes proportionate share of EBITDA from joint ventures and excludes result of discontinued operations and all costs associated with responding to the Initial Consortium's proposals. Discontinued operations include Health Skills Australia and SAE colleges in Los Angeles, San Jose, Oxford and Jakarta.

(c) **Interests of Directors in contracts with the Consortium**

None of the Directors has any interest in any contract entered into by any member of the Consortium.

(d) **Benefits from the Consortium**

None of the Directors has agreed to receive, or is entitled to receive, any benefit from the Consortium, which is conditional on, or is related to, the Scheme.

## 10.5 Navitas share plans

Navitas operates employee incentive plans under which certain Navitas employees are entitled to be issued Navitas Shares. These are the Navitas Limited Employee Share Ownership Plan (**ESOP**) and the Navitas Limited Executive Share Plan (**ESP**). Pursuant to the terms of the ESP and the ESOP, Navitas Shares issued under these plans:

- (a) are fully paid ordinary shares in Navitas (that rank equally with all other Navitas Shares from their date of issue); and
- (b) are not subject to any performance or vesting conditions, but are subject to restrictions on their disposal that apply for at least three years from their issue, or until the participant's employment with the Navitas Group ceases.

To enable any such restricted Navitas Shares to be acquired under the Scheme, Navitas intends to, in accordance with the terms of the ESP and the ESOP but subject to the Scheme becoming Effective, amend the terms of the ESP and the ESOP to permit the Navitas Shareholders who hold restricted Navitas Shares to dispose of their restricted Navitas Shares to BidCo under the Scheme.

To avoid doubt:

- (a) this amendment to the ESP and ESOP is required to permit the restricted Navitas Shares to be transferred under the Scheme; and
- (b) Navitas does not consider that this amendment delivers any material benefit to plan participants, because it does not involve the waiving or accelerating of any performance or vesting conditions (because none apply to the Navitas Shares issued under these plans).

## 10.6 ASIC relief and ASX waivers

(a) **ASIC relief**

(i) **Material change in financial position**

Paragraph 8302(h) of Part 3 of Schedule 8 of the Corporations Regulations requires this Scheme Booklet to set out whether, within the knowledge of the Directors, the financial position of the company has materially changed since the date of the last balance sheet laid before the company in general meeting or sent to shareholders in accordance with section 314 or 317 of the Corporations Act (being 30 June 2018).

ASIC has granted Navitas relief from this requirement so that this Scheme Booklet need only set out whether, within the knowledge of the Directors, the financial position of Navitas has materially changed since 31 December 2018 (being the last date of the period to which the financial statements for the half-year ended 31 December 2018 relate). Navitas will provide a copy of the financial statements for the half-year ended 31 December 2018 free of charge to any Navitas Shareholder following a request in writing received before the Scheme is approved by the Court.

(ii) **Payments or benefits to be made or given to directors or officers**

Paragraph 8302(d) of Part 3 of Schedule 8 of the Corporations Regulations requires this Scheme Booklet to set out particulars of any payment or benefit made or given to any director, secretary or executive officer of Navitas or a Related Body Corporate as compensation for loss of, or consideration for or in connection with his or her retirement from, office in Navitas or a Related Body Corporate.

ASIC has granted Navitas relief from this requirement so that this Scheme Booklet need only set out particulars of any payment or benefit made or given to any director, secretary or executive officer of Navitas in relation to their resignation or retirement from office where those proposed payments or benefits are made in connection with or are materially affected by the implementation of the Scheme. Under the relief granted, Navitas may refrain from disclosing the name of any director, secretary or executive officer who will lose office or retire from office in connection with the Scheme, unless that person is a Director.

(b) **ASX waivers**

No ASX waivers were sought for the purposes of the Scheme or the issue of this Scheme Booklet.

## 10.7 Formal disclosures and consents

The following parties have given and have not, before the date of this Scheme Booklet, withdrawn their written consent:

- (a) to be named in this Scheme Booklet in the form and context in which they are named; and
- (b) if applicable, to the inclusion of each statement it has made (if any) in the form and context in which the statement appear in this Scheme Booklet.

Name	Role
Ashurst	Australian legal advisers to Navitas
Goldman Sachs	Financial adviser to Navitas
Deloitte Touche Tohmatsu	Auditors to Navitas
Lonergan Edwards & Associates Limited	Independent Expert
Ernst & Young	Australian tax adviser to Navitas
Computershare Investor Services Pty Limited	Share Registry



**BidCo:**

- (a) has assumed and accepted responsibility for the preparation and inclusion of the Consortium Information; and
- (b) has given and has not, before the date of this Scheme Booklet, withdrawn its written consent to the inclusion of the Consortium Information in the form and context in which it appears in this Scheme Booklet.

Loneragan Edwards & Associates Limited has given, and not withdrawn before the date of this Scheme Booklet, its written consent to the inclusion of its Independent Expert's Report in this Scheme Booklet in the form and context in which it appears in Annexure F and references to the Independent Expert's Report in the form and context in which they appear.

EY has given, and not withdrawn before the date of this Scheme Booklet, its written consent to the inclusion of Section 8 (Taxation Implications) in this Scheme Booklet in the form and context in which it appears in Section 8, and references to that Section 8 in the form and context in which they appear.

Each person named above:

- (a) has not authorised or caused the issue of the Scheme Booklet;
- (b) does not make or purport to make any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than BidCo in respect of the Consortium Information and Loneragan Edwards & Associates Limited in respect of the Independent Expert's Report; and
- (c) to the maximum extent permitted by law, disclaims all liability in respect of, makes no representation regarding and takes no responsibility for any part of this Scheme Booklet, other than BidCo in respect of the Consortium Information and Loneragan Edwards & Associates Limited in respect of the Independent Expert's Report.

### 10.8 Material litigation

To the best knowledge of the Directors and senior management, Navitas is not involved in any litigation or dispute which is material in the context of Navitas and its Subsidiaries taken as a whole.

### 10.9 No unacceptable circumstances

The Directors believe that the Scheme does not involve any circumstances in relation to the affairs of Navitas that could reasonably be characterised as constituting "unacceptable circumstances" for the purposes of section 657A of the Corporations Act.

### 10.10 Fees and expenses

The aggregate amount of the fees and expenses expected to be incurred by Navitas in connection with the Scheme is approximately \$19.90 million (excluding GST). This includes the following amounts (all excluding GST):

- (a) fees and expenses paid or payable (excluding GST) to Navitas' professional advisers (including its financial, legal, accounting, communications and tax advisers) of approximately \$16.99 million,
- (b) fees paid or payable to the Independent Expert of approximately \$400,000;
- (c) Share Registry costs, fees and expenses associated with the Court proceedings, costs relating to design, printing and dispatch of this Scheme Booklet, expenses associated with convening and holding the Scheme Meetings, costs relating to the Consortium's due diligence investigations and other general and administrative expenses in connection with the Scheme, of approximately \$178,000 in aggregate; and
- (d) the amounts payable to certain Navitas Key Executives under the retention arrangements described in Section 10.4(b)(i), of approximately \$2.33 million in aggregate.

These costs will be paid irrespective of whether the Scheme becomes Effective (and is implemented).

These amounts do not include the transaction costs that may be incurred by BidCo and the Consortium in relation to the Scheme.

### 10.11 Other information material to the making of a decision in relation to the Scheme

Except as set out in this Scheme Booklet, so far as the Directors are aware, there is no information material to the making of a decision by a Navitas Shareholder in relation to the Scheme, being information that is within the knowledge of any Director or director of any Related Body Corporate of Navitas, as at the date of this Scheme Booklet, which has not been previously disclosed to Navitas Shareholders.

### 10.12 Supplementary information

Navitas will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of this Scheme Booklet and the Effective Date:

- (a) a material statement in the Scheme Booklet is or becomes false or misleading in a material respect;
- (b) a material omission from this Scheme Booklet;
- (c) a significant change affecting a matter included in this Scheme Booklet; or
- (d) a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if it had arisen before the date of this Scheme Booklet.

Depending on the nature and timing of the changed circumstances, and subject to obtaining any relevant approvals, Navitas may circulate and publish any supplementary document by:

- (a) making an announcement to ASX;
- (b) placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- (c) posting the supplementary document to Navitas Shareholders at their registered address as shown in the Register, or by email for Navitas Shareholders who have elected to receive communications electronically; or
- (d) posting a statement on Navitas' website at [www.navitas.com](http://www.navitas.com), as Navitas, in its absolute discretion, considers appropriate.

# 11. Glossary

## 11.1 Definitions

The meaning of the terms used in this Scheme Booklet are set out below.

Term	Meaning
<b>1H19</b>	half-year ended 31 December 2018.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>ASQA</b>	Australian Skills Quality Authority.
<b>ASQA Action</b>	has the meaning set out in Annexure A.
<b>ASX</b>	ASX Limited ACN 008 624 691, or the financial market operated by it, as the context requires.
<b>ASX Listing Rules</b>	the official listing rules of ASX.
<b>AustralianSuper</b>	AustralianSuper Pty Ltd ABN 94 006 457 987 (in its capacity as trustee for AustralianSuper ABN 65 714 394 898) or, as the context requires in relation to the Co-Investment Agreement and associated equity commitment letter, AS Direct Australian Equities Pty Ltd as trustee for AS Direct Australian Equities Trust.
<b>Australian Accounting Standards</b>	the accounting standards made by the Australian Accounting Standards Board in accordance with the Corporations Act, and the requirements of that Act relating to the preparation and content of accounts.
<b>BCI</b>	British Columbia Investment Management Corporation.
<b>BGH Capital</b>	BGH Capital Pty Ltd ABN 59 617 386 982 in its capacity as manager or adviser to each of the constituent entities of BGH Fund.
<b>BGH Fund</b>	BGH Capital IA Pty Ltd in its capacity as trustee for BGH Capital Trust IA, BGH Capital IB Pty Ltd in its capacity as trustee for BGH Capital Trust IB and BGH Capital Offshore GP I Limited as general partner of BGH Capital Offshore I LP.
<b>BidCo</b>	BGH BidCo A Pty Ltd ACN 631 573 763.
<b>BidCo Group</b>	BidCo and its Related Bodies Corporate.
<b>Break Fee</b>	\$15,651,094. The circumstances in which the Break Fee will be payable by either Navitas or BidCo (as applicable) are summarised in Annexure A.
<b>Business Day</b>	has the meaning given in the ASX Listing Rules.
<b>CGT</b>	Australian capital gains tax.
<b>CHESS</b>	the clearing house electronic subregister system for the electronic transfer of securities operated by ASX Settlement Pty Limited ABN 49 008 504 532.
<b>Co-Investment Agreement</b>	the Co-Investment Agreement dated 21 March 2019 between the Consortium Members, a copy of which is annexed to the Consortium's ASIC Form 603 (Notice of initial substantial holder) released to ASX (under Navitas' ASX code, 'NVT') on 22 March 2019, as agreed to be amended by the Consortium Members.
<b>Competing Proposal</b>	<p>any expression of interest, proposal, offer, transaction, agreement or arrangement which if entered into or completed in accordance with its terms:</p> <p>(a) would result in a person other than BidCo, another member of the BidCo Group and their respective associates (a <b>Third Party</b>) (either alone or together with one or more other Third Parties) directly or indirectly:</p> <ul style="list-style-type: none"> <li>(i) acquiring Control of Navitas or any member of the Navitas Group which holds all or a substantial part or a material part of the business or assets of the Navitas Group;</li> <li>(ii) acquiring an interest (including an economic interest by way of an equity swap, contract for difference or similar transaction or arrangement) or a Relevant Interest in more than 10% of the Navitas Shares;</li> <li>(iii) acquiring, becoming the holder of or having a right to acquire an economic interest in all or a substantial part of the business, or any of the material assets, of the Navitas Group (where a material asset of the Navitas Group is an asset representing more than 10% of the value of the Navitas Group's total consolidated assets); or</li> <li>(iv) otherwise acquiring Control of or merging with Navitas or any other member or members of the Navitas Group holding a substantial or a material part of the assets of the Navitas Group,</li> </ul> <p>whether by way of takeover bid, members' or creditors' scheme of arrangement, shareholder approved acquisition, capital reduction, buy-back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement or other transaction or arrangement; or</p>

Term	Meaning
	(b) would result in the acquisition of Navitas by BidCo by means of the Scheme not being able to be implemented on the basis set out in the Scheme Implementation Deed, but excluding (to avoid doubt) any divestment or proposed divestment contemplated by Navitas' announcement to ASX dated 18 July 2018 ("Navitas to Rationalise Careers and Industry Division").
<b>Consortium</b>	the consortium comprising the Consortium Members and, unless the context requires otherwise, including BidCo.
<b>Consortium Group</b>	the Consortium Members and their respective Related Bodies Corporate, which, to avoid doubt, include, but are not limited to, HoldCo and BidCo.
<b>Consortium Information</b>	<p>the information about BidCo, the Consortium, any Consortium Member and the Consortium Group contained in:</p> <p>(a) Section 2 (Frequently Asked Questions):</p> <p>(i) "Who are BidCo and the Consortium?";</p> <p>(ii) "Do any Consortium Members own Navitas Shares?";</p> <p>(iii) "How is BidCo funding the Scheme Consideration?";</p> <p>(iv) "Who are the Consortium Shareholders and what is the Election?"</p> <p>(v) "Why are only the Consortium Shareholders being offered the Mixed Consideration?";</p> <p>(b) Section 3.3 – the first paragraph and the last three paragraphs (commencing with "Each of the Consortium Shareholders is..." and concluding with "...on that basis");</p> <p>(c) Section 3.11 (Funding of the Scheme Consideration);</p> <p>(d) Section 6 (Information relating to BidCo, HoldCo and the Consortium);</p> <p>Section 11 (Glossary) – the definitions of "AustralianSuper", "BCI", "BGH Capital", "BGH Fund", "BidCo", "BidCo Group", "Consortium", "Consortium Group", "Consortium Information", "Consortium Members", "CPPIB", "Debt Commitment Letter", "Debt Funding", "Equity Funding", "HoldCo", "HoldCo Constitution", "HoldCo Share", "HoldCo Shareholders' Deed", "OTPP", "RMJ", "Sinspec".</p>
<b>Consortium Members</b>	each of BGH Capital, BGH Fund, RMJ, AustralianSuper, BCI, Sinspec, CPPIB and OTPP.
<b>Consortium Shareholders</b>	RMJ and AustralianSuper and any entity through which RMJ or AustralianSuper hold their Navitas Shares, but only to the extent that such an entity holds Navitas Shares on behalf of RMJ or AustralianSuper and not to the extent that such an entity holds Navitas Shares on behalf of any other Navitas Shareholder (and reference to the Consortium Shareholders' Navitas Shares means only the Navitas Shares that are held by or on behalf of them).
<b>Consortium Shareholders Scheme Meeting</b>	the meeting of Consortium Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.
<b>Consortium Shareholders Scheme Resolution</b>	the resolution to approve the Scheme to be voted on at the Consortium Shareholders Scheme Meeting, as set out in the Notice of Consortium Shareholders Scheme Meeting.
<b>Control</b>	has the meaning given in section 50AA of the Corporations Act.
<b>Co-operation and Process Agreement</b>	the Co-operation and Process Agreement dated 8 October 2018 between the Initial Consortium Members, as subsequently amended on 14 January 2019 and on 21 March 2019.
<b>Corporations Act</b>	the Corporations Act 2001 (Cth).
<b>Corporations Regulations</b>	the Corporations Regulations 2001 (Cth).
<b>Court</b>	the Supreme Court of Western Australia, or such other court of competent jurisdiction as Navitas and BidCo agree.
<b>CPPIB</b>	Canada Pension Plan Investment Board.
<b>Debt Commitment Letter</b>	has the meaning given in Section 6.4(a)(ii).
<b>Debt Funding</b>	has the meaning given in Section 6.4(a)(ii).

Term	Meaning
<b>Deed Poll</b>	the Deed Poll executed by BidCo and HoldCo on 9 May 2019 under which BidCo and HoldCo undertake in favour of each Scheme Shareholder to undertake all other actions attributed to them under the Scheme (including providing or procuring the provision of the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme). A copy of the executed Deed Poll is included in Annexure B.
<b>Director</b>	any current director of Navitas comprising part of the Navitas Board.
<b>EBITDA</b>	earnings before interest, tax, depreciation and amortisation.
<b>Effective</b>	when used in relation to the Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme.
<b>Effective Date</b>	the date on which the Scheme becomes Effective.
<b>Election</b>	a valid election made by a Consortium Shareholder in accordance with the Scheme to receive the Mixed Consideration, and <b>Elect</b> , <b>Elected</b> and <b>Electing</b> have the corresponding meanings.
<b>Election Form</b>	the election form under which Consortium Shareholders can Elect to receive the Mixed Consideration for their Navitas Shares.
<b>Election Time</b>	5.00 pm (Perth time) on the third Business Day before the date of the Scheme Meetings or such other date as is agreed in writing between Navitas and BidCo.
<b>Equity Funding</b>	has the meaning given in Section 6.4(a)(i).
<b>Exclusivity Period</b>	the period beginning on the date that the Scheme Implementation Deed was executed (21 March 2019) until the earlier of:  (a) the termination of the Scheme Implementation Deed; and  (b) 30 September 2019 (or such other later date agreed in writing between Navitas and BidCo).
<b>EY</b>	Ernst & Young.
<b>FIRB</b>	Foreign Investment Review Board.
<b>First Indicative Proposal</b>	the first non-binding proposal from the Initial Consortium announced to ASX on 10 October 2018.
<b>FY17</b>	financial year ended 30 June 2017.
<b>FY18</b>	financial year ended 30 June 2018.
<b>FY19</b>	financial year ending 30 June 2019.
<b>FY20</b>	financial year ending 30 June 2020.
<b>FY21</b>	financial year ending 30 June 2021.
<b>General Scheme Meeting</b>	the meeting of Navitas Shareholders (other than Consortium Shareholders) ordered by the Court to be convened under section 411(1) of the Corporations Act.
<b>General Scheme Resolution</b>	the resolution to approve the Scheme to be voted on at the General Scheme Meeting, as set out in the Notice of General Scheme Meeting.
<b>GST</b>	has the meaning given in the A New Tax System (Goods and Services Tax) Act 1999 (Cth).
<b>HoldCo</b>	BGH HoldCo A Pty Ltd ACN 631 941 403, the ultimate holding company of BidCo.
<b>HoldCo Constitution</b>	the constitution of HoldCo.
<b>HoldCo Share</b>	a fully paid share in the capital of HoldCo issued as part of the Mixed Consideration.
<b>HoldCo Shareholders' Deed</b>	means the shareholders agreement to be entered into by HoldCo and all of the shareholders of HoldCo.
<b>Implementation Date</b>	at the election of BidCo, any date during the period beginning on the third Business Day after the Scheme Record Date and ending on (and including) the 13th Business Day after the Scheme Record Date, provided that such election is made by BidCo before 5.00 pm on the day immediately prior to the date of the Scheme Meetings, and failing such an election the Implementation Date will be the fourth Business Day after the Scheme Record Date. When BidCo has selected the specific Implementation Date, Navitas will notify Navitas Shareholders of that date by ASX announcement.

Term	Meaning
<b>Independent Expert</b>	Loneragan Edwards & Associates Limited.
<b>Independent Expert's Report</b>	the report by the Independent Expert set out in Annexure F.
<b>Initial Consortium</b>	BGH Capital, RMJ and AustralianSuper.
<b>Initial Consortium Member</b>	any or each of BGH Capital, RMJ or AustralianSuper.
<b>Last Practical Trading Day</b>	the trading day that is three trading days prior to the date of this Scheme Booklet.
<b>Loneragan Edwards &amp; Associates Limited</b>	Loneragan Edwards & Associates Limited ABN 53 095 445 560.
<b>Matching Counterproposal</b>	has the meaning given in the Scheme Implementation Deed.
<b>Material Adverse Change</b>	has the meaning set out in Annexure A.
<b>Mixed Consideration</b>	for a Consortium Shareholder, Scheme Consideration of: <ul style="list-style-type: none"> <li>· 4.459 ordinary shares and 1.366 preference shares in HoldCo per Scheme Share in respect of the proportion of their shareholding for which they Elect to receive consideration in HoldCo Shares; and</li> <li>· \$5.825 per Scheme Share in respect of the proportion of their shareholding for which they Elect to receive consideration in cash,</li> </ul> in such proportions as are specified in that Consortium Shareholder's Election Form.
<b>Navitas</b>	Navitas Limited ABN 69 109 613 309.
<b>Navitas Board</b>	the board of directors of Navitas.
<b>Navitas Group</b>	Navitas and its Related Bodies Corporate.
<b>Navitas Information</b>	the information contained in this Scheme Booklet, other than the Consortium Information, the information in Section 8 and the information in Annexure F.
<b>Navitas Share</b>	an issued fully paid ordinary share in the capital of Navitas.
<b>Navitas Shareholder</b>	each person who is registered in the Register as a holder of a Navitas Share and, only where the context otherwise requires, excludes a Consortium Shareholder.
<b>Navitas Shareholder Information Line</b>	the information line set up for the purpose of responding to enquiries from Navitas Shareholders in relation to the Scheme, being 1300 648 603 (within Australia) or +61 3 9415 4277 (outside Australia) on Business Days between 6.30 am and 5.00 pm (Perth time).
<b>Notice of Consortium Shareholders Scheme Meeting</b>	the notice in relation to the Consortium Shareholders Scheme Meeting set out in Annexure E.
<b>Notice of General Scheme Meeting</b>	the notice in relation to the General Scheme Meeting set out in Annexure D.
<b>Notices of Scheme Meeting</b>	both the Notice of General Scheme Meeting and the Notice of Consortium Shareholders Scheme Meeting.
<b>Offer Price</b>	\$5.825 per Navitas Share (being the offer price per Navitas Share under the Revised Proposal, and the Scheme Consideration for all Navitas Shareholders except Consortium Shareholders who will receive the Mixed Consideration).
<b>OTPP</b>	Ontario Teachers' Pension Plan Board, a corporation continued and existing under the Teachers' Pension Act (Ontario).
<b>Prescribed Occurrence</b>	has the meaning set out in Annexure A.
<b>Process and Confidentiality Deed</b>	the process and confidentiality deed dated 14 January 2019 between BGH Capital, AustralianSuper, RMJ and Navitas (and released to ASX with Navitas' ASX announcement about the Revised Proposal dated 15 January 2019), as amended by the letter of amendment dated 18 February 2019 between BGH Capital, AustralianSuper, RMJ and Navitas (and released to ASX on 19 February 2019).
<b>Register</b>	the share register of Navitas.
<b>Registered Address</b>	in relation to a Navitas Shareholder, the address of the shareholder shown in the Register as at the Scheme Record Date.
<b>Related Body Corporate</b>	has the meaning given in section 50 of the Corporations Act.

Term	Meaning
<b>Relevant Interest</b>	has the meaning given in sections 608 and 609 of the Corporations Act.
<b>Requisite Majorities</b>	<p>(a) in respect of the General Scheme Resolution, approval of that resolution by:</p> <ul style="list-style-type: none"> <li>(i) unless the Court orders otherwise, a majority in number (ie more than 50%) of Navitas Shareholders (excluding the Consortium Shareholders) present and voting on the General Scheme Resolution at the General Scheme Meeting, either in person or by proxy, attorney or representative; and</li> <li>(ii) at least 75% of the total number of votes cast on the General Scheme Resolution at the General Scheme Meeting by Navitas Shareholders (excluding the Consortium Shareholders), either in person or by proxy, attorney or representative; and</li> </ul> <p>(b) in respect of the Consortium Shareholders Scheme Resolution, approval of that resolution by:</p> <ul style="list-style-type: none"> <li>(i) unless the court orders otherwise, a majority in number (ie more than 50%) of Consortium Shareholders present and voting on the Consortium Shareholders Scheme Resolution at the Consortium Shareholders Scheme Meeting, either in person or by proxy, attorney or representative; and</li> <li>(ii) at least 75% of the total number of votes cast on the Consortium Shareholders Scheme Resolution at the Consortium Shareholders Scheme Meeting by Consortium Shareholders, either in person or by proxy, attorney or representative.</li> </ul>
<b>Revised Proposal</b>	the revised proposal from the Initial Consortium announced to ASX on 15 January 2019.
<b>RMJ</b>	Rodney Malcolm Jones, Hoperidge Enterprises Pty Ltd and Remjay Investments Pty Ltd.
<b>Scheme</b>	the scheme of arrangement under Part 5.1 of the Corporations Act pursuant to which all Scheme Shares will be transferred to BidCo, in the form set out in Annexure C (subject to any amendment or modification made pursuant to section 411(6) of the Corporations Act and agreed to by Navitas and BidCo).
<b>Scheme Booklet</b>	this document, including the Annexures to it.
<b>Scheme Consideration</b>	in respect of each Scheme Share, \$5.825 per Navitas Share or, where the context requires (in relation to a Consortium Shareholder), means the Mixed Consideration.
<b>Scheme Implementation Deed</b>	the Scheme Implementation Deed between Navitas and BidCo dated 21 March 2019. A summary is set out in Annexure A and a copy (excluding certain schedules) is attached in full to Navitas' ASX announcement on 21 March 2019, which is available on ASX's website at <a href="http://www.asx.com.au">www.asx.com.au</a> and on Navitas' website at <a href="http://www.navitas.com/organisation/investors">www.navitas.com/organisation/investors</a> .
<b>Scheme Meetings</b>	both of the General Scheme Meeting and the Consortium Shareholders Scheme Meeting, and Scheme Meeting means either or both of them (as the context requires).
<b>Scheme Order</b>	the order of the Court under section 411(4)(b) of the Corporations Act approving the Scheme, with or without modifications or conditions as are thought fit by the Court.
<b>Scheme Record Date</b>	the record date for determining entitlements to the Scheme Consideration, which is expected to be 5.00 pm (Perth time) on the third Business Day after the Effective Date.
<b>Scheme Resolutions</b>	the resolutions to approve the Scheme to be voted on at the Scheme Meetings, as set out in the Notice of General Scheme Meeting and in the Notice of Consortium Shareholders <b>Scheme Meeting</b> , and <b>Scheme Resolution</b> means either of them (as the context requires).
<b>Scheme Share</b>	a Navitas Share held by a Scheme Shareholder.
<b>Scheme Shareholder</b>	each person who is registered in the Register as a Navitas Shareholder as at the Scheme Record Date.
<b>Second Court Date</b>	<p>the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard, or, if the application is adjourned for any reason, the first day on which the adjourned application is heard.</p> <p>The hearing of the application made to the Court for the order under section 411(4)(b) of the Corporations Act approving the Scheme is the <b>Second Court Hearing</b>.</p>
<b>Share Registry</b>	Computershare Investor Services Pty Limited ABN 48 078 279 277.
<b>Sinspec</b>	Sinspec Investment Private Limited, which is a wholly owned subsidiary of GIC (Ventures) Private Limited.
<b>Specified Contracts Condition</b>	has the meaning set out in Annexure A.
<b>Subsidiary</b>	has the meaning given in the Corporations Act.

Term	Meaning
<b>Superior Proposal</b>	<p>a Competing Proposal that is received by Navitas in writing for the acquisition of 100% of Navitas securities which the Navitas Board determines, acting in good faith after consultation with its financial advisers and its external legal advisers:</p> <p>(a) is on conditions which are reasonably likely to be satisfied and does not include a financing condition;</p> <p>(b) is reasonably capable of being completed having regard to the proponents, its conditions and other terms (including, to the extent the Competing Proposal is made by a private equity fund, the Navitas Board reasonably considers that the fund has the capacity to fund the equity financing for the Competing Proposal and has debt financiers in place who have provided a highly confident letter for debt financing, such that the total equity and debt financing (covered by the highly confident letter) would be sufficient to fund the consideration for the Competing Proposal); and</p> <p>(c) would, if completed substantially in accordance with its terms, reasonably be expected to be more favourable to Navitas Shareholders than the Scheme (as modified by any counterproposal received from BidCo before the expiry of the five Business Day matching period).</p>
<b>TEQSA</b>	Tertiary Education Quality and Standards Agency.
<b>TEQSA Action</b>	has the meaning set out in Annexure A.
<b>US Education Regulatory Approvals</b>	has the meaning set out in Annexure A.
<b>VWAP</b>	volume weighted average price.

## 11.2 Interpretation

In this Scheme Booklet, unless the context requires otherwise:

- (a) headings are inserted for convenience and do not affect the interpretation of this Scheme Booklet;
- (b) words and phrases in this Scheme Booklet have the same meaning given to them (if any) in the Corporations Act;
- (c) the singular includes the plural and vice versa;
- (d) a gender includes all genders;
- (e) a reference to a person includes a corporation, partnership, joint venture, association, unincorporated body or other body corporate and vice versa;
- (f) if a word is defined, another part of speech has a corresponding meaning;
- (g) a reference to a Section or Annexure is a reference to a Section or Annexure of this Scheme Booklet;
- (h) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (i) unless expressly stated otherwise, a reference to time is a reference to time in Perth, Western Australia; and
- (j) unless expressly stated otherwise, a reference to dollars, \$, A\$ or cents is a reference to the lawful currency of Australia.



# **Annexure A**

## **Summary of terms of Scheme Implementation Deed**

# Summary of terms of Scheme Implementation Deed

This is a summary of the key terms of the Scheme Implementation Deed. A copy of the Scheme Implementation Deed (excluding certain schedules) is attached in full to Navitas' ASX announcement on 21 March 2019, which is available on ASX's website at [www.asx.com.au](http://www.asx.com.au) and on Navitas' website at [www.navitas.com/organisation/investors](http://www.navitas.com/organisation/investors).

A number of the capitalised terms used in this Annexure A are defined in the body of this Annexure (using brackets and bold font). The meaning of "ASQA Action", "Material Adverse Change", "Navitas Excluded Action", "Prescribed Occurrence", "Specified Contracts Condition", "TEQSA Action", "US Education Regulatory Approvals", and certain other related terms, is explained at the end of this Annexure A (in the section titled "Additional Defined Terms").

All other capitalised terms used in this Annexure A have the meaning given to them in the Glossary in Section 11.

## Conditions

For the Scheme to become Effective, the following remaining conditions (Conditions) must be satisfied or (if permitted) waived.

- (a) **Navitas Shareholder approval:** Navitas Shareholders agree to the Scheme at the Scheme Meetings by the Requisite Majorities;
- (b) **Court approval of the Scheme:** The Court approves the Scheme under section 411(4)(b) of the Corporations Act;
- (c) **Restraints:** By 8.00 am on the Second Court Date, there is not in effect any temporary, preliminary or final order, decision or decree issued by any court of competent jurisdiction or Government Agency which restrains, prohibits or otherwise materially adversely impacts upon, the Scheme;
- (d) **No Material Adverse Change:** No Material Adverse Change occurs between 21 March 2019 and 8.00 am on the Second Court Date;
- (e) **No Prescribed Occurrence:** No Prescribed Occurrence occurs between 21 March 2019 and 8.00 am on the Second Court Date;
- (f) **TEQSA Action:** No TEQSA Action occurs before 8.00 am on the Second Court Date;
- (g) **ASQA Action:** No ASQA Action occurs before 8.00 am on the Second Court Date;
- (h) **Navitas Scheme Representations and Warranties:** The warranties set out in paragraphs 1 to 8 of Schedule 3 of the Scheme Implementation Deed (**Navitas Scheme Representations and Warranties**) are true and correct in all material respects as at 21 March 2019 and 8.00 am on the Second Court Date;
- (i) **Specified Contracts Condition:** The Specified Contracts Condition is satisfied before 8.00 am on the Second Court Date; and
- (j) **US Education Regulatory Approvals:** The US Education Regulatory Approvals are obtained before 8.00 am on the Second Court Date.

## If the conditions precedent are not met

If:

- (a) a Condition has been breached or not fulfilled, or becomes incapable of satisfaction, and that Condition has not been waived (if permitted); or
- (b) the Scheme does not become Effective by 30 September 2019 (or such other later date agreed in writing between the parties) (**End Date**),

then either party may give the other notice within 10 Business Days of the relevant event and, following such notice, the parties must consult in good faith to determine whether the Scheme may proceed by alternative means or whether the time for satisfaction of a particular Condition, the End Date, or both, should be extended. Failing that, either party may terminate the Scheme Implementation Deed by written notice (and otherwise in accordance with the requirements of the Scheme Implementation Deed).

## Scheme consideration

Subject to the Scheme becoming Effective:

- (a) Scheme Shareholders (other than Consortium Shareholders who Elect to receive the Mixed Consideration) will receive the Scheme Consideration of \$5.825 for each Scheme Share;
- (b) Consortium Shareholders who Elect to receive the Mixed Consideration will receive the Scheme Consideration of:
  - (i) 4.459 ordinary shares and 1.366 preference shares in HoldCo per Scheme Share in respect of the proportion of their Scheme Shares for which they have Elected to receive the Scheme Consideration in HoldCo Shares; and
  - (ii) \$5.825 per Scheme Share in respect of the proportion of their Scheme Shares for which they have Elected to receive the Scheme Consideration in cash,

and the Scheme Consideration will be provided on the Implementation Date, in accordance with the Scheme and the Deed Poll.

## Conduct of business

Navitas must, until the Implementation Date:

- (a) conduct its business in the ordinary course, in a manner generally consistent with the manner in which such business had been conducted in the 12 months ended 21 March 2019, and in accordance with applicable laws;

- (b) notify BidCo of, and reasonably consider BidCo's views about, material developments in the business of the Navitas Group;
- (c) promptly notify BidCo (including a summary of the relevant matter) of:
  - (i) events, facts, matters or circumstances which would or would be reasonably expected to constitute a Material Adverse Change or have a material adverse effect on the financial or operational performance, reputation or certain relationships of the Navitas Group; and
  - (ii) any breach of, or default under, any law, contract, arrangement, permit, licence or authorisation binding on any member of the Navitas Group which is reasonably likely to result in a material liability for any member of the Navitas Group (unless the notification would breach any existing obligations of confidence or would result in the loss of privilege); and
- (d) make reasonable efforts to:
  - (i) keep available the services of the current officers and employees of the Navitas Group; and
  - (ii) maintain and preserve the Navitas Group's relationships with partners, customers, suppliers, Government Agencies, licensors, licensees and others with whom it has material business dealings.

Navitas must not (and must procure that each member of the Navitas Group does not), until the Implementation Date:

- (a) renew, materially amend (in a manner adverse to Navitas) or terminate any contract:
  - (i) that:
    - (A) could reasonably be expected to generate revenue for the Navitas Group, or that contemplates expenditure by the Navitas Group, in excess of \$1,000,000 in any 12 month period;
    - (B) generates revenue of, or incurs expenditure of, \$500,000 or more in any 12 month period, where the renewed or amended contract contemplates expenditure by the Navitas Group of 10% more than under the existing contract where the scope of the services is substantially the same as under the existing contract; or
    - (C) has a term of more than three years;
  - (ii) where that would have the effect of amending an existing restrictive covenant or imposing additional restrictions on the future business activities of the Navitas Group;
- (b) enter into any new contract that:
  - (i) could reasonably be expected to generate revenue for the Navitas Group, or that contemplates expenditure by the Navitas Group, in excess of \$500,000 in any 12 month period;
  - (ii) contains a restrictive covenant or otherwise has the effect of restricting the future business activities of the Navitas Group; or
  - (iii) has a term of more than three years;
- (c) incur or commit to, or bring forward the time for incurring or committing to, any capital expenditure, or any financial indebtedness or liability in respect of a capital expenditure item, or foregoing any revenue, of in aggregate more than \$500,000;
- (d) enter into, materially amend or terminate employment contracts with a new or existing employee (as applicable) where the total fixed employment cost payable to that new or existing would exceed or exceeds (as applicable) \$150,000 per annum other than within certain specified parameters;
- (e) increase any employee's base salary by more than 5% other than in certain circumstances;
- (f) accelerate the rights of any director or employee to compensation or benefits other than in certain circumstances;
- (g) pay any directors or employees a bonus, termination payment or any other increase in fees or benefits other than in certain circumstances;
- (h) pay or incur Transaction Costs in excess of \$20 million in aggregate;
- (i) pay special exertion fees to the Directors in excess of \$300,000 in aggregate;
- (j) settle any legal proceeding or claim where the Navitas Group would be required to pay a settlement amount that exceeds \$1 million;
- (k) accept as a compromise less than the full compensation due to the Navitas Group where the compromise is more than \$1 million;
- (l) change its accounting policies other than as required by a change in applicable accounting standards or law; or
- (m) enter into a transaction with a related party of Navitas (other than a related party that is a member of the Navitas Group) other than in certain circumstances.

The above restrictions generally do not apply to anything which:

- (a) is a Navitas Excluded Action;
- (b) is required by the Scheme Implementation Deed or the Scheme; or
- (c) BidCo consents to (such consent not to be unreasonably withheld or delayed).

## Exclusivity

### (a) Competing Proposals

Navitas is subject to certain restrictions and obligations in respect of Competing Proposals.

**(b) No-shop restriction**

During the period commencing on 21 March 2019 and ending on the earlier of the date on which the Scheme Implementation Deed is terminated and the End Date (**Exclusivity Period**), Navitas must not solicit any enquiries, discussions or proposals that would reasonably be expected to lead to a Competing Proposal, or communicate to any person any intention to do that (**No-shop Restriction**).

**(c) No-talk and no due diligence restrictions**

During the Exclusivity Period, Navitas must not:

- (i) participate in any discussions or negotiations in relation to, or which may reasonably be expected to lead to, a Competing Proposal (or communicate to any person any intention to do that);
- (ii) solicit, initiate, facilitate or encourage a third party to undertake due diligence on any member of the Navitas Group; or
- (iii) provide any non-public information about Navitas, or access to any Navitas personnel or premises, to a third party for the purposes of such third party making, formulating, developing or finalising a Competing Proposal,

(together, the **No-talk and No Due Diligence Restrictions**).

However, the No-talk and No Due Diligence Restrictions do not apply in respect of a bona fide written Competing Proposal where there has been no breach of the No-shop Restriction and the Navitas Board determines, acting in good faith and after taking written advice from its investment banking and legal advisers, that the Competing Proposal is, or may reasonably be expected to lead to, a Superior Proposal and not responding to it would be reasonably likely to be contrary to the fiduciary or statutory duty of the Directors (**Fiduciary Out**).

**(d) Notification**

During the Exclusivity Period, Navitas must as soon as reasonably practicable (and in any event within 2 Business Days), notify BidCo in writing if Navitas is approached by any person in relation to a Competing Proposal (and receives any request for information relating to Navitas, and provides any information relating to Navitas to a person, in connection with a current or future Competing Proposal), and that notice must include all material terms of the Competing Proposal.

**(e) Matching right**

If Navitas receives a Competing Proposal, Navitas must not enter into any agreement, arrangement or understanding to implement the Competing Proposal, and must procure that no Director publicly recommends the Competing Proposal, unless:

- (i) the Competing Proposal is a Superior Proposal;
- (ii) Navitas has given BidCo written notice of the key terms of the Competing Proposal (including the identity of the person(s) who made the Competing Proposal); and
- (iii) BidCo has not, within 5 Business Days of such notice (**Matching Period**), made a written proposal that the Navitas Board determines would provide an outcome for Navitas Shareholders that is at least as favourable as the Competing Proposal (**BidCo Counterproposal**).

If BidCo makes a BidCo Counterproposal within the Matching Period, the Navitas Board must consider it and, if the Navitas Board acting reasonably and in good faith determines that the BidCo Counterproposal would produce an outcome for Navitas Shareholders that is at least as favourable to them as the outcome that would be produced by the Competing Proposal, BidCo and Navitas must agree such matters as to give effect to the BidCo Counterproposal and Navitas must procure that each of the Directors continues to recommend the Scheme (as modified by the BidCo Counterproposal) to Navitas Shareholders.

## Break Fee

The Break Fee may be payable by either of Navitas or BidCo, in the circumstances summarised below. In either instance, the amount payable is approximately \$15,651,094 (being 0.75% of the value of Navitas' share capital, based on the Offer Price of \$5.825 per Navitas Share).

**(a) Navitas Break Fee:** Navitas must pay BidCo the Break Fee if:

- (i) (**Competing Proposal is consummated**) a Competing Proposal is announced or made prior to the Scheme Implementation Deed terminating, and, within 12 months:
  - (A) a third party acquires Control of, or merges with, Navitas; or
  - (B) a third party acquires voting power in Navitas of 50% or more, or an economic interest in 50% or more of the Navitas Shares or in all or a substantial part of the assets of the Navitas Group;
- (ii) (**Competing Proposal is agreed**) before the Scheme Implementation Deed is terminated, Navitas enters into any agreement to implement a Competing Proposal;
- (iii) (**material breach**) BidCo terminates the Scheme Implementation Deed due to material breach by Navitas, including a material breach of a Navitas Scheme Representation and Warranty; or
- (iv) (**no recommendation**) prior to the End Date, any Director publicly withdraws or adversely changes his or her recommendation or voting intention, or makes any public statement to the effect that the Scheme is not, or is no longer, recommended, other than:
  - (A) where the Independent Expert concludes (in the Independent Expert's Report or in any written update to that report) that the Scheme is not in the best interests of Navitas Shareholders (except where the reason for that conclusion is a Competing Proposal); or

(B) in circumstances where Navitas has terminated the Scheme Implementation Deed for a material breach by BidCo.

- (b) **BidCo Break Fee:** BidCo must pay Navitas the Break Fee if Navitas terminates the Scheme Implementation Deed due to material breach by BidCo.

## Termination

Navitas and BidCo are entitled to terminate the Scheme Implementation Deed in certain circumstances, as set out below:

- (a) **By either BidCo or Navitas:** Either party may terminate the Scheme Implementation Deed:
- (i) **(non-fulfilment of Condition)** where a Condition that is for the benefit of the relevant party is not satisfied or waived; or
  - (ii) **(material breach)** at any time before 8.00 am on the Second Court Date, where the other party is in material breach of the Scheme Implementation Deed (excluding, in the case of Navitas, the Navitas Business Representations and Warranties set out in paragraphs 9 to 23 of Schedule 3 of the Scheme Implementation Deed) and has not remedied that breach within five Business Days after being notified of the breach.
- (b) **By BidCo:** BidCo may terminate the Scheme Implementation Deed (by giving written notice to Navitas at any time before 8.00 am on the Second Court Date) if:
- (i) **(breach of exclusivity obligations)** Navitas breaches the No-shop Restriction or any of the No-talk and No Due Diligence Restrictions (in circumstances where, in the case of the No-talk and No Due Diligence Restrictions only, the Fiduciary Out does not apply), or its notification obligations in respect of a Competing Proposal;
  - (ii) **(Prescribed Occurrence)** there is a Prescribed Occurrence; or
  - (iii) **(withdrawal, change or modification of recommendation or voting intention)** any of the Directors withdraws, changes or modifies his or her recommendation or voting intention, makes a public statement inconsistent with that recommendation or voting intention, or recommends or supports any Competing Proposal.
- (c) **Termination by Navitas:** Navitas may terminate the Scheme Implementation Deed (by giving written notice to BidCo) if:
- (i) at any time before 8.00 am on the Second Court Date, a majority of Directors wishes to publicly:
    - (A) **(withdrawal of or adverse change in recommendation)** withdraw or adversely change their recommendation that Navitas Shareholders vote in favour of the Scheme at the Scheme Meeting; or
    - (B) **(recommendation of a Competing Proposal)** recommend a Competing Proposal,in each case provided that:
    - (C) there is a Superior Proposal which BidCo has not matched in accordance with the matching right regime; or
    - (D) the Independent Expert has concluded in the Independent Expert's Report that the Scheme is not in the best interests of Navitas Shareholders or, having previously concluded that the Scheme is in the best interests of Navitas Shareholders, changes that conclusion; or
  - (ii) **(Independent Expert)** the Independent Expert concludes in the Independent Expert's Report (or in any update or variation to that report) that in its opinion the Scheme is not in the best interests of Navitas Shareholders.

