

## Notice of Special Meeting

# 15 September 2022, 12 noon

Evolve Education Group Limited gives notice that a Special Meeting will be held via the Link Market Services Virtual Meeting platform at [www.virtualmeeting.co.nz/evosm22](http://www.virtualmeeting.co.nz/evosm22) on 15 September 2022, 12 noon (NZST).

### AGENDA

- Chairperson's Address
- Ordinary Resolution
- Shareholder discussion

### ORDINARY RESOLUTION

To consider and, if thought appropriate, pass the following ordinary resolution:

**Resolution:** That the shareholders of Evolve Education Group Limited (**Evolve**) ratify, confirm and approve for all purposes, including for the purposes of both Rule 5.1.1(a) and (b) of the NZX Listing Rules, the sale of 100% of the shares in Lollipops Educare Centres Limited under a share sale agreement dated 29 August 2022 between Shine BidCo Limited, Lollipops Educare Holdings Limited and Evolve Early Education Pty Limited, wholly owned subsidiaries of Evolve (the **Transaction**), as described in more detail in the Explanatory Statement and accompanying materials, and to authorise the directors of Evolve to take all actions, do all things and execute all documents and agreements necessary or considered by them to be necessary or expedient to give effect to the Transaction.

## ATTENDANCE AND VOTING

Your rights to vote may be exercised by:

- a) attending the virtual meeting and voting online in accordance with the instructions given at the virtual meeting;
- b) casting a postal or online vote; or
- c) appointing a proxy (or representative) to attend the virtual meeting and vote in your place online.

You can appoint a proxy or cast a postal vote online at [vote.linkmarketservices.com/EVO](https://vote.linkmarketservices.com/EVO) or by completing and returning the Proxy Voting Form (which is enclosed with this Notice of Special Meeting) no later than **12 noon on 13 September 2022**. Please refer to the Procedural Notes on page **3** for further details on how to vote.

By order of the Board

Edmund Mah  
Company Secretary  
**30 August 2022**

## PROCEDURAL NOTES

### Voting

Voting on the resolution put before the meeting shall be by way of poll. Shareholders are encouraged to cast a postal or online vote or appoint a proxy to exercise their vote on their behalf if they cannot attend the virtual meeting.

If you do not attend the virtual meeting, cast a postal or online vote, or appoint a proxy to vote at the virtual meeting then no vote will be exercised in respect of your shareholding.

The resolution is an ordinary resolution and will be passed if approved by a simple majority of votes of those shareholders entitled to vote and voting on it.

Results of the voting will be available after the conclusion of the meeting, and will be notified on NZX and ASX.

### Postal and online voting

Shareholders entitled to attend and vote at the meeting may cast a postal or online vote instead of attending the virtual meeting or appointing a proxy to attend. Link Market Services Limited has been authorised by the Board to receive and count postal and online votes at the meeting.

You can cast a postal vote by completing and sending the Proxy and Postal Voting Form (enclosed with this Notice of Meeting) by post, email (as a scanned attachment), or deliver it by hand so that, in each case, the form is received by **Link Market Services Limited** no later than **12 noon on 13 September 2022**.

Online votes can be made at [vote.linkmarketservices.com/EVO](http://vote.linkmarketservices.com/EVO). Online votes must be made by **12 noon on 13 September 2022**.

### Voting by proxy

You can appoint a proxy to attend the virtual meeting and vote in your place.

You can appoint a proxy online at [vote.linkmarketservices.com/EVO](http://vote.linkmarketservices.com/EVO) or by completing and returning the Proxy Voting Form (enclosed with this Notice of Special Meeting) in the manners specified on the Proxy Voting Form so that the form is received by Link Market Services Limited no later than **12 noon on 13 September 2022**.

The proxy need not be a shareholder of Evolve. The Chairperson of the meeting is willing to act as proxy for any shareholder who may wish to appoint him for that purpose.

