G8 Education response to Affinity Education’s announcement of 6 July 2015

G8 Education Limited (G8 Education) (ASX: GEM) proposes, as announced on 3 July 2015, to make a takeover bid for all of the ordinary shares in Affinity Education Group (Affinity Education) (ASX: AFJ) which G8 Education does not already own. As announced, the bid consideration of one fully paid ordinary share in G8 Education for every 4.61 fully paid ordinary shares in Affinity Education represents an attractive premium of 29.6% to Affinity Education’s closing price of $0.54 on 2 July 2015, the last day of trading prior to the announcement of G8 Education’s intention to make a takeover bid for Affinity Education.

G8 Education now owns 46,051,790 fully paid ordinary shares in Affinity Education, which represents 19.89% of Affinity Education’s ordinary shares on issue.

The Affinity Education announcement of 6 July 2015 refers to ‘a previous proposal received from G8’. G8 Education wishes to clarify that no formal takeover offer was proposed in discussions between G8 Education and Affinity Education. As outlined in that announcement, confidential discussions as to a possible merger were held on 24 April 2015 and 24 June 2015 – those discussions were non-binding and were held between the Chair and Managing Director of both G8 Education and Affinity Education. Following those discussions, on 25 June 2015 (a week before Affinity Education’s earnings guidance announcement of 2 July 2015), the Chair of Affinity Education advised the Chair of G8 Education that the Affinity Education Board could not see a way forward on a no premium merger basis.

The Chair of G8 Education agreed to revert to the Chair of Affinity Education. This occurred on the morning of 3 July 2015 at which time the Chair of Affinity Education was advised of the acquisition of 38,001,946 fully paid ordinary shares in Affinity Education by G8 Education after the close the market on 2 July 2015, representing 16.41% of Affinity Education’s ordinary shares on issue and that G8 Education would shortly be proposing to make a takeover bid for all of the ordinary shares in Affinity Education.

Relevantly, Affinity Education’s announcement of 6 July 2015 acknowledges that it had agreed to keep those earlier discussions confidential, but has now disclosed some details of them to the market on the basis that ‘it is important that shareholders are aware that G8 was very recently prepared to offer a higher value for Affinity shares’. G8 Education notes that the discussions of 24 April 2015 and 25 June 2015 between G8 Education and Affinity Education were held before Affinity Education’s announcement of ‘earnings guidance’ on 2 July 2015, which announcement updated the market on EBITDA guidance for the FY2015 half and full year (Earnings Guidance Announcement) and, further, that both the acquisition of G8 Education’s initial stake in Affinity Education, and the announcement of its intention to make a takeover bid for Affinity Education, were made after the Earnings Guidance Announcement.
Affinity Education shares closed on the day prior to the Earnings Guidance Announcement at $0.82 cents, falling heavily on the day of the Earnings Guidance Announcement to close at $0.54 cents, a fall of more than 34% from the prior trading day’s closing price, on relatively high trading volumes. In the context of the announcement by Affinity Education, G8 Education considers it important for Affinity Education shareholders to be aware that this material earnings announcement was made following the preliminary discussions between Affinity Education and G8 Education.

ENDS

Chris Scott
Managing Director