## Obligations On Termination

On termination of the Scheme Implementation Deed, the parties will have no further obligations under the Scheme Implementation Deed (except for those specified to continue beyond termination) but each party will retain any accrued rights and remedies.

## Other Clauses

The Scheme Implementation Deed contains other clauses, most of which are customary for an agreement of that nature. A copy of the Scheme Implementation Deed (excluding certain schedules) is attached in full to Navitas' ASX announcement on 21 March 2019 which is available on ASX's website at [www.asx.com.au](http://www.asx.com.au) and on Navitas' website at [www.navitas.com/organisation/investors](http://www.navitas.com/organisation/investors).

## Additional Defined Terms

**ACCSC** means United States Accrediting Commission of Career Schools and Colleges.

**ASQA Action** means ASQA having:

- (a) stated in writing that it objects to the change of control of Navitas English Pty Ltd arising pursuant to the Scheme;
- (b) taken any action to cancel, or provided written notification of its intention to cancel, any registration or accreditation of Navitas English Pty Ltd; or
- (c) taken any action to impose a new condition on, or vary an existing condition to, or provided written notification of its intention to impose a new condition on or vary an existing condition to, any registration or accreditation of Navitas English Pty Ltd where such new condition or variation has or may reasonably be expected to have a material adverse impact on Navitas English Pty Ltd's ability to conduct its business in the manner it is presently being conducted.

**BPPE** means California Bureau of Private Postsecondary Education.

**Disclosure Letter** means the letter addressed to BidCo and delivered to BidCo (in each case, by Navitas) on 21 March 2019.

**EBITDA** means the consolidated earnings from continuing activities of the Navitas Group before interest, tax, depreciation and amortisation calculated in accordance with the accounting policies and practices applied by Navitas as at 21 March 2019, excluding all Transaction Costs incurred by Navitas.

**FCIE** means Florida Commission for Independent Education.

**Key Material Contract** means each contract to which a member of the Navitas Group is party that could reasonably be expected to generate EBITDA of \$500,000 or more in any 12 month period.

**Material Adverse Change** means:

- (a) either:
- (i) termination of any of 24 Specified Contracts; or
  - (ii) any counterparty to any of 7 Specified Contracts, the terms of which expire on or before 31 December 2020, advising the Navitas Group or BidCo in writing (or in another manner that is unequivocal) that they do not intend to renew such Specified Contract (or that they would only renew on amended terms that are materially adverse to Navitas),

where the aggregate EBITDA contribution for FY19 from such Specified Contracts exceeds \$6 million or the expected EBITDA contribution for FY19 from any such individual Specified Contract exceeds \$4 million; or

- (b) a matter, event or circumstance that occurs, is announced or becomes known to BidCo after the execution of the Scheme Implementation Deed where that matter, event or circumstance has, has had, or is reasonably likely to have, either individually, or when aggregated with any other such matters, events or circumstances, the effect of:
- (i) diminishing the consolidated EBITDA of the Navitas Group, taken as a whole, for the financial year ending 30 June 2020 or 30 June 2021 by at least \$14 million;
  - (ii) increasing the consolidated Net Indebtedness of the Navitas Group above the figures specified in the table below as at the corresponding date:

Date	Net Indebtedness (\$)
31 March 2019	188,303
30 April 2019	216,915
31 May 2019	224,994
30 June 2019	179,753
31 July 2019	163,552
31 August 2019	153,016
30 September 2019	161,263

; or

- (iii) the Navitas Group being unable to carry on its business in substantially the same manner as at 21 March 2019; or
- (c) any enacted change to applicable legislation or legislative instruments, or any implemented change to applicable publicly documented government policy or announced (in writing) government policy, that comes into force and effect before 8.00 am on the Second Court Date in relation to:
  - (i) visa or immigration law or policy in Australia or Canada affecting students from other countries attending university pathway programs in Australia or Canada; and
  - (ii) laws or policy in China or India for students for university pathway programs in Australia and Canada which would reduce or limit the flow of students from China or India to Australia or Canada,

which is reasonably likely to have the effect of diminishing the consolidated EBITDA of the Navitas Group for the financial year ending 30 June 2020 or 30 June 2021 by at least \$14 million,

in each case other than any matters, events or circumstances:

- (d) fairly disclosed in the disclosure materials provided to BidCo or to ASX within the 3 years prior to 21 March 2019;
- (e) fairly disclosed in certain parts of the Disclosure Letter;
- (f) comprising or arising from the payment of (or incurrence of or agreement to pay) any Transaction Cost to the extent such payment (or incurrence or agreement) complies with the applicable conduct of business restriction in the Scheme Implementation Deed;
- (g) contemplated by the provision of the Scheme Implementation Deed dealing with directors & officers (**D&O**) run-off insurance (for Navitas directors), but only in respect of that amount of the D&O run-off policy which exceeds the existing annual premium for D&O insurance;

- (h) expressly required by the Scheme Implementation Deed or the Scheme;
- (i) consented to in writing by BidCo;
- (j) arising from a change to law, interpretation of the law or to any policy of a government agency, save that this exception does not apply for the purposes of paragraph (c) above;
- (k) comprising or arising from changes in applicable exchange rates; or
- (l) relating to any material adverse change or disruption to the existing financial markets or economic or business conditions of Australia, Canada, Germany, the United Kingdom, the United States of America, Hong Kong or China.

**Navitas Excluded Action** means:

- (a) any action or thing fairly disclosed in the disclosure materials provided to BidCo (including any expenditure or commitment referred to in or otherwise contemplated by the Navitas FY19 budget provided that the aggregate of the expenditure or commitment for each line item of expenditure is not greater than the amount disclosed in the FY19 capital expenditure forecast (included in the Disclosure Letter), which is deemed to be fairly disclosed);
- (b) any action or thing fairly disclosed in certain parts of the Disclosure Letter;
- (c) any action or thing disclosed in any release to ASX within the three years prior to 21 March 2019;
- (d) the entry into or renewal (as applicable) of certain identified contracts and any reasonable action taken pursuant to any such agreements once entered into or renewed;
- (e) the entry into of certain specified college enterprise bargaining agreements and any action required under such agreements;
- (f) any action required by law or by any government agency;
- (g) a transaction required to be done or procured by Navitas under the Scheme Implementation Deed or the Scheme;
- (h) the payment of (or incurrence of or agreement to pay) any Transaction Cost to the extent such payment (or incurrence or agreement) complies with the applicable conduct of business restriction in the Scheme Implementation Deed; or
- (i) anything contemplated by the provisions of the Scheme Implementation Deed dealing with D&O run-off insurance or deeds of indemnity and insurance (in each case for Navitas directors).

**Net Indebtedness** means indebtedness less the amount of cash, cash equivalents and short terms interest-bearing deposits, where:

- (a) the terms "cash" and "cash equivalents" are as defined in:
  - (i) the accounting standards made by the Australian Accounting Standards Board in accordance with the Corporations Act, and the requirements of that Act relating to the preparation and content of accounts; and
  - (ii) generally accepted accounting principles that are consistently applied in Australia, except those inconsistent with the standards or requirements referred to in paragraph (i);
- (b) the amount of cash includes cash held as part of the Tuition Protection Service;
- (c) indebtedness excludes guarantees, but includes finance leases, to which any member of the Navitas Group is party;
- (d) the cost of or, any indebtedness in connection with funding, any premium paid or payable by a member of Navitas Group for D&O run-off insurance pursuant to clause 7.14 of the Scheme Implementation Deed is excluded; and
- (e) the cost of or, any indebtedness in connection with funding, any Transaction Costs is excluded to the extent such payment, incurrence of or agreement to pay or incur complies with clause 7.2(h) of the Scheme Implementation Deed.

**Prescribed Occurrence** means the occurrence of any of the following events:

- (a) Navitas converting all or any of its shares into a larger or smaller number of shares;
- (b) Navitas resolving to reduce its share capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares;
- (c) Navitas:
  - (i) entering into a buy-back agreement; or
  - (ii) resolving to approve the terms of a buy-back agreement under the Corporations Act;
- (d) a member of the Navitas Group issuing shares, or granting an option over its shares, or agreeing to make such an issue or grant such an option other than:
  - (i) to a member of the Navitas Group; or
  - (ii) involving the issue of shares upon exercise or vesting of a right or other entitlement granted under a Navitas employee incentive scheme or plan to acquire by way of issue or transfer (or have vesting or forfeiture conditions satisfied in respect of) one or more Navitas Shares subject to the terms of that scheme or plan;
- (e) a member of the Navitas Group issuing or agreeing to issue securities convertible into shares (including any issue or agreement to issue performance rights);
- (f) a member of the Navitas Group making any change to its constitution;



- (g) any member of the Navitas Group paying, agreeing to pay, declaring or distributing any distribution, dividend, bonus, special payment or other share of its profits or assets to holders of Navitas Shares;
- (h) a member of the Navitas Group disposing, or agreeing to dispose, of the whole, or a substantial part, of the business or property of the Navitas Group;
- (i) a member of the Navitas Group resolving that it be wound up (other than where the member of the Navitas Group is dormant and the winding up is on a solvent and voluntary basis);
- (j) a liquidator or provisional liquidator of a member of the Navitas Group being appointed (other than where such appointment is made in connection with a solvent and voluntary winding up of a member of the Navitas Group that is dormant);
- (k) a court making an order for the winding up of a member of the Navitas Group (other than where the member of the Navitas Group is dormant and the winding up is on a solvent and voluntary basis);
- (l) an administrator of a member of the Navitas Group being appointed under the Corporations Act;
- (m) a member of the Navitas Group executing a deed of company arrangement;
- (n) dispose of, or agree to dispose of, any securities, business, asset, entity or undertaking in a single or series of related transactions, the value of which exceeds \$10 million, to any person other than another member of the Navitas Group;
- (o) acquire, or agree to acquire, any securities, business, asset, entity or undertaking in a single or series of related transactions, the value of which exceeds \$10 million, from any person other than another member of the Navitas Group;
- (p) a receiver, or a receiver and manager, being appointed in relation to the whole, or a substantial part, of the property of a member of the Navitas Group; or
- (q) a member of the Navitas Group creating, granting or agreeing to create or grant an encumbrance over the whole, or a substantial part, of the Navitas Group's business or property or over a material asset of the Navitas Group other than in the ordinary course of business,

but excluding any Navitas Excluded Action.

**Specified Contract** means each of the Key Material Contracts agreed as such (in writing between Navitas and BidCo on or around the date of the Scheme Implementation Deed).

**Specified Contracts Condition** means the condition in clause 3.1(j) of the Scheme Implementation Deed, which will be satisfied if, before 8.00 am on the Second Court Date, the counterparties to 24 Specified Contracts (to which there are 18 separate counterparties) have provided and not revoked, either (as applicable):

- (a) written consent to the change of control or ownership of Navitas (or a subsidiary of Navitas) that will arise from the implementation of the Scheme; or
- (b) written confirmation that it will not terminate the Specified Contract as a result of the fact that a change of control or ownership of Navitas (or a subsidiary of Navitas) will arise from the implementation of the Scheme (and, where the contract provides for termination for convenience or on notice, will not terminate the Specified Contract for convenience or with notice prior to, or on, implementation of the Scheme),

except that this condition will be deemed to be satisfied if:

- (c) the aggregate expected EBITDA contribution for FY19 from all Specified Contracts for which a consent or confirmation (as applicable) is not obtained does not exceed \$6 million; and
- (d) the expected EBITDA contribution for FY19 from any individual Specified Contract for which a consent or confirmation (as applicable) is not obtained does not exceed \$4 million.

**TEQSA Action** means TEQSA having:

- (a) stated in writing that it objects to the Scheme (or the acquisition of Navitas Shares, or the change of control of Navitas arising, pursuant to the Scheme);
- (b) taken any action to cancel, or provided written notification of its intention to cancel, any registration or accreditation of a member of the Navitas Group; or
- (c) taken any action to impose a new condition on, or vary an existing condition to, or provided written notification of its intention to impose a new condition on or vary an existing condition to, any registration or accreditation of a member of the Navitas Group where such new condition or variation has or may reasonably be expected to have a material adverse impact on such member's ability to conduct its business in the manner it is presently being conducted.

**Transaction Costs** means investment banking, financial adviser, legal, accounting, share registry and other costs payable to other advisers or third party service providers, and retention payments, incurred by Navitas in respect of the Scheme and in each case exclusive of GST, but excluding the costs of any D&O run-off insurance obtained pursuant to clause 7.14 of the Scheme Implementation Deed, any special exertion fees paid to the Directors, the costs of any independent consultant contemplated in clause 7.14 of the Scheme Implementation Deed and any costs incurred in carrying out actions required or contemplated by certain parts of the Disclosure Letter.

**US Education Regulatory Approvals** means each of ACCSC, BPPE (in respect of the applicable entities trading as SAE Expression College and SAE Institute of Technology in San Francisco) and FCIE (in respect of the applicable entities trading as SAE Institute of Technology in Miami) providing written approval (whether final or provisional) in respect of the change of control arising from the implementation of the Scheme, or confirmation that such approval is not required.



# **Annexure B**

## **Deed Poll**

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## Deed poll

BGH Bidco A Pty Ltd  
BGH Holdco A Pty Ltd

In favour of each person registered as a holder of fully paid ordinary shares in Navitas Limited as at the Scheme Record Date

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Date:

9 May

2019

## Parties

BGH Bidco A Pty Ltd ACN 631 573 763 of Level 26, 101 Collins Street, Melbourne Victoria 3000 (**Bidder**)

BGH Holdco A Pty Ltd ACN 631 941 403, the ultimate holding company of Bidder (**HoldCo**)

In favour of each person registered as a holder of fully paid ordinary shares in Navitas Limited (**Navitas**) as at the Scheme Record Date (**Scheme Shareholders**)

## Background

- A Bidder and Navitas have entered into the Implementation Deed, under which (among other things) Bidder:
- (i) is to pay or procure the provision of the Scheme Consideration to each Scheme Shareholder and acquire all of the Scheme Shares held by Scheme Shareholders under the Scheme; and
  - (ii) has agreed to enter into this deed poll.
- B Each of Bidder and HoldCo is entering into this deed poll for the purpose of covenanting in favour of each Scheme Shareholder to procure and undertake the actions attributed to Bidder and HoldCo under the Scheme.

Bidder and HoldCo declare as follows

## 1 Defined terms and interpretation

### 1.1 Defined terms

Unless the context otherwise requires:

- (a) **Implementation Deed** means the scheme implementation deed dated 21 March 2019 between Bidder and Navitas relating to (among other things) the implementation of the Scheme;
- (b) **Scheme** means the scheme of arrangement under Part 5.1 of the Corporations Act between Navitas and the Scheme Shareholders, in the form of Attachment A to the Implementation Deed, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to by Bidder and Navitas (each acting reasonably); and
- (c) terms defined in the Scheme have the same meaning when used in this deed poll.

### 1.2 Interpretation

Clause 2 of Schedule 1 of the Scheme applies to the interpretation of this deed poll, except that references to 'Scheme' are to be read as references to 'deed poll'.

### 1.3 Nature of deed poll

Bidder and HoldCo acknowledge and agree that:

- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and
  - (b) under the Scheme, each Scheme Shareholder irrevocably appoints Navitas and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against Bidder and HoldCo.
- 

## 2 Conditions

### 2.1 Conditions

The respective obligations of Bidder and HoldCo under this deed poll are subject to the Scheme becoming Effective.

### 2.2 Termination

The respective obligations of Bidder and HoldCo under this deed poll will automatically terminate and the terms of this deed poll will be of no further force or effect if:

- (a) the Implementation Deed is terminated in accordance with its terms; or
- (b) the Scheme does not become Effective by the End Date,

unless Bidder and Navitas otherwise agree in writing (and, if required, as approved by the Court) in accordance with the Implementation Deed.

### 2.3 Consequences of termination

If this deed poll is terminated under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to the Scheme Shareholders:

- (a) Bidder and HoldCo are released from their respective obligations to further perform this deed poll except those obligations under clause 6.1 and any other obligations which by their nature survive termination; and
  - (b) each Scheme Shareholder retains the rights they have against Bidder and HoldCo in respect of any breach of this deed poll which occurs before it was terminated.
- 

## 3 Scheme obligations

Subject to clause 2, each of Bidder and HoldCo undertakes in favour of each Scheme Shareholder to:

- (a) provide or procure the provision of the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme; and
- (b) undertake all other actions attributed to it under the Scheme, as if named as a party to the Scheme,

in each case subject to and in accordance with the terms of the Scheme.

---

## 4 Warranties

Each of Bidder and HoldCo represents and warrants that:

- (a) it is a corporation validly existing under the laws of its place of registration;
- (b) it has the legal right and corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance by it of this deed poll;
- (d) this deed poll is valid and binding on it and is enforceable against it in accordance with its terms; and
- (e) this deed poll does not conflict with, or result in the breach of or default under, any provision of its constitution, or any write, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.

---

## 5 Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Bidder and HoldCo have fully performed their respective obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.2.

---

## 6 General

### 6.1 Stamp duty and costs

Bidder must:

- (a) pay or procure the payment of all stamp duty (if any) and any related fines and penalties payable on or in connection with the transfer by the Scheme Shareholders of the Scheme Shares to Bidder pursuant to the Scheme and this deed poll;
- (b) bear and be responsible for its own costs arising out of the negotiation, preparation and execution of this deed poll; and
- (c) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 6.1(a).

### 6.2 Notices

- (a) Any notice or other communication to Bidder or HoldCo in connection with this deed poll must be:
  - (i) in legible writing in English;



- (ii) signed by the person making the communication or that person's duly authorised agent; and
- (iii) given by hand delivery, pre-paid post or email in accordance with the details set out below:

**Bidder or HoldCo**

Attention: Hari Morfis / Emma Cahill  
 Address: Level 26, 101 Collins Street, Melbourne Victoria 3000  
 Email: hrmorfis@bghcapital.com / ecahill@bghcapital.com

with a copy (for information purposes only) to ripathak@gtlaw.com.au (by email)

- (b) Subject to clause 6.2(c), any notice or other communication given in accordance with clause 6.2(a) will be deemed to have been duly given as follows:

- (i) if delivered by hand, on delivery;
- (ii) if sent by pre-paid post, on receipt; and
- (iii) if sent by email:
  - (A) when the sender receives an email from the recipient confirming receipt of the email; or
  - (B) two hours after the time sent (as recorded on the device from which the email was sent), provided that the sender does not receive an automated message that the email has not been delivered,

whichever happens first.

- (c) Any notice or other communication that, pursuant to clause 6.2(b), would be deemed to be given:
  - (i) other than on a Business Day or after 5:00pm on a Business Day is regarded as given at 9:00am on the following Business Day; and
  - (ii) before 9:00am on a Business Day is regarded as given at 9:00am on that Business Day,

where references to time are to time in the place the recipient is located.

**6.3 Cumulative rights**

The rights, powers and remedies of Bidder, HoldCo and the Scheme Shareholders under this deed poll are cumulative with and do not exclude the rights, powers or remedies provided by law independently of this deed poll.

**6.4 Waiver and variation**

- (a) A party waives a right under this deed poll only by written notice that it waives that right. A waiver is limited to the specific instance to which it relates and to the specific purpose for which it is given.

- (b) Failure to exercise or enforce, a delay in exercising or enforcing or the partial exercise or enforcement of:

- (i) any right, power or remedy provided by law or under this deed poll; or
- (ii) any right, power, authority, discretion or remedy created or arising upon default under this deed poll,

by any party will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this deed poll.

- (c) A provision of this deed poll may not be varied unless:

- (i) if before the First Court Date, the variation is agreed to by Navitas in writing; or
- (ii) if on or after the First Court Date, the variation is agreed to by Navitas in writing and the Court indicates that the variation would not of itself preclude approval of the Scheme,

in which event Bidder and HoldCo must enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.

- (d) Bidder and HoldCo may not rely on any conduct of another person as a defence to the exercise of a right, power, authority, discretion or remedy by that other person.

- (e) This clause 6.4 may not itself be waived except in writing.

#### **6.5 Governing law and jurisdiction**

- (a) This deed poll is governed by the laws in force in Western Australia.

- (b) Each of Bidder and HoldCo irrevocably:

- (i) submits to the non-exclusive jurisdiction of the courts of Western Australia, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this deed; and
- (ii) waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 6.5(b)(i).

#### **6.6 Assignment**

- (a) The rights created by this deed poll are personal to Bidder and each Scheme Shareholder and must not be dealt with at law or in equity.

- (b) Any purported dealing in contravention of clause 6.6(a) is invalid.

#### **6.7 Further action**

Bidder and HoldCo must, at their own expense, promptly do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it.



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## Execution page

Executed as a deed

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Executed by **BGH Bidco A Pty Ltd** by its attorney who has not received any notice of revocation of the Power of Attorney dated 19 March 2019 in the presence of:



Signature of attorney



Signature of witness

HAKI MORFIS

Name of attorney (print)

SAMANTHA CARBERRY

Name of witness (print)

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Executed by **BGH Holdco A Pty Ltd** by its attorney who has not received any notice of revocation of the Power of Attorney dated 9 May 2019 in the presence of:



Signature of attorney



Signature of witness

HAKI MORFIS

Name of attorney (print)

SAMANTHA CARBERRY

Name of witness (print)

# **Annexure C**

## **Scheme of Arrangement**

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## **Scheme of arrangement**

Navitas Limited (ABN 69 109 613 309)

Each person registered as a holder of fully paid ordinary shares in Navitas as at the Scheme Record Date

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Date:

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## Parties

- 1 **Navitas Limited** (ABN 69 109 613 309) whose registered office is at Level 8, Brookfield Place, 125 St Georges Terrace, Perth WA 6000 (**Navitas**)
- 2 Each person registered as a holder of fully paid ordinary shares in Navitas as at the Scheme Record Date (**Scheme Shareholders**)

### The parties agree

---

## 1 Defined terms and interpretation

### 1.1 Defined terms

A term or expression starting with a capital letter which is defined in the dictionary in Schedule 1 has the meaning given to it in the dictionary.

### 1.2 Interpretation

The interpretation clause in Schedule 1 sets out rules of interpretation for this Scheme.

---

## 2 Preliminary matters

- (a) Navitas is an Australian public company limited by shares, and has been admitted to the official list of ASX. Navitas Shares are quoted for trading on the ASX.
- (b) As at the date of the Implementation Deed, there are 358,251,068 Navitas Shares on issue.
- (c) Bidder is an Australian proprietary company limited by shares and incorporated in Australia and registered in Victoria.
- (d) HoldCo is a proprietary company limited by shares and incorporated in Australia.
- (e) If this Scheme becomes Effective:
  - (i) in consideration for the transfer of each Scheme Share to Bidder, Bidder and HoldCo will provide or procure the provision of the Scheme Consideration to Scheme Shareholders in accordance with this Scheme and the Deed Poll;
  - (ii) all the Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date, will be transferred to Bidder; and
  - (iii) Navitas will enter the name of Bidder in the Share Register in respect of all the Scheme Shares.
- (f) Bidder and Navitas have entered into the Implementation Deed in respect of (among other things) the implementation of this Scheme.
- (g) This Scheme attributes actions to Bidder and HoldCo but does not itself impose any obligations on Bidder and HoldCo to perform those actions. By executing the Deed Poll, Bidder and HoldCo have agreed to perform the actions attributed to

them under this Scheme, including to provide or procure the provision of the Scheme Consideration in accordance with the terms of this Scheme.

---

## 3 Conditions

### 3.1 Conditions precedent

This Scheme is conditional on and will not become Effective until and unless each of the following conditions precedent is satisfied:

- (a) all the conditions in clause 3.1 of the Implementation Deed (other than the condition in clause 3.1(b) of the Implementation Deed relating to Court approval of this Scheme) are satisfied or waived in accordance with the terms of the Implementation Deed by 8:00am on the Second Court Date;
- (b) neither the Implementation Deed nor the Deed Poll is terminated in accordance with its terms before 8:00am on the Second Court Date;
- (c) this Scheme is approved by the Court having made orders under section 411(4)(b) of the Corporations Act, including with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act as are acceptable to Navitas and Bidder (each acting reasonably);
- (d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to this Scheme as are acceptable to Navitas and Bidder (each acting reasonably) are satisfied or waived; and
- (e) the order of the Court made under section 411(4)(b) of the Corporations Act (and, if applicable, section 411(6) of the Corporations Act) approving this Scheme comes into effect pursuant to section 411(10) of the Corporations Act on or before the End Date.

### 3.2 Certificates

- (a) Each of Navitas and Bidder will provide a certificate (or such other evidence as the Court may require) to the Court at the Second Court Hearing confirming (in respect of matters within their knowledge), as at 8:00am on the Second Court Date, whether or not the conditions precedent in clauses 3.1(a) and 3.1(b) above have been satisfied or waived (but in the case of the condition precedent in clause 3.1(a) only in respect of those conditions in clause 3.1 of the Implementation Deed (other than the condition in clause 3.1(b) of the Implementation Deed) included for that party's benefit).
- (b) The certificates given by Navitas and Bidder under clause 3.2(a) constitute conclusive evidence that the conditions precedent in clauses 3.1(a) and 3.1(b) above have (as at 8:00am on the Second Court Date) been satisfied or waived in accordance with the terms of the Implementation Deed (to the extent that they are so satisfied or waived).

### 3.3 End Date

Without limiting any rights under the Implementation Deed, this Scheme will lapse and be of no further force or effect if:

- (a) the Effective Date does not occur on or before the End Date; or

- (b) the Implementation Deed or the Deed Poll is terminated in accordance with its terms,

unless Bidder and Navitas otherwise agree in writing (and, if required, as approved by the Court).

---

## 4 Implementation of this Scheme

### 4.1 Lodgement of Court orders with ASIC

For the purposes of section 411(10) of the Corporations Act, Navitas must lodge with ASIC an office copy of the order made by the Court under section 411(4)(b) of the Corporations Act approving this Scheme as soon as possible following such approval, and in any event before 5:00pm on the Business Day following the day on which the Court approves this Scheme (or such later date as Navitas and Bidder agree in writing).

### 4.2 Transfer of Scheme Shares

Subject to the Scheme becoming Effective, the following will occur on the Implementation Date in the order set out below:

- (a) Bidder confirming in writing to Navitas that:
  - (i) the Cash Scheme Consideration has been provided in accordance with clause 5.4(a); and
  - (ii) the Scrip Scheme Consideration has been provided in accordance with clause 5.5;
- (b) payment by Navitas of the Cash Scheme Consideration in the manner contemplated by clause 5.4(b);
- (c) subject to Bidder providing or procuring the provisions of the Scheme Consideration in accordance with this Scheme and the Deed Poll, all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, must be transferred to Bidder without the need for any further act by any Scheme Shareholder (other than acts performed by Navitas as attorney and agent for Scheme Shareholders under clause 8 of this Scheme) by:
  - (i) Navitas delivering to Bidder a duly completed and executed Scheme Transfer, executed on behalf of the Scheme Shareholders by Navitas as their attorney and agent; and
  - (ii) Bidder duly executing the Scheme Transfer and delivering the executed and, if necessary, stamped Scheme Transfer to Navitas for registration; and
  - (iii) immediately following receipt of the duly executed Scheme Transfer in accordance with clause 4.2(c)(ii), Navitas entering, or procuring the entry of, the name of Bidder in the Share Register in respect of all of the Scheme Shares transferred to Bidder in accordance with this Scheme.

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## 5 Scheme Consideration

### 5.1 Entitlement to Scheme Consideration

Subject to the terms of this Scheme, on the Implementation Date, in consideration for the transfer to Bidder of the Scheme Shares, each Scheme Shareholder will be entitled to receive the Scheme Consideration in respect of each of their Scheme Shares in accordance with clauses 5.2 to 5.5 and the Deed Poll.

### 5.2 Election procedure

- (a) Navitas must provide or procure the provision of an Election Form to each Relevant Shareholder, with the Scheme Booklet that is sent to them.
- (b) Subject to clauses 5.2(c), 5.2(d) and 5.2(e), each of the Relevant Shareholders will be entitled to make an Election. All Elections will take effect in accordance with this Scheme (provided that any Relevant Shareholder who makes an Election also qualifies as a Scheme Shareholder).
- (c) For an Election to be valid:
  - (i) the Relevant Shareholder must complete and sign the Election Form in accordance with the terms and conditions of the Election Form, the instructions in the Scheme Booklet and this clause 5.2; and
  - (ii) the Election Form must be received by the Share Registry at the address specified on the Election Form before the Election Time,unless Bidder and Navitas agree otherwise, in their absolute discretion.
- (d) If a Relevant Shareholder makes an Election, that Election will apply in respect of that percentage (as specified in the Election Form) of the Relevant Shareholder's entire registered holding of Navitas Shares at the Scheme Record Date, regardless of whether the Relevant Shareholder's holding of Navitas Shares at the Scheme Record Date is greater or less than the Relevant Shareholder's holding at the time it made its Election, unless Bidder and Navitas agree otherwise, in their absolute discretion.
- (e) A Relevant Shareholder who makes a valid Election may vary, withdraw or revoke that Election by lodging a replacement Election Form so that it is received by the Share Registry at the address specified on the Election Form before the Election Time. After the Election Time, a valid Election made by a Relevant Shareholder will be irrevocable unless Bidder and Navitas agree, in their absolute discretion, to the revocation of the Election.

### 5.3 Determination of Scheme Consideration

- (a) If a Scheme Shareholder:
  - (i) is not a Relevant Shareholder; or
  - (ii) is a Relevant Shareholder who has not made a valid Election (before the Election Time),then the Scheme Consideration applicable for that Scheme Shareholder is \$5.825 for each Scheme Share held by the Scheme Shareholder.



- (b) If the Scheme Shareholder is a Relevant Shareholder who has made a valid Election before the Election Time, then the Scheme Consideration applicable for that Scheme Shareholder for each Scheme Share held by the Scheme Shareholder is:
  - (i) 4.459 ordinary shares and 1.366 preference shares in HoldCo per Scheme Share in respect of the proportion of the total number of Scheme Shares held by the Relevant Shareholder for which the Relevant Shareholder has elected (in the Election Form) to receive Scheme Consideration in HoldCo Shares; plus
  - (ii) an amount in Australian dollars equal to \$5.825 per Scheme Share in respect of the proportion of the total number of Scheme Shares held by the Relevant Shareholder for which the Relevant Shareholder has elected (in the Election Form) to receive Scheme Consideration in cash.

#### 5.4 Provision of Cash Scheme Consideration

- (a) The obligation of Bidder to provide the Cash Scheme Consideration under this Scheme and the Deed Poll will be satisfied by Bidder, no later than the Business Day before the Implementation Date, depositing (or procuring the deposit), in Immediately Available Funds, the aggregate amount of the Cash Scheme Consideration payable to all Scheme Shareholders into the Trust Account (except that the amount of any interest on the amount deposited, less bank fees and other charges, will be credited to Bidder's account), such amount to be held by Navitas on trust for the purpose of paying the Cash Scheme Consideration to Scheme Shareholders who are entitled to receive it pursuant to clause 5.4(b).
- (b) On the Implementation Date, and subject to receipt of the Cash Scheme Consideration from Bidder in accordance with clause 5.4(a), Navitas must pay (or procure payment) from the Trust Account to each Scheme Shareholder an amount equal to the applicable amount of Cash Scheme Consideration that the Scheme Shareholder is entitled to pursuant to clause 5.3 for each Scheme Share transferred to Bidder on the Implementation Date by that Scheme Shareholder.
- (c) Navitas' obligation under clause 5.4(b) will be satisfied by Navitas:
  - (i) where a Scheme Shareholder has, before the Scheme Record Date, made an election in accordance with the requirements of the Share Registry to receive dividend payments from Navitas by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or
  - (ii) whether or not a Scheme Shareholder has made an election referred to in clause 5.4(c)(i), dispatching, or procuring the dispatch of, a cheque in Australian currency for the relevant amount to the Scheme Shareholder by prepaid post to their Registered Address, such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with clause 5.6).
- (d) In the event that:
  - (i) a Scheme Shareholder does not have a Registered Address and no account has been notified in accordance with clause 5.4(c)(i) or a deposit into such an account is rejected or refunded; or

- (ii) a cheque issued under this clause 5 has been cancelled in accordance with clause 5.7(a),

Navitas as the trustee for the Scheme Shareholders may credit the amount payable to the relevant Scheme Shareholder to a separate bank account of Navitas (**Separate Account**) to be held until the Scheme Shareholder claims the amount or the amount is dealt with in accordance with the *Unclaimed Money Act 1990* (WA). To avoid doubt, if the amount is not credited to a Separate Account, the amount will continue to be held in the Trust Account until the Scheme Shareholder claims the amount or the amount is dealt with in accordance with the *Unclaimed Money Act 1990* (WA).

Until such time as the amount is dealt with in accordance with the *Unclaimed Money Act 1990* (WA), Navitas must hold the amount on trust for the relevant Scheme Shareholder, but any interest or other benefit accruing from the amount will be to the benefit of Bidder. An amount credited to the Separate Account or Trust Account (as applicable) is to be treated as having been paid to the Scheme Shareholder when credited to the Separate Account or Trust Account (as applicable). Navitas must maintain records of the amounts paid, the people who are entitled to the amounts and any transfers of the amounts.

- (e) To the extent that there is a surplus in the amount held by Navitas as the trustee for the Scheme Shareholders in the Trust Account, that surplus may be paid by Navitas as the trustee for the Scheme Shareholders to Bidder following the satisfaction of Navitas' obligations as the trustee for the Scheme Shareholders under this clause 5.4.

## 5.5 Provision of Scrip Scheme Consideration

- (a) HoldCo must, before no later than 12:00 noon (or such later time as Bidder and Navitas may agree in writing) on the Implementation Date, procure that the name of each Scheme Shareholder entitled to be issued HoldCo Shares under this Scheme is entered in HoldCo's register of members as the holder of those HoldCo Shares (and in relation to HoldCo Shares issued to a Scheme Shareholder, having the same holding name and address and other details as the holding of the relevant Navitas Shares). A Scheme Shareholder entitled to be issued HoldCo Shares under this Scheme may, in the Election Form, direct that the HoldCo Shares to which they are entitled be issued to a related body corporate (as defined in the Corporations Act) of the Scheme Shareholder (in which case such related body corporate's name and details will be entered into HoldCo's register of members).
- (b) On or before the Business Day that is five Business Days after the Implementation Date, HoldCo must send or procure the sending of a certificate to each Scheme Shareholder to whom HoldCo Shares are issued under this Scheme, reflecting the issue of such HoldCo Shares.

## 5.6 Joint holders

In the case of Scheme Shares held in joint names:

- (a) any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to the holder whose name appears first in the Share Register as at the Scheme Record Date; and

- (b) any other document required to be sent under this Scheme will be forwarded to the holder whose name appears first in the Share Register as at the Scheme Record Date.

#### **5.7 Cancellation and re-issue of cheques**

- (a) Navitas may cancel a cheque issued under this clause 5 if the cheque:
  - (i) is returned to Navitas; or
  - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of one year commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Navitas (or the Share Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), a cheque that was previously cancelled under clause 5.7(a) must be reissued by Navitas.

#### **5.8 Status of HoldCo Shares**

Subject to this Scheme becoming Effective, HoldCo must:

- (a) issue the HoldCo Shares required to be issued under this Scheme on terms such that each such HoldCo Share will rank equally in all respects with each other HoldCo Share in the same class on issue at the time; and
- (b) ensure that each HoldCo Share required to be issued under this Scheme is duly and validly issued in accordance with all applicable laws and is fully paid and free from any Encumbrance.

#### **5.9 Unclaimed monies**

- (a) The *Unclaimed Money Act 1990* (WA) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 3 of the *Unclaimed Money Act 1990* (WA)).
- (b) Any interest or other benefit accruing from unclaimed Scheme Consideration will be to the benefit of Bidder.

#### **5.10 Orders of a court or Government Agency**

If written notice is given to Navitas (or the Share Registry) of an order or direction made by a court of competent jurisdiction or by another Government Agency that:

- (a) requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Shareholder, which sum would otherwise be payable to that Scheme Shareholder by Navitas in accordance with this clause 5, then Navitas will be entitled to make that payment (or procure that it is made) in accordance with that order or direction; or
- (b) prevents Navitas from making a payment to a particular Scheme Shareholder in accordance with clause 5.4(b), or such payment is otherwise prohibited by applicable law, Navitas will be entitled to retain an amount, in Australian dollars, equal to the amount of the relevant payment until such time as payment in accordance with this clause 5 is permitted by that order or direction or otherwise by law,

and the payment or retention by Navitas will constitute full discharge of Navitas' obligations under clause 5.4(a) with respect of the amount so paid or retained until, in the case of clause 5.10(b), it is no longer required to be retained.

#### **5.11 Fractional entitlements and share splitting or division**

- (a) If the number of Scheme Shares held by a Scheme Shareholder at the Scheme Record Date is such that the aggregate entitlement of the Scheme Shareholder to Scheme Consideration:
  - (i) comprising the HoldCo Shares is such that a fractional entitlement to a HoldCo Share arises; or
  - (ii) comprising cash is such that a fractional entitlement to a cent arises,then the fractional entitlement will be rounded:
  - (iii) in the case of HoldCo Shares, down to the nearest whole number of HoldCo Shares; and
  - (iv) in the case of cash, up or down to the nearest cent (with any such fractional entitlement of less than 0.5 being rounded down to the nearest whole cent, and any such fractional entitlement of 0.5 or more being rounded up to the nearest whole cent).
- (b) If Bidder is of the opinion (acting reasonably) that two or more Scheme Shareholders (each of whom holds a number of Scheme Shares which results in rounding in accordance with clause 5.11(a)) have, before the Scheme Record Date for the Scheme, been party to shareholding splitting or division in an attempt to obtain unfair advantage by reference to such rounding, then:
  - (i) Bidder may give notice of that opinion and relevant details to Navitas; and
  - (ii) within 2 Business Days of receipt of such notice, Navitas must give notice to those Scheme Shareholders:
    - (A) setting out their names and registered addresses as shown in the Navitas share register;
    - (B) stating that opinion;
    - (C) attributing to one of them specifically identified in the notice of the Scheme Shares held by all of them; and
    - (D) attributing to one of them specifically identified in the notice which Election made by or on behalf of them applies to all of them,

and, after such notice has been given, the Scheme Shareholder specifically identified in the notice as the deemed holder of all the specified Scheme Shares will, for the purposes of the provisions of the Scheme, be taken to hold all of those Scheme Shares and each of the other Scheme Shareholders whose names and registered addresses are set out in the notice will, for the purposes of the provisions of the Scheme, be taken to hold no Scheme Shares. Bidder and HoldCo, in complying with the provisions of the Scheme relating to them in respect of the Scheme Shareholder specifically identified in the notice as the deemed holder of all the specified Scheme Shares, will be taken to have satisfied and

discharged their obligations to the other Scheme Shareholders named in the notice under the terms of the Scheme.

## **6 Dealings in Navitas Shares**

### **6.1 Determination of Scheme Shareholders**

To establish the identity of the Scheme Shareholders, dealings in Navitas Shares or other alterations to the Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Share Register as the holder of the relevant Navitas Shares at the Scheme Record Date; and
- (b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received by 12:00 noon on the day of the Scheme Record Date at the place where the Share Register is kept,

and Navitas must not accept for registration, nor recognise for any purpose (except a transfer to Bidder pursuant to this Scheme and any subsequent transfer by Bidder or its successors in title), any transfer or transmission application or other request received after the Scheme Record Date, or received prior to the Scheme Record Date but not in registrable or actionable form.

### **6.2 Share Register**

- (a) Navitas must register registrable transmission applications or transfers of Navitas Shares in accordance with clause 6.1(b) at or before the Scheme Record Date, provided that nothing in this clause 6.2(a) requires Navitas to register a transfer that would result in a Navitas Shareholder holding a parcel of Navitas Shares that is less than a 'marketable parcel' (as defined in the operating rules of ASX).
- (b) If this Scheme becomes Effective, each Scheme Shareholder (and any person claiming through that Scheme Shareholder) must not dispose of, or purport or agree to dispose of, any Scheme Shares or any interest in them after the Scheme Record Date otherwise than pursuant to this Scheme, and any attempt to do so will be void and have no legal effect and Navitas will be entitled to disregard any such disposal, purported disposal or agreement.
- (c) For the purpose of determining entitlements to the Scheme Consideration, Navitas must maintain, or procure the maintenance of, the Share Register in accordance with the provisions of this clause 6.2 until the Scheme Consideration has been provided to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) All statements of holding for Navitas Shares (other than statements of holding in favour of Bidder) will cease to have effect after the Scheme Record Date as documents of title (or evidence thereof) in respect of those shares and, as from that date, each entry current at that date on the Share Register (other than entries in respect of Bidder) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Navitas Shares relating to that entry.
- (e) As soon as possible after the Scheme Record Date, and in any event within two Business Days after the Scheme Record Date, Navitas will ensure that details of the names, Registered Addresses and holdings of Navitas Shares for each

Scheme Shareholder as shown in the Share Register as at the Scheme Record Date are available to Bidder in the form Bidder reasonably requires.

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## 7 Quotation of Navitas Shares

- (a) Navitas will apply to ASX to suspend trading in Navitas Shares with effect from the close of trading on the Effective Date.
- (b) Navitas will apply:
  - (i) for termination of the official quotation of Navitas Shares on the ASX; and
  - (ii) to have itself removed from the official list of ASX,in each case with effect on and from the close of trading on the trading day immediately following the Implementation Date.

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## 8 General Scheme provisions

### 8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) Navitas may, by its counsel or solicitors, consent on behalf of all persons concerned to those alterations or conditions to which Bidder has consented; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions which counsel or solicitors for Navitas has consented to.

