



AFFINITY EDUCATION
G R O U P
ABN 37 163 864 195

ASX ANNOUNCEMENT

AFFINITY EDUCATION GROUP LIMITED

ASX:AFJ

12 March 2015

Affinity Education announces underwritten entitlement offer and new acquisitions

Overview

Affinity Education Group Limited (the “Company” or “Affinity”) today announces a fully underwritten pro-rata accelerated renounceable entitlement offer to raise gross proceeds of approximately \$75 million (“Entitlement Offer”), priced at \$1.18 per share. The Entitlement Offer comprises an Institutional Entitlement Offer to raise approximately \$52 million and a Retail Entitlement Offer to raise approximately \$23 million.

Eligible shareholders will be entitled to subscribe for 8 new shares for every 21 shares held as at 7:00pm (Sydney time) on Tuesday 17 March 2015. The offer price of \$1.18 per share represents an 11.9% discount to the last traded price on Wednesday 11 March 2015 (being the last traded price before announcement of the Entitlement Offer) and a discount of 8.9% to the theoretical ex-rights price (“TERP”) of \$1.30.⁽¹⁾

Approximately 63.8 million new shares are expected to be issued under the Entitlement Offer. New shares will rank equally with existing shares.

The Entitlement Offer is fully underwritten. Additionally, the Company’s Directors and senior management intend to participate in the Entitlement Offer for some or all of their respective pro-rata entitlements to the extent that their financial circumstances permit.

Use of funds

The funds will be applied to:

- Fund the proposed acquisition of 9 premium child care centres for a purchase price of approximately \$24 million in cash (the “New Acquisition”). Settlement of the New Acquisition is expected by the end of H1 2015, subject to satisfaction of customary conditions precedent;⁽²⁾
- Pay down debt, thereby providing the Company with an additional \$45.4 million balance sheet capacity to pursue its acquisition led growth strategy; and
- Pay the costs of the Entitlement Offer and New Acquisition, totalling approximately \$5.6 million.

The Company notes that in 1Q 2015 it also expects to complete and settle the acquisition of 24 of the 27 centres previously announced, for total cash consideration of \$62 million (including estimated transaction costs). These acquisitions will be funded using the existing \$100 million CBA Acquisition Facility that will be drawn to \$34.9 million following completion of the Entitlement Offer and these previously announced acquisitions and the New Acquisition.

The New Acquisition

The New Acquisition comprises a group of 9 premium child care centres located in Sydney, Penrith, the Central Coast and Brisbane. It is expected to be EPS accretive from settlement.^(3,4)

Portfolio update

Following completion of the previously announced acquisitions (including the New Acquisition), the Company will own 161 child care centres representing 12,350 child places.

(1) The theoretical ex-rights price ("TERP") is the theoretical price at which Affinity shares should trade at immediately after the ex-date for the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which Affinity shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not equal the TERP; (2) Conditions precedent include in most cases obtaining landlord consents, regulatory license transfer approvals being obtained and completion of confirmatory due diligence; (3) Acquisition centre financials based on unaudited and unreviewed information provided by vendors, which remains subject to completion of confirmatory due diligence; (4) EPS accretion is based on underlying NPAT of Affinity (2015 management earnings forecasts) excluding expensing of transaction costs. Standalone EPS used in EPS accretion calculation incorporates an adjustment factor to account for the bonus element in the Entitlement Offer, in accordance with AASB 133 Earnings per Share.



Entitlement Offer timetable

The Institutional Entitlement Offer will be conducted on Thursday, 12 March 2015. Eligible institutional shareholders can choose to take up all, part or none of their entitlements. New shares equivalent in number to the new shares not taken up by eligible institutional shareholders and new shares that would have been offered to ineligible institutional shareholders had they been entitled to participate will be sold through the Institutional Shortfall Bookbuild to be conducted on Friday, 13 March 2015.

The Retail Entitlement Offer will open at 9.00am (Sydney time) Friday, 20 March 2015 and close at 5.00pm (Sydney time) Thursday, 2 April 2015. New shares equivalent in number to the new shares not taken up by eligible retail shareholders and new shares that would have been offered to ineligible retail shareholders had they been entitled to participate will be sold through the Retail Shortfall Bookbuild to be conducted on Thursday, 9 April 2015.

A Retail Offer Booklet containing details about the Retail Entitlement Offer and how to participate will be released to ASX on Tuesday, 17 March 2015 and sent to eligible retail shareholders on Friday, 20 March 2015.