If you select a proxy to vote on your behalf (including the Chairperson of the meeting), and you confer on the proxy a discretion on the Proxy Voting Form, you acknowledge that the proxy may exercise your right to vote at his or her discretion and may vote as he or she thinks fit or abstain from voting. If you do not tick any boxes or your direction on how the proxy is to vote is unclear (in the Proxy's sole opinion) in respect of a resolution, then the direction is to abstain. Any person not entitled to vote on the resolution cannot act as a proxy unless they are given express direction on how to vote.

The Chairperson intends to vote all discretionary proxies in favour of the resolution.

### Presentation materials

If you are not able to attend the virtual Special Meeting, copies of any materials presented at the virtual meeting by the Chairperson will be available on the NZX website ([www.nzx.com](http://www.nzx.com)), ASX's Website ([www.asx.com.au](http://www.asx.com.au)) and on Evolve's website ([www.evolveeducation.co.nz](http://www.evolveeducation.co.nz)) shortly after the Special Meeting commences.

## EXPLANATORY NOTES

The purpose of this Explanatory Statement is to provide shareholders with further information on the business to be considered at the Special Meeting of Evolve to be held on 15 September 2022.

### Why is the resolution required?

On 29 August 2022, Evolve agreed, through its wholly owned subsidiary Lollipops Educare Holdings Limited (the **Vendor**), to sell 100% of the shares in Lollipops Educare Centres Limited (**LECL**) to Shine BidCo Limited (**BidCo**), an acquisition vehicle for funds managed by Anchorage Capital Partners (**Anchorage**) for an enterprise value of NZ\$46m.

The Transaction is conditional on, amongst other things (detailed below), approval by Evolve shareholders as an ordinary resolution in accordance with Rule 5.1.1 of the NZX Listing Rules (the **Shareholder Approval Condition**). That approval is being sought from shareholders at the Special Meeting.

### Important information about the Transaction accompanies this notice

The following materials accompany this notice:

- An investor presentation detailing the proposed Transaction accompanies this notice of meeting (*Transaction Summary*). The Transaction Summary includes details of the rationale of the proposed sale by Evolve and the terms of the proposed transaction.
- A letter from the Chair of Evolve, Hamish Stevens, summarising the Board's view of the proposed Transaction and the benefits to Evolve (*Chair's Letter*).

**You should read the Transaction Summary and the Chair's Letter in full as they contain important information to assist you in determining whether to vote in favour of the resolution.**

### Recommendation of the Board

The Board unanimously recommends the Transaction and associated matters to shareholders for approval and encourages all shareholders to vote in favour of the Resolution. In the Board's view, the Transaction is in the best interests of Evolve and its shareholders. The Directors intend to vote all shares in Evolve held or controlled by them in favour of the Resolution.

If Evolve's shareholders do not approve the Transaction by 31 October 2022 then the share sale agreement will be at an end, unless the Vendor and BidCo agree to an extension. In that event, Evolve will continue to operate its New Zealand ECE centres in the ordinary course, and will explore any alternative avenues to unlock the opportunities it sees within the Australia ECE market.

Evolve will not incur financial penalties under the share sale agreement if the Transaction is not completed, unless a director changes, qualifies or withdraws their recommendation that shareholders approve the transaction, or Evolve enters into discussions with other parties in relation to a similar transaction, in which case Evolve may be required to pay \$700,000 to BidCo.

### Listing Rules requirements

An ordinary resolution may be required under Rule 5.1.1 of the NZX Listing Rule if the Transaction resulted in the sale of assets which have a gross value above 50% of Evolve's Average Market Capitalisation.

The Transaction may also significantly change the nature of Evolve's business. As a result, approval is being sought for the Transaction under both limbs of NZX Listing Rules 5.1.1.

The Transaction is not a 'major transaction' for the purposes of section 129 of the Companies Act 1993 as the assets being disposed of are not held by Evolve, and therefore a special resolution is not required.