### 8.2 Scheme Shareholders' agreements and warranties

- (a) Each Scheme Shareholder irrevocably:
  - (i) agrees to the transfer of their Scheme Shares together with all rights and entitlements attaching to those shares to Bidder in accordance with this Scheme;
  - (ii) agrees to the variation, cancellation or modification of the rights attached to their Scheme Shares constituted by or resulting from this Scheme;
  - (iii) agrees to, on the direction of the Bidder, destroy any share certificates relating to their Scheme Shares; and
  - (iv) acknowledges that this Scheme binds Navitas and all Scheme Shareholders (including those who did not attend the Scheme Meetings and those who did not vote, or voted against this Scheme, at the Scheme Meetings),without the need for any further act by the Scheme Shareholder.
- (b) Each Relevant Shareholder who is issued HoldCo Shares under this Scheme agrees to become a shareholder of HoldCo in respect of those HoldCo Shares and to be bound by the Holdco constitution and the Holdco shareholders agreement entered into by HoldCo and the shareholders of HoldCo each being substantially in the form provided to each Relevant Shareholder with the Election Form or at such later time as agreed by the Relevant Shareholders.



- (c) Each Scheme Shareholder is taken to have warranted to Bidder, and appointed and authorised Navitas as its attorney and agent to warrant to Bidder, that:
  - (i) all their Scheme Shares (including any rights and entitlements attaching to their Scheme Shares) which are transferred under this Scheme will, at the time of transfer of them to Bidder, be fully paid and free from all:
    - (A) mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Properties Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise; and
    - (B) restrictions on transfer of any kind; and
  - (ii) they have full power and capacity to transfer their Scheme Shares to Bidder together with any rights attaching to those shares; and
  - (iii) as at the Scheme Record Date, it has no existing right to be issued any other Scheme Shares or any other form of Navitas securities.

Navitas undertakes that it will provide such warranty to Bidder and HoldCo as agent and attorney of each Scheme Shareholder.

### 8.3 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme will, at the time of transfer of them to Bidder, vest in Bidder free from all:
  - (i) Encumbrances and interests of third parties of any kind, whether legal or otherwise; and
  - (ii) restrictions on transfer of any kind.
- (b) Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clause 5, Bidder will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by Navitas of Bidder in the Share Register as the holder of the Scheme Shares. Bidder's entitlement to be registered in the Share Register as the holder of the Scheme Shares arises on the Implementation Date in accordance with clause 4.2.

### 8.4 Appointment of sole proxy

Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clause 5, and until Navitas registers Bidder as the holder of all Scheme Shares in the Share Register:

- (a) each Scheme Shareholder is deemed to have irrevocably appointed Bidder as attorney and agent (and directed Bidder in each such capacity) to appoint any director, officer, secretary or agent nominated by Bidder as its sole proxy and, where applicable or appropriate, corporate representative to:
  - (i) attend shareholders' meetings of Navitas;
  - (ii) exercise the votes attaching to the Scheme Shares registered in their name; and

- (iii) sign any Navitas Shareholders' resolution whether in person, by proxy or by corporate representative;
- (b) no Scheme Shareholder may itself attend or vote at any shareholders' meetings or sign any shareholders' resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 8.4(a));
- (c) each Scheme Shareholder must take all other actions in the capacity of a registered holder of Scheme Shares as Bidder reasonably directs; and
- (d) each Scheme Shareholder acknowledges and agrees that in exercising the powers conferred by clause 8.4(a), Bidder and any director, officer, secretary or agent nominated by Bidder under that clause may act in the best interests of Bidder as the intended registered holder of all of the Scheme Shares.

#### **8.5 Authority given to Navitas**

On and from the Effective Date, each Scheme Shareholder, without the need for any further act, irrevocably appoints Navitas and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of:

- (a) enforcing the Deed Poll against Bidder and HoldCo; and
- (b) executing any document, or doing or taking any other act, necessary, desirable or expedient to give full effect to this Scheme and the transactions contemplated by it, including executing and delivering the Scheme Transfer,

and Navitas accepts such appointment. Navitas, as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.5 to all or any of its directors, officers or employees (jointly, severally or jointly and severally).

#### **8.6 Binding effect of this Scheme**

This Scheme binds Navitas and all of the Scheme Shareholders (including those who did not attend the Scheme Meetings and those who did not vote, or voted against this Scheme, at the Scheme Meetings) and, to the extent of any inconsistency, overrides the constitution of Navitas.

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## **9 General**

### **9.1 Stamp duty**

Bidder will:

- (a) pay all stamp duty (if any) and any related fines and penalties payable on or in connection with the transfer by the Scheme Shareholders of the Scheme Shares to Bidder pursuant to this Scheme or the Deed Poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 9.1(a).



## **9.2 Consent**

Each Scheme Shareholder consents to Navitas doing all things necessary or incidental to give full effect to the implementation of this Scheme and the transactions contemplated by it.

## **9.3 Notices**

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Navitas, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Navitas' registered office or at the office of the Share Registry.
- (b) The accidental omission to give notice of the Scheme Meetings or the non-receipt of such notice by a Navitas Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meetings or the proceedings of the Scheme Meetings.

## **9.4 Governing law and jurisdiction**

- (a) This document and any dispute arising out of or in connection with the subject matter of this document is governed by the laws in force in Western Australia.
- (b) Each party irrevocably:
  - (i) submits to the non-exclusive jurisdiction of the courts of Western Australia, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this Scheme; and
  - (ii) waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 9.4(b)(i).

## **9.5 Further action**

Navitas must do all things and execute all documents necessary to give full effect to this Scheme and the transactions contemplated by it.

## **9.6 No liability when acting in good faith**

None of Navitas, Bidder or HoldCo, nor any of their respective directors, officers, secretaries or employees, will be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

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## Schedule 1 Dictionary

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### 1 Dictionary

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited ABN 98 008 624 691 or, as the context requires, the financial market operated by it known as the “Australian Securities Exchange”.

**AusSuper** means AustralianSuper Pty Ltd (ABN 94 006 457 987) as trustee for AustralianSuper (ABN 65 714 394 898).

**Bidder** means BGH Bidco A Pty Ltd ACN 631 573 763.

**Business Day** has the meaning given in the Listing Rules.

**Cash Scheme Consideration** means an amount equal to the aggregate amount of the cash component of the Scheme Consideration payable to Scheme Shareholders under clauses 5.3(a) and 5.3(b)(ii) of this Scheme.

**CHES** means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited and ASX Clear Pty Limited.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Court** means the Federal Court of Australia (Western Australia Registry) or such other court of competent jurisdiction under the Corporations Act agreed to in writing by Navitas and Bidder.

**Deed Poll** means the deed poll dated 9 May 2019 under which Bidder covenants in favour of Scheme Shareholders to provide the Scheme Consideration in accordance with the terms of this Scheme.

**Effective** means the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme.

**Effective Date** means the date on which this Scheme becomes Effective.

**Election** means an election by a Relevant Shareholder to receive their Scheme Consideration partly in the form of HoldCo Shares and partly in the form of cash, made in accordance with clause 5.2(c).

**Election Form** means a form issued by or on behalf of Navitas for the purposes of a Relevant Shareholder making an Election in a form agreed to by Navitas and Bidder.

**Election Time** means 5:00pm on the third Business Day before the date of the Scheme Meetings, or such other date as is agreed in writing between Bidder and Navitas.

**Encumbrance** means any security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, power or title retention or flawed deposit arrangement and any “security interest” as defined in sections 12(1) or (2) of the *Personal Property Securities Act 2009* (Cth), or any agreement to create any of them or allow them to exist.

**End Date** has the meaning given in the Implementation Deed.

**First Court Date** means the first day on which an application made to the Court for an order under section 411(1) of the Corporations Act directing Navitas to convene the Scheme Meetings is heard, with such hearing being the **First Court Hearing**.

**Government Agency** means:

- (a) any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity (including, for the avoidance of doubt, the ACCC and the Australian Competition Tribunal), or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian; and
- (b) any other authority, agency, commission or similar entity having powers or jurisdiction under any law or regulation or the listing rules of any recognised stock or securities exchange.

**HoldCo** means BGH Holdco A Pty Ltd ACN 631 941 403, the ultimate company of Bidder.

**HoldCo Share** means a fully paid share in HoldCo.

**Immediately Available Funds** means a bank cheque or other form of cleared funds acceptable to Navitas (acting reasonably).

**Implementation Date** means, at the election of the Bidder, any date during the period beginning on the date that is three Business Days after the Scheme Record Date and ending on (and including) the date that is 13 Business Days after the Scheme Record Date, provided that such election is made by Bidder before 5.00 pm on the day immediately prior to the date of the Scheme Meetings, and failing such an election will be the date that is four Business Days after the Scheme Record Date.

**Implementation Deed** means the scheme implementation deed dated 21 March 2019 between Bidder and Navitas relating to (among other things) the implementation of this Scheme.

**Listing Rules** means the official listing rules of ASX.

**Navitas Share** means a fully paid ordinary share in the capital of Navitas.

**Navitas Shareholder** means a holder of one or more Navitas Shares, as shown in the Share Register.

**Relevant Shareholders** means:

- (a) AusSuper; and
- (b) Rodney Malcolm Jones of Level 16, 111 St Georges Terrace, Perth WA 6000;
- (c) Hoperidge Enterprises Pty Ltd (ACN 058 568 835) of Level 16, 111 St Georges Terrace, Perth WA 6000; and
- (d) Remjay Investments Pty Ltd (ABN 69 075 697 086) of Level 16, 111 St Georges Terrace, Perth WA 6000,

and any entity through which any of those persons holds their Navitas Shares, but only to the extent that such an entity holds Navitas Shares on behalf of one of those persons and

not to the extent that such an entity holds Navitas Shares on behalf of any other Navitas Shareholder (and reference to a Relevant Shareholder's Navitas Shares or Scheme Shares (as applicable) means only the Navitas Shares or Scheme Shares (again, as applicable) that are held by or on behalf of them).

**Registered Address** means, in relation to a Navitas Shareholder, the address shown in the Share Register as at the Scheme Record Date.

**Scheme** means this scheme of arrangement subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to by Bidder and Navitas (each acting reasonably).

**Scheme Booklet** means the explanatory statement in respect of the Scheme prepared by Navitas pursuant to section 412 of the Corporations Act and in accordance with the Implementation Deed, and despatched to Navitas Shareholders.

**Scheme Consideration** means the consideration to be provided by Bidder for the transfer of the Scheme Shares held by a Scheme Shareholder to Bidder determined in accordance with clause 5.3.

**Scheme Meetings** means any meeting of Navitas Shareholders ordered by the Court to be convened at the First Court Hearing.

**Scheme Record Date** means 5:00pm on the third Business Day after the Effective Date.

**Scheme Share** means a Navitas Share held by a Scheme Shareholder as at the Scheme Record Date.

**Scheme Shareholder** means a Navitas Shareholder as at the Scheme Record Date.

**Scrip Scheme Consideration** means the Scheme Consideration to be provided to Scheme Shareholders in the form of the issue of HoldCo Shares under clause 5.3(b)(i) of this Scheme.

**Scheme Transfer** means one or more proper instruments of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, which may be or include a master transfer of all or part of the Scheme Shares.

**Second Court Date** means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving this Scheme is heard (or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard), with such hearing being the **Second Court Hearing**.

**Separate Account** has the meaning given in clause 5.4(d).

**Share Register** means the register of members maintained by (or on behalf of) Navitas in accordance with the Corporations Act.

**Share Registry** means Computershare Investor Services Pty Limited ACN 078 279 277.

**Trust Account** means an Australian dollar denominated trust account which attracts interest at a commercial rate and is operated by Navitas as trustee for the Scheme Shareholders, details of which Navitas must notify to Bidder no later than 5 Business Days before the Implementation Date.

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## 2 Interpretation

In this Scheme, the following rules of interpretation apply unless the contrary intention appears.

- (a) Headings are for convenience only and do not affect the interpretation of this Scheme.
- (b) The singular includes the plural and vice versa.
- (c) Words that are gender neutral or gender specific include each gender.
- (d) Where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase have corresponding meanings.
- (e) The words “include”, “including” and similar expressions are not words of limitation and do not limit what else might be included.
- (f) A reference to:
  - (i) a person includes a natural person, estate of a natural person, partnership, joint venture, government agency, association, corporation or other body corporate or entity (as that term is defined in section 64A of the Corporations Act);
  - (ii) a thing (including a chose in action or other right) includes a part of that thing;
  - (iii) a party includes its successors and permitted assigns;
  - (iv) a document includes all amendments or supplements to that document;
  - (v) a clause, term, party, schedule or attachment is a reference to a clause or term of, or a party, schedule or attachment to, this Scheme (as applicable);
  - (vi) this Scheme includes all schedules to it;
  - (vii) a law includes a constitutional provision, treaty, decree, convention, statute, regulation, ordinance, by-law, judgment, rule of common law or equity or a Listing Rule and is a reference to that law as amended, consolidated or replaced;
  - (viii) an agreement (other than this Scheme) includes an undertaking or legally enforceable arrangement or understanding (whether or not in writing);
  - (ix) a reference to a date or time is to that date or time in Perth, Australia;
  - (x) a time period includes the date referred to as that on which the period begins and the date referred to as that on which the period ends; and
  - (xi) a monetary amount is in Australian dollars.

# **Annexure D**

## **Notice of General Scheme Meeting**



## Navitas Limited

ABN 69 109 613 309

### NOTICE OF GENERAL SCHEME MEETING

Notice is hereby given that, by an order of the Court made on Friday, 10 May 2019 pursuant to section 411(1) of the Corporations Act, a meeting of Navitas Shareholders (other than Consortium Shareholders) will be held at 11.00 am (Perth time) on Wednesday, 19 June 2019 at Brookfield Tower 2, Ground Floor, 123 St Georges Terrace, Perth, Western Australia (this is the **General Scheme Meeting**).

#### Purpose of the General Scheme Meeting

The purpose of the General Scheme Meeting is to consider and, if thought fit, to agree to a scheme of arrangement (with or without any modifications or conditions as are thought fit by the Court) to be made between Navitas and Navitas Shareholders and to consider and, if thought fit, to pass the General Scheme Resolution.

To enable you to make an informed voting decision, further information about the Scheme is set out in the accompanying explanatory statement (for the purposes of section 412(1) of the Corporations Act) which, together with this Notice of General Scheme Meeting, forms part of this Scheme Booklet.

Capitalised terms used in this Notice of General Scheme Meeting but not defined in it have the same meaning as set out in the Glossary in Section 11 of the Scheme Booklet. For the purposes of this Notice of General Scheme Meeting and the accompanying explanatory statement, the term "Navitas Shareholders" excludes the Consortium Shareholders.

#### Business of the General Scheme Meeting – General Scheme Resolution

To consider and, if thought fit, to pass the following General Scheme Resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

*"That pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth):*

- (a) the Scheme, the terms of which are contained in and more particularly described in the Scheme Booklet (of which this Notice of General Scheme Meeting forms part) is agreed to (with or without any modifications or conditions as approved by the Court); and*
- (b) the directors of Navitas are authorised, subject to the terms of the Scheme Implementation Deed:*
  - (i) to agree to such modifications or conditions as are thought fit by the Court; and*
  - (ii) subject to approval of the Scheme by the Court, to implement the Scheme with any such modifications or conditions."*

#### Chairman

The Court has directed that Ms Tracey Horton is to act as Chairman of the General Scheme Meeting (and that, if Ms Tracey Horton is unable or unwilling to attend, Mr Tony Cipa is to act as Chairman of the General Scheme Meeting) and has directed the Chairman to report the result of the General Scheme Resolution to the Court.

Dated 13 May 2019

By Order of the Navitas Board

A handwritten signature in black ink, appearing to read "Matthew Rumpus".

Matthew Rumpus  
Company Secretary

# Explanatory notes for the General Scheme Meeting

## General

This Notice of General Scheme Meeting relates to the Scheme and should be read in conjunction with the balance of the Scheme Booklet. The Scheme Booklet contains important information to assist you in determining how to vote on the General Scheme Resolution, including the information prescribed by the Corporations Act and the Corporations Regulations.

A copy of the Scheme is set out in Annexure C.

## Requisite Majorities

The Scheme can only proceed if, at the General Scheme Meeting, the General Scheme Resolution is passed. For this to occur, the General Scheme Resolution must be approved by:

- unless the Court orders otherwise, a majority in number of Navitas Shareholders who are present at the General Scheme Meeting and vote on the General Scheme Resolution, either in person or by proxy, attorney or representative; and
- holders of at least 75% of the votes cast at the General Scheme Meeting by Navitas Shareholders on the General Scheme Resolution, either in person or by proxy, attorney or representative.

## Court approval

If the General Scheme Resolution (set out in this Notice of General Scheme Meeting) and the Consortium Shareholders Scheme Resolution (set out in the Notice of Consortium Shareholders Scheme Meeting) are approved at the relevant Scheme Meetings by the Requisite Majorities, the implementation of the Scheme will be subject, among other things, to the subsequent approval of the Court. If both of these Scheme Resolutions are passed by the Requisite Majorities, and the other conditions precedent to the Scheme (other than approval by the Court and lodgement of the Scheme Order with ASIC) are satisfied or (if permitted) waived by the time required under the Scheme, Navitas will apply to the Court for the necessary orders to give effect to the Scheme.

In order for the Scheme to become Effective, it must be approved by the Court and an office copy of the orders of the Court approving the Scheme must be lodged with ASIC.

## Entitlement to vote

The Court has ordered that, for the purposes of the General Scheme Meeting, each Navitas Shareholder who is registered on the Register at 5.00 pm (Perth time) / 7.00 pm (Sydney time) on Monday, 17 June 2019 is entitled to attend and vote at the General Scheme Meeting.

## Voting at the General Scheme Meeting

Navitas Shareholders may vote on the General Scheme Resolution by:

- attending the General Scheme Meeting in person; or
- proxy, attorney or, in the case of a body corporate which is a Navitas Shareholder, corporate representative appointed in accordance with the Corporations Act.

Details in respect of each of these methods is set out below.

### Voting in person

To vote in person, you must attend the General Scheme Meeting. If you attend, you will be admitted to the meeting and given a voting card at the point of entry to the meeting upon disclosing your name and address. Please bring a form of personal identification with you, such as your driver's licence.

### Voting by proxy

To vote by proxy, you must complete and return the personalised proxy form enclosed with this Scheme Booklet by no later than 48 hours before the General Scheme Meeting, in accordance with the instructions on the form. A proxy need not be a Navitas Shareholder.

You may appoint an individual or body corporate as your proxy. If you appoint a body corporate as your proxy, that body corporate must ensure that it appoints a corporate representative to exercise its powers as proxy at the General Scheme Meeting (see below).

A Navitas Shareholder entitled to cast two or more votes at the General Scheme Meeting may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but, where the proportion or number is not specified, each proxy may exercise half of the votes.

### Voting by attorney

To vote by attorney, you must deliver to the Share Registry a duly executed power of attorney, specifying the Navitas Shareholder's name, the attorney, the meetings at which the appointment may be used and that the power of attorney applies in relation to Navitas, by no later than 48 hours before the General Scheme Meeting.

The appointment may be a standing one and the attorney need not be a Navitas Shareholder.



## Voting by corporate representative

For a body corporate to vote by corporate representative, the representative must have a duly executed appointment which complies with the requirements of the Corporations Act. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution. The representative must bring evidence of their appointment to the General Scheme Meeting, including any authority under which it is signed, unless it has previously been given to Navitas.

## Lodgement of proxies, authorities and powers of attorney

To be effective, completed proxy forms, any authorities under which proxy forms are signed and powers of attorney must be received by the Share Registry in any of the following ways at least 48 hours before the time for holding the General Scheme Meeting (that is, by no later than 11.00 am (Perth time) on Monday, 17 June 2019), or, if the General Scheme Meeting is adjourned, at least 48 hours before the scheduled resumption of the General Scheme Meeting:

- **By post to:**  
Computershare Investor Services Pty Limited  
GPO Box 1282 Melbourne  
Victoria 3001 Australia
- **By facsimile to:**  
1800 783 447 (within Australia)  
+61 3 9473 2555 (from outside Australia)
- **Online** at the Share Registry's website, [www.investorvote.com.au](http://www.investorvote.com.au).

## Jointly held securities

In the case of jointly held Navitas Shares, only one of the joint Navitas Shareholders is entitled to vote. If more than one Navitas Shareholder votes in respect of jointly held Navitas Shares, only the vote of the Navitas Shareholder whose name appears first in the Register will be counted.

## Voting

Voting on the General Scheme Resolution set out in this Notice of General Scheme Meeting will be conducted by way of a poll. Every Navitas Shareholder who is present in person or by proxy, representative or attorney will have one vote for each Navitas Share held by that Navitas Shareholder.

# **Annexure E**

## **Notice of Consortium Shareholders Scheme Meeting**



# Navitas Limited

ABN 69 109 613 309

## NOTICE OF CONSORTIUM SHAREHOLDERS SCHEME MEETING

Notice is hereby given that, by an order of the Court made on Friday, 10 May 2019 pursuant to section 411(1) of the Corporations Act, a meeting of Consortium Shareholders (excluding all other Navitas Shareholders) will be held immediately following the General Scheme Meeting on Wednesday, 19 June 2019 at Brookfield Tower 2, Ground Floor, 123 St Georges Terrace, Perth, Western Australia (this is the Consortium Shareholders Scheme Meeting).

### Purpose of the Consortium Shareholders Scheme Meeting

The purpose of the Consortium Shareholders Scheme Meeting is to consider and, if thought fit, to agree to a scheme of arrangement (with or without modifications or conditions as are thought fit by the Court) to be made between Navitas and Navitas Shareholders and to consider and, if thought fit, to pass the Consortium Shareholders Scheme Resolution.

To enable you to make an informed voting decision, further information about the Scheme is set out in the accompanying explanatory statement (for the purposes of section 412(1) of the Corporations Act) which, together this Notice of Consortium Shareholders Scheme Meeting, forms part of the Scheme Booklet.

Capitalised terms used in this Notice of Consortium Shareholders Scheme Meeting but not defined in it have the same meaning as set out in the Glossary in Section 11 of the Scheme Booklet.

### Business of the Consortium Shareholders Meeting – Consortium Shareholders Scheme Resolution

To consider and, if thought fit, to pass the following Consortium Shareholders Scheme Resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

*"That pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth):*

- (a) the Scheme, the terms of which are contained in and more particularly described in the Scheme Booklet (of which this Notice of Consortium Shareholders Scheme Meeting forms part) is agreed to (with or without any modifications or conditions as approved by the Court); and*
- (b) the directors of Navitas are authorised, subject to the terms of the Scheme Implementation Deed:*
  - (i) to agree to such modifications or conditions as are thought fit by the Court; and*
  - (ii) subject to approval of the Scheme by the Court, to implement the Scheme with any such modifications or conditions."*

### Chairman

The Court has directed that Ms Tracey Horton is to act as Chairman of the Consortium Shareholders Scheme Meeting (and that, if Ms Tracey Horton is unable or unwilling to attend, Mr Tony Cipa is to act as Chairman of the Consortium Shareholders Scheme Meeting) and has directed the Chairman to report the result of the Consortium Shareholders Scheme Resolution to the Court.

Dated 13 May 2019

By Order of the Navitas Board

A handwritten signature in black ink, appearing to read "Matthew Rumpus".

Matthew Rumpus  
Company Secretary

## EXPLANATORY NOTES FOR THE CONSORTIUM SHAREHOLDERS SCHEME MEETING

### General

This Notice of Consortium Shareholders Scheme Meeting relates to the Scheme and should be read in conjunction with the balance of this Scheme Booklet. This Scheme Booklet contains important information to assist you in determining how to vote on the Consortium Shareholders Scheme Resolution, including the information prescribed by the Corporations Act and the Corporations Regulations.

A copy of the Scheme is set out in Annexure C.

### Requisite Majorities

The Scheme can only proceed if, at the Consortium Shareholders Scheme Meeting, the Consortium Shareholders Scheme Resolution is passed. For this to occur, the Consortium Shareholders Scheme Resolution must be approved by:

- unless the Court orders otherwise, a majority in number of Consortium Shareholders who are present at the Consortium Shareholders Scheme Meeting and vote on the Consortium Shareholders Scheme Resolution, either in person or by proxy, attorney or representative; and
- holders of at least 75% of the votes cast at the Consortium Shareholders Scheme Meeting by Consortium Shareholders on the Consortium Shareholders Scheme Resolution, either in person or by proxy, attorney or representative.

### Court approval

If the Consortium Shareholders Scheme Resolution (set out in this Notice of Consortium Shareholders Scheme Meeting) and the General Scheme Resolution (set out in the Notice of General Scheme Meeting) are approved by the Requisite Majorities, the implementation of the Scheme will be subject, among other things, to the subsequent approval of the Court. If both of these Scheme Resolutions are passed by the Requisite Majorities at the relevant Scheme Meetings, and the other conditions precedent to the Scheme (other than approval by the Court and lodgement of the Scheme Order with ASIC) are satisfied or (if permitted) waived by the time required under the Scheme, Navitas will apply to the Court for the necessary orders to give effect to the Scheme.

In order for the Scheme to become Effective, it must be approved by the Court and an office copy of the orders of the Court approving the Scheme must be lodged with ASIC.

### Entitlement to vote

The Court has ordered that, for the purposes of the Consortium Shareholders Scheme Meeting, each Consortium Shareholder who is registered (as a holder of Navitas Shares) on the Register at 5.00 pm (Perth time) / 7.00 pm (Sydney time) on Monday, 17 June 2019 is entitled to attend and vote at the Consortium Shareholders Scheme Meeting.

### Voting at the Consortium Shareholders Scheme Meeting

Consortium Shareholders may vote on the Consortium Shareholders Scheme Resolution by:

- attending the Consortium Shareholders Scheme Meeting in person; or
- proxy, attorney or, in the case of a body corporate which is a Consortium Shareholder, corporate representative appointed in accordance with the Corporations Act.

Details in respect of each of these methods is set out below.

#### Voting in person

To vote in person, you must attend the Consortium Shareholders Scheme Meeting. If you attend, you will be admitted to the meeting and given a voting card at the point of entry to the meeting upon disclosing your name and address. Please bring a form of personal identification with you, such as your driver's licence.

#### Voting by proxy

To vote by proxy, you must complete and return the personalised proxy form enclosed with this Scheme Booklet by no later than 48 hours before the Consortium Shareholders Scheme Meeting, in accordance with the instructions on the form. A proxy need not be a Consortium Shareholder or a Navitas Shareholder.

You may appoint an individual or body corporate as your proxy. If you appoint a body corporate as your proxy, that body corporate must ensure that it appoints a corporate representative to exercise its powers as proxy at the Consortium Shareholders Scheme Meeting (see below).

A Consortium Shareholder entitled to cast two or more votes at the Consortium Shareholders Scheme Meeting may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but, where the proportion or number is not specified, each proxy may exercise half of the votes.

#### Voting by attorney

To vote by attorney, you must deliver to the Share Registry a duly executed power of attorney, specifying the Consortium Shareholder's name, the attorney, the meetings at which the appointment may be used and that the power of attorney applies in relation to Navitas, by no later than 48 hours before the Consortium Shareholders Scheme Meeting.

The appointment may be a standing one and the attorney need not be a Consortium Shareholder or a Navitas Shareholder.

#### Voting by corporate representative

For a body corporate to vote by corporate representative, the representative must have a duly executed appointment which complies with the requirements of the Corporations Act. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution. The representative must bring evidence of their appointment to the Consortium Shareholders Scheme Meeting, including any authority under which it is signed, unless it has previously been given to Navitas.

### Lodgement of proxies, authorities and powers of attorney

To be effective, completed proxy forms, any authorities under which proxy forms are signed and powers of attorney must be received by the Share Registry in any of the following ways at least 48 hours before the time for holding the Consortium Shareholders Scheme Meeting (that is, by no later than 12.00 noon (Perth time) on Monday, 17 June 2019), or, if the Consortium Shareholders Scheme Meeting is adjourned, at least 48 hours before the scheduled resumption of the Consortium Shareholders Scheme Meeting:

- **By post to:**  
Computershare Investor Services Pty Limited  
GPO Box 1282 Melbourne  
Victoria 3001 Australia
- **By facsimile to:**  
1800 783 447 (within Australia)  
+61 3 9473 2555 (from outside Australia)
- **Online** at the Share Registry's website, [www.investorvote.com.au](http://www.investorvote.com.au).

### Jointly held securities

In the case of jointly held Navitas Shares, only one of the joint shareholders is entitled to vote. If more than one Consortium Shareholder votes in respect of jointly held Navitas Shares, only the vote of the Consortium Shareholder whose name appears first in the Register (as a holder of Navitas Shares) will be counted.

### Voting

Voting on the Consortium Shareholders Scheme Resolution set out in this Notice of Consortium Shareholders Scheme Meeting will be conducted by way of a poll. Every Consortium Shareholder who is present in person or by proxy, representative or attorney will have one vote for each Navitas Share held by that Consortium Shareholder.

# **Annexure F**

## **Independent Expert's Report**

# LONERGAN EDWARDS & ASSOCIATES LIMITED

ABN 53 095 445 560  
AFS Licence No 246532  
Level 7, 64 Castlereagh Street  
Sydney NSW 2000 Australia  
GPO Box 1640, Sydney NSW 2001  
  
Telephone: [61 2] 8235 7500  
www.lonerganedwards.com.au

The Directors  
Navitas Limited  
Level 8, Brookfield Place  
125 St Georges Terrace  
Perth, WA 6000

17 April 2019

**Subject: Proposed acquisition of Navitas Limited by way of Scheme**

Dear Directors

## Introduction

- 1 On 21 March 2019, Navitas Limited (Navitas or the Company) announced that it and BGH BidCo A Pty Ltd (BGH BidCo or the Bidder), an entity that will be owned by a consortium comprising BGH Capital Pty Ltd (BGH), funds advised by BGH (BGH Fund), Mr Rodney Jones and his associated entities (RMJ), AustralianSuper Pty Ltd as trustee for AustralianSuper (AustralianSuper), British Columbia Investment Management Corporation (BCI), Canada Pension Plan Investment Board (CPPIB), Ontario Teachers' Pension Plan Board (OTPP) and Sinspec Investment Private Limited (Sinspec) (together the Consortium), had entered into a Scheme Implementation Deed (the Agreement) pursuant to which BGH BidCo will acquire all the fully paid ordinary shares in Navitas.
- 2 The proposed acquisition of the shares is to be effected by way of a scheme of arrangement under Part 5.1 of the *Corporations Act 2001* (Cth) (Corporations Act) between Navitas and its shareholders (the Scheme) and is subject to a number of conditions precedent (as summarised in Section I of our report).
- 3 If the Scheme becomes legally effective and is implemented:
  - (a) Navitas shareholders, except for RMJ and AustralianSuper (Consortium Shareholders) (Navitas Shareholders), will receive \$5.825 cash (Cash Scheme Consideration) for each Navitas share they hold on the Scheme Record Date (27 June 2019)
  - (b) Consortium Shareholders will receive some, or all of their Scheme consideration in the form of shares in the ultimate holding company of BGH BidCo (HoldCo) (Scrip Consideration)<sup>1</sup>, for the Navitas shares they hold on the Scheme Record Date (27 June 2019)<sup>2</sup>.

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<sup>1</sup> Consortium Shareholders will receive 4.459 ordinary shares and 1.366 preference shares in HoldCo for each Navitas share held and exchanged for Scrip Consideration (collectively the "HoldCo Shares"), and \$5.825 in cash for the balance of their Navitas shares.

<sup>2</sup> The Consortium Shareholders are offered the opportunity to elect to receive a mixture of Cash Scheme Consideration and Scrip Consideration, in such proportions as they specify in an election form to be submitted to Navitas at least three business days prior to the Scheme Meetings. If the Consortium Shareholders fail to make an

- 4 As the Consortium Shareholders are being offered a form of consideration under the Scheme which is different to the consideration offered to the Navitas Shareholders, they will constitute a separate class of members for the purposes of voting on the Scheme. Accordingly, Navitas will request that the Court convene separate Scheme meetings (which are collectively referred to as the “Scheme Meetings”), being:
  - (a) the Scheme meeting of Navitas Shareholders generally, excluding the Consortium Shareholders (General Scheme Meeting)
  - (b) the Scheme meeting of the Consortium Shareholders only (Consortium Shareholders Scheme Meeting).
- 5 Under the Corporations Act, the Scheme is approved if the resolutions approving the Scheme are passed by:
  - (a) a majority in number of the Navitas Shareholders present and voting at the General Scheme Meeting (in person or by proxy), and by 75% of the votes cast on the resolution at that meeting
  - (b) a majority in number of the Consortium Shareholders present and voting at the Consortium Shareholders Scheme Meeting (in person or by proxy), and by 75% of the votes cast on the resolution at that meeting (noting that RMJ and AustralianSuper are required, by contractual commitments with the Consortium, to vote in favour of the Scheme, such that the Scheme resolution will be passed at the Consortium Shareholders Scheme Meeting on that basis).
- 6 If this occurs, a second Court hearing will be held to approve the Scheme which, if approved, will become binding on all Navitas shareholders who hold Navitas shares as at the Scheme Record Date, whether or not they voted for the Scheme (and even if they voted against the Scheme).

## **Navitas**

- 7 Navitas is a leading global education provider that offers an extensive range of educational services through two main reporting divisions (University Partnerships (UP) and Careers & Industry (C&I)) to students and professionals including university pathway programs, creative media education, professional education and English language training and settlement services. Navitas operates more than 120 colleges and campuses which are spread across 33 countries but are primarily located in Australia, the United States of America (US), Canada, the United Kingdom (UK) and Continental Europe.

## **The Consortium**

- 8 BGH was founded in 2017 by Robin Bishop, Ben Gray and Simon Harle. BGH is headquartered in Melbourne, Australia and is an independent private equity firm, owned and managed by its founding partners.

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election, they will receive Cash Scheme Consideration only. However, each of the Consortium Shareholders has made binding contractual commitments, in favour of the Consortium, to elect to receive the Scrip Consideration in prescribed proportions (RMJ is required to elect to receive the Scrip Consideration in respect of 53.2% of their Navitas shares, and AustralianSuper in respect of 99.8% of its Navitas shares).



- 9 Mr Rodney Jones (Mr Jones) is one of the co-founders of Navitas and a former Group Chief Executive Officer (CEO) (until 28 February 2018), Managing Director (until 30 June 2018) and then Non-Executive Director (until 7 November 2018).
- 10 AustralianSuper manages more than \$150 billion of members' retirement savings on behalf of more than 2.3 million members from around 280,000 businesses. One in 10 working Australians is a member of AustralianSuper, the nation's largest superannuation fund.
- 11 BCI is a leading provider of investment management services for British Columbia's public sector and one of the largest asset managers in Canada.
- 12 CPPIB is a professional investment management organisation that invests the funds of the Canada Pension Plan on behalf of its 20 million Canadian contributors and beneficiaries.
- 13 OTPP is Canada's largest single-profession pension plan, investing and administering the pensions of the province of Ontario's 327,000 active and retired teachers.
- 14 Sinspec was incorporated for the purpose of investing in special projects managed by GIC Special Investments Private Limited (GICSI). GICSI is the private equity and infrastructure investment arm of GIC Private Limited (GIC). GIC was set up with the sole purpose of managing Singapore's foreign reserves, and invests well over US\$100 billion internationally in a wide range of asset classes and instruments.

## Purpose of report

- 15 Whilst there is no legal requirement under the Corporations Act or the *Corporations Regulations 2001* (Corporations Regulations) for Navitas to obtain an independent expert's report (IER), the Directors' recommendation of the Scheme is subject to an independent expert concluding, and continuing to conclude, that the Scheme is in the best interests of Navitas Shareholders, and there being no superior proposal.
- 16 Accordingly, the Directors of Navitas have requested that Lonergan Edwards & Associates Limited (LEA) prepare an IER stating whether, in our opinion, the Scheme is fair and reasonable and in the best interests of Navitas Shareholders and the reasons for that opinion.
- 17 For the avoidance of doubt, this IER is limited to an assessment of the merits of the Scheme from the perspective of Navitas Shareholders only (i.e. Navitas shareholders, except for the Consortium Shareholders). We have not separately opined on whether the Scheme is fair and reasonable and in the best interests of the Consortium Shareholders, because:
  - (a) the Consortium Shareholders are members of the Consortium that formulated and proposed the Scheme. Further, each of the Consortium Shareholders has already made a binding contractual commitment (in favour of the Consortium) to:
    - (i) vote in favour of the Scheme
    - (ii) elect to receive the Scrip Consideration in prescribed proportions<sup>3</sup>.
 Accordingly, in LEA's view, the Consortium Shareholders have effectively already formed their decision as to the merits of the Scheme

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<sup>3</sup> RMJ is required to elect to receive the Scrip Consideration in respect of 53.2% of its Navitas shares, and AustralianSuper in respect of 99.8% of its Navitas shares.

- (b) the Consortium Shareholders are two discrete sophisticated or professional investors (as opposed to a larger and more varied mix of shareholders / investors)
- (c) the merits of the Cash Scheme Consideration (which is the default form of consideration that the Consortium Shareholders would receive if they did not make an election to receive Scrip Consideration) are already assessed within this IER; and
- (d) being sophisticated or professional investors, we consider the Consortium Shareholders to be capable of forming their own view as to the extent to which they elect to accept the Scrip Consideration (over the Cash Scheme Consideration).

18 LEA is independent of Navitas and the Consortium and has no other involvement or interest in the proposed Scheme.

### Summary of opinion

19 In our opinion, the Scheme is fair and reasonable and in the best interests of Navitas Shareholders in the absence of a superior proposal. We have formed this opinion for the reasons set out below.

### Value of Navitas

20 We have assessed the value of Navitas shares on a 100% controlling interest basis at \$5.60 to \$6.15 per share, as shown below:

Navitas – valuation summary <sup>(1)</sup>			
	Paragraph	Low \$m	High \$m
Enterprise value – DCF <sup>(2)</sup> approach	180	2,200.0	2,500.0
Enterprise value – capitalisation of EBITDA <sup>(2)</sup> approach	204	2,265.0	2,371.5
Adopted enterprise value <sup>(3)</sup>	205	2,250.0	2,450.0
Other assets / (liabilities)	206	5.0	5.0
Net debt	208	(250.0)	(250.0)
<b>Equity value – controlling interest basis</b>		<b>2,005.0</b>	<b>2,205.0</b>
Fully diluted shares on issue (million)	209	358.3	358.3
<b>Navitas value per share – controlling interest basis (\$)</b>		<b>5.60</b>	<b>6.15</b>

**Note:**

- 1 Rounding differences may exist.
- 2 Discounted cash flow (DCF). Earnings before interest, tax, depreciation and amortisation (EBITDA).
- 3 Represents the mid-point of the two adopted approaches rounded to the nearest \$50 million.

### Fair and reasonable opinion

21 Pursuant to the Australian Securities & Investments Commission (ASIC) Regulatory Guide 111 – *Content of expert reports* (RG 111) a scheme is “fair” if the value of the consideration is equal to or greater than the value of the securities the subject of the Scheme. This comparison is shown below:

Position of Navitas Shareholders			
	Low \$ per share	High \$ per share	Mid-point \$ per share
Value of Cash Scheme Consideration	5.825	5.825	5.825
Value of 100% of Navitas	5.600	6.150	5.875
Extent to which the Cash Scheme Consideration exceeds (or is less than) the value of Navitas	0.225	(0.325)	(0.050)

- 22 As the Cash Scheme Consideration lies within our assessed valuation range for Navitas shares on a 100% controlling interest basis, in our opinion, the Cash Scheme Consideration is fair to Navitas Shareholders when assessed based on the Guidelines set out in RG 111.
- 23 Pursuant to RG 111, a transaction is reasonable if it is fair. Further, in our opinion, if the Scheme is “fair and reasonable” it must also be “in the best interests” of shareholders.
- 24 Consequently, in our opinion, the Scheme is also “reasonable” and “in the best interests” of Navitas Shareholders in the absence of a superior proposal.

### Assessment of the Scheme

- 25 We summarise below the likely advantages and disadvantages of the Scheme for Navitas Shareholders.

#### Advantages

- 26 In our opinion, the Scheme has the following benefits for Navitas Shareholders:
- (a) the Cash Scheme Consideration of \$5.825 cash per share is consistent with our assessed value range for Navitas shares on a 100% controlling interest basis. Thus, in our view, Navitas Shareholders are being paid an appropriate price to compensate them for the fact that control of Navitas will pass to the Consortium if the Scheme is approved
  - (b) the Cash Scheme Consideration represents a significant premium to the market prices of Navitas prior to the announcement of the Indicative Proposal (as defined in paragraph 35 below). Furthermore, the premium is consistent with observed premiums generally paid to target company shareholders in comparable circumstances
  - (c) if the Scheme does not proceed, and in the absence of an alternative offer or proposal, the price of Navitas shares is likely to trade at a significant discount to our valuation and the Cash Scheme Consideration due to the portfolio nature of individual shareholdings.

#### Disadvantages

- 27 Navitas Shareholders should note that if the Scheme is implemented they will no longer hold an interest in Navitas. Navitas Shareholders will therefore not participate in any future value created by the Company over and above that reflected in the Cash Scheme Consideration.
- 28 However, as our assessed value of Navitas shares is consistent with the Cash Scheme Consideration, in our opinion, the present value of Navitas’ future potential (in the absence of the Scheme) is reflected in the Cash Scheme Consideration.

29 Although Consortium Shareholders are being provided with the opportunity to retain an interest in the Navitas business by receiving the Scrip Consideration<sup>4</sup>, it should be noted that:

- (a) their Navitas shares will be exchanged for HoldCo equity at a deemed value of \$5.825 per share, which is consistent with the Cash Scheme Consideration (the economic substance is the same as receiving \$5.825 in cash per share and investing the proceeds in HoldCo<sup>5</sup>)
- (b) HoldCo's only asset will be the shares in Navitas. Therefore, the value of 100% of HoldCo will be equal to our assessed value of Navitas<sup>6</sup>, less the debt used to finance the acquisition of the Navitas shares and the transaction costs incurred.

Accordingly, in our opinion, the market value of HoldCo equity on a controlling interest basis (immediately post implementation of the Scheme) is equivalent to \$5.60 to \$6.15 per Navitas share (being our assessed value range<sup>7</sup>).