Indicative Key Dates for the Entitlement Offer

Event	2015
Announcement of Acquisition and Entitlement Offer	Thursday 12 March 2015
Institutional Offer opens	Thursday 12 March 2015
Institutional Offer closes	Thursday 12 March 2015
Institutional Shortfall Bookbuild	Friday 13 March 2015
Record date under the Entitlement Offer	7.00 pm (Sydney time) Tuesday 17 March 2015
Retail Entitlement Offer opens	9.00 am (Sydney time) Friday 20 March 2015
Despatch of Retail Offer Booklet and Entitlement and Acceptance Form	Friday 20 March 2015
Settlement of the Institutional Entitlement Offer and Institutional Shortfall Bookbuild	Monday 23 March 2015
Trading commences in shares issued under Institutional Entitlement	Tuesday 24 March 2015



Event	2015
Offer and Institutional Shortfall Bookbuild	
Despatch payment (if any) in respect of entitlements not accepted under the Institutional Entitlement Offer	Friday 27 March 2015
Retail Entitlement Offer closes	5.00 pm (Sydney time) Thursday 2 April 2015
Retail Shortfall Bookbuild	Thursday 9 April 2015 (after market close)
Settlement of the Retail Entitlement Offer and Retail Shortfall Bookbuild	Tuesday 14 April 2015
New Shares allotted under the Retail Entitlement Offer and Retail Shortfall Bookbuild	Wednesday 15 April 2015
Trading commences in shares issued under Retail Entitlement Offer and Retail Shortfall Bookbuild	Wednesday 15 April 2015
Despatch Holding Statements under Retail Entitlement Offer	Thursday 16 April 2015
Despatch of payment (if any) in respect of entitlements not accepted under the Retail Entitlement Offer	Friday 17 April 2015

Note: The above timetable is indicative only and subject to change. The Company reserves the right, in conjunction with the Joint Lead Managers and Underwriters, subject to the *Corporations Act 2001* (Cth) and the ASX Listing Rules, to amend the indicative timetable set out above or to withdraw the Entitlement Offer at any time. All references to time are to Sydney time.

Further information

For further details regarding the New Acquisition and the Entitlement Offer, shareholders are advised to refer to the Investor Presentation released to the ASX today.

CBA Equities Limited and Canaccord Genuity (Australia) Limited are acting as Joint Lead Managers and Underwriters to the Entitlement Offer.



Conference call

A conference call has been scheduled for 10.30 am (Sydney time) 12 March 2015.

Conference call details are as follows:

Confirmation Code (Password)	5667865
Attendee Dial-in (Sydney Toll):	+ 61 2 8113 1400
Attendee Dial-in (Australia Toll Free):	1800 554 798
Attendee Dial-in (New Zealand)	0800 450 585
Attendee Dial-in (Hong Kong)	800 901 587
Attendee Dial in (Japan)	+ 813 4560 8150

ENDS



Paul Cochrane
Company Secretary

About Affinity Education Group Limited

Affinity Education Group Limited is a leading provider in the Australian market of high quality education and care to children aged six weeks to 12 years. Provision of these services includes long day care, before and after school care and occasional care.

Important Notice

This Announcement may not be released or distributed in the United States. This Announcement is neither an offer to sell nor a solicitation of an offer to buy securities in the United States.

The new shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States. Securities may not be offered or sold in the United States without registration under the US Securities Act or an exemption from such registration requirements.



All dollar values are in Australian dollars ("A\$").

A number of figures in this Announcement have been rounded and percentages have been calculated on actual whole figures.

This Announcement contains certain "forward looking statements". Forward looking statements can generally be identified by the use of forward looking words such as, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target", "outlook", "guidance" and other similar expressions within the meaning of securities laws of applicable jurisdictions and include, but are not limited to, indications of, or guidance or outlook on, future earnings or financial position or performance of the Company, the outcome and effects of the Entitlement Offer and the use of proceeds. The forward looking statements contained in this Announcement are not guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of the Company, and may involve significant elements of subjective judgment and assumptions as to future events which may or may not be correct or may change without notice. In addition, please note that past performance is no guarantee or indication of future performance.

There can be no assurance that actual outcomes will not differ materially from these forward-looking statements. A number of important factors could cause actual results or performance to differ materially from the forward looking statements. The forward looking statements are based on information available to the Company as at the date of this Announcement.

Except as required by law or regulation (including the ASX Listing Rules), the Company undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements.

