

RedHill Education Limited

INVESTOR UPDATE

RedHill Education Limited (**RedHill**) releases this investor update to provide information for the market on several matters.

1. FY2016 FIRST HALF FINANCIAL RESULTS

RedHill expects shortly to report these first half FY2016 financial results:

- Revenue growth of approximately 15% over the corresponding previous half year (FY2015 H1 Revenue: \$11.1 million)
- EBITDA of approximately \$0.5 million (FY2015 H1 EBITDA: \$1.25 million)

Significant investment costs for RedHill's new Melbourne campus and for new course development are included in the first half results. RedHill expects financial performance to improve significantly in the second half of FY2016.

2. LAUNCH OF NEW MELBOURNE CAMPUS

RedHill's new Melbourne campus is substantial and commenced operations in September 2015.

It provides a major opportunity for RedHill to penetrate the Melbourne tertiary education market using its proven approach of quality face-to-face and online teaching, extensive industry engagement, and strong student support.

The capital investment to build and fit-out the Melbourne campus in the first half of FY2016 was approximately \$1.6 million.

Melbourne operations have reduced EBITDA by approximately \$0.8 million in first half FY2016 financial results.

RedHill expects the Melbourne campus to begin generating positive EBITDA results from the fourth quarter of FY2016.

3. AUSTRALIAN GOVERNMENT'S VET FEE-HELP LOAN SCHEME EMERGENCY MEASURES

Without notice or consultation, the Australian Government legislated changes to the VET FEE-HELP tuition loan scheme through the passage at the end of December 2015 of the *Higher Education Support Amendment (VET FEE-HELP Reform) Act 2015* (the Act).

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

The Government's measures are draconian and unfairly disadvantage reputable providers. The intent is to freeze each provider's VET FEE-HELP payments in 2016 to approximately the amount it received in 2015.

The Government's freeze draws no distinction between the quality or effectiveness of different private education providers. Providers that received large payments in 2015 will do so again in 2016 regardless of their reputation, quality or educational effectiveness. Providers that received little in 2015 will receive little in 2016 regardless of their reputation, quality or educational effectiveness.

RedHill is a high-quality private education provider, and has not and will not undertake the predatory marketing strategies adopted by disreputable providers. To date it has relied primarily on face-to-face teaching at attractive campuses supplemented by online tutorials and lectures. Only a small proportion of RedHill's revenue has been derived from VET FEE-HELP (about 6% in FY2015).

However, during 2015, RedHill carefully developed several new high-quality online and other courses that would qualify for VET FEE-HELP tuition assistance. The Government's extraordinary blanket intervention will interdict these courses and their corresponding revenues.

The Act establishes a maximum VET FEE-HELP credit (known as a 'cap') for each education provider. This is the limit on the total value of VET FEE-HELP tuition loans that an education provider's students can incur.

The cap for RedHill for calendar year 2016 is \$1.3 million.

The Act provides for a number of possible exceptions to the application of the VET FEE-HELP cap. However, the Department of Education and Training (the Department) has not yet provided appropriate explanations of how these exceptions will apply.

RedHill will seek several exceptions from the VET FEE-HELP cap, particularly for its new Coder Factory Academy diploma qualification which provides specialised computer coding training to support the Government's innovation economy aspirations. Without the granting of exceptions, the growth of RedHill's new high-quality VET courses will be inhibited, and popular existing courses such as the Diploma in Digital Marketing will be stunted.

The Act also enables the Department to make payments to providers in arrears from 1 January 2016. The application of payment in arrears is to be determined by the Department using a risk based assessment of education providers.

RedHill has received no notice from the Department advising that it will be moved to VET FEE-HELP payment in arrears.

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ABOUT REDHILL

RedHill has a portfolio of quality education businesses at the premium end of the private education market to capitalise on the demand for higher education, vocational training and English language programmes. For further information refer to our website www.redhilleducation.com.