The HoldCo Shares to be issued to the Consortium Shareholders will have a number of rights and obligations attaching to them and will be subject to a number of risk factors (which are outlined in Sections 6.8(b) and (c) of the Scheme Booklet). For example:

#### **Ordinary shares**

- (i) have voting rights (one vote per share) and also provide Consortium members with the right to appoint directors to the Board of HoldCo. However, the Consortium Shareholders will each own less than 15% of HoldCo and will therefore be subject to the risks that are inherent in minority shareholdings with no substantial influence over the majority of decisions affecting HoldCo (i.e. the Consortium Shareholders will have a minority not controlling interest in HoldCo)
- (ii) whilst we understand that HoldCo ordinary shares carry an entitlement to dividends, given the structure of the investment and the level of HoldCo debt, the timing of the commencement of dividend payments (if any) is uncertain
- (iii) HoldCo is an unlisted Australian proprietary company and there will be no public market for the trading of HoldCo ordinary shares, nor is there expected to be any such market in the near future. The ability to dispose of HoldCo ordinary shares is also significantly restricted<sup>8</sup>, which will result in HoldCo ordinary shares being substantially illiquid

#### **Preference shares**

- (iv) do not have voting rights but do carry an entitlement to an annual coupon<sup>9</sup>, which will accumulate to the extent it is not paid each year

<sup>4</sup> RMJ and AustralianSuper have binding contractual commitments, in favour of the Consortium, to exchange 53.2% and 99.8% of their Navitas shares for HoldCo Shares respectively (and will receive \$5.825 cash for the balance of their Navitas shares). RMJ and AustralianSuper will receive 4.459 ordinary shares and 1.366 preference shares in HoldCo for each Navitas share exchanged.

<sup>5</sup> Ignoring any leakage that may occur due to, inter alia, taxation etc.

<sup>6</sup> As the Consortium does not currently own any other education services businesses, we do not expect the Consortium to generate any significant synergy benefits over and above those already reflected in our assessed market value of Navitas.

<sup>7</sup> Ignoring any transaction costs incurred in HoldCo.

<sup>8</sup> For example, HoldCo ordinary shares will (generally) not be able to be transferred to a third party without first being offered to the other existing HoldCo shareholders.

<sup>9</sup> Which is proposed to be a small margin above the interest rate applying to HoldCo's senior debt.

- (v) rank ahead of ordinary shares in the event of a liquidation
- (vi) at the election of HoldCo, may be redeemed or converted into HoldCo ordinary shares (for an amount equal to their issue price and any accumulated unpaid coupon). The corresponding proportion of HoldCo preference shares must also be transferred in the event the holder disposes of some or all of their ordinary shares. Otherwise, the ability of the holder to dispose or transfer HoldCo preference shares will be subject to the same restrictions applied to HoldCo ordinary shares (i.e. the ability to dispose or transfer will be significantly restricted).

Given the factors outlined in the Scheme Booklet, in our view, the HoldCo Shares to be issued to the Consortium Shareholders as Scrip Consideration (immediately post implementation of the Scheme) should prima facie reflect both minority and lack of marketability discounts, albeit the discounts applicable to the individual components (i.e. ordinary and preference shares) will differ<sup>10</sup>. Even assuming no discount is applied to the preference shares<sup>11</sup>, the discount attributable to the ordinary shares can be no greater than 6.9% in order for the (high end of the) Scrip Consideration to have an aggregate value of \$5.825 per Navitas share (on an equivalent basis)<sup>12</sup>. This is demonstrated as follows:

Theoretical example of value of Scrip Consideration given specific assumptions <sup>(1)(2)</sup>			
	Paragraph	Low \$	High \$
<b>HoldCo ordinary shares</b>			
Navitas value per share – controlling interest basis	20	5.600	6.150
Multiplied by % issued as HoldCo ordinary shares <sup>(3)</sup>		76.549%	76.549%
Value of HoldCo ordinary shares – controlling interest basis		4.287	4.708
6.9% discount for lack of control and lack of marketability		(0.296)	(0.325)
Value of HoldCo ordinary shares – minority interest basis	A	3.991	4.383
<b>HoldCo preference shares</b>			
Navitas value per share – controlling interest basis	20	5.600	6.150
Multiplied by % issued as HoldCo preference shares <sup>(3)</sup>		23.451%	23.451%
Value of HoldCo preference shares – no assumed discounts <sup>(4)</sup>	B	1.313	1.442
<b>Aggregate value of Scrip Consideration<sup>(2)</sup></b>	<b>A + B</b>	<b>5.304</b>	<b>5.825</b>

**Note:**

- 1 Rounding differences may exist.
- 2 Calculated on a per Navitas share equivalent basis, assuming a discount for minority and lack of marketability of no more than 6.9% is applied to the ordinary HoldCo shares and no discount is applied to HoldCo preference shares.
- 3 RMJ and AustralianSuper will receive 4.459 ordinary shares and 1.366 preference shares in HoldCo for each Navitas share exchanged (i.e. 4.459 / 5.825 and 1.366 / 5.825).
- 4 In our view, this represents the best case scenario as the preference shares should be considered to be quasi equity (for which a discount would ordinarily apply).

<sup>10</sup> The key material differences between the preference and ordinary shares are that the preference shares carry no voting rights, are entitled to an annual coupon (only) and rank ahead of ordinary shares on a liquidation.

<sup>11</sup> Which, in our view, represents the best case scenario as the preference shares should be considered to be quasi equity (for which a discount would ordinarily apply).

<sup>12</sup> The low and mid-point aggregate values are still below \$5.825 per Navitas share (on an equivalent basis).

The discount applied to the ordinary shares in the table above is well below the combined level of discounts generally applied to minority interests in privately held (i.e. unlisted) entities<sup>13</sup>. Accordingly, in our view, the market value of the HoldCo Shares to be issued to the Consortium Shareholders as Scrip Consideration (immediately post implementation of the Scheme) is no greater than \$5.825 per Navitas share (on an equivalent basis).

## Conclusion

- 30 Given the above analysis, we consider that the advantages of the Scheme outweigh the disadvantages. Consequently, in our view, the acquisition of Navitas shares by the Consortium under the Scheme is fair and reasonable and in the best interests of Navitas Shareholders in the absence of a superior proposal.

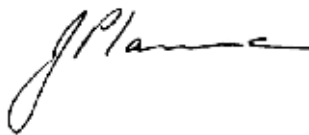
## General

- 31 In preparing this report we have considered the interests of Navitas Shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.
- 32 The impact of approving the Scheme on the tax position of Navitas Shareholders depends on the individual circumstances of each investor. Navitas Shareholders should read the Scheme Booklet and consult their own professional advisers if in doubt as to the taxation consequences of the Scheme.
- 33 The ultimate decision whether to approve the Scheme should be based on each Navitas Shareholder's assessment of their own circumstances. If Navitas Shareholders are in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice.
- 34 For our full opinion on the Scheme and the reasoning behind our opinion, we recommend that Navitas Shareholders read the remainder of our report.

Yours faithfully



Nathan Toscan  
Authorised Representative



Julie Planinic  
Authorised Representative

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<sup>13</sup> The minority interest discount associated with an assumed control premium of 30% to 35% is in the order of 23% to 26% (before the addition of any lack of marketability discount).

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## I Background, key terms and conditions of the Scheme

### Background

- 35 On 10 October 2018, Navitas announced that it had received an unsolicited, preliminary, conditional and non-binding proposal from a consortium comprising BGH, RMJ and AustralianSuper (Initial Consortium) to acquire, by way of a scheme of arrangement, all the fully paid ordinary shares in Navitas for cash consideration of \$5.50 per share (the Indicative Proposal)<sup>14</sup>.
- 36 After engagement with Navitas, the Indicative Proposal was essentially affirmed by the Initial Consortium at the price of \$5.50 per share. The Navitas board of Directors (Board) did not consider that the Indicative Proposal adequately reflected the value implied by management's strategy and plans, and therefore determined on 12 November 2018 not to grant the Initial Consortium access to due diligence.
- 37 On 15 January 2019, Navitas announced that the Initial Consortium had submitted a revised indicative, preliminary, non-binding and conditional proposal, contemplating increased cash consideration of \$5.825 per Navitas share (less the cash amount of any dividends subsequently paid) and certain amendments to other terms of its proposal<sup>15</sup> (Revised Indicative Proposal). Based upon the Revised Indicative Proposal the Navitas Board determined to grant exclusive due diligence to the Initial Consortium.

### Key terms

- 38 On 21 March 2019, Navitas Limited announced that it and BGH BidCo, an entity that will be owned by a consortium comprising BGH, the BGH Fund, RMJ, AustralianSuper, BCI, CPPIB, OTPP and Sinspec (together the Consortium), had entered into a Scheme Implementation Deed (the Agreement) pursuant to which BGH BidCo will acquire all the fully paid ordinary shares in Navitas.
- 39 The proposed acquisition of the shares is to be effected by way of a scheme of arrangement under Part 5.1 of the Corporations Act between Navitas and its shareholders (the Scheme) and is subject to a number of conditions precedent (as summarised in Section I of our report).
- 40 If the Scheme becomes legally effective and is implemented:
- (a) Navitas Shareholders, except for the Consortium Shareholders, will receive \$5.825 cash (Cash Scheme Consideration) for each Navitas share they hold on the Scheme Record Date (27 June 2019)

<sup>14</sup> The price under the Indicative Proposal was to be reduced by the value of any dividends or other distributions declared, proposed or paid after 9 October 2018. The Indicative Proposal was to also incorporate an alternative consideration option (available to all Navitas shareholders) comprising 50% cash and 50% scrip (in a newly formed unlisted company that would initially own Navitas).

<sup>15</sup> For example, the temporary conditional lifting of the restriction in BGH's agreement with RMJ and AustralianSuper which would prevent them from voting in favour of, or otherwise supporting a competing proposal, and removal of the broad based offer of "mixed consideration" to all Navitas shareholders.

- (b) Consortium Shareholders will receive some, or all of their Scheme consideration in the form of Scrip Consideration<sup>16</sup>, for the Navitas shares they hold on the Scheme Record Date (27 June 2019)<sup>17</sup>.

## Conditions

- 41 The Scheme is subject to the satisfaction of a number of conditions precedent, including the following which are outlined in the Agreement between Navitas and BGH BidCo dated 21 March 2019:
- (a) approval of the Scheme by the Court in accordance with s411(4)(b) of the Corporations Act
  - (b) Navitas shareholder approval by the requisite majorities under the Corporations Act at the Scheme Meetings
  - (c) no temporary, preliminary or final order, decision or decree issued by any court of competent jurisdiction or “Government Agency” (as defined in Schedule 1 of the Agreement) which restrains, prohibits, or otherwise materially adversely impacts upon the Scheme is in effect by 8.00am on the Second Court Date
  - (d) no “Prescribed Occurrence” (as set out in Schedule 5 of the Agreement) occurs in respect of Navitas between the date of the Agreement and 8.00am on the Second Court Date
  - (e) no “Material Adverse Change” (as defined in Schedule 1 of the Agreement) occurs or is announced or becomes known to BidCo between the date of the Agreement and 8.00am on the Second Court Date
  - (f) no “TEQSA<sup>18</sup> action” or “ASQA<sup>19</sup> action” (as defined in clause 3.1 of the Agreement) occurs before 8.00am on the Second Court Date
  - (g) the “Navitas Scheme Representations and Warranties” (as defined in Schedule 1 of the Agreement, and set out in paragraphs 1 to 8 of Schedule 3 of the Agreement) are true and correct in all material respects as at the date of the Agreement and 8.00am on the Second Court Date
  - (h) each of the counterparties to 24 agreed contracts (Specified Contracts) (to which there are 18 separate counterparties) has provided (as applicable and in the manner agreed between Navitas and the Bidder):
    - (i) written consent to any change of control or ownership of Navitas (or a subsidiary of Navitas) arising from the implementation of the Scheme, and such consent has

<sup>16</sup> Consortium Shareholders will receive 4.459 ordinary shares and 1.366 preference shares in HoldCo for each Navitas share held and exchanged for Scrip Consideration, and \$5.825 in cash for the balance of their Navitas shares.

<sup>17</sup> The Consortium Shareholders are offered the opportunity to elect to receive a mixture of Cash Scheme Consideration and Scrip Consideration, in such proportions as they specify in an election form to be submitted to Navitas at least three business days prior to the Scheme Meetings. If the Consortium Shareholders fail to make an election, they will receive Cash Scheme Consideration only. However, each of the Consortium Shareholders has made binding contractual commitments, in favour of the Consortium, to elect to receive the Scrip Consideration in prescribed proportions (RMJ is required to elect to receive the Scrip Consideration in respect of 53.2% of their Navitas shares, and AustralianSuper in respect of 99.8% of its Navitas shares).

<sup>18</sup> Tertiary Education Quality and Standards Agency.

<sup>19</sup> Australian Skill Quality Authority (ASQA).

not been withdrawn, cancelled or revoked before 8.00am on the Second Court Date

- (ii) written confirmation that it will not terminate the Specified Contract as a result of any change of control or ownership of Navitas (or a subsidiary of Navitas) arising from the implementation of the Scheme (and, where the contract provides for termination for convenience or on notice, will not terminate the Specified Contract for convenience or with notice prior to, or on, implementation of the Scheme) and such confirmation is not withdrawn, cancelled or revoked before 8.00am on the Second Court Date,

except that this condition will be deemed to be satisfied if the aggregate expected EBITDA contribution for FY19 from all Specified Contracts for which such consent or confirmation is not provided or is withdrawn, cancelled or revoked does not exceed \$6 million, and for any single Specified Contract for which such consent or confirmation is not provided or is withdrawn, cancelled or revoked does not exceed \$4 million

- (i) written approval, whether final or provisional, from the United States Accrediting Commission for Career Schools and Colleges, the California Bureau of Private Postsecondary Education<sup>20</sup> and the Florida Commission for Independent Education<sup>21</sup> (or written confirmation that approval is not required) on terms satisfactory to the Bidder (acting reasonably) in respect of the change of control arising from the implementation of the Scheme, and any such approval is not withdrawn, cancelled or revoked before 8.00am on the Second Court Date.

42 In addition, Navitas has agreed that until the earlier of 30 September 2019 and termination of the Agreement, it will not:

- (a) directly or indirectly solicit, initiate or invite enquiries, discussions or proposals in relation to, or which may reasonably be expected to lead to, a competing proposal
- (b) directly or indirectly participate in or continue any discussions or negotiations in relation to, or which may reasonably be expected to lead to, a competing proposal
- (c) communicate to any person any intention to do any of the things in (a) or (b)
- (d) solicit, initiate, facilitate or encourage any third party to undertake due diligence on Navitas or any related entity of Navitas (together, Navitas Group)
- (e) publicly recommend a competing proposal, and must not enter into any agreement, arrangement or understanding (whether or not in writing) to implement a competing proposal, subject to a mandatory matching right regime
- (f) make available or permit access to a third party for the purposes of that third party making, formulating, developing or finalising of, or assisting such third party to make, formulate, develop or finalise, a competing proposal:
  - (i) any non-public information relating to Navitas or any member of the Navitas Group

<sup>20</sup> In respect of Ex'pression Centre for New Media, Inc. trading as SAE Expression College and SAE Institute of Technology (San Francisco) Corp trading as SAE Institute of Technology only.

<sup>21</sup> In respect of SAE Institute of Technology (Miami) Corp trading as SAE Institute of Technology only.

- (ii) any premises used, leased, licenced or owned by the Navitas Group
- (iii) any officers or employees of the Navitas Group
- (iv) facilitate anything contemplated in (i), (ii) or (iii).

- 43 The exclusivity obligations do not apply in respect of a bona fide written competing proposal if Navitas has complied with the various obligations set out in the Agreement and the Navitas Board determines, acting in good faith:
- (a) based on written advice from its investment banking advisers, that the competing proposal is, or may reasonably be expected to lead to, a superior proposal<sup>22</sup>; and
  - (b) based on written advice from its external legal advisers, that compliance with exclusivity obligations would be reasonably likely to be contrary to the fiduciary or statutory duties of the Navitas Directors.
- 44 A break fee of \$15,651,094 is payable by Navitas to the Bidder, or by the Bidder to Navitas, in certain circumstances as specified in the Agreement.

### **Scheme resolutions**

- 45 As the Consortium Shareholders are being offered a form of consideration under the Scheme which is different to the consideration offered to the Navitas Shareholders, they will constitute a separate class of members for the purposes of voting on the Scheme. Accordingly, Navitas will request that the Court convene separate Scheme meetings (which are collectively referred to as the “Scheme Meetings”), being: the General Scheme Meeting; and the Consortium Shareholders Scheme Meeting.
- 46 Under the Corporations Act, the Scheme is approved if the resolutions approving the Scheme are passed by:
- (a) a majority in number of the Navitas Shareholders present and voting at the General Scheme Meeting (in person or by proxy), and by 75% of the votes cast on the resolution at that meeting
  - (b) a majority in number of the Consortium Shareholders present and voting at the Consortium Shareholders Scheme Meeting (in person or by proxy), and by 75% of the votes cast on the resolution at that meeting (noting that RMJ and AustralianSuper are required, by contractual commitments with the Consortium, to vote in favour of the Scheme, such that the Scheme resolution will be passed at the Consortium Shareholders Scheme Meeting on that basis).
- 47 If the resolutions are passed by the requisite majorities, Navitas must apply to the Court for orders approving the Scheme, and if that approval is given, lodge the orders with ASIC and do all things reasonably necessary to lawfully give effect to the Scheme. Once the Court approves the Scheme it will become binding on all Navitas shareholders who hold Navitas shares as at the Scheme Record Date, whether or not they voted for the Scheme (and even if they voted against the Scheme).

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<sup>22</sup> Subject to any potential breach of fiduciary duties, Navitas must notify the Bidder if it receives a superior competing proposal and give the Bidder five business days to match that competing proposal.

## II Scope of our report

### Purpose

- 48 The Scheme is to be effected pursuant to Part 5.1 of the Corporations Act, which governs schemes of arrangement. Part 3 of Schedule 8 of the Corporations Regulations prescribes information to be sent to shareholders in the explanatory statement in relation to a member's scheme of arrangement pursuant to s411 of the Corporations Act.
- 49 Paragraph 8303 of Schedule 8 of the Corporations Regulations provides that, where the other party to the transaction holds not less than 30% of the voting shares in the company the subject of the scheme, or where a director of the other party to the transaction is also a director of the company the subject of the scheme, the explanatory statement must be accompanied by an IER assessing whether the proposed scheme is in the best interests of shareholders and state reasons for that opinion.
- 50 In addition, when an IER is required for a scheme that involves a change of control of the company the subject of the scheme, RG 111 also requires the expert to opine on whether the proposal is "fair" and "reasonable" to shareholders of the company.
- 51 The Consortium currently holds less than 30% of the Navitas shares on issue<sup>23</sup> and has no representation on the Navitas Board<sup>24</sup>. Accordingly, there is no strict legal requirement under the Corporations Act or the Corporations Regulations for an IER in relation to the Scheme. However, it is a qualification to the Navitas Directors' recommendation of the Scheme that an independent expert concludes (and continues to conclude) that the Scheme is in the best interests of Navitas Shareholders.
- 52 Accordingly, the Directors of Navitas have requested that LEA prepare an IER stating whether the proposed acquisition of the shares in Navitas by the Consortium under the Scheme is fair and reasonable and in the best interests of Navitas Shareholders and the reasons for that opinion.
- 53 This report has been prepared by LEA for the benefit of Navitas Shareholders to assist them in considering the resolution to approve the Scheme. Our report will accompany the Notice of Meeting and Scheme Booklet to be sent to Navitas Shareholders. The sole purpose of our report is to determine whether, in our opinion, the Scheme is fair and reasonable and in the best interests of Navitas Shareholders.
- 54 For the avoidance of doubt, this IER does not separately opine on whether the Scheme is fair and reasonable and in the best interests of the Consortium Shareholders. This is because:
- (a) the Consortium Shareholders are members of the Consortium that formulated and proposed the Scheme. Further, each of the Consortium Shareholders has already made a binding contractual commitment (in favour of the Consortium) to:

<sup>23</sup> The Consortium has a relevant interest in 18.2% of Navitas' ordinary shares in aggregate, comprising the relevant interests of RMJ, AustralianSuper and CPPIB (who hold 12.6%, 5.4% and 0.2% of Navitas' ordinary shares respectively).

<sup>24</sup> Mr Jones retired from his Non-Executive Director position on 7 November 2018.

- (i) vote in favour of the Scheme
- (ii) elect to receive the Scrip Consideration in prescribed proportions<sup>25</sup>.

Accordingly, in LEA's view, the Consortium Shareholders have effectively already formed their decision as to the merits of the Scheme

- (b) the Consortium Shareholders are two discrete sophisticated or professional investors (as opposed to a larger and more varied mix of shareholders / investors)
- (c) the merits of the Cash Scheme Consideration (which is the default form of consideration that the Consortium Shareholders would receive if they did not make an election to receive Scrip Consideration) are already assessed within this IER; and
- (d) being sophisticated or professional investors, we consider the Consortium Shareholders to be capable of forming their own view as to the extent to which they elect to accept the Scrip Consideration (over the Cash Scheme Consideration).

- 55 The ultimate decision whether to approve the Scheme should be based on each Navitas Shareholder's assessment of their own circumstances. If in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice.

### Basis of assessment

- 56 In preparing our report we have given due consideration to the Regulatory Guides issued by ASIC including, in particular, RG 111.
- 57 RG 111 distinguishes "fair" from "reasonable" and considers:
- (a) the Scheme to be "fair" if the value of the consideration is equal to or greater than the value of the securities that are the subject of the Scheme. A comparison must be made assuming 100% ownership of the target company
  - (b) the Scheme to be "reasonable" if it is fair. The Scheme may also be "reasonable" if, despite not being "fair" but after considering other significant factors, there are sufficient reasons for shareholders to approve the Scheme in the absence of a superior proposal.
- 58 There is no legal definition of the expression "in the best interests". However, RG 111 states that a Scheme may be "*in the best interests of the members of the company*" if there are sufficient reasons for shareholders to vote in favour of the Scheme in the absence of a higher offer.
- 59 In our opinion, if the Scheme is "fair" and "reasonable" under RG 111 it must also be "in the best interests" of Navitas Shareholders.

<sup>25</sup> RMJ is required to elect to receive the Scrip Consideration in respect of 53.2% of its Navitas shares, and AustralianSuper in respect of 99.8% of its Navitas shares.



- 60 Our report has therefore considered:
- (a) the market value of 100% of Navitas
  - (b) the value of the consideration offered
  - (c) the extent to which (a) and (b) differ (in order to assess whether the Cash Scheme Consideration is fair under RG 111)
  - (d) the extent to which a control premium is being paid to Navitas Shareholders (measured based on the listed market price of Navitas shares prior to the speculation of a control transaction for the company)
  - (e) the extent to which Navitas Shareholders are being paid a share of any synergies likely to be generated pursuant to the potential transaction
  - (f) the listed market price of the shares in Navitas, both prior to and subsequent to the announcement of the proposed Scheme
  - (g) the likely market price of Navitas securities if the proposed Scheme is not approved
  - (h) the value of Navitas to an alternative offeror and the likelihood of a superior proposal being made for Navitas prior to the date of the Scheme meeting
  - (i) the advantages and disadvantages of the Scheme from the perspective of Navitas Shareholders; and
  - (j) other qualitative and strategic issues associated with the Scheme.

### **Limitations and reliance on information**

- 61 Our opinions are based on the economic, share market, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.
- 62 Our report is also based upon financial and other information provided by Navitas and its advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.
- 63 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Scheme from the perspective of Navitas Shareholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, “due diligence” of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.
- 64 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters. Further, this report and the opinions therein, must be considered as a whole. Selecting

specific sections or opinions without context or considering all factors together, could create a misleading or incorrect view or opinion. This report is a result of a complex valuation process that does not lend itself to a partial analysis or summary.

- 65 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 66 We in no way guarantee the achievability of any budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.
- 67 In forming our opinion, we have also assumed that:
- (a) the information set out in the Scheme Booklet is complete, accurate and fairly presented in all material respects
  - (b) if the Scheme becomes legally effective, it will be implemented in accordance with the terms set out in the Agreement and the terms of the Scheme itself.



### III Profile of Navitas

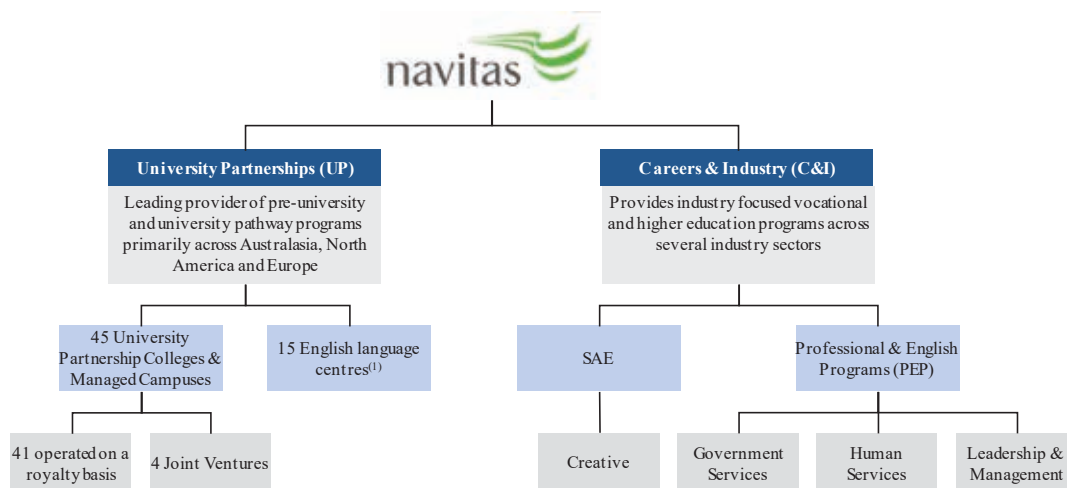
#### Overview

- 68 Navitas is a leading global education provider that offers an extensive range of educational services through two main reporting divisions (University Partnerships (UP) and Careers & Industry (C&I)) to students and professionals including university pathway programs, creative media education, professional education and English language training and settlement services. Navitas operates more than 120 colleges and campuses which are spread across 33 countries but are primarily located in Australia, the US, Canada, the UK and Continental Europe.

#### Current operations

- 69 Navitas operates from a Perth head office and employs approximately 7,000 staff globally. A diagrammatic overview of Navitas' operations (which comprise two main reporting divisions) is set out below:

#### Navitas – operations

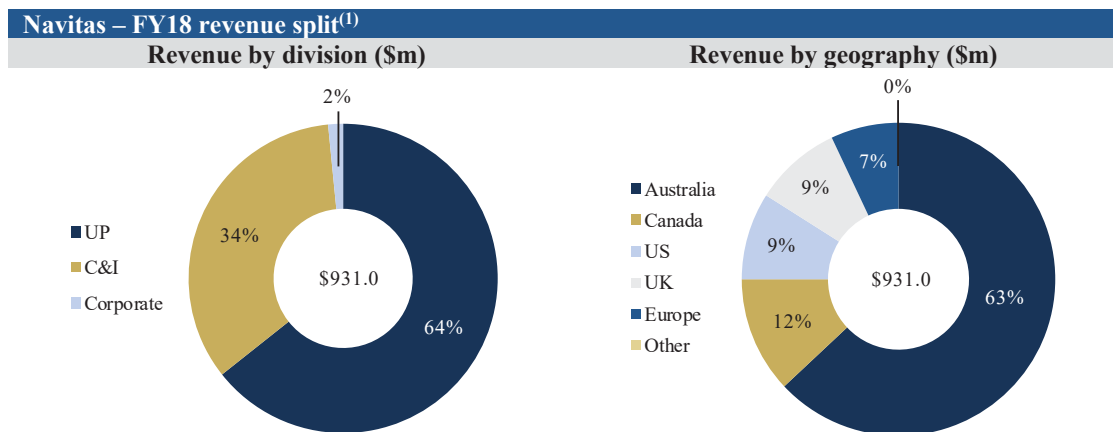


**Note:**

<sup>1</sup> Includes eight standalone English language centres and seven which are embedded in UP colleges.

**Source:** Navitas.

- 70 The split of Navitas revenue for the year ended 30 June 2018 (FY18) by division and geography was as follows:



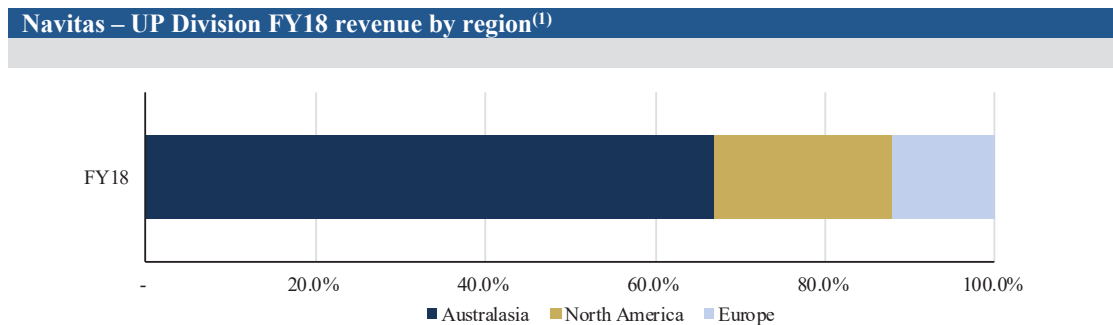
**Note:**

1 FY18 revenue includes interest income of \$1.287 million (which for the divisional splits has been allocated to Corporate).

**Source:** Navitas.

## UP Division

- 71 The UP Division is a leading provider of pre-university and university pathway programs to international (and in some cases domestic) students. It also operates 15 English language centres across Australia (12), Singapore (1) and New Zealand (2). Of the 15 English language centres, eight operate on a standalone basis and seven are embedded within UP division colleges.
- 72 Navitas combines both aspects of the UP Division for financial reporting purposes. The chart below sets out the breakdown of the UP Division's FY18 revenue by geographic region:



**Note:**

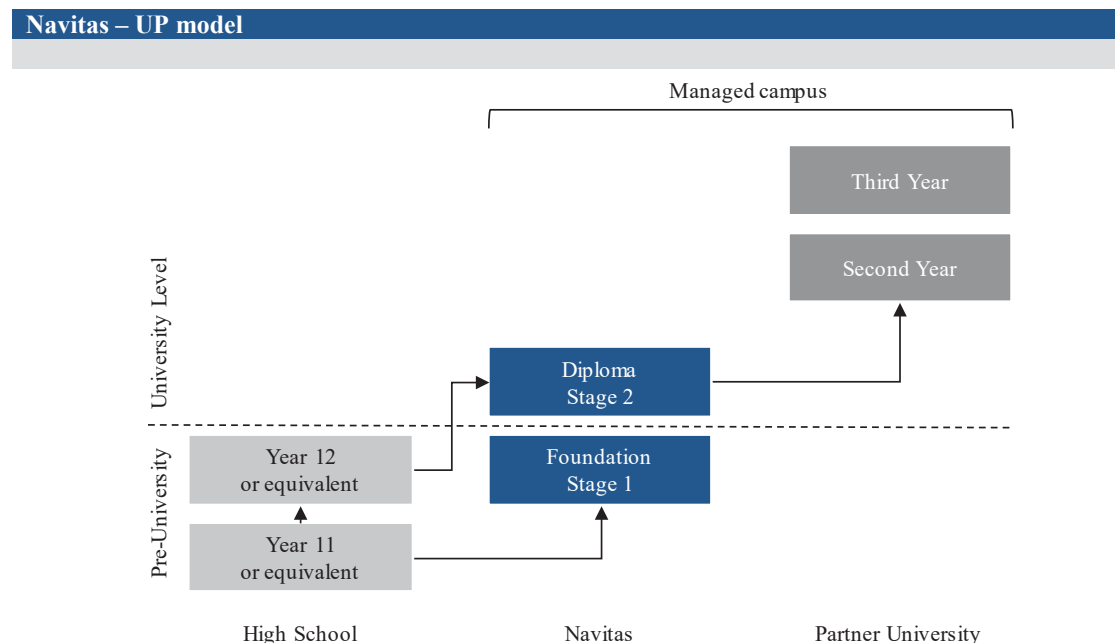
1 Based on continuing operations and includes UPs and Navitas' English language centre operations.

**Source:** Navitas.

## Pathway programs

- 73 Navitas' programs are offered to students in association with a partner university via on-campus colleges and are delivered across both undergraduate and postgraduate levels. The pathway program model provides pre- and first-year university courses to international students who do not qualify for direct entry to partner universities due to either language or academic record. Some Australian and UK colleges also admit domestic students who do not gain direct entry to Navitas' partner universities. On completion of the Navitas' program,

students become eligible for direct entry into second and third year programs at partner universities, or Masters level programs for postgraduate students.



Source: Navitas.

- 74 Navitas currently operates 45 UP colleges across Australasia, the US, Canada, UK and Europe (it has a leading market share in the Australian and Canadian pathway sectors, with a smaller market share in the UK and US):

Navitas – UP locations <sup>(1)(2)</sup>							
	Australia <sup>(2)</sup>	Australasia	US	Canada	UK	Europe	Total
Total partnerships	16	5	9	2	10	3	45
Royalty model	13	5	9	2	9	3	41
Joint venture	3	-	-	-	1	-	4

Examples



**Note:**

- 1 International School Twente (Netherlands), The Hague University of Applied Science (Netherlands), James Cook University (Australia), Lancaster University (Germany) and Queens College of The City University of New York (US) are pending initial launch.
- 2 Two of the UPs in Australia relate to the English Language and Testing Centres partnered with University of Melbourne (Hawthorn College) and Charles Darwin University (CDU English).

Source: Navitas.

- 75 Included in the above, are a number of new partners that Navitas has signed in recent years, details of which are set out below (it also has a pipeline of additional UPs which it expects to contract in the near term):

Navitas – new partners					
Name	Country	FY16	FY17	FY18	FY19
WSUIC <sup>(1)</sup>	Australia	✓			
University of Idaho	US		✓		
The Murdoch University (Dubai)	Dubai			✓	
Richard Bland College	US			✓	
Virginia Commonwealth University	US			✓	
Hague University <sup>(1)</sup>	Netherlands				✓
International School Twente	Netherlands				✓
James Cook University	Australia				✓
Lancaster University <sup>(2)</sup>	Germany				✓
Leicester University	UK				✓
Queens College CUNY <sup>(1)</sup>	US				✓
Total new signed partners		1	1	3	6

**Note:**

1 Western Sydney University International College (WSUIC), The Hague University of Applied Sciences (Hague University), Queens College of The City University of New York (Queens College CUNY).

2 Managed campus to be developed in Leipzig, Germany.

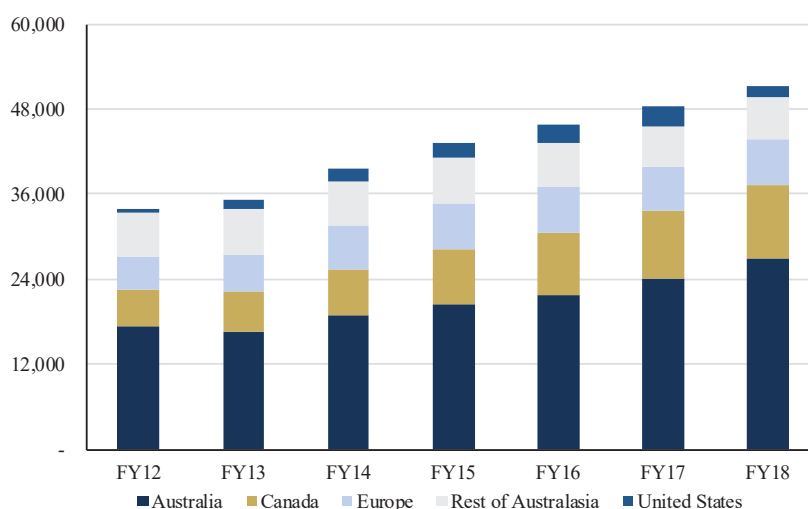
**Source:** Navitas.

- 76 The majority of Navitas' UPs (39) are wholly owned by Navitas (and two are majority owned) and are operated under a royalty model where Navitas independently operates the pathway programs and in return, provides royalty payments to the partnership university for use of facilities, services, utilities, co-branding and intellectual property. Navitas' contracts with its UPs are fixed term arrangements which expire unless renewed. Navitas has a strong record of contract renewal, competing successfully to retain all but one of its major contracts since 1994. Navitas successfully renewed six UP contracts during FY18 and a further four during the eight months to February 2019.
- 77 Navitas also operates four Joint Venture (JVs) UPs which are treated as equity accounted investments for financial reporting purposes. Navitas charges the JVs a service fee for the provision of marketing, staff and other services however no royalties are paid to the partner university. Three of the JV UPs are located in Australia (Edith Cowan College (ECC)<sup>26</sup>, University of Canberra College (UCC) and WSUIC) with the fourth being a newly established JV (in FY18) with Swansea University in Wales<sup>27</sup>.
- 78 The number of equivalent full time student units (EFTSU) enrolled at Navitas' UPs has increased over recent periods due to a combination of enrolment growth and a number of new contract wins:

<sup>26</sup> ECC was converted from the royalty model to a JV during FY17.

<sup>27</sup> This was formerly a 100% owned UP college, International College Wales Limited (ICWS) which was converted to a JV structure during FY18 and renamed The College, Swansea University (Swansea JV).

**Navitas – UP EFTSU<sup>(1)</sup>**



**Note:**

1 Excludes discontinued UPs and Navitas' English language centre operations.

**Source:** Navitas.

- 79 The UP Division continued to achieve high quality outcomes in FY18, with an increase in average pass rates to 84% and an average progression to a partner university rate of 94%. In addition, Navitas' UPs experience high levels of student retention between semesters, with retention increasing to 90% in FY18.

**Navitas – UP student outcomes<sup>(1)</sup>**

	FY15	FY16	FY17	FY18
	%	%	%	%
Pass rate	80	80	82	84
Retention	85	85	87	90
Progression to partner university	90	90	94	94

**Note:**

1 Excludes Navitas' English Language Centre operations.

- 80 High level student outcomes are important factors in driving enrolments and in-turn maximising the utilisation of capacity within and profitability of the UP colleges.

**English language centres**

- 81 Navitas' English language centres provide a range of English Language Intensive Courses for Overseas Students (ELICOS), with 15 locations across Australia (12), Singapore (1) and New Zealand (2). Also provided, often alongside the English language delivery, are testing operations, located throughout Australia.

Navitas – English language centres			
	ELICOS	Testing	Embedded into UP College
<b>Australia</b>			
Sydney, Hyde Park (Navitas English)	✓	-	-
Sydney, Manly Beach (Navitas English)	✓	✓	-
Melbourne (Hawthorn Melbourne) <sup>(1)</sup>	✓	✓	-
Brisbane (Navitas English)	✓	✓	-
Adelaide (Eynesbury)	-	✓	✓
Adelaide (CELUSA)	✓	✓	✓
Perth (Navitas English)	✓	✓	-
Perth – North Metropolitan TAFE (Navitas English)	✓	-	-
Darwin (Navitas English) <sup>(1)</sup>	✓	✓	-
Perth (ECC)	✓	✓	✓
Canberra (UCC)	✓	✓	✓
Melbourne (LTCA) <sup>(2)</sup>	✓	✓	✓
<b>International</b>			
Singapore (Curtin Singapore)	✓	-	✓
Auckland (CCEL) <sup>(2)</sup>	✓	-	-
Christchurch (CCEL) <sup>(2)</sup>	✓	✓	✓

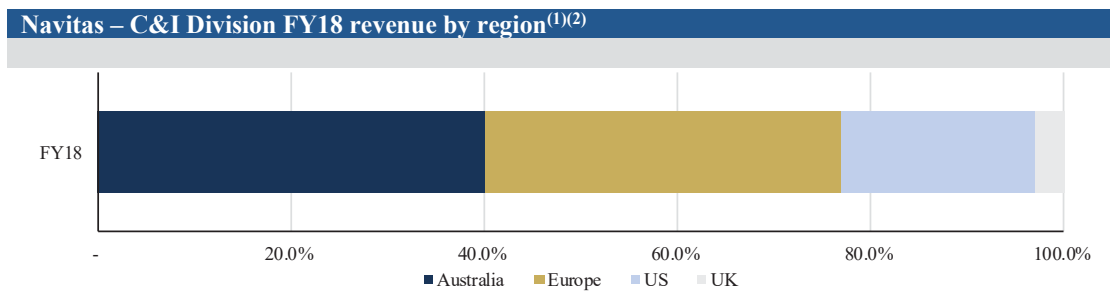
**Note:**

- 1 Navitas' ELICOS and testing centres at Hawthorn and Darwin, which are partnered with University of Melbourne and Charles Darwin University respectively, account for two of Navitas' 16 UPs in Australia.
- 2 La Trobe College Australia, Christchurch College of English.

- 82 Some Navitas ELICOS centres are embedded within UP colleges and work in conjunction with their pathway programs. Other locations (such as Hawthorn Melbourne, CCEL Auckland and the Navitas English branded centres), also generally provide a pathway for students to tertiary institutions, but operate on a standalone basis.
- 83 The testing operations deliver a range of internationally recognised examinations including Pearson Test of English-Academic, Cambridge English Language Assessments, International English Language Testing System (IELTS) and the Occupational English Test.

**C&I Division**

- 84 The C&I Division provides industry focused vocational and higher education programs across the Creative, Government Services & Employment, Human Services and Leadership & Management segments. The chart below sets out the breakdown of the C&I Division's FY18 revenue by geographic region:



**Note:**

1 Based on continuing operations.

2 Navitas' Professional & English Programs (PEP) operations are all located within Australia.

**Source:** Navitas.

- 85 For financial reporting purposes, Navitas categorises the segments into two categories – School of Audio Engineering (SAE) and PEP.

Navitas – C&I Division <sup>(1)(2)</sup>			
C&I			
SAE	PEP		
64% FY18 C&I revenue <sup>(2)</sup>	36% FY18 C&I revenue <sup>(2)</sup>		
Creative	Government Services & Employment	Human Services	Leadership & Management
<ul style="list-style-type: none"> <li>&gt;1,100 Staff</li> <li>47 campuses</li> <li>10,000 students</li> </ul>	<ul style="list-style-type: none"> <li>450 staff</li> <li>&gt; 30 sites</li> <li>13,000 clients</li> </ul>	<ul style="list-style-type: none"> <li>200 staff</li> <li>4 colleges</li> <li>&gt;3,500 students</li> </ul>	<ul style="list-style-type: none"> <li>100 staff</li> <li>Largely online</li> <li>&gt;5,000 clients</li> </ul>

**Note:**

1 Excludes the Health Skills Australia (HSA) operations which were divested (during 1H19) as a part of the Company's rationalisation of the C&I Division.

2 Based on continuing operations.

**Source:** Navitas.

- 86 A brief overview of each of the segments follows:

- (a) **Creative** – a range of education programs delivered via the SAE chain of creative media colleges across several major fields of study including audio, film, animation, gaming, cross-media, design and web. SAE is one of the world's largest creative media education companies with 47 campuses over 24 countries<sup>28</sup>

<sup>28</sup> The SAE business (formerly School of Audio Engineering) was acquired by Navitas in early 2011 for \$294.3 million, however, it has undergone a significant restructure post-acquisition including the closure of various locations. It should also be noted that the carrying value of goodwill was impaired by \$25.9 million in FY18.