## Key Transaction Details

The following key terms apply to the Transaction:

- a) BidCo will acquire 100% of the share capital of LECL for an enterprise value of NZ\$46m, less net debt (inclusive of a capex adjustment of NZ\$2.5m) and subject to adjustment post completion to reflect actual levels of completion net working capital against reference working capital, as outlined in the Transaction Summary.
- b) At Completion LECL will operate 105 centres. One other centre currently operated by LECL will be transferred to another Evolve entity prior to completion. Transitional services will be contracted back to Evolve to enable this centre to be run without disruption to staff and parents and to enable an orderly withdrawal from the New Zealand market by Evolve.
- c) Prior to completion, all of Evolve's New Zealand based centre staff (other than the CFO and those based at the excluded centre) will be offered employment with LECL. Evolve staff specifically involved in Evolve's Australian business and its listed company activities will continue to be employed by Evolve or its Australian subsidiary.
- d) Customary warranties and indemnities (the latter, including as to pre completion tax liabilities and any employee remuneration obligations) are provided by the Vendor. These are subject to a range of limitations, qualifications and caps. Evolve considers the warranty and indemnity position achieved to be market typical for transactions of this nature in Australasia.
- e) Evolve and its subsidiaries have provided non-compete undertakings in favour of BidCo, of a 4 year duration. The non-compete undertakings apply to New Zealand only, so will not impede Evolve in implementing its Australian growth strategy as outlined in the Transaction Summary.
- f) Evolve Early Education Pty Limited (**Evolve Australia**) has guaranteed the performance of the Vendor's obligations under the Agreement.

All the transaction documents were negotiated on an arm's length basis. Evolve's board was ultimately responsible for approving the terms of the transaction documents following an arm's length negotiation of the terms with Anchorage and its advisers. Evolve's board and management have carefully considered commercial, financial and tax advice from PricewaterhouseCoopers, and legal and tax advice from Chapman Tripp, in negotiating these documents. As noted above, after consideration of such advice, the terms of the transaction documents and Evolve's strategy and the trading environment in New Zealand and Australia, the Evolve board concluded that it considers the transaction to be in the best interests of shareholders and therefore unanimously recommends it to shareholders for approval.

## Conditionality

In addition to the Shareholder Approval Condition, the Agreement is conditional upon:

- a) Release of security being approved by the security trustee in relation to the notes issued by Evolve under the Information Memorandum dated 2 December 2020.<sup>1</sup>
- b) Receipt of necessary change of control consents for specific leases.
- c) Completion of the necessary internal restructure to ensure all centre based assets being acquired by BidCo are held by LECL.
- d) The parties not receiving any written communication prior to completion from the Ministry of Education that indicates that the Ministry of Education could reasonably be expected to take any materially adverse action in relation to LECL's Early Childhood Education licences in response to the Transaction.

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<sup>1</sup> Refer to Evolve's announcement to NZX and ASX regarding the same dated 27 November 2020, and notes 21 (Capital Management) and 24 (Financial Assets and Liabilities) in Evolve's financial statements for the year ended 31 December 2021 for further details as to the terms of these notes.

The conditions must be satisfied by 31 October 2022. If any of the conditions are not satisfied by this date, then the Agreement will not complete unless the Vendor and BidCo agree to an extension. The Transaction is expected to complete by 30 September 2022.

BidCo may also terminate the Agreement if a material adverse event occurs prior to completion that is reasonably likely to have a materially adverse impact on the reputation of LECL or its business as a whole, provided that such impact must be specific to LECL or its business and not a general event or circumstance, and not be a result of the Transaction itself.

#### **Use of proceeds and Evolve's future plans**

As outlined in the Transaction Summary, the board sees substantial opportunity in the Australian market where it has seen continued successful execution of Evolve's Australian growth strategy.

The board believes that the funds from the sale of the New Zealand centres (LECL) can be best allocated in the Australian market for a targeted acceleration of the Australian growth strategy. Evolve will have a stringent focus on acquisitions at prices which are sensible and sustainable. Evolve believes the current Australian market conditions are highly favorable for centre acquisitions and market consolidation.

Following completion, Evolve will no longer operate in New Zealand, with the exception of one New Zealand centre that does not form part of the sale and is therefore intended to be transferred to the Vendor prior to completion of the proposed transaction. Evolve will put in place the necessary transitional services with BidCo to enable this centre to be run without disruption to staff and parents, as well as to enable an orderly withdrawal from the New Zealand market generally. Evolve Australia, a wholly owned subsidiary of Evolve, will continue to operate Evolve's ECE centres in Australia.