

ASX Announcement

G8 Education Limited
(ASX:GEM)



G8 Education^{ltd}

28 August 2015

Response to Anchorage Capital Partners Limited Proposal for Affinity Education Group Limited

Affinity Education Group Limited (**Affinity Education**) has announced that it has entered into a heads of agreement in relation to the sale of all of the assets and business of Affinity Education to private equity group Anchorage Capital Partners Pty Limited (**Anchorage**) (**Conditional Proposal**).

- **The Conditional Proposal has no apparent funding certainty**
- **The Affinity Education board has ignored the uncertainty of the Conditional Proposal**
- **The Affinity Education board has refused to release a copy of the heads of agreement with Anchorage**

The Conditional Proposal has no apparent funding certainty

- Anchorage Childcare Pty Ltd was incorporated on 24 August 2015 at 11.22am, with total issued capital of \$1.00.
- Affinity Education then announced at 2.10pm on 24 August 2015 the Conditional Proposal.
- The ASIC records indicate that Anchorage has total issued share capital of \$1,000.
- Affinity Education's supplementary target's statement dated 27 August 2015 states that: *'[it] understands that Anchorage proposes to fund the [Conditional Proposal] through a combination of external debt, equity from Anchorage Capital Partners Fund II, and equity support from co-investors in Anchorage.'*
- It is apparent from this statement that Anchorage either has no reasonable basis to assert that it has funding to complete the Conditional Proposal or the Affinity Education board has simply not made appropriate enquiries of Anchorage.
- Disclosure by Affinity Education about the Conditional Proposal supports the conclusion that there is no 'reasonable basis' to believe that funding for the Conditional Proposal is available.

In making its recommendation that Affinity Education board has ignored the uncertainty of the Conditional Proposal

- Affinity Education's supplementary target's statement dated 27 August 2015 states: *"Your Directors consider that the [Conditional Proposal], if implemented, will be a superior proposal to the G8 Offers"* (our emphasis).
- The Affinity Education board has ignored the possibility of the Conditional Proposal not being implemented in expressing its support for the Conditional Proposal.

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- Affinity Education shareholders, particularly, those who have acquired shares since the Conditional Proposal was announced, risk that the Conditional Proposal will not proceed, particularly given:
 - the uncertain funding situation;
 - the requirement for Anchorage to complete due diligence;
 - the requirement for the parties to agree binding contractual documents;
 - the potential implications of G8 Education's voting power of 24.48% on the outcome of the ordinary resolutions that will need to be passed by Affinity Education shareholders to implement the Conditional Proposal.
- Affinity Education shareholders ought to be concerned about their board's apparent failure to consider these matters as part of the recommendation particularly given that the Affinity Education board has refused to disclose a copy of the heads of agreement with Anchorage.

The Affinity Education board has refused to release a copy of the agreement with Anchorage

- On 26 August 2015, given the significant uncertainties about the Conditional Proposal G8 Education requested that the Affinity Education board release the heads of agreement between Affinity Education and Anchorage to the market.
- On 27 August 2015, Affinity Education released a supplementary target's statement which purported to address a number of the disclosure concerns raised by G8 Education but did not include a copy of the heads of agreement.
- Given the significant uncertainties about the implementation of the Conditional Proposal, G8 Education believes that Affinity Education shareholders and the market would benefit from disclosure of the heads of agreement and ought to be concerned that the Affinity Education board has refused to release that document.

Benefits of G8 Education's offers

G8 Education has since 3 August 2015 had, and continues to hold, \$148,319,880 in clear available funds ready to pay for all the Affinity Education Shares it does not already own. This provides shareholders with certainty of payment upon three days of accepting the Cash Offer.

G8 Education's Scrip Offer also provides Affinity Education shareholders with ability to continue their investment in the childcare industry through Australia's largest listed for-profit provider in this sector. G8 Education shares will be issued within 30 days of the Scrip Offer being accepted or 21 days of the close of the Scrip Offer, whichever is the earlier.

ENDS

Chris Scott

Managing Director