- (b) **Government Services & Employment** – delivers the Australian Government’s Adult Migrant English Program (AMEP), which provides English language tuition to eligible migrants and humanitarian entrants to help them learn foundation English language and settlement skills. Navitas is contracted to deliver services in the following regions<sup>29</sup>: Sydney South West; the Illawarra South Coast; the Australian Capital Territory; and North and North West Tasmania. Navitas also delivers the Federal Government’s Skills for Education and Employment (SEE) program, which provides language, literacy and numeracy training to eligible job seekers, to help them to participate more effectively in training or in the labour force. Navitas is contracted to deliver the SEE programs in Sydney region (East Metro, Greater West, North and West and South West)
- (c) **Human Services** – established for over 36 years, human services delivers education through industry accredited Diploma, Bachelors and Masters Degrees. These are in the fields of psychology, counselling, social work, criminology and community services throughout Australia via the Australian College of Applied Psychology (ACAP)
- (d) **Leadership & Management** – management and leadership education courses which are delivered by the Australian School of Applied Management (ASAM). In FY18, Navitas increased its ownership interest in ASAM from 30% to 90% for consideration of \$7.295 million (and as a result, ASAM is now a controlled entity and is consolidated for financial reporting purposes). Navitas also provides professional development courses for teachers via the National Excellence in School Leadership Initiative.

87 All colleges and campuses across the C&I Division are industry orientated with a focus on the delivery of strong employment outcomes and with curricula that are fully owned and developed by Navitas. The C&I Division provides services mostly to domestic students and operates across multiple regions including the UK, US and Europe, although most of its operations are in Australia.

88 In FY18, Navitas undertook a review of the C&I Division and commenced a rationalisation of the C&I portfolio. To date, the rationalisation program has included:

- (a) closure of SAE colleges located in Los Angeles and San Jose in the US
- (b) completion of the sale of HSA to Holmesglen and Queensland TAFE as changes to the vocational education funding rules in Australia impacted the economic viability of the business
- (c) commencement of the closure of the SAE Oxford College in the UK
- (d) conversion of SAE Indonesia into a licensed operation (i.e. from a wholly owned campus to one where Navitas collects a licence fee)
- (e) appointment of advisers to market the six SAE colleges in the US which have experienced challenging operating conditions in recent periods due to, inter alia, long lead times and high compliance costs associated with accreditation at state and national levels and high administrative costs for student financial aid and graduate employment programs.

<sup>29</sup> Other regions in Australia are contracted to other providers. The number of regions held by Navitas were reduced by approximately two thirds from 1 July 2017.



## Financial performance

89 The financial performance of Navitas for the three years ended 30 June 2018 and six months to 31 December 2018 is set out below:

Navitas – statement of financial performance <sup>(1)</sup>				
	FY16 Audited \$m	FY17 Audited \$m	FY18 Audited \$m	1HY19 <sup>(2)</sup> Reviewed \$m
<b>Revenue from continuing operations<sup>(3)</sup></b>				
UP	561.9	548.0	598.9	315.0
SAE	184.8	186.8	203.4	104.8
PEP	113.1	119.9	114.1	49.6
Corporate unallocated and eliminations	4.6	4.3	13.2	2.8
<b>Total revenue from continuing operations<sup>(3)</sup></b>	<b>864.4</b>	<b>859.1</b>	<b>929.7</b>	<b>472.2</b>
Revenue from discontinued operations <sup>(4)</sup>	144.0	94.4	-	4.4
<b>Total revenue</b>	<b>1,008.4</b>	<b>953.5</b>	<b>929.7</b>	<b>476.5</b>
<b>EBITDA from continuing operations<sup>(3)</sup></b>				
UP	109.1	120.5	132.1	67.2
SAE	29.3	32.0	27.2	18.4
PEP	23.7	19.6	18.4	6.3
Unallocated corporate costs	(36.2)	(37.2)	(35.7)	(19.4)
<b>EBITDA from continuing operations<sup>(3)</sup></b>	<b>125.8</b>	<b>134.9</b>	<b>142.0</b>	<b>72.5</b>
EBITDA from discontinued operations <sup>(4)</sup>	38.8	20.2	(60.1)	(8.8)
<b>Total EBITDA (pre-significant items)</b>	<b>164.6</b>	<b>155.0</b>	<b>82.0</b>	<b>63.7</b>
Depreciation and amortisation	(31.5)	(32.9)	(32.1)	(13.7)
Significant items <sup>(5)</sup>	-	14.3	(48.8)	(13.8)
Net finance charges	(4.0)	(5.8)	(7.9)	(3.3)
Equity accounted investments	(1.0)	0.3	1.6	0.6
<b>Profit before tax</b>	<b>128.1</b>	<b>130.9</b>	<b>(5.3)</b>	<b>33.5</b>
Tax	(37.3)	(50.1)	(50.0)	(12.1)
<b>Profit after tax</b>	<b>90.8</b>	<b>80.9</b>	<b>(55.3)</b>	<b>21.4</b>
Profit after tax attributable to:				
Navitas shareholders	90.1	80.3	(55.8)	21.4
Outside equity interests	0.7	0.5	0.5	0.0
<b>Total</b>	<b>90.8</b>	<b>80.9</b>	<b>(55.3)</b>	<b>21.4</b>

**Note:**

- 1 Rounding differences may exist.
  - 2 It should be noted that Navitas' financial results are historically second half weighted due to the Australasian student intake levels being at their greatest in the first part of the calendar year (i.e. the commencement of the academic year).
  - 3 Continuing operations exclude contributions from closed UPs (e.g. Macquarie and Curtin), SAE closed colleges (e.g. Los Angeles and San Jose) and closure costs, AMEP contributions from regions no longer under contract and contributions from the HSA business which has been sold. SAE operations in the US are included in continuing operations despite the company having appointed advisers to sell the business. The financial performance figures for continuing operations may differ to those previously disclosed by Navitas due to additional adjustments which have retrospectively been made to enable a better like-with-like comparison across all periods.
  - 4 Discontinued items include those reported by Navitas management together with additional adjustments which have been retrospectively applied to prior years to enable a like-with-like comparison across all periods.
  - 5 Significant items (not already included in discontinued operations) are as follows:
- |                             |   |      |        |        |
|-----------------------------|---|------|--------|--------|
| Non-operating gain / (loss) | - | 14.3 | 4.9    | -      |
| Impairments                 | - | -    | (53.8) | -      |
| Consortium proposal costs   | - | -    | -      | (13.8) |
| Total significant items     | - | 14.3 | (48.8) | (13.8) |

- 90 Set out below is a brief summary of the key highlights of Navitas' financial performance in FY17, FY18 and 1H19:

**UP Division**

- FY17 – revenue from continuing operations marginally increased in FY17. The US and UK sectors remained challenging during FY17 (demand was strong but enrolments were lower following uncertainty caused by the Brexit<sup>30</sup> vote in the UK and a highly restrictive immigration policy in the US). EBITDA for the period improved by a greater extent following an improvement in underlying EBITDA margins. Operating structure of the UP college model was optimised with the development of three global shared service centres for Finance, information technology (IT) and human resources services centres. Two new UP contracts were signed, both in the US<sup>31</sup>, while ECC was converted to a JV structure
- FY18 – revenue and EBITDA from continuing operations increased in the period, primarily driven by an increase in overall enrolments due to continued demand for quality education opportunities by international students<sup>32</sup>
- 1H19 – revenue from continuing operations increased from the prior corresponding period (pcp) primarily as a result of continued growth in enrolment numbers<sup>33</sup>. EBITDA increased by a lesser extent as margins were impacted by startup costs

<sup>30</sup> Being the UK referendum of 23 June 2016, when 51.9% of UK voters chose to leave the EU.

<sup>31</sup> University of Idaho (US) and Richard Bland College (US).

<sup>32</sup> Australia's Simplified Student Visa Framework (SSVF) continued to support growth as did Canada's supportive international student visa regime. The US and UK sectors remained challenging during FY18 though there was some improvement in the UK in the lead up to Brexit. Sector wide enrolments in the US continued to decline under highly restrictive immigration policies.

<sup>33</sup> Enrolments were strong in the UK (up 16%) and in North America (up 7%) primarily due to demand in Canada. Australian and New Zealand enrolments grew by 2% while student numbers across the rest of the world were down 4%.

associated with a number of new colleges which had no revenue contribution<sup>34</sup>, investment in sales transformation programs (e.g. new direct sales channel) and additional teaching staff to improve student outcomes. Three new UP contracts were signed (two in the Netherlands, one in Australia).

## SAE

- FY17 – revenue from continuing operations achieved minimal growth, primarily as a result of difficult conditions in its European campuses and adverse foreign exchange movements. Changes to Australia’s vocational education funding regime also impacted enrolments, as did ongoing reforms to national accreditation in the US. Commenced construction of a new campus in Hanover, Germany and relocated a number of campuses, including Sydney and Berlin, to allow for greater growth. Acquired a small creative media education business in Vancouver to enter the growing Canadian creative media education sector. EBITDA increased by a higher percent due to improvements in underlying EBITDA margins
- FY18 – reported limited growth in revenue from its continuing operations. EBITDA for the period decreased as margins declined due to the poor performance of the SAE operations in the US which contributed \$60.2 million in revenue and incurred a \$2.9 million EBITDA loss prior to C&I rationalisation adjustments
- 1H19 – revenue from continuing operations increased, driven by improved enrolments (which is in part due to the closure of a number of direct competitors to SAE’s US business). EBITDA increased by a greater extent as margins improved following the decision to rationalise the US business.

## PEP

- FY17 – revenue from continuing operations increased, primarily as a result of AMEP’s one-off increase arising from the Federal Government’s special intake of Syrian migrants. This was partially offset by changes to Australia’s vocational education funding regime which negatively impacted enrolments. EBITDA for the period decline due to a reduction in underlying EBITDA margins
- FY18 – revenue and EBITDA from continuing operations declined. EBITDA from AMEP reduced year on year by \$14.0 million due to the reduced number of contract regions, albeit this was partially offset by the one-off benefit arising from the Federal Government’s special intake of Syrian migrants. FY18 was also impacted by lower enrolments at ACAP and HSA due to the effect of restricted vocational education funding
- 1H19 – reported a decline in revenue from continuing operations predominately as a result of AMEP’s 1H18 revenue including a one-off benefit arising from the Federal Government’s special intake of Syrian migrants. EBITDA decreased by a similar extent as EBITDA margins remained relatively flat.

<sup>34</sup> The Murdoch University (Dubai), Hague University, International School Twente (Netherlands), University of Idaho, Richard Bland College and Virginia Commonwealth University (US).

## Outlook

- 91 During 1H19, Navitas provided the market with a number of investor presentations<sup>35</sup> which outlined (in detail) management's reasoning as to why in its view, the growth outlook for the Company is very strong. In summary, Navitas considers that:
- (a) the underlying fundamentals of the global higher education industry remain supportive for strong continued growth in the business (e.g. demographic trends in Navitas' traditional recruitment strongholds in China, India and South East Asian countries continue to favour growth in international education as these economies continue to experience middle-income growth, which stimulates demand for international education)
  - (b) the Company has implemented various initiatives (e.g. new leadership team, new UP colleges, refocused C&I Division) that will position Navitas to be able to deliver significant earnings growth.
- 92 Management's short-to-medium term forecast earnings for the Company, as outlined in the CEO Presentation at the Navitas annual general meeting (AGM), are as follows (based upon continuing operations and including its share of EBITDA from JVs):
- (a) FY19 – EBITDA of between \$148 million and \$153 million
  - (b) FY20 – EBITDA of between \$165 million and \$175 million
  - (c) FY21 – EBITDA of \$200 million.
- 93 Navitas management also provided a longer term target to exceed \$250 million in EBITDA in FY23.
- 94 On 5 February 2019, Navitas' Managing Director and Group CEO, Mr David Buckingham (Mr Buckingham), noted that the Company was on track to achieve the abovementioned FY19 EBITDA<sup>36</sup> guidance of \$148 million to \$153 million issued at the recent AGM.
- 95 Further information on Navitas' management FY19 to FY21 forecasts and FY23 target (and the assumptions that underpin them) are discussed within our DCF valuation of the Company in Section VI.

<sup>35</sup> Navitas Investor Day Presentation dated 21 September 2018, Business Outlook Presentation dated 13 November 2018 and CEO Presentation at the Navitas AGM dated 15 November 2018.

<sup>36</sup> Includes Navitas' share of EBITDA from JVs.

## Financial position

96 The financial position of Navitas as at 30 June 2018 and 31 December 2018 is set out below:

Navitas – statement of financial position <sup>(1)</sup>		
	30 Jun 18 Audited \$m	31 Dec 18 Reviewed \$m
Cash and cash equivalents	81.9	87.8
Trade and other receivables	123.9	90.6
Current tax receivable	3.3	13.6
Prepayments and other assets	34.4	30.8
<b>Current assets</b>	<b>243.5</b>	<b>222.7</b>
Property, plant and equipment	140.3	141.6
Deferred tax assets	16.4	19.5
Equity accounted investments	25.9	25.6
Intangible assets	400.6	402.2
Other financial assets <sup>(2)</sup>	3.6	4.1
<b>Non-current assets</b>	<b>586.8</b>	<b>593.0</b>
<b>Total assets</b>	<b>830.3</b>	<b>815.8</b>
Trade and other payables	129.6	152.9
Deferred revenue	278.5	262.8
Borrowings	3.3	3.3
Provisions	22.5	16.7
<b>Current liabilities</b>	<b>433.9</b>	<b>435.8</b>
Trade and other payables	44.7	41.5
Borrowings	280.5	291.9
Provisions	42.4	30.3
<b>Non-current liabilities</b>	<b>367.6</b>	<b>363.6</b>
<b>Total liabilities</b>	<b>801.5</b>	<b>799.3</b>
<b>Net assets</b>	<b>28.8</b>	<b>16.4</b>
<b>Net assets attributable to outside equity interests</b>	<b>0.9</b>	<b>0.4</b>
<b>Net assets attributable to Navitas shareholders</b>	<b>27.9</b>	<b>16.0</b>

**Note:**

1 Rounding differences may exist.

2 Other financial assets relate to minor investments made by Navitas and loans to JV's.

97 In respect of the above, we note that:

- (a) **Property, plant and equipment** – predominately represents leasehold improvements, office and classroom fit outs and furniture, and equipment, which are carried at historic cost, less accumulated depreciation. It should be noted that the Company has entered into finance leases in respect of some of its plant and equipment (leased assets are pledged as security for the related finance lease, refer below):

Navitas – property, plant and equipment <sup>(1)</sup>		
	30 Jun 18	31 Dec 18
	\$m	\$m
Plant and equipment	57.1	61.4
Leasehold improvements	83.3	80.2
<b>Property, plant and equipment</b>	<b>140.3</b>	<b>141.6</b>

**Note:**

1 Rounding differences may exist.

**Source:** Navitas.

- (b) **Equity accounted investments** – equity accounted investments relate to the four JV UPs (refer paragraphs 74 and 77). Navitas' ownership interest in each of the JVs is as follows:

Navitas – equity accounted investments		
	Ownership interest	
	30 Jun 18	31 Dec 18
	%	%
ECC	50.0	50.0
Swansea JV	50.0	50.0
UCC <sup>(1)</sup>	51.0	51.0
WSUIC	50.0	50.0

**Note:**

1 Although Navitas has an economic interest of 51%, the entity is jointly controlled in accordance with the provisions of the Shareholders' Agreement.

**Source:** Navitas.

- (c) **Intangible assets** – the majority of Navitas' intangible assets including goodwill and brand names relate to acquisitions. Goodwill is tested annually for impairment using the value in use method (as at 30 June 2018, a pre-tax discount rate of 12.3% was adopted for impairment testing purposes for the SAE division and 11.4% for the UP and PEP divisions). The composition of Navitas' intangible assets is shown below:

Navitas – intangible assets <sup>(1)</sup>		
	30 Jun 18	31 Dec 18
	\$m	\$m
SAE	131.8	133.4
English and Foundation Skills	31.9	31.9
ELICOS	13.7	13.7
Curtin College	13.1	13.1
ASAM	12.9	12.9
Deakin College	11.7	11.7
ACAP	10.8	10.8
Griffith College	10.0	10.0
Other	21.2	21.6
Total goodwill	257.1	259.1
Brand names	136.0	136.0
Other intangible assets	7.4	7.1
<b>Intangible assets</b>	<b>400.6</b>	<b>402.2</b>

**Note:**

1 Rounding differences may exist.

**Source:** Navitas.

- (d) **Deferred revenue** – where income (e.g. course fees) is received in advance of the provision of service (i.e. the course) the full amount is recognised as deferred revenue. Revenue is then recognised when the stage of completion can be reliably measured
- (e) **Net debt** – Navitas' net debt as at 30 June 2018 and 31 December 2018 was as follows:

<b>Navitas – net debt (excluding derivatives)<sup>(1)</sup></b>		
	<b>30 Jun 18</b>	<b>31 Dec 18</b>
	<b>\$m</b>	<b>\$m</b>
Cash and cash equivalents	(81.9)	(87.8)
Current finance lease liabilities (secured) <sup>(2)</sup>	3.3	3.3
Non-current finance lease liabilities (secured) <sup>(2)</sup>	18.3	16.7
Long term borrowings	262.1	275.2
Net debt (reported)	201.9	207.4
Add back restricted cash (that is reported as part of cash) <sup>(3)</sup>	47.7	47.2
Net debt (including allowance for restricted cash)	249.6	254.6

**Note:**

1 Rounding differences may exist.

2 Navitas has (secured) sale and lease arrangements relating to the financing of its fit-out of leased premises.

3 In Australia, Navitas is required to maintain separate bank accounts for funds received from international students prior to commencement of their course (i.e. prepaid fees). These funds are held in separate bank accounts until the student commences the course, at which point the funds may be used to settle normal obligations of the Company.

**Source:** Navitas.

Navitas has a series of five year multi-currency bilateral revolving credit facilities totalling \$400 million. Of this facility \$40 million expires in December 2019, \$100 million expires in December 2020, \$75 million expires in December 2022 and \$185 million expires in December 2023. As at 30 June 2018 and 31 December 2018, Navitas had unutilised facilities of \$74.7 million and \$65.4 respectively:

<b>Navitas – long-term credit facilities</b>		
	<b>30 Jun 18</b>	<b>31 Dec 18</b>
	<b>\$m</b>	<b>\$m</b>
Rental and performance guarantees	63.1	59.4
Long term borrowings	262.1	275.2
Total drawn	325.3	334.6
Total facilities	400.0	400.0
Unutilised facilities	74.7	65.4

**Source:** Navitas.

Navitas utilises variable to fixed interest rate swap contracts (i.e. derivative financial instruments) to partially hedge (i.e. reduce) its variable interest rate exposure

- (f) **Outside equity interests** – the consolidated statement of financial position includes the assets and liabilities of a number of entities that Navitas controls but does not own 100%. The operations in which there is an outside equity interest (OEI) are as follows: ASAM (10%), Navitas' ACBT UP in Sri Lanka (25%), Navitas' UP with Curtin Singapore (10%), and Learning Information Systems Pty Ltd trading as StudyLink (15%).

## Share capital and performance

- 98 Navitas has 358.3 million fully paid ordinary shares on issue. The Company has no outstanding options or performance rights on issue<sup>37</sup>.

### Significant shareholders

- 99 As at 9 October 2018<sup>38</sup>, there were five substantial shareholders in Navitas. The substantial shareholders of Navitas (based upon ASX disclosures) are as follows:

Navitas – substantial shareholders		
Shareholder	Shares held	
	Million	% interest
RMJ <sup>(1)</sup>	45.1	12.6
Schroder Investment Management Australia Limited <sup>(1)</sup>	29.4	8.2
Allan Gray Australia Pty Ltd <sup>(1)</sup>	26.1	7.3
Dr Peter D Larsen <sup>(1)</sup>	23.4	6.5
AustralianSuper <sup>(2)</sup>	19.3	5.4

**Note:**

- 1 Navitas Annual Report 2018.  
2 Inferred based upon the Indicative Proposal which indicated that AustralianSuper held 5.4%.

### Share price performance

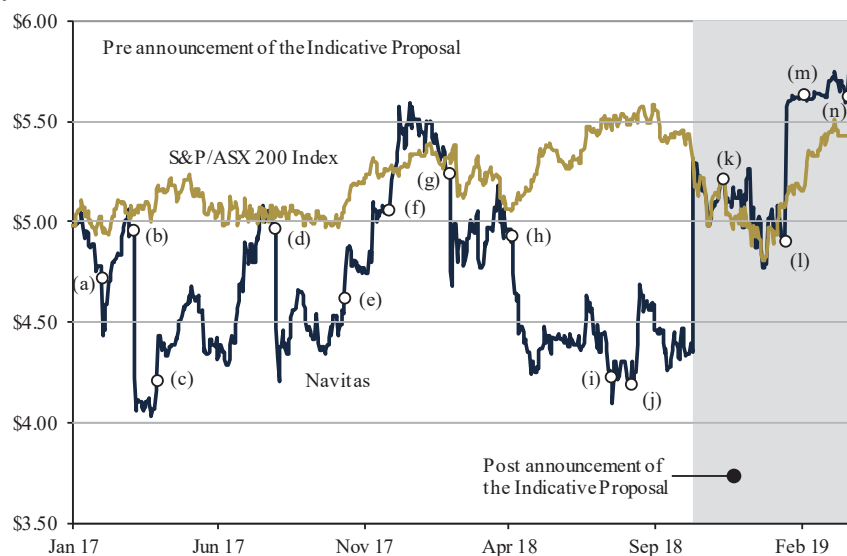
- 100 The following chart illustrates the movement in the share price of Navitas from 1 January 2017 to 27 March 2019:

<sup>37</sup> Whilst Navitas shareholders (at the 2018 AGM) approved the grant of a number of share rights to Mr Buckingham under Navitas' Deferred Equity Plan, no share rights have yet been issued (because Mr Buckingham's target variable pay award for FY19 is yet to be determined).

<sup>38</sup> Being the last trading day prior to the announcement of the Indicative Proposal.



**Navitas – share price history<sup>(1)</sup>**  
**1 January 2017 to 27 March 2019**



**Note:**

1 Based on closing prices. The S&P/ASX 200 Index has been rebased to Navitas' last traded price on 1 January 2017, being \$4.98.

**Source:** Bloomberg.

101 From 1 January 2017, through to 9 October 2018 (i.e. the last trading prior to the announcement of the Indicative Proposal) Navitas generally underperformed the S&P/ASX 200 Index. Key market sensitive announcements during the period are as follows:

- (a) **31 January 2017** – Navitas announced its 1H17 results. Reported revenue and EBITDA<sup>39</sup> declined from the pcp. The result was affected by the impact of the closure of two UP colleges (Macquarie and Curtin Sydney), unfavourable foreign exchange movements and vocational funding reform in Australia
- (b) **6 March 2017** – Navitas announced that the Commonwealth Department of Education and Training would reduce the number of Navitas' AMEP contract regions from 1 July 2017. This was expected to negatively impact the PEP division's EBITDA by between \$12 million and \$14 million in FY18 and beyond
- (c) **30 March 2017** – Navitas announced that student enrolments in the UP division had increased by 8% for the first semester of 2017<sup>40</sup>
- (d) **1 August 2017** – Navitas released its full year results for FY17. Reported revenue and EBITDA<sup>41</sup> declined from the pcp which was impacted by the same issues highlighted above in respect of 1H17

<sup>39</sup> Excludes Navitas' share of EBITDA from JVs.

<sup>40</sup> Primarily due to a 14% increase in enrolments at Australian and New Zealand colleges, with lower growth reported by the North American (4%) and UK (1%) colleges.

<sup>41</sup> EBITDA excludes Navitas' share of EBITDA from JVs.

- (e) **12 October 2017** – Navitas announced that Mr Buckingham, then Navitas’ Chief Financial Officer (CFO), would succeed Mr Jones as the Company’s next Group CEO and Managing Director
- (f) **28 November 2017** – Navitas announced that student enrolments in the UP division had increased by 8% for the third semester of 2017<sup>42</sup>
- (g) **30 January 2018** – Navitas released its 1H18 results, reporting a decline in revenue and EBITDA<sup>43</sup> on the pc. This reflected, inter alia, the impact of the closure of the Macquarie and Curtin (Sydney) UP colleges, the reduced AMEP contract region as well the conversion of ECC to a JV
- (h) **5 April 2018** – Navitas announced that student enrolments for the first semester of 2018 had increased by 3%<sup>44</sup>
- (i) **18 July 2018** – Navitas announced that it would undertake a rationalisation program to address the profitability of parts of its C&I Division (refer to paragraph 88)
- (j) **7 August 2018** – Navitas released its FY18 results, reporting a decline in revenue and EBITDA from the pc. The result was impacted by the same issues highlighted above in respect of 1H18.

102 On 10 October 2018, Navitas announced the receipt of the Initial Consortium’s Indicative Proposal. Key market sensitive announcements since the Indicative Proposal are as follows:

- (k) **12 November 2018** – Navitas determined that it would not grant the Initial Consortium access to due diligence and rejected the BGH proposal
- (l) **15 January 2019** – Navitas announced that it had received the Revised Indicative Proposal and that the Initial Consortium would be granted access to due diligence
- (m) **5 February 2019** – Navitas released its 1H19 results. Revenue and EBITDA from continuing operations<sup>45</sup> (and before costs associated with responding to the Initial Consortium’s indicative bids and the rationalisation of the C&I Division) were higher than the pc
- (n) **21 March 2019** – Navitas announced that it had entered into the Scheme Implementation Deed with BGH BidCo, pursuant to which BGH BidCo and Navitas agree to pursue and implement the Scheme on the terms contemplated by the Revised Indicative Proposal.

<sup>42</sup> Enrolments at Australian and New Zealand colleges increased by 18% compared to the prior corresponding period, followed by the UK which increased by 11%. This was partially offset by a decrease in North American colleges of 4% driven by higher visa rejection rates and ongoing uncertainty caused by the US administration’s approach to migration.

<sup>43</sup> EBITDA excludes Navitas’ share of EBITDA from JVs.

<sup>44</sup> Australian and New Zealand college growth slowed to 4% following a period of high growth in prior periods. UK enrolments increased by 6% driven mainly by higher numbers of European Union students seeking to study in the UK and North American enrolments marginally grew by 2%.

<sup>45</sup> Noting that significant components of the C&I Division were closed during 1H19. Excludes Navitas share of JV EBITDA.

### Liquidity in Navitas shares

- 103 The liquidity in Navitas shares based on trading on the ASX over the 12 month period prior to 9 October 2018<sup>46</sup> is set out below:

Navitas – liquidity in shares						
Period	Start date	End date	No of shares traded 000	WANOS <sup>(1)</sup> outstanding 000	Implied level of liquidity Period <sup>(2)</sup> %	Annual <sup>(3)</sup> %
1 month	10 Sep 18	9 Oct 18	26,766	358,216	7.5	89.7
3 months	10 Jul 18	9 Oct 18	103,178	358,200	28.8	115.2
6 months	10 Apr 18	9 Oct 18	162,292	358,196	45.3	90.6
1 year	10 Oct 17	9 Oct 18	269,255	358,227	75.2	75.2

**Note:**

- 1 Weighted average number of shares outstanding (WANOS) during relevant period.
- 2 Number of shares traded during the period divided by WANOS.
- 3 Implied annualised figure based upon implied level of liquidity for the period.

**Source:** Bloomberg and LEA analysis.

- 104 In each of the above periods disclosed, total share turnover (on an annualised basis) has exceeded 75% (and often been much closer to 100%) of the issued shares in Navitas, indicating a high level of market liquidity (particularly given that large parcels of stock have historically been closely held by, for example, RMJ and AustralianSuper).

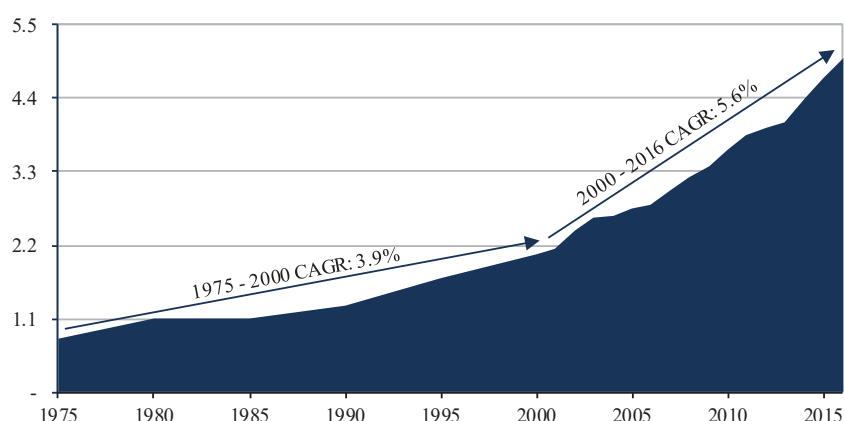
<sup>46</sup> Being the last trading day prior to the announcement of the Indicative Proposal.

## IV Industry overview

### Overview

- 105 Navitas is a participant in the global higher education and vocational education and training (VET) segments<sup>47</sup> within the global education and training industry. This industry overview focuses upon the segments in which Navitas operates, rather than the wider market.
- 106 Navitas derives a significant portion of earnings from the international student market, which has grown significantly, primarily a result of:
- (a) increasing higher education enrolments in emerging economies (e.g. China and India)
  - (b) the growing demand from students from these countries who elect to study abroad (i.e. international students<sup>48</sup>).
- 107 International student enrolments in higher education have dramatically increased from approximately 0.8 million in 1975 to approximately 5 million in 2016 as shown below (noting that the compound annual rate of growth (CAGR) has increased significantly in recent history):

**International students enrolled in higher education globally**  
millions (year ended 31 December)



**Source:** Organisation for Economic Co-operation and Development (OECD) (2018) *Education at a Glance 2018: OECD Indicators*, Box B6.1. for 1998 – 2016 data, *Education at a Glance 2014* Box C4.1 for 1975 – 2000 data. While data from the two sources has been presented on a continuous basis, it should be noted that the two data sets are not strictly comparable due to methodological changes and revisions to historical data.

- 108 Demand for international education has been driven by the growing middle and upper classes of emerging economies and the strong desire of potential students to study in international destinations where the quality of education is considered higher than that offered by domestic providers. The main English speaking countries (being the US, the UK, Australia, Canada and New Zealand) have been the key financial beneficiaries of this demand.

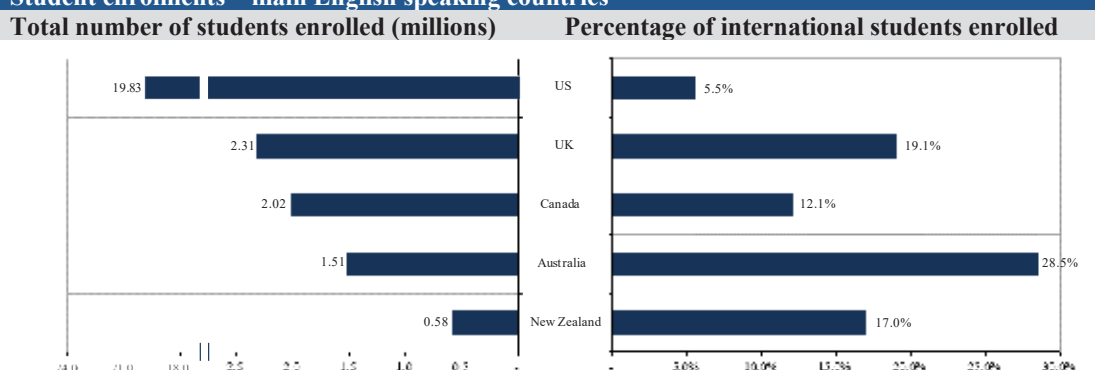
<sup>47</sup> However, in the past 18 months the Company has reduced its exposure to the VET market in response to changes in the VET Student Loan framework in Australia.

<sup>48</sup> Students who leave their country of origin and move to another country for the purpose of study.

## What is higher education and VET?

- 109 Higher education refers to undergraduate and post-graduate university studies, such as bachelor's and master's degrees, in addition to other undergraduate programs including associate degrees, advanced diplomas and undergraduate award courses. The sector also encompasses other non-university higher education such as non-award courses and enabling courses (such as the university pathway programs offered by Navitas) aimed at preparing students for university, most of which have minimum requirements for admission.
- 110 VET encompasses educational qualifications that are not classified as higher education including Certificate I through IV, diplomas and other qualifications and training programs. Courses aim to equip individuals with practical skills and theoretical knowledge within a given field, allowing them to gain a specialisation in a defined area.
- 111 Global education and training expenditure (which includes higher education and VET) has increased from US\$3 trillion in 2000 to approximately US\$5 trillion in 2015, and is expected to double by 2030<sup>49</sup>, representing an average annual growth of 4.7% over the period. The US is the world's largest higher education market. However, the majority of enrolments are domestic students. There are a number of other developed higher education markets that have a greater exposure to international students such as the UK, Australia, Canada, and New Zealand:

### Student enrolments – main English speaking countries<sup>(1)</sup>



#### Note:

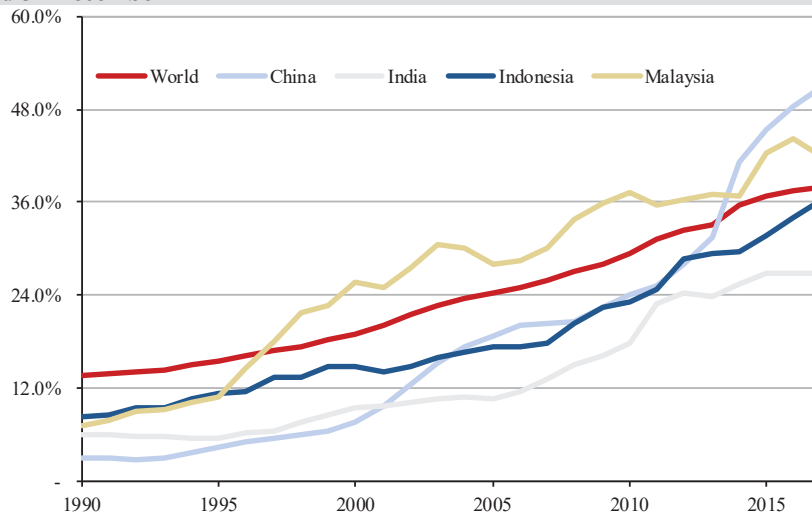
1 The scale for enrolment data is different for the US compared to all other countries, as the US market is much larger in terms of the number of students enrolled.

**Source:** Institute of International Education for US data, Higher Education Statistics Agency for UK data, Department of Education and Training for Australia data, Citizenship and Immigration for Canada data (Post-secondary), and Ministry of Education Export Education Levy Key Statistics for New Zealand data (Tertiary Education Organisations). Reporting periods vary by country and are as follows: US is year ending 31 August, UK is year ending 31 July, Australia is year ending 31 December, Canada is year ending 31 December and New Zealand is year ending 31 December.

- 112 Global demand for higher education has grown substantially in the past 28 years, evident from the data obtained from the United Nations Educational, Scientific, and Cultural Organisation (UNESCO), which shows that the percentage of the world population enrolled in higher education has almost tripled since 1990:

<sup>49</sup> Source: Navitas Investor Day Presentation dated 21 September 2018.

**Total higher education enrolments<sup>(1)</sup> – percentage of population**  
**Year ended 31 December**



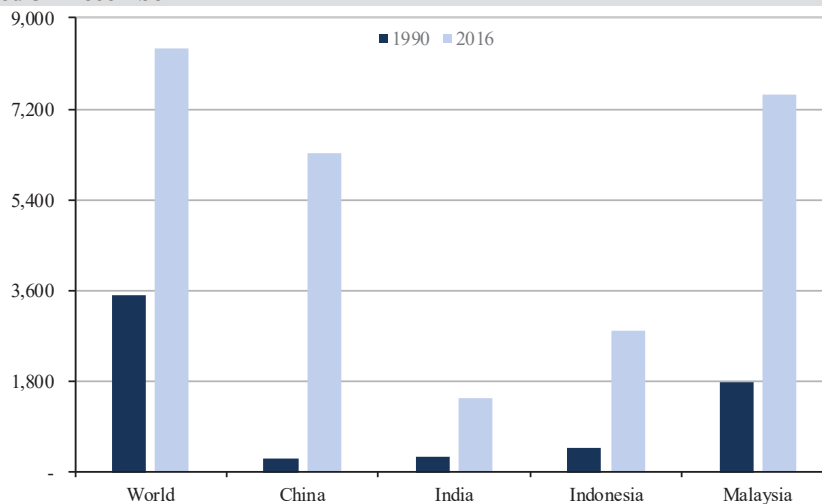
**Note:**

1 Higher education enrolment ratio is the ratio of total enrolment, regardless of age, to the population of the age group that officially corresponds to higher education.

**Source:** UNESCO Institute for Statistics, accessed through The World Bank January 2019. Data is missing for certain years for some countries and has been interpolated between known data points.

- 113 A very large proportion of the growth in higher education has emerged from countries such as China, India, Malaysia and Indonesia (rather than the more developed nations such as the US). For example, China's higher education enrolments increased from 3% to 51% over the 27 year period (as a point of comparison, the largest market being the US, grew from only 71% to 88% in the same period<sup>50</sup>). This is a direct reflection of the growth in national income per capita observed and the maturation of the higher education sector within these countries.

**National income per capita (US\$)<sup>(1)</sup>**  
**Year ended 31 December**



<sup>50</sup> Source: UNESCO Institute for Statistics, accessed through The World Bank January 2019.

**Note:**

1 Figures are stated in current US dollar terms, and represent gross national income minus consumption of fixed capital and natural resources depletion.

Source: UNESCO Institute for Statistics, accessed through The World Bank January 2019.

- 114 The higher education enrolment growth experienced in China over the period suggests that there is still room for further growth in other developing nations, in particular India, which is forecast to account for approximately 10% of global gross domestic product by 2022<sup>51</sup>. It should also be noted that India's tertiary-age population is the highest in the world, and is projected to peak at 126 million in 2026. Current Indian enrolment in higher education (27%) lags far behind its peers such as China (51%) and Indonesia (36%), however, the country aims to lift the enrolment rate to 50% by 2030<sup>52</sup>. Furthermore recent studies have indicated that rising income levels in India has led to an increased willingness and ability among families to pay for a quality overseas education for their children. One report found that the percentage of Indian parents that were eager to send their children to study abroad increased from 47% in 2016, to 62% in 2017<sup>53</sup>.

## International students

### Factors influencing growth

- 115 Strong economic growth in emerging economies such as China, India, Indonesia, and Brazil has driven an increase in demand for higher education particularly among the growing middle and upper classes. The growth in demand for a quality education, and the benefits that it provides, has in many cases not been able to be met by these countries' domestic education industry prompting students to seek educational opportunities abroad. Other general factors influencing the growth in the number of international students include:
- (a) increasing awareness of the differences in the quality of the education services provided by institutions<sup>54</sup>, noting that many of the world-class institutions are located in English speaking countries
  - (b) individual incentives to study abroad, such as the expectation of better graduate employment prospects given the progressive adoption of English as a global language and in particular, a language of international business
  - (c) improving policies and investment by institutions and governments to promote international education and encourage student mobility
  - (d) reductions in the cost of international flights and improvements in technology (e.g. the spread of the Internet and social media), which make it cheaper to travel and stay in touch with family and friends.

### Considerations in determining where to study

- 116 When deciding where to study, a number of country-specific factors generally influence a student's decision including:

<sup>51</sup> Financial Times (2017) *Seven charts that show how the developed world is losing its edge*.

<sup>52</sup> Source: Department of Foreign Affairs and Trade (2019) *An India Economic Strategy to 2035*.

<sup>53</sup> Source: HSBC (2017) *The Value of Education*.

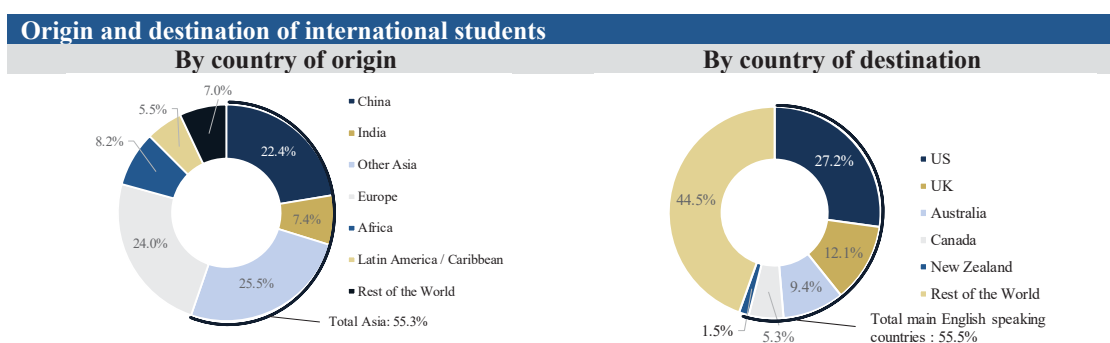
<sup>54</sup> As university league tables and other international university rankings become more widely dispersed.



- (a) the quality of programs, whether perceived or actual, based on a wide array of information such as the aforementioned university league tables and international rankings
- (b) tuition fees and living costs, which are important considerations for students choosing between educational opportunities. Exchange rates are relevant in assessing the cost of international education over the course duration, as fluctuations and sustained movements in currencies can have an influence on total program tuition fees
- (c) the country's immigration laws and visa regimes impacting student mobility. Many governments are recognising the potential significance of education as an export and contributor to the wider economy, and are actively promoting growth through policy-making to increase their share of the international education market. A key change in policy observed for countries promoting international student growth is the provision of post study work rights, allowing entry into the workforce, either temporarily or permanently, upon completion of study
- (d) the language spoken and used in instruction in the host country. The growing popularity of English speaking destinations for international students is a reflection of the progressive adoption of English as a global language, and in particular, a language of global business and professionals
- (e) active recruitment of international students by destination institutions. In most countries, tuition fees are higher for overseas students, who are often required to pay fees in full up front, or at the beginning of each semester. International students are therefore considered an important source of revenue and cash flow, with many institutions and governments actively recruiting overseas students
- (f) political stability and international relations, which increase a country's desirability as a study destination, particularly if these factors increase the perceived security of a country.

### Distribution of international students

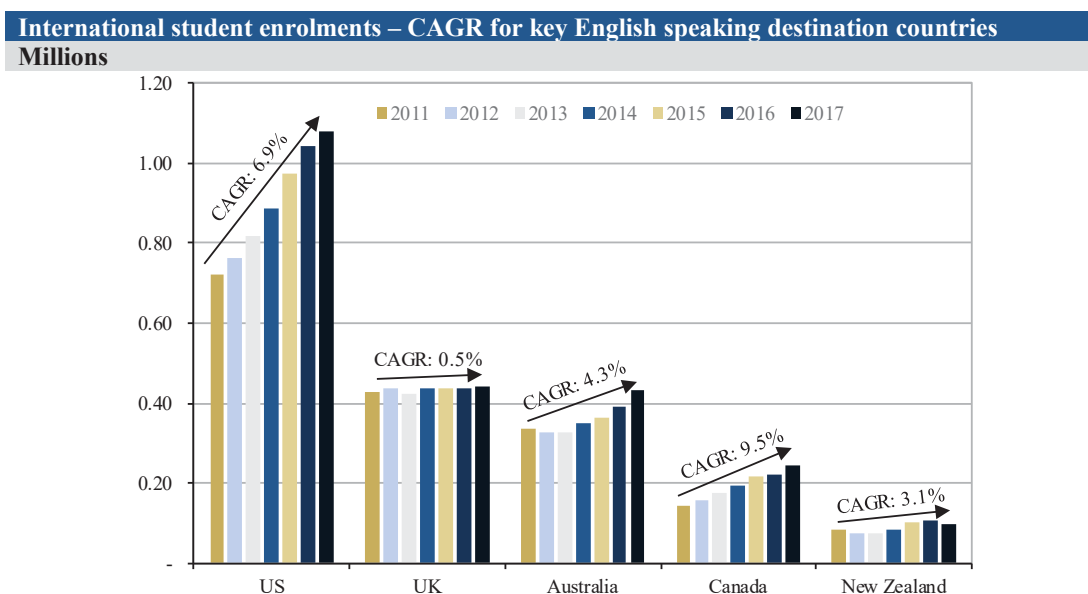
- 117 Approximately 55.3% of all international higher education students come from Asia, with China and India the largest individual source countries. The main English speaking destination countries attract approximately 55.5% of all international higher education students:



Source: OECD Education at a Glance 2018 table C6.2 Distribution of international students studying in OECD countries, by region of origin (2016).



- 118 Some two thirds of Asian students converge toward three main countries, Australia (15%, the UK (11%) and the US (38%). While Europe represents the second largest source of international students, European students tend to stay in Europe (80% of European students studying outside their home country enrol in higher education studies in another European country<sup>55</sup>).
- 119 The table below shows the CAGR in international student enrolments for each region of the key six English speaking destination countries for the six years to 2017:



**Source:** Institute of International Education for US data, Higher Education Statistics Agency for UK data, Department of Education and Training for Australia data, Citizenship and Immigration for Canada data (Post-secondary), and Ministry of Education Export Education Levy Key Statistics for New Zealand data (Tertiary Education Organisations). Reporting periods vary by country and are as follows: US is year ending 31 August, UK is year ending 31 July, Australia is year ending 31 December, Canada is year ending 31 December and New Zealand is year ending 31 December.

## University pathway program providers

- 120 University pathway programs provide bridging courses that cater predominantly for international students who do not qualify for direct entry into university due to reasons such as language deficiency or poor academic record. Once programs are completed, students are able to gain entry into a partner universities, and in many cases, can enrol directly into the second year of a bachelor program. There a numerous providers of university pathway programs globally, including the following major providers (most of which are privately owned):

<sup>55</sup> This is partly explained by the existence of the Erasmus student exchange program within the European Union (EU).

<sup>56</sup> Source: OECD *Education at a Glance 2018* section B6.

## Major university pathway program providers



Shorelight is a privately owned company based in Boston and one of the biggest pathway providers in the US in terms of the number of partner universities, which include regional flagship, public, and elite private institutions



INTO is a large, private UK based company whose core business is entering into joint venture partnerships with leading universities in the UK and the US



Study Group, owned by Providence Equity Partners<sup>(1)</sup>, is the largest provider of international students to Britain's higher education institutions, and has partnerships with universities in the US, Canada, Ireland, the Netherlands, Australia and New Zealand



Navitas is an Australian publicly listed diversified education company with a UP Division which provides pathway programs and managed campus operations to universities in Australia, New Zealand, the US, Canada, UK, United Arab Emirates, Sri Lanka, Singapore and the Netherlands



A subsidiary of US listed parent Graham Holdings company, Kaplan International offers pathway programs and managed campus operations for over 40 university partners in the UK, US, Australia, Canada, NZ, Ireland and Singapore



Kings Education, based in the UK, is a small, privately owned provider of high school and university pathway programs as well as Online Program Management and English language courses in the US and UK



Cambridge Education Group is a private British company that operates a number of brands that provide high school and university pathways, creative arts courses, and English language courses across the UK, US and the Netherlands



ELS Education Services is a small, private US company that offers English programs and has recently entered the university pathways market by partnering with two US universities



EC Higher Education is a private organisation that specialises in intensive English programs and has also recently established a presence in the university pathways, with three partner universities in the US

**Note:**

<sup>1</sup> French private equity firm, Ardian, has recently entered an agreement to purchase Study Group. The transaction remains subject to completion.

- 121 These companies utilise a variety of operating models to deliver their programs<sup>57</sup>, and contractual arrangements between providers and institutions vary (e.g. in terms of revenue share, duration<sup>58</sup> etc.).

<sup>57</sup> Some providers use a sheltered instruction model, whereby students are segregated from university students and taught credit-bearing undergraduate or graduate classes, whereas others allow students to integrate with university students for their classes. In some cases a mixture of both models is used, and curriculums are delivered either by university faculty members, or privately hired employees, depending on the preference of the partner university.

<sup>58</sup> Which generally vary from three years on the low end to 30 years at the high end.

- 122 Some pathway providers including Shorelight in the US, and INTO University Partners in the US / UK, form long-term joint venture corporations with large state flagship and public land-grant universities to operate intensive English and pathway programs with the aim of boosting international student numbers. Smaller providers such as Kings and Cambridge Education Group, who both operate in the US and across Europe, deliver a different model where students are not locked into a dedicated undergraduate school, and can transfer to their choice of a number partner universities after one or two years.
- 123 The scope of the relationship is largely linked to the maturity of a country's international student engagement. Institutions in countries such as Australia and the UK have long established pathway programs – some delivered in-house, some operated by private providers. Their numerous years' of experience marketing themselves to overseas students results in a lower need to partner with a third-party provider to support direct entry recruitment. In contrast, universities and colleges in the US are less advanced in the execution of their international student strategies, and can have a higher reliance on pathway providers to recruit international students for direct entry as well as pathway programs.

### **Outlook for global higher education and VET markets**

- 124 Global education and training expenditure is expected to reach US\$10 trillion by 2030, driven in part by an additional 370 million people attaining a post-secondary education worldwide<sup>59</sup>. China remains the major source of this growth<sup>60</sup>, as demand begins to arise from second tier cities, followed closely by India's increasing university-aged population. The international student market is expected to continue to expand and diversify, initially from other parts of Asia (such as Pakistan, Nepal, Cambodia, the Philippines and Myanmar) and in the longer term Africa and the Middle East<sup>61</sup>.
- 125 Universities located in countries where English is the first language such as the US, UK, Australia, and Canada are expected to continue to be preferred by international students despite the growth of alternative study options. With rising mobility into these countries, there is likely to be growth in demand for pre-university pathway programs (while improved English language training in home countries may reduce the need for English proficiency courses, pathway programs will continue to provide a critical academic and pastoral support role). A notable trend in this market is the expected change in preference from countries in Latin America, which have previously been a main consumer of English proficiency courses, but are now increasing their demand for pathway programs in the US and Canada<sup>62</sup>.
- 126 There is significant opportunity for the private pre-university and university pathway program providers to benefit from this expected growth in global demand. The trend in international mobility has created an increased need for private sector education, particularly in countries where government-funded systems are challenged in addressing significant growth in foreign student migration<sup>63</sup>.

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<sup>59</sup> Source: Navitas Investor Day Presentation dated 21 September 2018.

<sup>60</sup> Whilst still providing growth in absolute terms, China is experiencing a slowdown in post-secondary demand relative to prior periods.

<sup>61</sup> Source: Navitas Investor Day Presentation dated 21 September 2018.

<sup>62</sup> Source: Navitas Investor Day Presentation dated 21 September 2018.

<sup>63</sup> Source: OECD *Education at a Glance 2018 section C7*.

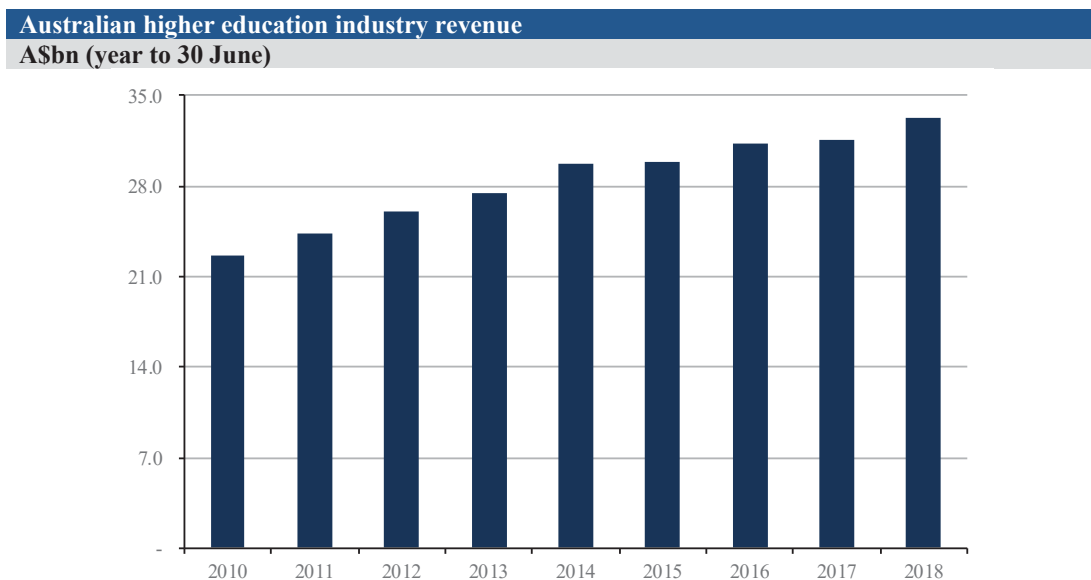
- 127 Changing workplace demands that value the accumulation of skills over qualification, traditional degree disaggregation and increased appetite for personalised, self-paced learning will require education providers to adapt. This will create opportunities for fast moving private providers to respond with new delivery models to address student demands that the public sector may not be able to satisfy. With tightening public budgets and an evolving landscape expected, private education providers are likely to play an increasingly crucial role in helping traditional higher education providers reform, and providing viable alternative pathways to employment for students<sup>64</sup>.

## Overview of markets in key English speaking countries

### Australia

#### Higher education

- 128 Higher education industry turnover has increased at a CAGR of 4.0% per annum over five years to 30 June 2018, with an increase of 5.3% for the year to 30 June 2018<sup>65</sup>. A summary of Australian university and other higher education industry revenue over the last nine years is detailed as follows:



Source: IBISWorld (2018) *University and Other Higher Education in Australia*.

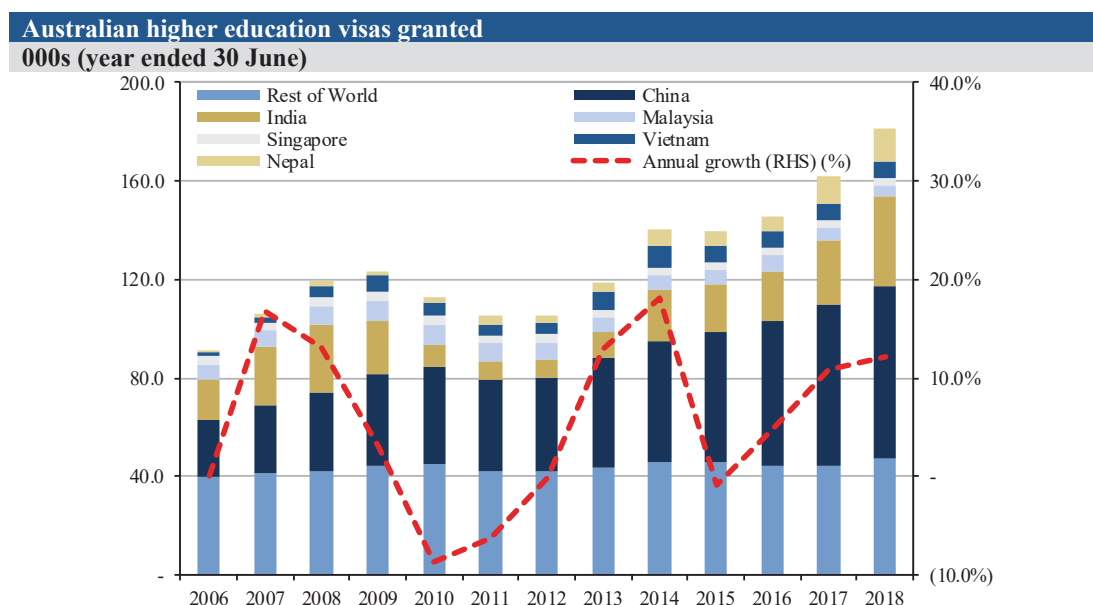
- 129 Increased Federal Government funding and growing student numbers have been the main drivers of industry growth over the past five years. Greater numbers of international students, rising tuition fees and growing enrolments in master's programs have also driven revenue growth over the period.

<sup>64</sup> Source: Navitas Investor Day Presentation dated 21 September 2018.

<sup>65</sup> Source: IBISWorld (2018) *University and Other Higher Education in Australia*.

130 Domestic students account for approximately half of industry revenue, with enrolments growing at average rate of 3.4% per annum<sup>66</sup> in six years to 31 December 2017, albeit this growth has slowed in recent years<sup>67</sup>, a trend that is expected to continue in the near term due to the introduction of capped funding<sup>68</sup>. Although forecast growth in the Australian late-teenage population (the main source of new undergraduate students<sup>69</sup>) is expected to be low in the future, proposals to extend the demand driven system to sub-degrees would create significant upside to pathway providers.

131 Australia remains one of the most popular destinations for international students to study, and is the third largest English speaking country in the world in terms of international enrolments (refer to paragraph 119). The number of foreign student enrolments in Australian universities has risen at a CAGR of 4.3% per annum for the six years to 31 December 2017, supported by depreciation of the Australian dollar, restrictions in other English speaking destination countries, and changes to student visa requirements over the period<sup>70</sup>. The table below shows the volume and origin of student visas granted annually in Australia since 2006, noting that there is a lagged effect from the delay between visas being granted and students enrolling in university:



Source: Department of Home Affairs Student Visas granted pivot table.

<sup>66</sup> Source: Enrolment data obtained using Department of Education and Training's uCube interface.

<sup>67</sup> Growth in the first couple of years was aided by the 2010 Federal Government introduced demand-driven system for public universities, which removed the limit of government-funded places for bachelor degrees, and resulted in significant increase in enrolments, which grew by 5.1% and 5.7% in 2012 and 2013 respectively.

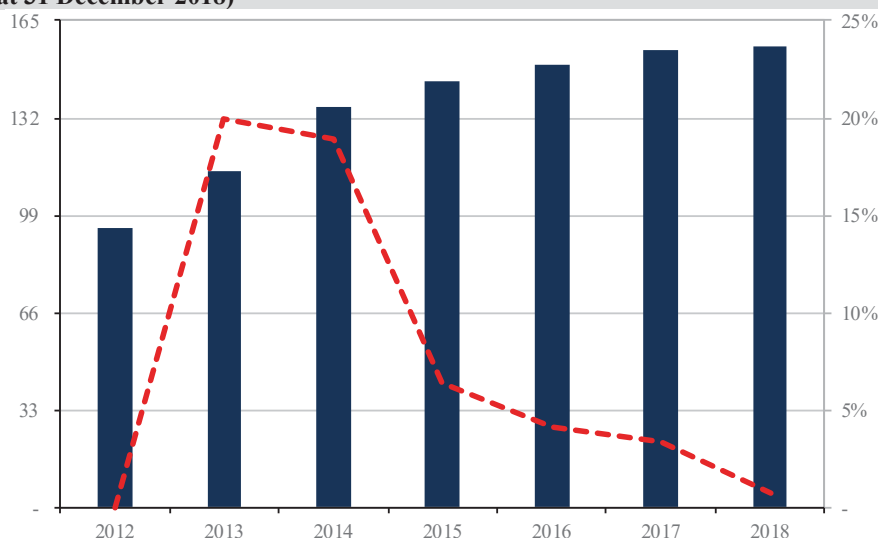
<sup>68</sup> In January 2018, the Federal Government announced it would cap funding for bachelor's degrees to 2017 levels. This major change has constrained growth in enrolments, prompting renewed calls from the university and VET sector to return to the demand-driven system and expand it to sub-degree courses, offered in both the VET and higher education sectors.

<sup>69</sup> Source: Grattan Institute (2018) *Mapping Australian higher education 2018*.

<sup>70</sup> Source: IBISWorld (2018) *University and Other Higher Education in Australia*.

- 132 International student visas declined in 2011 and 2012, driven by a high Australian dollar, tighter immigration policies<sup>71</sup> and a decrease in Indian student numbers resulting from media coverage surrounding unprovoked violence on students. In 2012, the Federal Government introduced Streamlined Visa Processing (SVP) for international students, making it easier for overseas students to apply for a student visa, increasing applications for the following two years. In July 2016, the SSVF replaced the SVP, reducing the complexity of student visa classifications and the immigration risk framework for applicants. These reforms boosted demand in international student visas (with the number of visas granted increasing by approximately 10.6% from 2016 to 2017<sup>72</sup>) and resulted in Australia capturing market share of international student enrolments from other destination countries.
- 133 Australia is well positioned to benefit from the rising demand for higher education from India, as it is the second most popular destination (after the US) to study abroad amongst Indian students. At the current rate of international enrolment growth, if Australia manages to recapture its share of Indian student migration from its peak in 2009-2010, direct revenue from Australian education exports to India is expected to exceed \$12 billion by 2035<sup>73</sup>.
- 134 International students often enrol in pre-university bridging and ELICOS prior to attending university in Australia. The table below shows the number of ELICOS enrolments for the seven years to 2018, including the annual growth rate in enrolments for each year:

**International student enrolments – ELICOS**  
000s (as at 31 December 2018)



Source: Department of Education and Training (2018) *Provider Registration and International Students Management System database*.

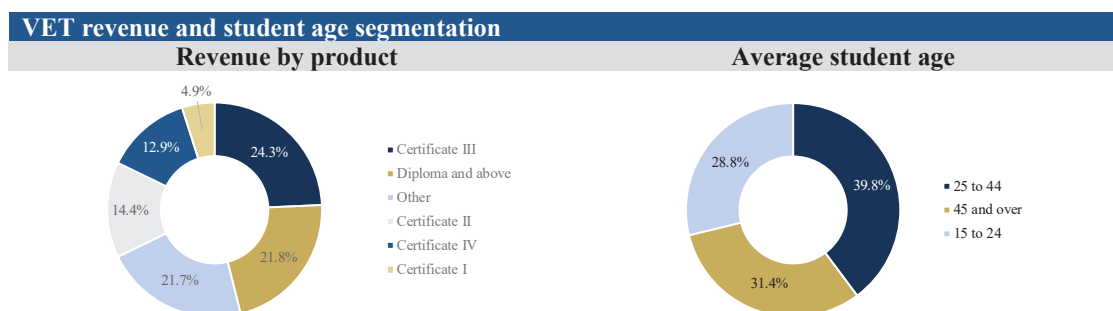
- <sup>71</sup> In 2009 the Government introduced stronger integrity measures for visa interviews and increased the minimum financial requirements from \$12,000 to \$18,000 per year for students studying in Australia. Sourced from Minister for Immigration and Citizenship (2009) *New measures to assist international students*.
- <sup>72</sup> Source: Department of Home Affairs *Student Visas granted pivot table*.
- <sup>73</sup> Source: Department of Foreign Affairs and Trade (2019) *An India Economic Strategy to 2035*.



- 135 The data shows a sharp increase in ELICOS enrolments compared to the prior year for 2013 and 2014, which is aligned to the increase in student visas during the same period, growing by 21% and 18% in 2013 and 2014 respectively<sup>74</sup>.
- 136 With the emergence of a middle class and increasing income levels in developing markets such as China and India, demand outlook for international student enrolments in Australia is positive. Higher tuition fees charged to overseas students will drive the share of industry revenue generated from international enrolments, which combined with the continued demand expected from domestic enrolments, is expected to grow industry turnover at an average rate of 3.5% per annum for the five years to 30 June 2024<sup>75</sup>. This forecast growth assumes a weakening of the Australian dollar in the next few years, a key factor that supports migration of students from developing nations, as it increases the purchasing power of incoming students from these countries.

## VET

- 137 The VET sector in Australia is smaller than the higher education sector, with revenue of approximately \$11.5 billion for FY18<sup>76</sup>. However, growth in the sector is driven by similar factors, including student enrolments, government funding and to a lesser degree, international student migration. A key difference in the sectors is the average age of students who take up VET courses, as students often undertake vocation education in conjunction with employment, with costs frequently covered by the employer<sup>77</sup>:



Source: IBISWorld (2018) *Technical and Vocational Education and Training in Australia*.

- 138 Industry revenue has grown at an annual average of 3.1% for the past five years, and has experienced some volatility due to several regulatory upheavals. Initial legislation introduced in 2012 to provide uncapped course funding led to a surge in private providers entering the market, and a resulting spike in student loan debt. This prompted the Federal Government to implement new reforms to address unethical practices and marketing tactics adopted by a number of private providers, thereby reducing revenue for industry participants.

<sup>74</sup> Source: Department of Education (2014/5) *Research Snapshot: International students in ELICOS sector in 2013 and 2014*.

<sup>75</sup> Source: IBISWorld (2018) *University and Other Higher Education in Australia*.

<sup>76</sup> Source: IBISWorld (2018) *Technical and Vocational Education and Training in Australia*.

<sup>77</sup> Many students enrol in industry courses to retrain or refresh workforce skills due to structural changes occurring in the economy. Students of this classification typically study on part-time basis whilst still working full-time, attending classes on-campus or online.

- 139 Growth in the VET segment is expected to increase at an annual rate of 1.3% to \$12.5 billion through to 2024, as the industry continues to navigate a potentially turbulent regulatory environment. Following reforms implemented in 2015, in January 2017, the Federal Government cancelled the VET higher education loan program scheme entirely, replacing it with a new scheme aimed at reducing unnecessary student debt and decreasing the number of subsidised VET courses. This is expected to reduce funding available to operators, with the introduction of caps expected to restrict the ability for private providers to make profits on VET courses. However, student enrolments are expected to rise as demand to upskill and improve employment prospects increases, relieving some of the downward pressure on market growth.

### United Kingdom

- 140 The UK has the second largest number of international students globally and has a reputation as a high quality education destination. International education is a significant contributor to the UK's economy and is a significant source of revenue for many educational institutions. The economic output generated for the UK economy through on and off-campus spending by international students reached £25.8 billion in 2015<sup>78</sup>. However, the recent vote for Britain to leave the EU (Brexit)<sup>79</sup> has created uncertainty around the future growth of international education in the nation. As the UK Government gets closer to reaching a decision surrounding Brexit, it is likely that the trend in international student enrolments will be negatively impacted.
- 141 VET providers in the UK are exempt from paying value added tax if the program fits the regulator's criteria as an eligible body, or provides training under one of the UK Government's approved training schemes<sup>80</sup>. This has presented challenges for non-eligible institutions, such as private VET providers that fail to meet eligibility criteria, who are struggling to remain competitive in the market due to higher course fees.

### North America

- 142 The US and Canada attract the largest and fourth largest international student populations in the world, with approximately 971,000 and 189,000 students respectively enrolled in each country in 2016<sup>81</sup>. Despite its high numbers, on a per capita basis, the US still remains the most underpenetrated market, with international students representing just 5.5% of total students. This is due to its significant size and high levels of domestic demand, strict immigration policy and visa requirements, and an immature international student market, which historically has been a given a low priority compared to other countries like Australia and the UK. In Canada, the international student population has significantly increased over the past decade, due to the country's reputation as a welcoming society and competitive tuition fees compared to its North American counterpart. The current international student population contributes more than \$15 billion to the Canadian economy each year, supporting approximately 170,000 jobs<sup>82</sup>.

<sup>78</sup> Source: Universities UK International *Higher Education 2018 International facts and figures*.

<sup>79</sup> Being the UK referendum of 23 June 2016, when 51.9% of UK voters chose to leave the EU.

<sup>80</sup> Source: UK Government (2018) *Education and vocational training guidance (VAT Notice 701/30)*.

<sup>81</sup> Source: OECD *Education at a Glance 2018*.

<sup>82</sup> Source: The Conference Board of Canada (2018) *Huge surge in international students coming to Canada*



- 143 Whilst Canada has a very supportive international student visa regime (similar to Australia), the tough stance on immigration taken by the Trump Government is expected to have a negative effect on the number of student visa applications and approvals and, in turn, international student enrolments in the US. There is also a high level of regulation in the US market, with private providers required to obtain accreditation at both a state and national level, which has led to long lead times, high compliance costs, and small student cohorts for participants in this segment<sup>83</sup>.

#### **New Zealand**

- 144 International education is a significant contributor to New Zealand's economic prosperity, with the New Zealand Government spending approximately NZ\$3.1 billion on the higher education sector, and NZ\$14.7 billion overall on education for the year ended 30 June 2018<sup>84</sup>. The international sector has a current estimated economic value of NZ\$5.1 billion, made up of NZ\$4.8 billion from international students in New Zealand and NZ\$0.3 billion from education exports<sup>85</sup>. International student numbers continue to grow, with approximately 100,000 higher education enrolments recorded for the year ended 31 December 2017<sup>86</sup>.

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<sup>83</sup> Whilst this impacts private providers of VET and other higher education, University Partnership programs are not affected as students are considered to be enrolled in the partner university.

<sup>84</sup> Source: Ministry of Education *Annual Report 2018*.

<sup>85</sup> Source: New Zealand Education (2018) *Updated economic value of international education to New Zealand 2018 media release*.

<sup>86</sup> Source: Ministry of Education *Export Education Levy Key Statistics for New Zealand data (Tertiary Education Organisations)*.

## V Valuation methodology

### Valuation approaches

- 145 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:
- (a) the DCF methodology
  - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
  - (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
  - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis
  - (e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.
- 146 Under the DCF methodology the value of the business is equal to the net present value (NPV) of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.
- 147 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future “maintainable” earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.
- 148 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, EBITDA, earnings before interest, tax and amortisation (EBITA), earnings before interest and tax (EBIT) or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.

- 149 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed. Using this methodology, the value of the net assets of the company are adjusted for the time, cost and taxation consequences of realising the company's assets.

### Methodologies selected

- 150 The market value of the shares in Navitas has been assessed by aggregating the market value of its business operations, together with the realisable value of any surplus assets / (liabilities) and deducting net borrowings.
- 151 The valuation of Navitas' business operations has been made on the basis of market value as a going concern. The DCF and capitalisation of earnings (using EBITDA) methods have been adopted to determine the value of the business operations.

Methods used to value Navitas' business operations	
Method	Key reasons
DCF method	<ul style="list-style-type: none"> <li>• Navitas management have forecast significant growth in earnings in the short-to-medium term</li> <li>• Financial forecasts for the short-to-medium term have been prepared by Navitas management, which we have reviewed in detail and amended where appropriate (such that we consider them sufficiently reliable for valuation purposes)</li> <li>• the DCF methodology more accurately reflects the quantum and timing of the forecast growth in earnings than the capitalisation of earnings methodologies</li> </ul>
Capitalisation of EBITDA	<ul style="list-style-type: none"> <li>• although Navitas is forecast to experience high rates of growth in earnings in the short-to-medium term, this growth can still be reflected in the capitalisation of earnings approach via the earnings multiple applied</li> <li>• EBITDA multiples for listed companies exposed to similar industry sectors as Navitas can be derived from publicly available information</li> <li>• transaction evidence in the education sector is generally also expressed in terms of EBITDA multiples</li> </ul>

- 152 As a cross-check of our assessed value of Navitas (on a per share basis), we have also considered the listed market price of Navitas shares prior to the announcement of the Indicative Proposal and considered the reasonableness of the implied premium.

## VI Valuation of 100% of Navitas

### Overview

- 153 As stated in Section V, the market value of the shares in Navitas has been assessed by aggregating the market value of its business operations, together with the realisable value of any surplus assets / (liabilities) and deducting net borrowings.
- 154 The valuation of Navitas' business operations has been made on the basis of market value as a going concern. The DCF and capitalisation of earnings (using EBITDA) methods have been adopted to determine the value of the business operations.
- 155 As a cross-check of our assessed value of Navitas (on a per share basis), we have also considered the listed market price of Navitas shares prior to the announcement of the Indicative Proposal and considered the reasonableness of the implied premium.

### DCF valuation

- 156 Under the DCF methodology the value of the business is equal to the NPV of the estimated future cash flows including a terminal value (TV). In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.

### Cash flow projections

- 157 Our DCF valuation is based on the detailed free cash flow projections prepared by Navitas management. The cash flow projections are based upon a 'bottom up' approach whereby Navitas management have modelled the projected financial performance of each individual UP college, SAE and PEP business (as well as corporate costs).
- 158 LEA has undertaken a detailed review of Navitas' cash flows projections to satisfy itself that they are reasonable and sufficiently reliable for valuation purposes. Our review included (but was not limited to):
- (a) discussions with Navitas management regarding the business' financial performance, operating environment and prospects as well as the financial modelling process adopted by the Company
  - (b) detailed analysis and comparison of the projections against the historic performance achieved by Navitas. Our analysis was conducted on each discrete business including the geographic regions in which each business operates (and in respect of the UP Division, on a college by college basis). Examples of the type of analysis undertaken include:
    - (i) analysis and comparison of forecast growth in student numbers and revenue as well as EBITDA margin against those historically achieved by each mature UP
    - (ii) review and comparison of the forecast maturity profile of the new and ramp-up UPs against the ramp-up profile achieved by what are now considered mature UPs
    - (iii) consideration of the projected growth in overall student numbers relative to historic growth rates in international student numbers (globally)
    - (iv) consideration of certain other macro level business drivers (e.g. Australian migrant numbers) against forecast rates of growth in revenue

- (c) comparison of forecast capital expenditure and working capital requirements as a percentage of revenue with Navitas' historic requirements
  - (d) benchmarking of the aggregate level projections (e.g. whole of Company revenue, EBITDA etc) against analyst forecasts (where available)
  - (e) adjustment of the projections where considered necessary.
- 159 Based upon the above, nothing came to our attention that would indicate that the projections could not be relied upon for valuation purposes. That said, it should be noted that:
- (a) the major assumptions underlying the projections were formulated in the context of current economic, financial and other conditions
  - (b) the projections and the underlying assumptions have not been reviewed by an investigating accountant for reasonableness or accuracy of compilation and application of assumptions
  - (c) future profits and cash flows are inherently uncertain
  - (d) the achievability of these projections is not warranted or guaranteed by Navitas or LEA, as they are predictions of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of Navitas and its management
  - (e) actual results may be significantly more or less favourable.
- 160 Free cash flow represents the operating cash flows on an ungeared basis (i.e. before interest) less taxation payments<sup>87</sup>, capital expenditure and working capital requirements. The free cash flow on an ungeared basis is adopted to enable the value of the business to be determined irrespective of the level of debt funding employed.
- 161 The free cash flow projections cover the period to 30 June 2023 (being a period of five years from 1 July 2018). For valuation purposes we have assumed a valuation date of 31 December 2018. A TV has also been adopted at the end of the forecast period.
- 162 As the detailed cash flow projections are commercially sensitive they have not been set out in our report. However, information on the major assumptions underlying the free cash flow projections is set out below.

#### ***EBITDA forecasts and targets***

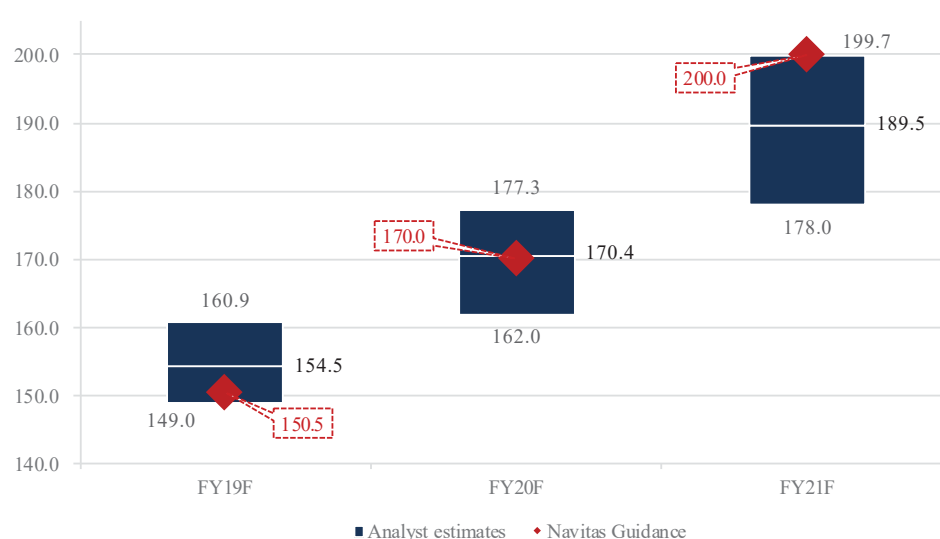
- 163 Navitas management outlined its high level EBITDA forecasts for FY19 through to FY21 and a longer term FY23 target (as well as the key assumptions underpinning that guidance) in a number of investor presentations during the six months ended 31 December 2018<sup>88</sup>.

<sup>87</sup> Also calculated on an ungeared basis.

<sup>88</sup> Navitas Investor Day Presentation dated 21 September 2018, Business Outlook Presentation dated 13 November 2018 and CEO Presentation at the Navitas AGM dated 15 November 2018.

- 164 In summary, management's forecast EBITDA for continuing operations (including its share of EBITDA from JVs) is \$148 million to \$153 million for FY19<sup>89</sup>, \$165 million to \$175 million for FY20 and \$200 million for FY21, with a target to exceed \$250 million in FY23.
- 165 We note that EBITDA per the detailed cash flow projections that we have been provided for the purposes of our DCF valuation are consistent with management's EBITDA forecasts and target in each of the aforementioned years.
- 166 We also note that Navitas' EBITDA guidance is comparable with current analyst consensus views for FY19 and FY20 and marginally exceeds the consensus view for FY21<sup>90</sup>:

**Navitas – EBITDA forecasts versus analyst estimates (\$m)<sup>(1)(2)</sup>**



**Note:**

- 1 Navitas Guidance markers for FY19 and FY20 are based upon the mid-point of Navitas' forecast ranges for those respective years.
- 2 Represents the minimum, maximum and average (represented by the white line) of the estimates from Citi (13 November 2018), Blue Ocean (19 November 2018), and Morgan Stanley, Morningstar and UBS (5 February 2019) and Macquarie (3 March 2019). Analyst views include Navitas' pro-rata share of EBITDA from JVs.

- 167 The major base case assumptions underlying Navitas' FY19 to FY21 forecasts and its FY23 target (which in effect represent an aggregate view of the assumptions that underpin the detailed cash flow projections) are set out below:

<sup>89</sup> On 5 February 2019, Navitas CEO, Mr Buckingham, noted that the Company was on track to achieve this forecast.

<sup>90</sup> Noting that there are not a sufficient number of analysts provided forecasts for the years beyond FY21 to enable a consensus opinion to be developed.

Navitas – drivers of EBITDA growth through to FY23			
Division	EBITDA growth (\$m)		Base Case assumptions
	FY18 to FY21 <sup>(1)</sup>	FY21 to FY23	
<b>Mature UPs<sup>(2)</sup> (UP Division)</b>	28	20	<ul style="list-style-type: none"> <li>No change in immigration policies in key markets</li> <li>Growth in EFTSU of 3.3% per annum (CAGR of 5.2% for the period FY12 to FY18 and 5.4% in 1H18)</li> <li>Course pricing to increase at 2.0% per annum (annual price growth of 3.3% per annum over FY12 to FY18)</li> <li>EBITDA margin expansion (relative to FY18) of 1% to 23% in FY21 which is then held constant to FY23 (historic margin of 24% in FY14 before loss of Macquarie UP)</li> <li>No loss of UP contract (loss of only one UP since 2004)</li> </ul>
<b>New and ramp-up UPs (UP Division)</b>	13	30	<ul style="list-style-type: none"> <li>No change in immigration policies in key markets</li> <li>Growth to FY21 to come from eight new UP colleges signed in the period 1 July 2015 to 31 December 2018, plus three further which were signed in February and March 2019<sup>(3)</sup></li> <li>Growth from FY21 expected to come from two additional contracts expected to be signed in FY19. Further wins expected to occur beyond FY19</li> <li>Historical experience indicates that new UP colleges have an average ramp up period of three to five years</li> </ul>
<b>C&amp;I Division</b>	10	5	<ul style="list-style-type: none"> <li>Growth in PEP expected to be neutral. \$5 million growth in ACAP (expansion into Perth plus other) and ASAM (product and footprint growth) offset by AMEP decline of \$5 million. No further material contract loss in AMEP</li> <li>Growth of \$5 million in SAE to come off volume and price and no sale of US SAE business</li> <li>Growth of \$5 million to come from expansion (creative industry large and growing, opportunity for expansion in France and Canada plus new / relocated campuses in Germany, Switzerland and Austria) and efficiency (business now refocused)</li> <li>Growth beyond FY21 to come from continued volume and price growth plus expansion</li> </ul>
<b>New Initiatives</b>	5	-	<ul style="list-style-type: none"> <li>Mix of initiatives including cost efficiencies (e.g. back office cost rationalisation, standardising brochures), sales and marketing initiatives (e.g. restructured agent incentive programs) and offering services to universities for direct entry of students.</li> </ul>

**Note:**

- 1 In FY18 Navitas generated some \$144.0 million in EBITDA from continuing operations including its share of EBITDA from JVs, with some \$134.1 million derived by the UP Division (largely all from mature UPs and includes \$2.0 million from UP JVs) and \$45.6 million being derived from the C&I Division, while unallocated Corporate EBITDA was negative \$35.7 million (refer to paragraph 183).
- 2 Including contribution from JVs.
- 3 Lancaster University, Leicester University and Queens College CUNY.

168 We note that in considering management's detailed projections we have adjusted for all OEIs in the cash flows (i.e. minority interests in the Navitas entities which are not 100% controlled).



### ***Potential synergies***

- 169 If the Scheme is approved and implemented, Navitas will be delisted from the ASX, resulting in the elimination of listed public company costs (e.g. Director fees, listing fees, share registry fees, shareholder communication costs etc). Navitas management have provided us with an estimate of these savings in the range of \$2.5 million to \$3.0 million per annum (in FY18 dollar terms)<sup>91</sup>.

### ***Corporate tax***

- 170 Whilst Navitas has operations in a number of overseas locations, due to the existence of tax treaties between Australia and the majority of countries in which Navitas operates, for the purposes of our DCF we have adopted the prevailing Australian corporate tax rate of 30%<sup>92</sup>.

### ***Capital expenditure***

- 171 Navitas management have provided guidance on future capital expenditure, noting that it expects sustaining capital expenditure in the near term to approximate some \$20 million per annum<sup>93</sup>.
- 172 In addition, further small amounts of capital expenditure are forecast for growth initiatives including, for example the establishment of Murdoch Dubai and other new university partnerships.

### ***Working capital***

- 173 As the valuation date is 31 December 2018 and Navitas' core business is seasonal<sup>94</sup>, there is a material assumed movement in working capital (of some \$30.0 million) between 31 December 2018 and 30 June 2019<sup>95</sup>. Post 30 June 2019, due to the payment of student fees in advance, changes in working capital from year to year are expected to generate positive cash flow.

### **Discount rate and TV growth rate**

- 174 A discount rate of 9.3% per annum (after corporate tax) has been applied for the reasons set out in Appendix C.
- 175 A TV growth rate of 3.0% per annum has been adopted at the end of the forecast period (i.e. FY23). The adopted rate reflects the growing and continuing global demand for education which is assumed to result in profit growth above inflation post the end of the forecast period. The application of this TV growth rate and the discount rate implies a TV / EBITDA multiple (on a controlling interest basis) of 10.8 times, which we consider reasonable.

<sup>91</sup> The implementation costs associated with achieving the synergies are considered immaterial.

<sup>92</sup> We note that the reported tax expenses was greater than 30% in FY17 and FY18 due to changes in the carrying value of US carried forward tax losses.

<sup>93</sup> See for example, Navitas Investor Day Presentation dated 21 September 2018.

<sup>94</sup> Navitas' financial results are historically second half weighted due to the Australasian student intake levels being at their greatest in the first part of the calendar year (i.e. the commencement of the academic year).

<sup>95</sup> Working capital for the purposes of the DCF valuation comprises, trade and other receivables, restricted cash, trade and other payables and deferred revenue.



## Sensitivity analysis

- 176 There are inherent qualifications that apply to cash flow projections on which DCF valuations are based. In addition, the cost of capital can vary between industry participants based on factors such as differing perceptions / acceptance of risk and willingness to assume debt funding obligations.
- 177 It is important therefore not to credit the output of DCF models with a precision it does not warrant. It follows that any DCF valuation process should consider a range of scenarios, having regard to the respective key valuation drivers of the business being valued.
- 178 In assessing our valuation range we have therefore considered the sensitivity of value to changes in the key assumptions, as shown below:

Navitas DCF valuation – sensitivity analysis			
Variable	Base Case assumption	Sensitivity %	Value range \$m
Discount rate	9.3%	9.0% to 9.6%	2,304 – 2,537
Terminal growth rate	3.0%	+ / - 10%	2,327 – 2,512
Capital expenditure	c.\$20 m p.a.	+ / - 20%	2,348 – 2,482
UP Division – growth in revenue from Mature colleges	5.4% p.a.	+ / - 20% <sup>(1)</sup>	2,298 – 2,536
UP Division – EBITDA contribution from new and ramp-up colleges	c.\$11m in FY21	+ / - 15%	2,370 – 2,460

### Note:

- 1 Without making any corresponding change to the forecast EBITDA margin.

- 179 We have also considered the impact of changes to a number of other assumptions. While we have not set out the results of these other variations (due to their complexity), we note that the resultant range of values are marginally less / broadly consistent with those set out above.

## Adopted DCF value

- 180 Based on the above, the enterprise value of the Navitas business (i.e. prior to the allowance for net debt and any non-core or surplus assets / (liabilities)) under the DCF approach ranges from \$2,200 million to \$2,500 million. This represents the value of the business on a 100% controlling interest basis.

## Capitalisation of EBITDA method

- 181 As stated in Section V we have also valued Navitas using the capitalisation of earnings method (using EBITDA). Under this method the underlying EBITDA (before significant items) is capitalised at an appropriate EBITDA multiple to determine the enterprise value of the business.

## EBITDA adopted for valuation purposes

- 182 In order to assess the appropriate level of EBITDA for valuation purposes we have had regard to the historical and forecast results of the business, and have discussed the business' financial performance, operating environment and prospects with Navitas management.

- 183 A summary of Navitas' revenue and EBITDA from continuing operations<sup>96</sup> for the three years ended 30 June 2018 as well as the last 12 months (LTM) to 31 December 2018 is summarised below:

Navitas – summarised financial performance of continuing operations <sup>(1)(2)</sup>				
	FY16 \$m	FY17 \$m	FY18 \$m	LTM <sup>(3)</sup> \$m
<b>UP</b>				
Revenue	561.9	548.0	598.9	617.0
EBITDA	109.1	120.5	132.1	133.1
EBITDA margin	19.4%	22.0%	22.1%	21.6%
<b>SAE<sup>(4)</sup></b>				
Revenue	184.8	186.8	203.4	215.5
EBITDA	29.3	32.0	27.2	31.1
EBITDA margin	15.8%	17.1%	13.4%	14.4%
<b>PEP<sup>(4)</sup></b>				
Revenue	113.1	119.9	114.1	108.8
EBITDA	23.7	19.6	18.4	17.6
EBITDA margin	20.9%	16.3%	16.1%	16.2%
Corporate revenue	4.6	4.3	13.2	14.0
Corporate EBITDA	(36.2)	(37.2)	(35.7)	(35.8)
<b>Total<sup>(4)</sup></b>				
<b>Revenue (pre JVs)</b>	<b>864.4</b>	<b>859.1</b>	<b>929.7</b>	<b>955.3</b>
<b>EBITDA (pre JVs)</b>	<b>125.8</b>	<b>134.9</b>	<b>142.0</b>	<b>146.0</b>
EBITDA margin (ex JVs)	14.5%	15.7%	15.3%	15.3%
Share of EBITDA from JVs	(1.4)	1.4	2.0	2.5
<b>Pro-forma EBITDA (i.e. post JVs)<sup>(4)</sup></b>	<b>124.4</b>	<b>136.3</b>	<b>144.0</b>	<b>148.5</b>

**Note:**

- 1 Rounding differences may exist.
- 2 Continuing operations exclude contributions from closed UPs (e.g. Macquarie and Curtin), SAE closed colleges (e.g. Los Angeles and San Jose) and closure costs, AMEP contributions from regions no longer under contract and contributions from the HSA business which has been sold. SAE operations in the US are included in continuing operations despite the Company having appointed advisers to sell the business. The financial performance figures for continuing operations may differ to those previously disclosed by Navitas due to additional adjustments which have retrospectively been made to enable a better like-with-like comparison across all periods.
- 3 Being the LTM to 31 December 2018.
- 4 In considering the financial performance of SAE's and PEP's continuing operations (as well as the Company overall), it should be noted that SAE's and PEP's results (in FY18 and LTM) could arguably be adjusted for additional costs associated with discontinued operations. If these adjustments were made, SAE's and PEP's (as well as the Company's) EBITDA would be some \$3.8 million, \$0.8 million and \$4.6 million higher (respectively) in each of those periods.

<sup>96</sup> Continuing operations exclude contributions from closed UPs (e.g. Macquarie and Curtin), SAE closed colleges (e.g. Los Angeles and San Jose) and closure costs, AMEP contributions from regions no longer under contract and contributions from the HSA business which has been sold. SAE operations in the US are included in continuing operations despite the Company having appointed advisers to sell the business. The financial performance figures for continuing operations may differ to those previously disclosed by Navitas due to additional adjustments which have retrospectively been made to enable a better like-with-like comparison across all periods.

184 In assessing EBITDA for valuation purposes, we note the following:

- (a) the above stated results do not adjust for OEIs or interest earned on Tuition Protected Service Accounts in Australia, albeit these are relatively immaterial amounts
- (b) in respect of the each of the business segments, we note that:
  - (i) the UP Division has continued to grow despite uncertainty caused by Brexit and a highly restrictive immigration policy in the US<sup>97</sup>. While margins have not materially improved, we note that the segment has recently incurred higher than normal start-up costs associated with new UP colleges
  - (ii) SAE has undergone a significant restructure and is exhibiting early signs of growth and improved profitability, particularly in the US where it has also benefited from the closure of a number of direct competitors
  - (iii) PEP's results do not adjust for the one-off increase arising from the Federal Government's special intake of Syrian migrants. This affects EBITDA in FY18 and LTM (to 31 December 2018) by some \$5 million. It should also be noted that earnings from ASAM were reported as part of PEP for the first time in 1H19
  - (iv) Corporate includes ASAM in FY18<sup>98</sup> but not in 1H19 (as it was reclassified to PEP)
- (c) Navitas' has indicated that it expects FY19 EBITDA from continuing operations (including its pro-rata share of EBITDA from JVs) to be in the range of \$148 million to \$153 million. As outlined above (refer paragraph 166), the mid-point of this range (\$150.5 million) is marginally less than the current analyst consensus estimate of \$154.5 million
- (d) Navitas' pro-rata share of EBITDA from JVs is expected to continue to increase, particularly during FY19 as this year will reflect the first full year contribution from ICWS which was converted to the Swansea JV during FY18.

185 Having regard to the above, we have adopted EBITDA for valuation purposes of between \$151 million and \$153 million.

### EBITDA multiple

186 The selection of the appropriate EBITDA multiple to apply is a matter of judgement but normally involves consideration of a number of factors including, but not limited to:

<sup>97</sup> The UP Division also converted the ECC and the ICWS UP colleges into JVs during FY17 and FY18 respectively.

<sup>98</sup> Navitas acquired a 30% interest in ASAM in FY17 and was reported as an equity accounted investment (for EBITDA purposes ASAM's contribution in this year forms part of EBITDA from JVs). Navitas moved to a controlling interest of 90% during FY18.

- The stability and quality of earnings
- The quality of the management and the likely continuity of management
- The nature and size of the business
- The spread and financial standing of customers
- The financial structure of the company and gearing level
- The multiples attributed by share market investors to listed companies involved in similar activities or exposed to the same broad industry sectors
- The multiples that have been paid in recent acquisitions of businesses involved in similar activities or exposed to the same broad industry sectors
- The future prospects of the business including the growth potential of the industry in which it is engaged, strength of competitors, barriers to entry, etc.
- The cyclical nature of the industry
- Expected changes in interest rates
- The asset backing of the underlying business of the company and the quality of the assets
- The extent to which a premium for control is appropriate
- Whether the assessment is consistent with historical and prospective earnings

187 We discuss below specific factors taken into consideration when assessing the appropriate EBITDA multiple range for Navitas.

#### Trading evidence

- 188 Navitas' main competitors are INTO University Partnerships, Study Group, Kaplan International Pathways, Shorelight Education, Cambridge Education Group, Kings Education, Higher Education, EC and ELS Educational Services<sup>99</sup>. Trading multiples for these entities are unavailable as they are all privately held.
- 189 Given this limitation, we have instead had regard to a select number of ASX and international securities exchange listed companies which, although being less comparable to Navitas, are still engaged in the provision of education services. The following table summarises the key trading metrics of the selected companies<sup>100</sup>:

Listed education services company multiples <sup>(1)(2)</sup>					
Company	Year end	EV A\$m <sup>(3)</sup>	Gearing <sup>(4)</sup> %	EV / EBITDA <sup>(5)(6)</sup>	
				FY19 x	FY20 x
Australian companies					
IDP Education	30 Jun	3,719	0.2	32.5	26.2
Navitas	30 Jun	1,805	13.6	11.5	10.5
International companies					
Laureate Education	31 Dec	7,022	33.8	7.7	6.9
Grand Canyon Education	31 Dec	6,215	(23.5)	14.4	12.8
Adtalem Global Education	30 Jun	3,702	(0.4)	9.7	8.7
Strategic Education	31 Dec	3,439	(15.9)	10.7	9.3

<sup>99</sup> EC and ELS Educational Services (which specialise in English programs) have only recently commenced providing academic pathway programs.

<sup>100</sup> Limited to companies that deliver education services in the main English speaking countries and have an EV of more than A\$1 billion.

**Note:**

- 1 Enterprise value (EV) and earnings multiples as at 27 March 2019, based upon latest available information. Navitas as at 9 October 2018 (being the last trading day prior to the announcement of the Indicative Proposal).
- 2 A brief description of each company's operations is set out at Appendix D.
- 3 Foreign currencies have been converted to Australian dollars (AUD) at the exchange rate prevailing as at 27 March 2019.
- 4 Gearing equals net debt (cash adjusted for the effect of share placements and buybacks, special dividends and option dilution) divided by EV.
- 5 Unless otherwise noted, the multiples are based on Bloomberg broker average forecasts (excluding outliers and outdated forecasts).
- 6 Navitas multiples are based on the average of the estimates of the analysts disclosed in Appendix D. Analyst views include pro-rata share of EBITDA from JVs.

**Source:** Bloomberg, company announcements and LEA analysis.

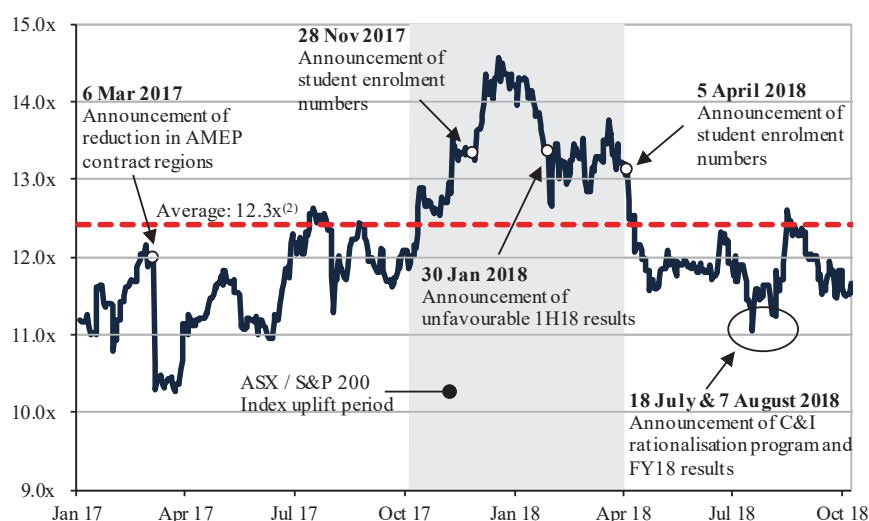
- 190 The above multiples are based on the listed market price of each company's shares (and therefore exclude a premium for control). Empirical evidence undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover). This broadly translates to a premium of 20% to 25% at the EBITDA multiple or enterprise value level, although this varies depending on the level of debt funding employed in each company.
- 191 In addition, we note that:
- (a) Navitas' multiples are close to six months old. All else equal, it is likely that the multiples would be marginally higher if calculated as at 27 March 2019
  - (b) many of the companies do not share the same fiscal year end as Navitas, and the above stated multiples need to be adjusted, or "calendarised", such that they are based on a 30 June year end for full comparability. If this adjustment were made, the multiples for the international companies (with December year ends) would be slightly higher
  - (c) as previously stated, none of the above listed companies are directly comparable to Navitas. In that regard, we note that:
    - (i) while IDP Education is exposed to the same broad driver as Navitas (i.e. international student enrolments), IDP Education places international students into education institutions in Australia and the other main English speaking countries (i.e. recruits) whereas Navitas operates programs for international students
    - (ii) the international companies predominately operate universities in the US which are largely driven by domestic, rather than international student enrolments
  - (d) notwithstanding the above, the selected companies provide a broad indication as to the high multiples that markets are currently placing on companies involved in education services
  - (e) the EBITDA margins (profitability), growth profiles and future capital expenditure requirements vary by company and influence the multiples on which they trade. In that regard, we note in particular, that relative to Navitas:
    - (i) IDP Education has slightly higher margins, much greater growth prospects (due to the greater exposure to international student demand) and lower forecast capital expenditure requirements

- (ii) Laureate Education has slightly higher margins, similar growth prospects but significantly higher forecast capital expenditure requirements
- (iii) Grand Canyon Education has much higher margins, similar growth and much lower forecast capital expenditure requirements for FY19
- (f) the multiples are based on closing share prices at a point in time and are not necessarily representative of the range of multiples that the companies trade on over time. In that context, we note that the one year forward multiples of the international companies (excluding Grand Canyon Education<sup>101</sup>) are broadly consistent with their recent trading ranges, while IDP Education is trading at all-time highs (Navitas' trading multiple over time is discussed further below).

### Navitas' EBITDA multiple over time

192 We set out below Navitas' one year forward EBITDA (based upon average analyst forecasts sourced from Bloomberg) for the period 1 January 2017 to 9 October 2018<sup>102</sup>:

**Navitas – One year forward EBITDA multiples**  
**1 January 2017 to 9 October 2018<sup>(1)</sup>**



**Note:**

- 1 Being the last trading day prior to the announcement of the Indicative Proposal.
  - 2 The average excluding the period of October 2017 through to early April 2018 (i.e. the shaded area) is some 11.7 times.
- Source:** Bloomberg and LEA analysis.

<sup>101</sup> Grand Canyon Education was restructured on 1 July 2018. Post announcement of the company's 31 December 2018 results, the share price increased significantly.

<sup>102</sup> Being the last trading day prior to announcement of the Indicative Proposal.



- 193 As evidenced from the above, Navitas has generally traded within a range of 11.0 times to 12.5 times except in March 2017 and in the period of October 2017 through to early April 2018:
- (a) **March 2017** – trading in March 2017 was negatively affected by the announcement that from 1 July 2017 Navitas’ AMEP contract regions would be reduced
  - (b) **October 2017 to April 2018** – Navitas’ trading during this period was affected by both positive and negative events / factors, including the following:
    - (i) the market (in general) experienced a significant rally, with indices reaching the highest levels achieved since the global financial crisis (GFC). For example, the S&P/ASX 200 Index increased from a close of 5,652 on 5 October 2017 to a closing high of 6,136 on 9 January 2018 (an increase of some 8.6%). The Navitas share price peaked slightly earlier than this on 18 December 2017. During the period, Navitas also benefited from a positively received announcement that student enrolments in the UP Division had increased by 8% for the third semester of 2017<sup>103</sup>
    - (ii) the market generally declined from 9 January 2018 through to 3 April 2018, with the S&P/ASX Index closing at 5,752 (a decline of some 6.3%). Over this period Navitas’ share price declined by a slightly larger percentage of some 11%
    - (iii) although the market rallied again from 3 April 2018 (to new post GFC highs), Navitas did not trade on a consistent basis with the general market as a result of, inter alia, the announcement of its 1H18 results and subsequently announced student enrolments figures for the first semester of 2018, both of which were negatively received.
- 194 Whilst there was a correction in the Australian and global share markets from around early October 2018 through to late December 2018 (e.g. the S&P/ASX 200 Index fell by some 10.4% from 9 October 2018 through to its intra-day low on 24 December 2018), we note that the Australian market has since recovered and based upon closing prices on 27 March 2019 the S&P/ASX 200 Index is now 1.6% higher than 9 October 2018.

### Transaction evidence

- 195 In recent years, there have been a number of transactions involving the acquisition of entities that were (at the time of the transaction) engaged in provision of education services.
- 196 A summary of the transactions that we identified and for which multiples can be derived based upon publicly available information are set out in the following table:

<sup>103</sup> Enrolments at Australian and New Zealand colleges increased by 18% compared to the prior corresponding period, followed by the UK which increased by 11%. This was partially offset by a decrease in North American colleges of 4% driven by higher visa rejection rates and ongoing uncertainty caused by the US administration’s approach to migration.

Transaction evidence – education services <sup>(1)</sup>				
Date <sup>(2)</sup>	Target	Acquirer	EV <sup>(3)</sup> A\$m	EV / EBITDA x
<b>University pathway providers<sup>(4)</sup></b>				
Feb 19	Study Group <sup>(5)(6)</sup>	Ardian	919	12.5 (H)
Dec 15	Mander Portman Woodward	Kaplan International	261	15.3 (H)
Dec 13	Cambridge Education Group	Bridgepoint	336	15.0 (H)
				11.0 (F)
Jul 10	Study Group	Providence Equity Partners	660	15.5 (H)
<b>VET and other</b>				
Mar 18	Zhengzhou School <sup>(5)</sup>	China Education Group Holdings	214	13.4 (H)
Nov 17	Wall Street English	Baring Private Equity Asia & CITC	395	15.1 (H)
Nov 17	European University Cyprus	Galileo Global Education Midco	361	13.2 (H)
Nov 17	Career Partner Group <sup>(5)</sup>	Oakley Capital Investments	162	10.4 (H)
Jun 17	QA Group	CVC Capital Partners	1,173	14.0 (H)
Nov 15	Aspire2 Group	Archer Capital	180	6.7 (H)
Mar 15	Endeavour Learning Group	Study Group	69	7.5 (H)
Jun 14	Endeavour College of Natural Health	Vocation Limited	84	6.5 (F)
Nov 13	Think Education Group <sup>(5)</sup>	Laureate Education	139	9.2 (H)
Nov 11	Global Education & Technology	Pearson Plc	158	12.3 (H)
Mar 11	Education Development International	Pearson Plc	166	10.2 (F)
Dec 10	SAE Group	Navitas	289	8.8 (F)

**Note:**

- 1 A brief description of each transaction is summarised at Appendix E.
- 2 Date of announcement.
- 3 Implied value of consideration for 100% if transaction does not already involve a 100% acquisition. Foreign currencies have been converted to AUD at the exchange rate prevailing as at the date of announcement.
- 4 Although listed as university pathway providers, they also provide other educational services.
- 5 These transactions involved the acquisition of less than 100% of the target: Study Group, Zhengzhou School (80%), Career Partner Group (79%) and Think Education Group (80%).
- 6 Financial details associated with this transaction have not been disclosed. Assessment of the implied EBITDA multiple is based on media reports and historical financial performance for the year ended 31 December 2017.

H – Historic. F – Forecast.

**Source:** Company announcements, press commentary and LEA analysis.

197 In relation to the transaction evidence it should be noted that:

- (a) except where noted, the transactions relate to the acquisition of 100% of the businesses and therefore implicitly incorporate a premium for control
- (b) Study Group and Cambridge Education Group, which compete with Navitas in the provision of university pathway programs, are considered the most comparable (of the acquired businesses) to Navitas as a whole<sup>104</sup>. In respect of Study Group, we note that:

<sup>104</sup> Mander Portman Woodward, whilst listed above as a university pathway provider, has a slightly different business model to Navitas, Study Group and Cambridge Education Group, in that it focuses on preparatory education primarily for domestic students.



- (i) the most recently agreed transaction occurred at a much lower multiple than that implied by Providence Equity Partners' (Providence) 2010 acquisition and at a much lower price and implied multiple than that which was speculated as being sought by Providence in the media (i.e. £700 million and some 15.0 times EBITDA)<sup>105</sup>
- (ii) the implied multiple for the most recent transaction is based upon reported earnings for the 12 months to 31 December 2017<sup>106</sup>. Earnings for the year to 31 December 2018 may have been higher or lower
- (iii) according to reports, Study Group remains subject to the examination of Australian regulators after being forced to close its vocational education and training business. The division recently closed and there may be a risk that the Australian Federal Government (through the industry regulator ASQA) tries to recoup hundreds of millions of dollars of funding<sup>107</sup>. It is unclear as to the extent to which this risk is reflected in the most recent transaction and implied multiple (if at all)
- (iv) relative to Navitas, Study Group has a greater exposure to the UK market and the current uncertainty surrounding Brexit
- (c) the majority of the acquired companies are smaller and have less diversified operations than Navitas. In this regard we note that all else being equal, smaller companies generally transact on lower multiples than larger companies
- (d) the multiples paid for VET and other entities are marginally lower than those paid for pathway program providers, however they appear to have generally trended upward over time
- (e) since acquiring SAE in 2010, Navitas has significantly restructured the business and has closed various locations
- (f) the transaction multiples are calculated based on the most recent actual earnings (historical multiples) or expected future earnings for the current year at the date of the transaction (forecast multiples). The multiples are therefore not necessarily reflective of the multiple which would be derived from an assessment of each target company's "maintainable" earnings.

### Potential synergies

- 198 The Consortium has not provided any specific guidance on the level of synergies it expects to realise from the acquisition of Navitas. However, as discussed above at paragraph 169, if the Scheme is approved and implemented, Navitas will be delisted from the ASX, resulting in the elimination of listed public company costs.

<sup>105</sup> Sky News, *UK higher education giant eyes £700m sale as Brexit looms*, 27 July 2017 and The Australian, *Study Group prepares for \$1bn sale after London success*, 8 August 2017.

<sup>106</sup> Being the most recently available accounts for Study Group.

<sup>107</sup> The Australian Financial Review, *PE snaps up Navitas rival Study Group; regulatory process to play out*, 22 February 2019.

- 199 In our view, it is also, depending upon the identity of the acquirer, conceivable that other synergies (e.g. back office cost savings etc) could be generated. For example, if Navitas was acquired by / combined with another education services entity such as one of their main competitors in the university pathway programs segment.
- 200 That said:
- (a) as set out in RG 111, synergies that are not available to other potential bidders should not be taken into account in the valuation of the target company when assessing whether an offer is fair
  - (b) the existence of synergies from business combinations is one of the key reasons why bidders pay a control premium to acquire a company.
- 201 Consequently, in our opinion, it is inappropriate (in the circumstances of Navitas) to incorporate a separate value for synergies over and above that already implicitly reflected in the controlling interest multiple applied.

#### **Other factors**

- 202 In assessing the appropriate EBITDA multiple for Navitas we have also had regard to (inter alia):
- (a) international student numbers – the number of international students studying in the key English speaking countries (to which Navitas is leveraged and benefited from historically) is expected to continue grow at similar rates to those experienced in recent history
  - (b) leveraged business model – Navitas expects to realise significant scale benefits from its UP platform (as many of the UPs have unutilised capacity). There are also many recently signed UPs that are yet to reach maturity
  - (c) market leadership – Navitas is the market leader in pathway programs in Australia and Canada
  - (d) contract risk – material contract loss is an inherent risk. That said, this risk is partly mitigated by the diversified nature of its business operations and Navitas recently implementing a more structured approach to contract renewals
  - (e) regulatory risk – there is current uncertainty as to the likelihood of immigration policy changes that may impact international students choosing to study in the US. Brexit is also likely to have an impact on international student enrolments in the UK
  - (f) foreign exchange – movements in the Australian dollar relative to the currencies in markets where students originate impacts the cost of courses to participants who are often price sensitive. Exchange rate movements also impact the AUD equivalent earnings from Navitas' overseas operations.

#### **Conclusion on appropriate EBITDA multiple**

- 203 Based on the above, in our opinion, an EBITDA multiple range of 15.0 times to 15.5 times is appropriate when applied to the EBITDA that has been adopted for valuation purposes.

### Value of Navitas' core business per capitalisation of EBITDA method

204 Based on the above, the value of 100% of Navitas' core business pursuant to the capitalisation of EBITDA method is as follows:

Navitas – value of core business per capitalisation of EBITDA approach			
	Paragraph	Low \$m	High \$m
EBITDA for valuation purposes	185	151.0	153.0
EBITDA multiple	203	15.0	15.5
<b>Enterprise value<sup>(1)</sup></b>		<b>2,265.0</b>	<b>2,371.5</b>

**Note:**

- 1 Assuming EBITDA for the next 12 months of \$165.4 million (as 27 March 2019, based upon the mid-point of our adopted EBITDA for valuation purposes of \$152.0 million and the mid-point of Navitas Management's FY20 guidance of \$170.0 million, the implied one year forward EBITDA multiple ranges from 13.7 times to 14.3 times, which is consistent with the evidence set out above at paragraph 192, after adjusting for a premium for control.

### Value of Navitas' core business

205 Based on the above, the enterprise values under each methodology and our adopted valuation range is shown below:

Navitas – value of business <sup>(1)</sup>			
	Paragraph	Low \$m	High \$m
Enterprise value – DCF approach	180	2,200.0	2,500.0
Enterprise value – capitalisation of EBITDA approach	204	2,265.0	2,371.5
<b>Adopted Enterprise value<sup>(2)</sup></b>		<b>2,250.0</b>	<b>2,450.0</b>

**Note:**

- 1 Rounding differences may exist.  
2 Represents the mid-point of the two adopted approaches rounded to the nearest \$50 million.

### Other assets / (liabilities)

206 Navitas has a number of non-core or surplus assets / (liabilities) that are not reflected in our above-mentioned business valuation and for which an allowance must be made<sup>108</sup>. However, with the exception of a refund receivable of some \$5.0 million for value added tax (VAT) paid by SAE UK<sup>109</sup>, these other assets and liabilities are not material either individually or in aggregate. Accordingly we have attributed \$5.0 million to other assets and liabilities.

<sup>108</sup> Including investments by Navitas in educational services start-ups, run-off of college programs converted to JVs and C&I restructuring costs.

<sup>109</sup> On 21 March 2019, Navitas announced that SAE UK had been successful in its appeal in the Supreme Court regarding SAE UK's VAT exemption status. As a result of winning the appeal, Navitas Group will proceed to reclaim VAT paid by SAE UK.

## Net debt

207 As at 31 December 2018, Navitas had net debt of \$260 million (excluding restricted cash and including derivatives). However, we note that:

- (a) Navitas' business is seasonal<sup>110</sup>, and as a result its investment in working capital and its net debt varies during the year. For valuation purposes we have therefore considered the average net debt level (excluding restricted cash) throughout the year and how this impacts the net debt balance
- (b) the reported net debt position does not incorporate Navitas' pro-rata interest in the net cash position of its equity accounted investments (i.e. the four JVs). In contrast, Navitas' reported net debt position consolidates the entirety of the net cash associated with the entities in which there is an OEI. That said, the net adjustment for these two items is relatively immaterial
- (c) the reported net debt position does not reflect the unpaid proportion of the unavoidable transaction costs associated with the Scheme<sup>111</sup> for which Navitas is responsible.

208 Having regard to the above, we have concluded that net debt of \$250 million is appropriate for valuation purposes.

## Share capital outstanding

209 Navitas has some 358.3 million ordinary shares on issue.

## Valuation summary

210 Given the above, we have assessed the underlying value of 100% of the equity in Navitas on a controlling interest basis as follows:

Navitas – valuation summary <sup>(1)</sup>			
	Paragraph	Low \$m	High \$m
Enterprise value – DCF approach	180	2,200.0	2,500.0
Enterprise value – capitalisation of EBITDA approach	204	2,265.0	2,371.5
Adopted enterprise value <sup>(2)</sup>	205	2,250.0	2,450.0
Other assets / (liabilities)	206	5.0	5.0
Net debt	208	(250.0)	(250.0)
<b>Equity value – controlling interest basis</b>		<b>2,005.0</b>	<b>2,205.0</b>
Fully diluted shares on issue (million)	209	358.3	358.3
<b>Navitas value per share – controlling interest basis (\$)</b>		<b>5.60</b>	<b>6.15</b>

### Note:

1 Rounding differences may exist.

2 Represents the mid-point of the two adopted approaches rounded to the nearest \$50 million.

<sup>110</sup> Navitas' financial results are historically second half weighted due to the Australasian student intake levels being at their greatest in the first part of the calendar year (i.e. the commencement of the academic year).

<sup>111</sup> That is, costs that would be incurred even if the Scheme were not to proceed.

- 211 We have cross-checked our valuation of Navitas business for reasonableness by comparing our assessed value of the equity in Navitas (on a per share basis) with the listed market prices of Navitas shares on the ASX up to 9 October 2018 (being the last day of trading prior to the announcement of the Indicative Proposal), adjusted for a premium for control<sup>112</sup>.
- 212 The volume weighted average share prices for Navitas in the one and three month periods up to 9 October 2018 were \$4.37 and \$4.39 respectively. Empirical evidence undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover, and after adjusting the pre-bid market price for the movement in share market indices between the date of the pre-bid market price and the announcement of the takeover).
- 213 Adding a 30% to 35% premium for control to these share prices would therefore result in a theoretical “control” value of \$5.68 to \$5.93 per share. Our valuation range is broadly consistent with this range.

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<sup>112</sup> Whilst there was a correction in the Australian and global share markets from around early October 2018 through to late December 2018 (e.g. the S&P/ASX 200 Index fell by some 10.4% from 9 October 2018 through to its intra-day low on 24 December 2018), we note that the Australian market has since recovered and based upon closing prices on 27 March 2019, the S&P/ASX 200 Index was 1.6% higher than 9 October 2018.

## VII Evaluation of the Scheme

- 214 In our opinion, the Scheme is fair and reasonable and in the best interests of Navitas Shareholders in the absence of a superior proposal. We have formed this opinion for the reasons set out below.

### Assessment of the Scheme

#### Fairness

- 215 As set out in Section VI we have assessed the value of Navitas on a 100% controlling interest basis at between \$5.60 and \$6.15 per share.
- 216 If the Scheme becomes legally effective and is implemented, Navitas Shareholders will receive the Cash Scheme Consideration of \$5.825 cash for each share they hold on the Scheme Record Date (27 June 2019).
- 217 Pursuant to RG 111 the Scheme is “fair” if the value of the consideration is equal to, or greater than the value of the securities the subject of the Scheme. This comparison is shown below:

Position of Navitas Shareholders			
	Low	High	Mid-point
	\$ per share	\$ per share	\$ per share
Value of Cash Scheme Consideration	5.825	5.825	5.825
Value of 100% of Navitas	5.600	6.150	5.875
Extent to which the Cash Scheme Consideration exceeds (or is less than) the value of Navitas	0.225	(0.325)	(0.050)

- 218 As the Cash Scheme Consideration lies within our assessed valuation range for Navitas shares on a 100% controlling interest basis, in our opinion, the Cash Scheme Consideration is fair to Navitas Shareholders when assessed based on the Guidelines set out in RG 111.

#### Other qualitative factors

- 219 Pursuant to RG 111, a transaction is reasonable if it is fair. Further, in our opinion, if the Scheme is “fair and reasonable” it must also be “in the best interests” of shareholders.
- 220 Consequently, in our opinion, the Scheme is also “reasonable” and “in the best interests” of Navitas Shareholders in the absence of a superior proposal.
- 221 In assessing whether the Scheme is reasonable and in the best interests of Navitas Shareholders LEA has also considered, in particular:
- (a) the extent to which a control premium is being paid to Navitas Shareholders (measured based on the listed market price of Navitas shares prior to the speculation of a control transaction for the company)
  - (b) the extent to which Navitas Shareholders are being paid a share of any synergies likely to be generated pursuant to the potential transaction
  - (c) the listed market price of the shares in Navitas, both prior to and subsequent to the announcement of the proposed Scheme

- (d) the likely market price of Navitas securities if the proposed Scheme is not approved
- (e) the value of Navitas to an alternative offeror and the likelihood of a superior proposal being made for Navitas prior to the date of the Scheme meeting
- (f) the advantages and disadvantages of the Scheme from the perspective of Navitas Shareholders
- (g) other qualitative and strategic issues associated with the Scheme.

222 These issues are discussed in detail below.

***Extent to which a control premium is being paid***

223 Research undertaken by LEA indicates that average premiums paid in successful takeovers in Australia generally range between 30% and 35% above the listed market price of the target company's shares<sup>113</sup> three months prior to the announcement of the bid (assuming no speculation of the takeover is reflected in the pre-bid price). This premium range reflects the fact that:

- (a) the owner of 100% of the shares in a company obtains access to all the free cash flows of the company being acquired, which it would otherwise be unable to do as a minority shareholder
- (b) the controlling shareholder can direct the disposal of surplus assets and the redeployment of the proceeds
- (c) a controlling shareholder can control the appointment of directors, management policy and the strategic direction of the company
- (d) a controlling shareholder is often able to increase the value of the entity being acquired through synergies and/or rationalisation savings.

224 We have calculated the premium implied by the Cash Scheme Consideration by reference to the market prices of Navitas shares (as traded on the ASX) for periods up to and including 9 October 2018 (being the last trading day prior to the announcement of the Indicative Proposal). In our opinion, this is the appropriate date at which to assess the premium because Navitas share prices post this date are affected by takeover speculation (we also note more generally, that the Australian share market has not moved materially since this date)<sup>114</sup>. The implied premiums are shown below:

<sup>113</sup> After adjusting the pre-bid market prices for the movement in share market indices between the date of the pre-bid market price and the announcement of the takeover.

<sup>114</sup> Whilst there was a correction in the Australian and global share markets from around early October 2018 through to late December 2018 (e.g. the S&P/ASX 200 Index fell by some 10.4% from 9 October 2018 through to its intra-day low on 24 December 2018), we note that the Australian market has since recovered and based upon closing prices on 27 March 2019, the S&P/ASX 200 Index was 1.6% higher than 9 October 2018.



**Implied offer premium relative to recent share prices**

	Navitas share price \$	Implied control premium %
Closing share price on 9 October 2018 <sup>(1)</sup>	4.35	33.9
One month VWAP <sup>(2)</sup> to 9 October 2018 <sup>(1)</sup>	4.37	33.3
Three month VWAP <sup>(2)</sup> to 9 October 2018 <sup>(1)</sup>	4.39	32.7

**Note:**

- 1 Being the last trading day prior to the announcement of the Indicative Proposal.
- 2 Volume weighted average price (VWAP).

225 Having regard to the above, in our opinion, the Cash Scheme Consideration provides Navitas Shareholders with a premium that is consistent with observed premiums generally paid in comparable circumstances. Accordingly, in our opinion, Navitas Shareholders are being compensated for the fact that 100% control of Navitas will pass to the Consortium if the Scheme is approved.

***Extent to which Navitas Shareholders are being paid a share of synergies***

226 The Consortium has not provided any specific guidance on the level of synergies it expects to realise from the acquisition of Navitas. However, If the Scheme is approved and implemented, Navitas will be delisted from the ASX, resulting in the elimination of listed public company costs (e.g. Director fees, listing fees, share registry fees, shareholder communication costs etc). Depending upon the identity of the acquirer, it is conceivable that other synergies (e.g. back office costs saving) could also be generated.

227 We note that our valuation range incorporates a premium for control and that the existence of company cost savings as well as other cost (and revenue) synergies that arise from acquisitions / privatisations are one of the key reasons why bidders pay a premium to acquire a company.

228 Given that the Cash Scheme Consideration falls within our valuation range, it would therefore appear that a proportion of the synergy benefits to be realised by the Consortium are being reflected in the Cash Scheme Consideration.

***Recent share prices subsequent to the announcement of the Scheme***

229 Shareholders should note that Navitas shares have traded on the ASX in the range of \$5.73 and \$5.80 per share in the period since the Scheme was announced up to and including 16 April 2019 (and closed at \$5.77). The VWAP over the period was \$5.76 per share.

230 These share prices are marginally less than the Cash Scheme Consideration. In our view, the post announcement trading suggests that the consensus market view is that a superior offer or proposal is unlikely to emerge.

***Likely price of Navitas shares if the Scheme is not implemented***

231 If the Scheme is not implemented we expect that, at least in the short-term, Navitas shares will trade at a significant discount to our valuation and the Cash Scheme Consideration due to the difference between the value of Navitas shares on a portfolio basis and their value on a 100% takeover basis. In this regard, we note that Navitas shares last traded at \$4.35 per share

on 9 October 2018 (being the last trading day prior to the announcement of the Indicative Proposal)<sup>115</sup>.

- 232 If the Scheme is not implemented those Navitas Shareholders who wish to sell their Navitas shares are therefore likely, at least in the short term, to realise a significantly lower price for their shares than will be payable under the Scheme.

***Likelihood of an alternative offer***

- 233 We have been advised by the Directors of Navitas that no formal alternative offers have been received subsequent to the announcement of the Initial Consortium's Indicative Proposal on 10 October 2018 (other than the Initial Consortium's Revised Indicative Proposal).

- 234 Whilst there has effectively been (and remains) an opportunity for third parties contemplating an acquisition of Navitas to table a proposal before the Navitas Board, Navitas Shareholders should note:

- (a) the exclusivity (and break fee) obligations on Navitas pursuant to the Agreement, which are summarised in Section I of this report and discussed in further detail in the Scheme Booklet
- (b) the Consortium has a relevant interest in 18.2% of Navitas' ordinary shares (comprising the aggregate interests of RMJ, AustralianSuper and CPPIB, which hold 12.6%, 5.4% and 0.2% of Navitas' ordinary shares respectively). RMJ and AustralianSuper (who together hold an aggregate of 18.0% of Navitas' ordinary shares) are contractually restricted from voting in favour of, or otherwise supporting, a competing proposal, and are required to vote against any competing proposal.

- 235 Although it is possible that an alternate offer may emerge, the factors set out above, in our opinion, diminish the likelihood of this occurring.

**Summary of opinion on the Scheme**

- 236 We summarise below the likely advantages and disadvantages for Navitas Shareholders if the Scheme proceeds.

**Advantages**

- 237 The Scheme has the following benefits for Navitas Shareholders:

- (a) the Cash Scheme Consideration of \$5.825 cash per share is consistent with our assessed value range for Navitas shares on a 100% controlling interest basis. Thus, in our view, Navitas Shareholders are being paid an appropriate price to compensate them for the fact that control of Navitas will pass to the Consortium if the Scheme is approved
- (b) the Cash Scheme Consideration represents a significant premium to the market prices of Navitas prior to the announcement of the Indicative Proposal. Furthermore, the premium is consistent with observed premiums generally paid to target company shareholders in comparable circumstances

<sup>115</sup> Whilst there was a correction in the Australian and global share markets from around early October 2018 through to late December 2018 (e.g. the S&P/ASX 200 Index fell by some 10.4% from 9 October 2018 through to its intra-day low on 24 December 2018), we note that the Australian market has since recovered and based upon closing prices on 27 March 2019, the S&P/ASX 200 Index was 1.6% higher than 9 October 2018.

- (c) if the Scheme does not proceed, and in the absence of an alternative offer or proposal, the price of Navitas shares is likely to trade at a significant discount to our valuation and the Cash Scheme Consideration due to the portfolio nature of individual shareholdings.

### **Disadvantages**

- 238 Navitas Shareholders should note that if the Scheme is implemented they will no longer hold an interest in Navitas. Navitas Shareholders will therefore not participate in any future value created by the Company over and above that reflected in the Cash Scheme Consideration.
- 239 However, as our assessed value of Navitas shares is consistent with the Cash Scheme Consideration, in our opinion, the present value of Navitas' future potential (in the absence of the Scheme) is reflected in the Cash Scheme Consideration.
- 240 Although Consortium Shareholders are being provided with the opportunity to retain an interest in the Navitas business by receiving the Scrip Consideration<sup>116</sup>, it should be noted that:
- (a) their Navitas shares will be exchanged for HoldCo equity at a deemed value of \$5.825 per share, which is consistent with the Cash Scheme Consideration (the economic substance is the same as receiving \$5.825 in cash per share and investing the proceeds in HoldCo<sup>117</sup>)
  - (b) HoldCo's only asset will be the shares in Navitas. Therefore, the value of 100% of HoldCo will be equal to our assessed value of Navitas<sup>118</sup>, less the debt used to finance the acquisition of the Navitas shares and the transaction costs incurred.

Accordingly, in our opinion, the market value of HoldCo equity on a controlling interest basis (immediately post implementation of the Scheme) is equivalent to \$5.60 to \$6.15 per Navitas share (being our assessed value range<sup>119</sup>).

The HoldCo Shares to be issued to the Consortium Shareholders will have a number of rights and obligations attaching to them and will be subject to a number of risk factors (which are outlined in Sections 6.8(b) and (c) of the Scheme Booklet). For example:

### **Ordinary shares**

- (i) have voting rights (one vote per share) and also provide Consortium members with the right to appoint directors to the Board of HoldCo. However, the Consortium Shareholders will each own less than 15% of HoldCo and will therefore be subject to the risks that are inherent in minority shareholdings with

<sup>116</sup> RMJ and AustralianSuper have binding contractual commitments, in favour of the Consortium, to exchange 53.2% and 99.8% of their Navitas shares for HoldCo Shares respectively (and will receive \$5.825 cash for the balance of their Navitas shares). RMJ and AustralianSuper will receive 4.459 ordinary shares and 1.366 preference shares in HoldCo for each Navitas share exchanged.

<sup>117</sup> Ignoring any leakage that may occur due to, inter alia, taxation etc.

<sup>118</sup> As the Consortium does not currently own any other education services businesses, we do not expect the Consortium to generate any significant synergy benefits over and above those already reflected in our assessed market value of Navitas.

<sup>119</sup> Ignoring any transaction costs incurred in HoldCo.

no substantial influence over the majority of decisions affecting HoldCo (i.e. the Consortium Shareholders will have a minority not controlling interest in HoldCo)

- (ii) whilst we understand that HoldCo ordinary shares carry an entitlement to dividends, given the structure of the investment and the level of HoldCo debt, the timing of the commencement of dividend payments (if any) is uncertain
- (iii) HoldCo is an unlisted Australian proprietary company and there will be no public market for the trading of HoldCo ordinary shares, nor is there expected to be any such market in the near future. The ability to dispose of HoldCo ordinary shares is also significantly restricted<sup>120</sup>, which will result in HoldCo ordinary shares being substantially illiquid

#### Preference shares

- (iv) do not have voting rights but do carry an entitlement to an annual coupon<sup>121</sup>, which will accumulate to the extent it is not paid each year
- (v) rank ahead of ordinary shares in the event of a liquidation
- (vi) at the election of HoldCo, may be redeemed or converted into HoldCo ordinary shares (for an amount equal to their issue price and any accumulated unpaid coupon). The corresponding proportion of HoldCo preference shares must also be transferred in the event the holder disposes of some or all of their ordinary shares. Otherwise, the ability of the holder to dispose or transfer HoldCo preference shares will be subject to the same restrictions applied to HoldCo ordinary shares (i.e. the ability to dispose or transfer will be significantly restricted).

Given the factors outlined in the Scheme Booklet, in our view, the HoldCo Shares to be issued to the Consortium Shareholders as Scrip Consideration (immediately post implementation of the Scheme) should prima facie reflect both minority and lack of marketability discounts, albeit the discounts applicable to the individual components (i.e. ordinary and preference shares) will differ<sup>122</sup>. Even assuming no discount is applied to the preference shares<sup>123</sup>, the discount attributable to the ordinary shares can be no greater than 6.9% in order for the (high end of the) Scrip Consideration to have an aggregate value of \$5.825 per Navitas share (on an equivalent basis)<sup>124</sup>. This is demonstrated as follows:

<sup>120</sup> For example, HoldCo ordinary shares will (generally) not be able to be transferred to a third party without first being offered to the other existing HoldCo shareholders.

<sup>121</sup> Which is proposed to be a small margin above the interest rate applying to HoldCo's senior debt.

<sup>122</sup> The key material differences between the preference and ordinary shares are that the preference shares carry no voting rights, are entitled to an annual coupon (only) and rank ahead of ordinary shares on a liquidation.

<sup>123</sup> Which, in our view, represents the best case scenario as the preference shares should be considered to be quasi equity (for which a discount would ordinarily apply).

<sup>124</sup> The low and mid-point aggregate values are still below \$5.825 per Navitas share (on an equivalent basis).

Theoretical example of value of Scrip Consideration given specific assumptions <sup>(1)(2)</sup>			
	Paragraph	Low \$	High \$
<b>HoldCo ordinary shares</b>			
Navitas value per share – controlling interest basis	20	5.600	6.150
Multiplied by % issued as HoldCo ordinary shares <sup>(3)</sup>		76.549%	76.549%
Value of HoldCo ordinary shares – controlling interest basis		4.287	4.708
6.9% discount for lack of control and lack of marketability		(0.296)	(0.325)
Value of HoldCo ordinary shares – minority interest basis	A	3.991	4.383
<b>HoldCo preference shares</b>			
Navitas value per share – controlling interest basis	20	5.600	6.150
Multiplied by % issued as HoldCo preference shares <sup>(3)</sup>		23.451%	23.451%
Value of HoldCo preference shares – no assumed discounts <sup>(4)</sup>	B	1.313	1.442
<b>Aggregate value of Scrip Consideration<sup>(2)</sup></b>	<b>A + B</b>	<b>5.304</b>	<b>5.825</b>

**Note:**

- 1 Rounding differences may exist.
- 2 Calculated on a per Navitas share equivalent basis, assuming a discount for minority and lack of marketability of no more than 6.9% is applied to the ordinary HoldCo shares and no discount is applied to HoldCo preference shares.
- 3 RMJ and AustralianSuper will receive 4.459 ordinary shares and 1.366 preference shares in HoldCo for each Navitas share exchanged (i.e. 4.459 / 5.825 and 1.366 / 5.825).
- 4 In our view, this represents the best case scenario as the preference shares should be considered to be quasi equity (for which a discount would ordinarily apply).

- (c) The discount applied to the ordinary shares in the table above is well below the combined level of discounts generally applied to minority interests in privately held (i.e. unlisted) entities<sup>125</sup>. Accordingly, in our view, the market value of the HoldCo Shares to be issued to the Consortium Shareholders as Scrip Consideration (immediately post implementation of the Scheme) is no greater than \$5.825 per Navitas share (on an equivalent basis)

## Conclusion

- 241 Given the above analysis, we consider that the advantages of the Scheme outweigh the disadvantages. Consequently, in our view, the acquisition of Navitas shares by the Consortium under the Scheme is fair and reasonable and in the best interests of Navitas Shareholders in the absence of a superior proposal.

<sup>125</sup> The minority interest discount associated with an assumed control premium of 30% to 35% is in the order of 23% to 26% (before the addition of any lack of marketability discount).

## Appendix A

### Financial Services Guide

#### Lonergan Edwards & Associates Limited

- 242 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 243 LEA holds Australian Financial Services Licence No. 246532.

#### Financial Services Guide

- 244 The *Corporations Act 2001 (Cth)* (Corporations Act) authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Notice of Meeting and Scheme Booklet to be sent to Navitas Shareholders in connection with the Scheme.
- 245 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

#### Financial services we are licensed to provide

- 246 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

#### General financial product advice

- 247 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 248 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

#### Fees, commissions and other benefits we may receive

- 249 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at \$400,000 plus GST.
- 250 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.



## Appendix A

- 251 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 252 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

### Complaints

- 253 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 254 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (AFCA), an external complaints resolution service. You will not be charged for using the AFCA service.

### Contact details

- 255 LEA can be contacted by sending a letter to the following address:

Level 7  
64 Castlereagh Street  
Sydney NSW 2000  
(or GPO Box 1640, Sydney NSW 2001)



## Appendix B

### Qualifications, declarations and consents

#### Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.
- 2 This report was prepared by Mr Nathan Toscan and Ms Julie Planinic, who are each authorised representatives of LEA. Mr Toscan and Ms Planinic have over 15 years and 21 years experience respectively in the provision of valuation advice (and related advisory services).

#### Declarations

- 3 This report has been prepared at the request of the Directors of Navitas to accompany the Notice of Meeting and Scheme Booklet to be sent to Navitas Shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Scheme is fair and reasonable and in the best interests of Navitas Shareholders.

#### Interests

- 4 At the date of this report, neither LEA, Mr Toscan nor Ms Planinic have any interest in the outcome of the Scheme. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 LEA has had no prior business or professional relationship with Navitas or the Consortium prior to the preparation of this report.

#### Indemnification

- 6 As a condition of LEA's agreement to prepare this report, Navitas agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of Navitas which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information requested by LEA. The indemnity referred to in this paragraph will not apply to the extent that any claim, liability or loss is caused by the negligence or wilful misconduct of LEA.

#### Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in the Scheme Booklet, and to the inclusion of statements (in the Scheme Booklet) that are based on or refer to this report in the form and context in which they are included.

## Appendix C

### Assessment of appropriate discount rate

- 1 The determination of the discount rate or cost of capital for a business requires identification and consideration of the factors that affect the returns and risks of that business, together with the application of widely accepted methodologies for determining the returns demanded by the debt and equity providers of the capital employed in the business.
- 2 The discount rate applied to the projected cash flows from a business represents the financial return that will be demanded before an investor would be prepared to acquire (or invest in) the business.
- 3 Businesses are normally funded by a mix of debt and equity. The weighted average cost of capital (WACC) is a widely used and accepted basis to calculate the “representative” rate of returns required by debt and equity investors. The required rate of return for equity is frequently evaluated using the capital asset pricing model (CAPM) and the required rate of return for debt funding is determined having regard to various factors such as current borrowing costs and prevailing credit ratings. The cost of equity and the cost of debt are weighted by the respective proportions of equity and debt funding to arrive at the WACC.
- 4 Accordingly, we set out below an explanation of:
  - (a) the WACC and its elements (including the CAPM, its application in determining the cost of equity, the cost of debt and debt equity mix)
  - (b) our assessment of the appropriate parameters to be used when determining the discount rate for Navitas from the perspective of prospective purchasers.

### Weighted average cost of capital

- 5 The generally accepted WACC formula is the post-tax WACC, without adjustment for imputation<sup>126</sup> as shown below:

#### WACC formula

$$WACC = R_e \frac{E}{V} + R_d(1 - t) \frac{D}{V}$$

where:

$R_e$  = expected equity investment return or cost of equity in nominal terms

$R_d$  = interest rate on debt (pre-tax)

$t$  = corporate tax rate

$E$  = market value of equity

$D$  = market value of debt

$V$  = market value of debt plus equity

<sup>126</sup> Given free capital flows between developed countries and the small size of the Australian stock market (as a percentage of global markets), the cost of capital of listed companies (other than perhaps regulated infrastructure assets) should be assessed in a global context ignoring Australian imputation. This is the approach generally adopted by independent experts.

## Appendix C

- 6 We note that while Navitas has both UP and C&I operations in a number of geographic locations, the majority of the revenues and cash flow generated by the Company is derived from the Australian operations. Further, Navitas is an Australian based company and raises the majority of its capital in the Australian capital market. On this basis, we have therefore assessed an Australian based discount rate.

### CAPM and the cost of equity

- 7 The CAPM stems from the theory that a prudent investor would price an investment so that the expected return is equal to the risk-free rate of return plus an appropriate premium for risk. The CAPM assumes that there is a positive relationship between risk and return. That is, rational investors are risk adverse and demand higher returns for accepting higher levels of risk.
- 8 The CAPM is based on the concept of non-diversifiable risk and calculates the cost of equity as follows:

#### Cost of equity calculation

$$R_e = R_f + \beta_e [E(R_m) - R_f]$$

where:

$R_e$	=	expected equity investment return or cost of equity in nominal terms
$R_f$	=	risk-free rate of return
$E(R_m)$	=	expected market return
$E(R_m) - R_f$	=	market risk premium (MRP)
$\beta_e$	=	equity beta

- 9 The individual components of the CAPM are discussed below.

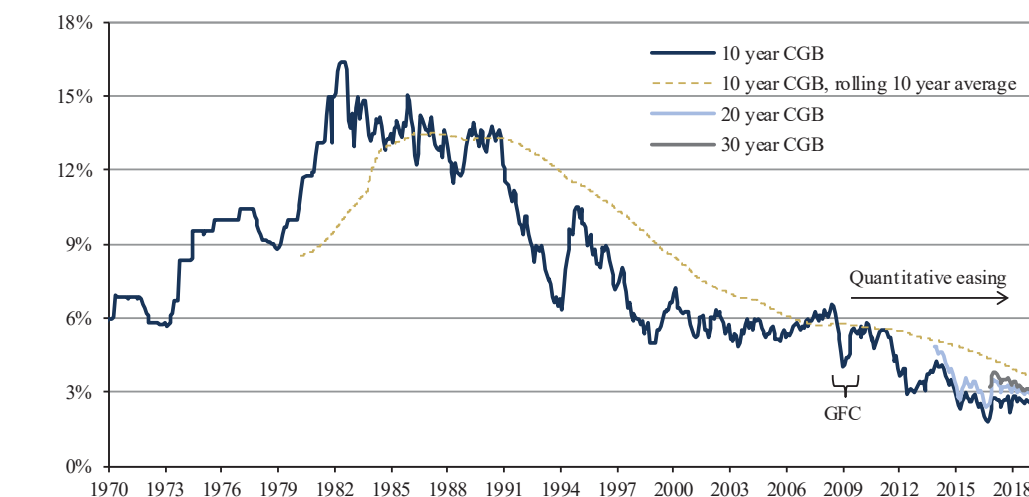
### Risk-free rate

- 10 We have applied a risk-free rate of 4.0% per annum. This exceeds the average yield to maturity currently prevailing on 10, 20 and 30 year Commonwealth government bonds (CGB) (of approximately 1.77%, 2.22% and 2.41% per annum respectively as at 27 March 2019) as we believe current yields (notwithstanding their long-term nature) remain at unsustainably low levels.

## Appendix C

### Australian government bond yield – nominal 10 year bonds

Monthly data, January 1970 to March 2019



Note: 20 year CGBs and 30 year CGBs were only issued in November 2013 and October 2016, respectively.

Source: Bloomberg.

- 11 In our view, the application of the current (very low) government bond yields and long-term average MRP is inappropriate in the context of determining required equity rates of return (discount rates). Theoretically, the anomalous currently low government bond interest rates could be allowed for by increasing the MRP. However, as it is difficult to reliably measure short-term movements in the MRP (refer to paragraph C13), we have instead increased the risk-free rate for the purposes of estimating required equity rates of return. This is consistent with the approach adopted by other valuation experts and investment analysts.

### Market risk premium

- 12 The MRP  $[E(R_m) - R_f]$ , represents the additional return above the risk-free rate that investors require in order to invest in a well diversified portfolio of equity securities (i.e. the equity market as a whole). Strictly speaking, the MRP is equal to the expected return from holding shares over and above the return from holding risk-free government securities. Since expected returns are generally not observable, a common method of estimating the MRP is to average realised (ex-post) returns.
- 13 Because realised rates of return, especially for shares, are highly volatile over short periods, short-term average realised rates of return are unlikely to be a reliable estimate of the expected rate of return or MRP. Consequently the MRP is measured over a long period of time. It should also be noted that the standard error of the estimate of the mean for longer periods is typically lower than the standard error of the mean where a shorter period is used. This supports more reliance being placed on the average MRP calculated over the longer term.
- 14 Based on our review of empirical studies on the long-term MRP in Australia, the MRP used in Australian regulatory decisions and by valuation practitioners generally, we have adopted an MRP of 6.0%.

## Appendix C

### Equity beta

#### Description

- 15 Beta is a measure of the expected volatility of the return on an investment relative to the market as a whole. The CAPM assumes that beta is the only reason expected returns on an asset differ from the expected return on the market as a whole. A beta greater than 1.0 suggests that an investment's returns are expected to be more volatile and risky than average (and accordingly a higher return than the market is required), whereas a beta less than 1.0 suggests that future returns will be less volatile and risky.
- 16 Similar to MRPs, expected equity betas are not observable. Historical betas are usually estimated and used as a reference to determine the appropriate forward-looking betas. In addition, factors such as betas of comparable companies and relevant industry sectors and a qualitative assessment of the systematic risks of the subject business are also considered. The determination of the appropriate beta to apply is, therefore, ultimately a matter of judgement.

#### Listed company betas

- 17 A summary of the equity betas of selected ASX and international listed companies that provide education services are set out below. Descriptions of each of the following companies can be found at Appendix D:

Company betas						
Company	Country	Market cap <sup>(1)(2)</sup> A\$m	EV <sup>(1)(2)(3)</sup> A\$m	Gearing <sup>(4)</sup> %	Beta <sup>(5)</sup>	R-squared <sup>(6)</sup>
<b>Australian companies</b>						
IDP Education	Australia	3,710	3,719	0.2	0.71	0.05
Navitas	Australia	1,558	1,805	13.6	0.35	0.03
<b>International companies</b>						
Laureate Education	US	4,633	7,022	33.8	0.32	0.02
Grand Canyon Education	US	7,675	6,215	(23.5)	0.95	0.14
Adtalem Global Education	US	3,704	3,702	(0.4)	0.89	0.10
Strategic Education	US	3,985	3,439	(15.9)	0.84	0.08

#### Note:

- 1 Market capitalisation, EV and earnings multiples calculated as at 27 March 2019, based upon latest available information. Navitas calculated as at 9 October 2018 (being the last trading day prior to the announcement of the Indicative Proposal).
- 2 Foreign currencies have been converted to AUD at the exchange rate prevailing as at 27 March 2019.
- 3 EV includes net debt (interest bearing liabilities less non-restricted cash), net derivative liabilities, net pension liabilities, market capitalisation adjusted for material option dilution and excludes surplus assets.
- 4 Gearing equals net debt (cash adjusted for the effect of share placements and buybacks, special dividends and option dilution) divided by EV.
- 5 Betas were obtained from Bloomberg and are based on four years of monthly returns to 27 March 2019 (with the exception of Navitas which is to 9 October 2019).
- 6 R-squared is a statistical measure of how well the regression line approximates the real data points. It has a value between zero and 1.0. The closer r-squared is to 1.0 the more reliable the beta estimate.

**Source:** Bloomberg and LEA analysis.

## Appendix C

18 In respect of the above, we note that:

- (a) the betas vary widely reflecting differences in size, leverage (i.e. gearing) and operational risks (the calculated beta estimates also vary depending on the index used and the period over which the beta is calculated). We also note that while the above listed companies operate in the education service sector, they generally provide different services to Navitas (e.g. many predominately operate universities in the US which are largely driven by domestic, rather than international student enrolments)<sup>127</sup>. Accordingly, we do not consider any of the companies to be directly “comparable” to Navitas
- (b) individual stock betas are generally less reliable than industry betas. As a result, it is important to also consider the related r-squared values shown above. The r-squared value measures the reliability of the beta estimate, and ranges from zero (being not reliable) to 1.0 (highly reliable). As the above individual stock betas have low r-squared values we consider them to be of limited reliability for valuation purposes.

### Industry betas

- 19 The beta estimate for the Australian Consumer Services sector is 1.14 (September 2018<sup>128</sup>). This sector beta has an r-squared value of 0.63 and is therefore considered reliable however, there are only two education services companies in the sector (the other companies included in the sector include hotel, restaurant and fitness centre operators).

### Business risks

- 20 When assessing beta it is also important to consider the overall reasonableness of the beta estimate having regard to, inter alia, the systematic risks associated with the business:
- (a) the higher education sector is subject to extensive regulation including (inter alia) accreditation of courses and colleges, teaching standards and student outcomes, migration and immigration of international students. Changes in legislation and/or failure to comply with existing legislation could materially impact Navitas’ operations
  - (b) participants in the higher education industry are facing increased competition and a degree of disruption. The introduction of fee caps in Australia may lead to universities lowering entrance scores, creating competition for student enrolments. Further, new entrants (in Australia or overseas) successfully replicating the pathway model and/or adopting emerging technology may impact the competitive landscape
  - (c) Navitas is the market leader in pathway programs in Australia and Canada. These geographic regions accounted for approximately 80% of the UP revenue in 1H19
  - (d) the business is dependent on attracting international students (e.g. from China, South Asia and India) for enrolments in its colleges. Factors in these countries, such as political instability or a natural disaster may impact student mobility and enrolments in

<sup>127</sup> Betas for Navitas’ main competitors are not available as these companies are privately held.

<sup>128</sup> It should be noted that the beta for the sector as at 30 June 2018 and March 2018 was 1.10 and 1.11 respectively.

## Appendix C

the short to medium term. Student migration policies in the countries where international students choose to study will also impact demand

- (e) whilst the majority of revenue and earnings are generated in Australia, movements in the AUD relative to the currencies in markets where students originate impacts the cost of courses to participants who are often price sensitive. Exchange rate movements also impact the earnings from Navitas' overseas operations
- (f) material contract loss is an inherent risk. That said, this risk is partly mitigated by the diversified nature of its business operations and Navitas recently implementing a more structured approach to contract renewals.

### Conclusion on beta

- 21 Having regard to the above, we have concluded that, on balance, the beta for Navitas' business should be consistent with or slightly above the market average beta of 1.0. Accordingly, we have adopted a beta estimate of 1.0 to 1.1.

### Gearing

- 22 The gearing level adopted should represent the level of debt that the asset can reasonably sustain and is not necessarily equivalent to the gearing level of the entity owning the asset. The factors that affect the "optimum" level of gearing will differ between assets. Generally, the major issues to address in determining this optimum level will include:
  - (a) the variability in earnings stream
  - (b) working capital requirements
  - (c) the level of investment in tangible assets
  - (d) the nature and risk profile of the tangible assets.
- 23 In general, the lower the expected volatility of cash flows (i.e. risk), the higher the debt levels which can be supported (and vice versa). Furthermore, as the equity beta is a function of both business risk and financial risk (being the level of financial leverage or gearing), it is important that the WACC calculation adopts a level of gearing which is consistent with the gearing ratios of the listed companies for which equity betas were used to assess the appropriate beta. If this is not done then, in theory, the equity beta would need to be adjusted to reflect the different level of gearing adopted. However, this adjustment is subject to considerable estimation error and is therefore not preferred. Consequently, when assessing the appropriate gearing level it is appropriate to consider the gearing levels of "comparable" listed companies over the period over which the beta estimates were calculated.
- 24 However:
  - (a) as indicated above, none of the above listed companies (refer paragraph C17) are directly comparable to Navitas and have, inter alia, differing operational profiles, tangible asset backing and internal policies regarding capital structure (i.e. the use of debt financing), all which impact the reported gearing positions

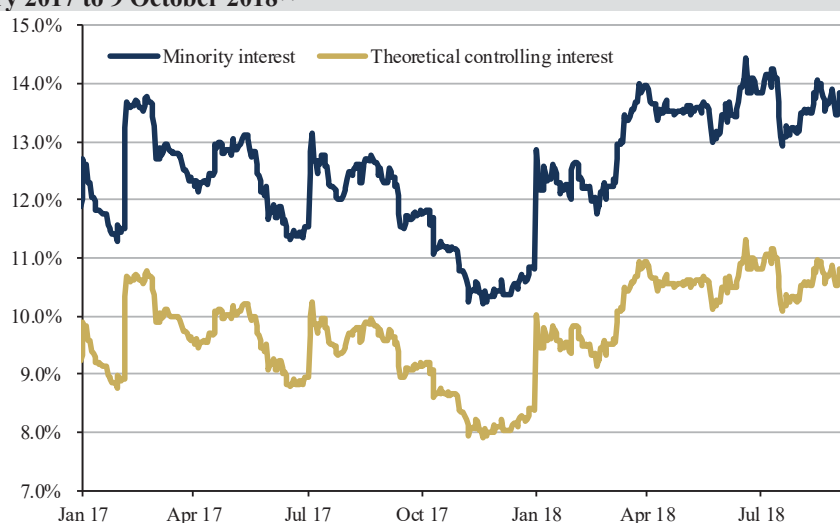


## Appendix C

- (b) four of the six selected listed companies have net cash balances and the remaining two companies have large variations in gearing ranging from 0.5% to 34%.

- 25 Accordingly, in our opinion, the “comparable” company gearing levels provide little support for the assessment of an appropriate gearing level for Navitas and we have instead had greater regard to Navitas’ historic reported levels of gearing for the purposes of the calculation of the discount rate, being some 10% to 14% on a minority interest basis and some 8% to 11% on a controlling interest basis<sup>129</sup>.

**Navitas – historic reported levels of gearing<sup>(1)(2)</sup>  
31 January 2017 to 9 October 2018<sup>(3)</sup>**



**Note:**

- 1 Level of gearing for controlling interest purposes assumes a theoretical 32.5% control premium.
- 2 Net debt for the purposes of calculating EV is based upon latest available information as the relevant date of measurement.
- 3 Being the reporting date for 2H17 results up to and including the last trading day prior to the announcement of the Indicative Proposal.

**Source:** Bloomberg and LEA analysis.

- 26 The chart above is based upon the reported debt drawn by Navitas, not the maximum amount that is able to be drawn pursuant to its borrowing facilities. Navitas’ level of gearing, assuming the full utilisation of its debt facilities, would be higher than that set out above. We note that as at 31 December 2018, Navitas was in compliance with its banking covenant ratios.
- 27 We also note that the Consortium intends to partially fund its acquisition of Navitas with a debt funding package of some \$1,145 million, which equates to a gearing level of some 50%. Whilst we acknowledge that private equity firms are prevalent investors in the sector, we note they are not the only market participants and that higher levels of gearing are also typically accompanied by higher costs of debt and higher equity betas.

<sup>129</sup> Assuming a theoretical control premium of 32.5%.

## Appendix C

28 Having regard to the above, we have (on balance) adopted a gearing ratio of 15%%.

### Cost of debt

29 A cost of debt of 5.0% to 6.0% per annum has been adopted for Navitas. This reflects a long-term borrowing margin of 1.0% to 2.0% above the adopted risk-free rate<sup>130</sup>. When forming this opinion, we have considered the terms of Navitas' current debt facility (which is drawn down in AUD, Canadian dollars, US dollars and Singapore dollars) pursuant to which Navitas currently pays an effective interest rate of 3.27% per annum<sup>131</sup>. Whilst the current interest rate on this debt facility is less than rate we have adopted for valuation purposes, the maturity profile of Navitas' borrowing facilities (as at 31 December 2018), ranged between one and five years, with a weighted average term of only 3.9 years.

### Calculation of WACC for Navitas

30 Based on the above we have adopted a discount rate of 9.3% per annum (after tax):

Navitas – adopted (post corporate tax) discount rate		
Parameters	Low %	High %
<b>Cost of equity</b>		
Risk-free rate	4.0	4.0
MRP	6.0	6.0
Beta	1.0	1.1
Cost of equity	10.0	10.6
<b>Cost of debt</b>		
Pre-tax	5.0	6.0
Post-tax (assuming a corporate tax rate of 30%)	3.5	4.2
Proportion of equity funding	85.0	85.0
Proportion of debt funding	15.0	15.0
<b>WACC</b>	<b>9.0</b>	<b>9.6</b>
<b>Adopted WACC</b>	<b>9.3%</b>	

<sup>130</sup> The spread between A and BBB rated bonds and CGBs with maturities of 10 years was 1.39% and 2.17% respectively as at 31 March 2019. (Source: Reserve Bank of Australia Statistical Tables - *F3 Aggregate Measures Of Australian Corporate Bond Spreads And Yields: Non-Financial Corporate (NFC) Bonds.*)

<sup>131</sup> As disclosed in the 2018 Annual Report. Borrowings are subject to floating interest rate arrangements. However, Navitas has put in place interest rate swaps to fix the interest rate on a portion of the borrowings. The current effective interest rate is broadly consistent with this rate.

## Appendix C

### Comparison with analyst reports

- 31 We note that our assessed discount rate range is consistent with the discount rates applied by investment analysts in their valuations of Navitas.

Discount rates applied by investment analysts			
Broker	Report date	Beta	Discount rate %
Broker 1	7 August 2018	1.2	11.1
Broker 2	7 August 2018	1.0	9.3
Broker 3	13 November 2018	nd	7.7
Broker 4	19 November 2018	1.0	9.4
Average			9.4
Median			9.4

nd – not disclosed.

## Appendix D

### Trading evidence

- 1 A summary of the key trading metrics of selected ASX and international securities exchange listed companies that provide education services are set out below<sup>132</sup>:

Trading evidence – listed education services companies <sup>(1)</sup>										
Company	Year end	Mkt cap <sup>(2)</sup> A\$m	EV <sup>(2)(3)</sup> A\$m	Gearing % <sup>(4)</sup>	EV / EBITDA multiples <sup>(5)(6)(7)</sup>			P / E multiples <sup>(5)(6)(7)</sup>		
					FY18 x	FY19 x	FY20 x	FY18 x	FY19 x	FY20 x
Australian companies										
IDP Education	30 Jun	3,710	3,719	0.2	41.9	32.5	26.2	66.0	54.6	42.9
Navitas	30 Jun	1,558	1,805	13.6	12.5	11.5	10.5	22.7	19.5	17.3
International companies										
Laureate Education	31 Dec	4,633	7,022	33.8	8.6	7.7	6.9	17.9	13.0	13.0
Grand Canyon Education	31 Dec	7,675	6,215	(23.5)	16.7 <sup>(8)</sup>	14.4	12.8	24.7 <sup>(8)</sup>	22.0	19.8
Adtalem Global Education	30 Jun	3,704	3,702	(0.4)	9.8	9.7	8.7	16.3	15.9	13.9
Strategic Education	31 Dec	3,985	3,439	(15.9)	18.7 <sup>(8)</sup>	10.7	9.3	27.3 <sup>(8)</sup>	21.4	18.4

**Note:**

- 1 Market capitalisation, EV and earnings multiples calculated as at 27 March 2019, based upon latest available information. Navitas calculated as at 9 October 2018 (being the last trading day prior to the announcement of the Indicative Proposal).
- 2 Foreign currencies have been converted to AUD at the exchange rate prevailing as at 27 March 2019.
- 3 EV includes net debt (interest bearing liabilities less non-restricted cash), net derivative liabilities, net pension liabilities, market capitalisation adjusted for material option dilution and excludes surplus assets.
- 4 Gearing equals net debt (cash adjusted for the effect of share placements and buybacks, special dividends and option dilution) divided by EV.
- 5 Multiples for FY18 are based upon actual results excluding non-recurring items, significant write downs, realised investment gains or losses and restructuring charges.
- 6 Unless otherwise noted the multiples for FY19 and FY20 are based on Bloomberg broker average forecasts (excluding outliers and outdated forecasts).
- 7 Navitas multiples for FY19 and FY20 are based upon average analyst estimates from Citi, Macquarie, Morgan Stanley and UBS (7 August 2018), Blue Ocean (8 August 2018) and Morningstar (24 September 2018). Analyst views include pro-rata share of EBITDA from JVs.
- 8 Grand Canyon Education was restructured on 1 July 2018. Strategic Education was formed on 1 August 2018.

**Source:** Bloomberg, company announcements and LEA analysis.

- 2 Brief descriptions of each of the above companies follow.

<sup>132</sup> Limited to companies that deliver education services in the main English speaking countries and have an EV of more than A\$1 billion.

## Appendix D

### Australian companies

#### IDP Education Limited

- 3 IDP Education places international students into education institutions in Australia, the UK, the US, Canada and New Zealand. The company also jointly owns IELTS<sup>133</sup>, a globally recognised English language test for study, work and migration purposes, and operates a number of English language schools in Vietnam, Cambodia and Thailand.

#### Navitas Limited

- 4 Refer to profile of Navitas in Section III.

### International companies

#### Laureate Education Inc.

- 5 Laureate Education is an education provider offering graduate, undergraduate, masters and doctoral degree programs to over one million students worldwide. It operates the world's largest global network of degree-granting higher education institutions, with approximately 875,000 students enrolled at over 25 institutions with more than 150 campuses. Laureate Education operates in more than 15 countries across the Americas, Europe, Africa, Asia and the Middle East and its course subjects cover fields such as business and management, medical and health sciences, information technology, engineering and architecture.

#### Grand Canyon Education Inc.

- 6 Grand Canyon Education is a shared services partner dedicated to serving colleges and universities. The company supports partner institutions' students through operational functions and programs to serve students' needs on campus or online. It services students at the undergraduate, masters and doctoral program levels. Services provided include operational aspects such as strategic enrolment, management, academic counselling and financial services. Grand Canyon Education currently only provides services to Grand Canyon University (formerly known as Gazelle University).

#### Adtalem Global Education Inc.

- 7 Adtalem Global Education is an international provider of educational services predominately operating throughout the Americas. The company owns eight institutions and companies operating in more than 12 countries with more than 60 campuses. Adtalem Global Education offers a wide array of programs covering healthcare, technology, business, accounting, finance, law, medicine, anti-money laundering and veterinary medicine.

#### Strategic Education Inc.

- 8 Strategic Education is a newly (1 August 2018) formed education services provider (comprising the merged businesses of Strayer Education Inc. and Capella Education Company) and offers a range of post-secondary educational services and other academic programs through various learning pathways including Strayer University, Capella University and New York Code and Design Academy. The organisation offers flexible and affordable associate, bachelors, masters and doctoral programs.

<sup>133</sup> The other joint venture partners are the British Council and Cambridge Assessment English.

## **Transaction evidence**

### **University pathway providers**

#### **Study Group**

- 1 On 21 February 2019, Ardian announced that it had reached an agreement to acquire a majority stake in Study Group, a leading provider of pathway programs to international students seeking to enter English speaking universities. At the date of the acquisition, Study Group educated around 30,000 students from 142 countries on campuses spread across Australia, New Zealand, the UK, Europe and North America and had 48 university partners around the world. Since the acquisition of Study Group was completed by Providence in July 2010, the University Pathway business continues to comprise the largest component of the group's operations, accounting for over 90% of EBITDA for the 12 months to 31 December 2017. In addition, we note that Study Group has closed its Bellerbys College in Oxford (August 2017) and has more recently discontinued its VET operations in Australia following regulatory reforms announced by the Australian government in October 2016.

#### **Mander Portman Woodward**

- 2 On 14 December 2015, Kaplan International announced that it had agreed to acquire Mander Portman Woodward from Levine Leichtman Capital Partners. At the date of acquisition, the company was a leading provider of bespoke education to students in their final years of secondary school in the UK. It operates predominately as a preparation school for students seeking to gain entry into highly regarded higher education institutions. Approximately two-thirds of Mander Portman Woodward students are British, with the remaining third international.

#### **Cambridge Education Group**

- 3 On 4 December 2013, the private equity firm Bridgepoint announced that it would acquire Cambridge Education Group, a specialist provider of foundation programs and English language training for international students wishing to prepare for university. At the time of the acquisition, the Cambridge Education Group was responsible for educating over 4,000 students from 95 different countries.

#### **Study Group**

- 4 On 1 July 2010, Providence announced that it had acquired the global education provider Study Group for A\$660 million. At the date of acquisition, Study Group educated around 55,000 students from more than 140 countries at 38 campuses across the US, the UK, Australia and New Zealand. Study Group also had a network of alliances spanning 82 universities and colleges across the same regions (70 in the US, 12 in the UK and 7 in Australia). It also had a number of stand-alone schools including Bellerbys College in the UK, Taylors College in Australia and New Zealand, the Australian College of Physical Education, the Australian Institute of Applied Science, and Martin College in Australia. In addition, Study Group owned and operated 19 year-round Embassy CES language schools.

## Appendix E

### Vocational and other

#### Zhengzhou School

- 5 On 13 March 2018, China Educational Group Holdings announced that it had entered into an agreement to acquire 80% of the Zhengzhou School located in Zhengzhou, Henan, China. At the time of the acquisition, Zhengzhou School had over 20,000 students undertaking its various specialty programs, which cover operations management for various transport functions, automotive applications and maintenance and electronics / robotics.

#### Wall Street English

- 6 On 27 November 2017, Pearson announced that it had agreed to the sale of its Wall Street English business to a consortium of investors consisting of funds affiliated with Baring Private Equity Asia and CITIC Capital. At the time of the transaction, Wall Street English was the world's leading English language training network, with a 45 year history and operations including 70 corporate centres in China, 9 corporate centres in Italy and 321 franchises across 27 other countries in Asia, Europe, South America and Africa.

#### European University Cyprus / Laureate Italy

- 7 On 22 November 2017, Laureate Education entered into an agreement with Galileo Global Education Midco to sell its European University Cyprus and Laureate Italy businesses for consideration of US\$275 million. At the time of the acquisition, the European University Cyprus was a leading comprehensive university in Cyprus, while Laureate Italy operated private fine arts academies in Milan, Italy.

#### Career Partner Group

- 8 On 6 November 2017, Oakley Capital Investments announced that it had acquired a 79% interest in Career Partner Group from Apollo Education Group. At the date of acquisition, Career Partner Group was a leading provider of private higher education in Germany delivering programs to over 13,500 students. The business operated a range of delivery options for its educational products, being traditional on-campus universities, online university degree courses, dual studies and corporate training.

#### QA Group

- 9 On 19 June 2017, CVC Capital Partners announced that it had agreed to acquire QA Group, the UK's leading provider of IT education, with 1,500 training courses across 20 centres. The company also offered IT based apprenticeships, consulting to the financial and government sectors and higher education services, including undergraduate and postgraduate degrees.

#### Aspire2 Group

- 10 On 3 November 2015, Archer Capital announced that it had acquired Aspire2 Group, a newly formed group of five New Zealand based private education businesses. The group was expected to become New Zealand's largest private provider of vocational education to international students as well as a leading provider of vocational education to domestic students and clients. Under the transaction, the combined value of Aspire2 Group was approximately NZ\$200 million.



## Appendix E

### **Endeavour Learning Group**

- 11 On 19 March 2015, Vocation Limited announced that it had entered into a conditional contract for the sale of its Endeavour Learning Group business to Study Group. At the time of the acquisition, Endeavour Learning Group was one of Australasia's leading providers of higher education and vocational training to the health and wellness sector. It operated six campuses in Australia and two in New Zealand.

### **Endeavour College of Natural Health**

- 12 On 6 June 2014, Vocation Limited announced that it had signed an agreement to acquire 100% of the Endeavour College of Natural Health. At the time of the acquisition, the Endeavour College of Natural Health was one of Australia's leading providers of higher education and vocational training to the health and wellness sectors. Its operations spanned Australia and New Zealand and collectively educated over 8,000 students across both countries.

### **THINK Education Group**

- 13 On 7 November 2013, Seek announced that it had completed the sale of an 80% equity interest in THINK Education Group to Laureate Education. At the time of the acquisition, THINK Education Group operated a number of educational institutions across Australia, providing higher education and vocational training courses covering health, design, hospitality and business.

### **Global Education and Technology Group**

- 14 On 21 November 2011, Pearson announced that it had entered into an agreement to acquire Global Education and Technology Group (Global Education). At the time of the acquisition, Global Education was the largest test preparation provider for the IELTS as well as being a leading provider of educational courses and related services in China. As at 30 September 2011, the company's network comprised 115 directly operated learning centres and 327 franchised learning centres across China. It also provided an online course delivery program with over one million registered members.

### **Education Development International**

- 15 On 7 March 2011, Pearson announced that it had made a cash offer to acquire 100% of the equity of Education Development International for £113 million. Education Development International was a leading provider of education and training qualification and assessment services in the UK. The company's operations were predominately focused around quality assurance work based training programs.

### **SAE Group**

- 16 On 14 December 2010, Navitas announced that it had entered into an agreement to acquire 100% of the SAE Group for A\$289 million. SAE Group was a leading global provider of creative and new media education, delivering a range of post-secondary education opportunities to approximately 8,000 students across 47 campuses in 19 countries. Its courses covered certificate, diploma, degree and masters programs across three major fields of study (audio production, film production and interactive media).

### Glossary

Term	Meaning
1H	Financial half-year ending 31 December
2H	Financial half-year ending 30 June
ACAP	Australian College of Applied Psychology
AFCA	Australian Financial Complaints Authority
AGM	Annual general meeting
Agreement	Scheme Implementation Deed dated 21 March 2019
AMEP	Adult Migrant English Program
ASAM	Australian School of Applied Management
ASIC	Australian Securities & Investments Commission
ASQA	Australian Skill Quality Authority
ASX	Australian Securities Exchange
AUD / A\$	Australian dollar
AustralianSuper	AustralianSuper Pty Ltd as trustee for AustralianSuper
BCI	British Columbia Investment Management Corporation
BGH	BGH Capital Pty Ltd
BGH BidCo / Bidder	BGH BidCo A Pty Ltd
BGH Fund	Funds advised by BGH
Board	Navitas board of Directors
Brexit	The UK referendum of 23 June 2016, when 51.9% of UK voters chose to leave the EU
C&I	Careers & Industry
CAGR	Compound annual growth rate
CAPM	Capital asset pricing model
Cash Scheme	\$5.825 cash per Navitas share
Consideration	
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGB	Commonwealth government bonds
CPPIB	Canada Pension Plan Investment Board
Consortium	Collectively BGH, BGH Fund, RMJ, AustralianSuper, BCI, CPPIB, OTTP and Sinspec
Consortium Shareholders	RMJ and AustralianSuper
Consortium Shareholders Scheme Meeting	The Scheme meeting of the Consortium Shareholders only
Corporations Act	<i>Corporations Act 2001 (Cth)</i>
Corporations Regulations	<i>Corporations Regulations 2001</i>
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
ECC	Edith Cowan College
EFTSU	Equivalent full time student units
ELICOS	English Language Intensive Courses for Overseas Students
EU	European Union
EV	Enterprise value
FSG	Financial Services Guide
FY	Financial year
General Scheme Meeting	The Scheme meeting of Navitas Shareholders generally, excluding the Consortium Shareholders
GFC	Global financial crisis

## Appendix F

Term	Meaning
GIC	GIC Private Limited
GICSI	GIC Special Investments Private Limited
Global Education	Global Education and Technology Group
Hague University	The Hague University of Applied Sciences
Hawthorn Melbourne	University of Melbourne (Hawthorn College)
HoldCo	The ultimate holding company of BGH BidCo
HoldCo Shares	Ordinary and preference shares in HoldCo issued to the Consortium Shareholders electing to receive the Scrip Consideration (in an amount of 4.459 ordinary shares and 1.366 preference shares in HoldCo, per Navitas share for which the Scrip Consideration is elected)
HSA	Health Skills Australia
ICWS	International College Wales Limited
IELTS	International English Language Testing System
IER	Independent expert's report
Indicative Proposal	The unsolicited, preliminary, conditional and non-binding proposal received by Navitas from the Initial Consortium on 10 October 2018 to acquire all the fully paid ordinary shares in Navitas for \$5.50 per share
Initial Consortium	A consortium comprising BGH, RMJ and AustralianSuper
IT	Information technology
JV	Joint venture
LEA	LonerGAN Edwards & Associates Limited
LTM	Last 12 months
Mr Buckingham	Mr David Buckingham
Mr Jones	Mr Rodney Jones
MRP	Market risk premium
Navitas	Navitas Limited
Navitas Group	Navitas including its related entities
Navitas Shareholders	Navitas shareholders except for RMJ and AustralianSuper
NPV	Net present value
NZ\$	New Zealand dollar
OEI	Outside equity interest
OTPP	Ontario Teachers' Pension Plan Board
pcp	Prior corresponding period
PEP	Professional & English Programs
Providence	Providence Equity Partners
Queens College CUNY	Queens College of The City University of New York
Revised Indicative Proposal	Revised indicative, preliminary, non-binding and conditional proposal submitted by the Initial Consortium contemplating increased cash consideration of \$5.825 per share (less the cash amount of any dividends) and certain amendments to other terms of its proposal
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
RMJ	Mr Jones and his associated entities
SAE	School of Audio Engineering
Scheme	Scheme of arrangement between Navitas and its shareholders
Scheme Meetings	The General Scheme Meeting and the Consortium Shareholders Scheme Meeting
Scrip Consideration	Shares in HoldCo, the ultimate holding company of BGH BidCo. Specifically, Consortium Shareholders will receive 4.459 ordinary shares and 1.366 preference shares in HoldCo for each Navitas share held and exchanged.
SEE	Skills for Education and Employment
Sinspec	Sinspec Investment Private Limited
Specified Contracts	24 agreed contracts to which there are 18 separate counterparties
SSVF	Simplified Student Visa Framework

## Appendix F

Term	Meaning
SVP	Streamlined Visa Processing
Swansea JV	The College, Swansea University
TV	Terminal value
UCC	University of Canberra College
UK	United Kingdom
UNESCO	United Nations Educational, Scientific, and Cultural Organisation
UP	University Partnerships
US	United States of America
VET	Vocational education and training
VWAP	Volume weighted average price
WACC	Weighted average cost of capital
WANOS	Weighted average number of shares outstanding
WSUIC	Western Sydney University International College

# Corporate Directory

## DIRECTORS

**Ms Tracey Horton AO**  
**Mr David Buckingham**  
**Mr Tony Cipa**  
**Ms Diana Eilert**  
**Ms Lisa Paul AO PSM**  
**Mr David Robb**

## COMPANY SECRETARIES

**Mr Hugh Hangchi**  
**Mr Matthew Rumpus**

## REGISTERED OFFICE

Level 8, Brookfield Place  
125 St Georges Terrace  
Perth WA 6000

**ASX Code: NVT**

## FINANCIAL ADVISER

**Goldman Sachs**  
Level 46, Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000

## AUSTRALIAN LEGAL ADVISER

**Ashurst**  
Level 10, Brookfield Tower II  
123 St Georges Terrace  
Perth WA 6000

## INDEPENDENT EXPERT

**Lonergan Edwards  
& Associates Limited**  
AFS Licence No 246532  
Level 7, 64 Castlereagh Street  
Sydney NSW 2000

## SHARE REGISTRY

**Computershare Investor  
Services Pty Limited**

## AUDITORS

**Deloitte Touche Tohmatsu**

## WEBSITE

[www.navitas.com](http://www.navitas.com)

## NAVITAS SHAREHOLDER INFORMATION LINE

1300 648 603 (within Australia)  
+61 3 9415 4277 (outside Australia)

The Navitas Shareholder Information Line is open on  
Business Days between 6.30 am and 5.00 pm (Perth time).

